DIRECTORS AND ADVISERS

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COMPANIES HOUSE 26/05/99

DIRECTORS

M E Beckett, *Chairman**

A Brooks*

S L James*

R D Ward, FCA

G D Weston, MCIT

**non-executive*

ADVISERS

AUDITORS
Ernst & Young

SOLICITORS
Simmons & Simmons

FINANCIAL ADVISERS
The British Linen Bank Limited

STOCKBROKERS
Cazenove & Co.

REGISTRARS
Exchange Registrars Limited

PRINCIPAL BANKERS
Bank of Scotland

SECRETARY AND REGISTERED OFFICE
D H Gilbert, ACIS
12 Camomile Street
London EC3A 7BP

REGISTERED NUMBER
1190238

CHAIRMAN'S STATEMENT

INTRODUCTION

PROFIT BEFORE TAX for the year ended 31 December 1998 was £2.0 million (1997: £3.2 million) and includes an exceptional gain on asset sales of £0.9 million. Turnover was £28.4 million (1997: £33.1 million).

REVIEW OF OPERATIONS

Overview

TURNOVER in US dollars, in which most of our business is transacted, decreased to US$47.0 million (£28.4 million), from US$54.2 million (£33.1 million), reflecting lower freight rates.

Despite the difficult market conditions experienced last year, particularly in the dry bulk sector, we have maintained our pre-eminent market position in all the major sectors in which we operate.

Dry Cargo

THE YEAR SAW a weakening dry bulk market, following an already difficult 1997. Average vessel earnings decreased for all size ranges with rates for all sectors the lowest since the mid 1980's.

Trade in most seaborne dry bulk commodities decreased in 1998, with the Asia economic crisis the largest single factor in the downturn. The Panamax and Handymax fleets grew by about 2% and 3% respectively, while the Capesize fleet decreased by some 2%.

These adverse market conditions had a severe impact on this division's commission earnings.

Tankers

TANKER MARKET performance varied by sector. The year's average freight rates for modern VLCC and Suezmax tankers decreased by 6% and 11% from 1997 levels. A strong first half of 1998 was offset by weakness in the second half, as agreements to restrict crude oil production took effect.

Lower than expected growth in short haul crude trades and 35 new vessels delivering in 1998 reduced average Aframax earnings to about US$15,600 per day from US$21,200 per day in 1997. In the product tanker sector, decreasing demand and a large number of deliveries contributed to lower vessel earnings.

Chemical tanker rates decreased during 1998 due to reduced Asian demand and fleet growth, while the stable gas carrier fleet kept 1998 average freight rates near 1997 levels.

However, the effect of generally lower freight rates was offset by an improved market share which largely compensated for reduced commission earnings.

Sale and Purchase

ALTHOUGH NEW bulk vessel contracting has fallen significantly between 1997 (50.6 million tonnes) and 1998 (30.4 million tonnes) the division has maintained a high profile in the newbuilding sector where it has again been particularly active placing a large number of new orders with Korean shipbuilders.

Apart from demolition, which performed well, the secondhand market was extremely disappointing in 1998 with volume almost halved from the previous year.

The division maintained its position in the market but saw reduced commission earnings due to the general inactivity in the market.

Futures

FREIGHT DERIVATIVES broking volume has increased by 25% in 1998 despite deteriorating conditions in the dry bulk market. Our Biffex market share has risen from 35% to 45%, a direct result of an assertive marketing campaign. We now offer a futures broking service to clients across the Capesize, Panamax, Handymax and Handy dry cargo sectors. We also cover tanker market derivatives, mainly in the VLCC trades. Option volumes have increased during 1998 confirming our position as a dominant force in freight derivatives broking.

Research and Publications

THIS YEAR SAW another important step forward for our research and publications activities. Over the last seven years Clarkson Research Studies has grown rapidly, extending its activities from the publication of registers to an extensive range of market reports and electronic products as well as consultancy.

Clarkson Research Studies now operates as the Research and Publications division of H Clarkson & Company Limited and as an independent profit centre of the group. This brings Research and Publications closer to the broking divisions, whilst at the same time giving the division better access to the information flowing through the business. It continues to provide shipping clients with an informed and independent view of the market.

Overseas

OUR OVERSEAS companies made an increased contribution to operating profits. In particular our Australian subsidiary, Austral Chartering (Pty) Limited, continues to perform strongly. Seabrokers Inc. and Afromar (Pty) Limited, our subsidiaries in the United States and South Africa, also made good contributions.

Our offices in the Far East, which have significant exposure to the bulk cargo trade, struggled in difficult market circumstances. However our long term commitment to Clarkson Asia remains undiminished despite the adverse economic conditions which presently affect these markets.

FINANCIAL

IN THE SECOND HALF of 1998, the group sold various fixed assets comprising a long leasehold property in Westminster and various quoted investments. These realised a profit of £861,000 which is shown as an exceptional item.

The overall tax rate for the year is 34.8% (1997: 40.7%), compared to the current effective UK corporation tax rate of 31.0%. The exceptional profits on fixed asset sales were offset by brought forward capital losses. The group, however, continues to suffer a higher than standard rate of tax on ordinary profits principally as a result of disallowable expenses in the UK and overseas losses.

In July 1998 the company acquired 6,153,846 shares in a Tender Offer at a price of 130 pence per share, at a cost of £8.4 million. The cost of the Tender Offer has resulted in the fall in net cash and deposits at 31 December 1998 to £4.6 million (1997: £14.2 million).

PROSPECTS

CONTINUED LOW vessel earnings are expected for 1999, as the demand outlook remains sluggish, while high levels of newbuildings will add to the industry fleet. Asian recovery remains crucial for any demand-led recovery, however we anticipate some improvement in the dry bulk market towards the end of the current trading year. On the supply side, if vessel earnings remain low, the high levels of scrapping seen in 1998 seem likely to continue.

In 1999 it is likely that Japanese shipbuilders will return to the export market and in anticipation of this our Sale and Purchase division has entered into an agreement with Sasebo Heavy Industries to market their products. This new development is part of a more general policy to work with a number of Japanese shipbuilders which we believe will be beneficial to all concerned and comes at a time when the company is already placing a significant volume of business with well established Korean shipyards.

A continuous effort has been made to contain costs, however we believe it is essential to maintain critical mass in the core areas of our business so that we are well positioned to take advantage of any economic upturn as and when it arises.

DIRECTORS AND OFFICERS

IN SEPTEMBER 1998 Rex Harrington retired as a non-executive director. We thank him for his service and wish him well for the future.

In May 1998 Martin Fairley retired as company secretary. Martin Fairley was secretary of the company for over 20 years. He retires with our very best wishes and our appreciation for the tremendous contribution he has made during that time.

DIVIDEND

THE BOARD will be recommending a final dividend of 2.50 pence per share to be paid on 25 June 1999 to shareholders on the register at the close of business on 11 June 1999. This final dividend, together with the interim dividend paid in October 1998, 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

31 March 1999

REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31 December 1998, which were approved by them on 31 March 1999.

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 October 1998. The directors will be recommending a final dividend of 2.50 pence per share, payable on 25 June 1999 to shareholders on the register at the close of business on 11 June 1999, making a total dividend for the year of 4.00 pence per share (1997: 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 and Mr R W Harrington resigned as a director of the company on 30 September 1998.

In accordance with the company's articles of association, Mr G D Weston will retire by rotation at the annual general meeting and offer himself for re-election. He has a twelve month service contract.

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 (62) Chairman, was appointed a director of the company in 1988. He is a non-executive director of Ashanti Goldfields Company Limited, British Borneo Oil and Gas Syndicate Plc, BPB plc and Queens Moat Houses plc. He is chairman of Watts Blake Bearne & Company plc and Greycoat PLC.

Mr A Brooks (63) 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 S L James (68) has been a director of the company since 1975 and is Chairman of the audit committee. He is a non-executive director of Greycoat PLC.

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

SHARE CAPITAL

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

SUBSTANTIAL INTERESTS

The company has been notified or is aware of the following substantial interests in its issued share capital as at 15 March 1999 (being the latest practicable date prior to the approval of these accounts).

Employees and employee share trusts	38.28%
National Westminster Investment Managers	14.70%
J Rothschild Holdings	4.45%
Generale Bank clients	3.88%
Scotia McLeod clients	3.53%
Cleaves Shipbroking	3.02%

As at 15 March 1999, employees directly held 4.79% of the company's share capital and 33.49% 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.

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 15 March 1999, employee share trusts held 4,748,530 shares for allocation to employees at a future date under share incentive schemes. Of these, 1,053,878 shares were held for employees under the Savings Related and Senior Executive Share Option Schemes, 500,985 shares on behalf of the Profit Sharing Scheme, and 3,193,667 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 £10,100 (1997: £19,017). 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 full board constitutes the nominations committee. 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 company continues to be a member of CISCO, an organisation which is lobbying for changes to reflect the implications of corporate governance on smaller companies.

The Combined Code replaced the Report of the Committee on the Financial Aspects of Corporate Governance as the definitive statement of best corporate governance practice on 25 June 1998. A review has been undertaken of the company's existing corporate governance practices to ensure that the company complied with the Principles of Good Governance introduced by the Code throughout the period since June 1998.

The review confirmed that the company had been compliant with current best practice as detailed in the Combined Code since its introduction in all respects save for one of the fourteen principles and 45 code provisions. This principle concerns the re-election of directors by rotation where the company is currently precluded from full compliance because of its Articles of Association. Further details of the minor change that is required to the Articles of Association to achieve full compliance can be found in the notice of meeting on pages 31 and 32. Subject to this amendment the board considers that the company has complied with the principles and provisions of the Combined Code since its introduction.

REPORT OF THE DIRECTORS

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 has assessed the risks to our business from the date change to the year 2000 and the likely impact on our activities. We have developed a prioritised action plan to deal with the key risks.

Much of the cost of implementing the action plan has been subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware and software was approximately £150,000, all of which was new software that was capitalised. All this expenditure was incurred 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 group 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

A resolution 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 1998. Further details of this resolution 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

D H Gilbert D Gilbert
Secretary

31 March 1999

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 1, part B of the Combined Code 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 normally set above the prior year's results and are often set above the current year's budget.

LONG TERM INCENTIVE SCHEMES

A new senior executive share option scheme received shareholders approval at last year's annual general meeting. Further details of this and the company's other 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 their remaining with the company.

Senior Executive Share Option Scheme

The Horace Clarkson Senior Executive Share Option Scheme 1998 was adopted in May 1998 in place of the previous scheme which had expired. No options have been granted during the year. Subsisting options to purchase shares, granted under the company's previous scheme, were granted in phases, generally as a proportion of salary, and exercise can be subject to a performance condition.

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 qualifying 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	*Benefits*	*Performance related bonuses*	*Total*	*Total*
	1998 £'000	*1998 £'000*	*1998 £'000*	*1998 £'000*	*1997 £'000*
Executive directors:					
H O McCoy *(resigned 09.02.98)*	**222**	**1**	**–**	**223**	242
R D Ward	**173**	**9**	**28**	**210**	187
G D Weston	**173**	**9**	**18**	**200**	187
Non-executive directors:					
M E Beckett	**41**	**–**	**–**	**41**	45
A Brooks	**25**	**–**	**–**	**25**	25
R W Harrington *(resigned 30.09.98)*	**19**	**–**	**–**	**19**	23
S L James	**23**	**–**	**–**	**23**	23
	676	**19**	**46**	**741**	732

Mr H O McCoy received a basic salary in lieu of notice for a full year in accordance with the terms of his contract of employment.

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

REPORT OF THE REMUNERATION COMMITTEE

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 are provided only on executive directors' basic salary. 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
R D Ward	**3**	**32**	**21**	18
G D Weston	**4**	**20**	**48**	44

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.

The company 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 1998 was £38,281.

DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the directors in the share capital of the company at 31 December 1998 are as follows:

	Ordinary shares	
	1998 Number	1997 Number
M E Beckett	**2,000**	2,000
A Brooks	**32,000**	2,000
S L James	–	–
R D Ward	**109,042**	156,528
G D Weston	**80,269**	127,886

On 19 March 1999 Messrs M E Beckett, S L James, R D Ward and G D Weston respectively acquired beneficial interests in 8,000, 100,000, 15,000 and 15,000 ordinary shares in the company.

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.

REPORT OF THE REMUNERATION COMMITTEE

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:

		01.01.98	*Granted*	*Lapsed during the year*	***31.12.98***	*Exercise price - pence per share*	*Date options exercisable*	*Date options expire*
R D Ward	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 1994	15,000	–	–	**15,000**	69.0	01.06.99	30.11.99
	SAYE 1997	4,534	–	–	**4,534**	86.0	08.05.00	07.08.00
G D Weston	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 1994	6,600	–	–	**6,600**	69.0	01.06.99	30.11.99
	SAYE 1997	6,802	–	–	**6,802**	86.0	08.05.00	07.08.00

There have been no changes in directors' interests between 31 December 1998 and the date of this report other than disclosed above.

The market price of the shares at 31 December 1998 was 77.5 pence and the range during 1998 was 65.0 pence to 140.0 pence.

A Brooks
Remuneration Committee Chairman

31 March 1999

A. Brooks

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

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

The directors are responsible for preparing the annual report including, as described on page 12, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the accounts.

We review whether the statement on page 6 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of either the company's corporate governance procedures or the group's internal controls.

BASIS OF AUDIT 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.

REPORT OF THE AUDITORS

to the members of Horace Clarkson PLC

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 1998 and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor

London
31 March 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

Notes		1998 £'000	1997 £'000
2	TURNOVER	**28,351**	33,057
3	OPERATING PROFIT	**457**	2,168
	Share of profits of associated undertakings	**119**	62
3	Profit on disposal of fixed assets	**861**	–
	Interest receivable and similar income	**671**	1,019
	Interest payable and similar charges	**(59)**	(1)
2, 3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**2,049**	3,248
6	Taxation on profit on ordinary activities	**(714)**	(1,321)
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**1,335**	1,927
7	Dividends	**(567)**	(814)
17	RETAINED PROFIT FOR THE YEAR	**768**	1,113
8	EARNINGS PER SHARE		
	Basic	**7.94p**	9.07p
	Diluted	**7.85p**	8.96p
	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 1998

	1998 £'000	1997 £'000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**1,335**	1,927
Foreign exchange differences	**(324)**	(155)
Total recognised gains relating to the year	**1,011**	1,772

MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1998

	1998 £'000	1997 £'000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**1,335**	1,927
Foreign exchange differences	**(324)**	(155)
Dividends	**(567)**	(814)
Other movements:		
Goodwill	–	(1)
Tender offer/share buyback	**(8,396)**	(2,092)
Total movements during the year	**(7,952)**	(1,135)
Shareholders' funds at 1 January 1998	**16,709**	17,844
Shareholders' funds at 31 December 1998	**8,757**	16,709

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

BALANCE SHEETS

as at 31 December 1998

Notes		Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
	FIXED ASSETS				
9	Tangible assets	**3,810**	4,537	**755**	748
10	Investments	**1,111**	1,245	**14,229**	14,388
		4,921	5,782	**14,984**	15,136
	CURRENT ASSETS				
11	Debtors	**7,036**	5,885	**1,139**	2,836
	Cash and deposits	**4,798**	14,203	**–**	4
		11,834	20,088	**1,139**	2,840
12	CREDITORS				
	Amounts falling due within one year	**(7,870)**	(9,059)	**(3,042)**	(985)
	NET CURRENT ASSETS/(LIABILITIES)	**3,964**	11,029	**(1,903)**	1,855
	TOTAL ASSETS LESS CURRENT LIABILITIES	**8,885**	16,811	**13,081**	16,991
	CREDITORS				
13	Amounts falling due after more than one year	**(9)**	(7)	**–**	–
14	PROVISIONS FOR LIABILITIES AND CHARGES	**(119)**	(95)	**–**	–
		(128)	(102)	**–**	–
		8,757	16,709	**13,081**	16,991
	CAPITAL AND RESERVES				
15	Called up share capital	**3,545**	5,083	**3,545**	5,083
16	Share premium account	**1,753**	1,753	**1,753**	1,753
17	Other reserves	**3,459**	9,873	**7,783**	10,155
	Equity shareholders' funds	**8,757**	16,709	**13,081**	16,991

The accounts were approved by the board of directors on 31 March 1999, 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 1998

Notes		1998 £'000	1997 £'000
18	NET CASH INFLOW FROM OPERATING ACTIVITIES	1,102	4,328
	DIVIDENDS FROM ASSOCIATES	61	81
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	671	1,002
	Interest paid	(59)	(1)
		612	1,001
	TAXATION	(2,503)	(1,943)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Purchase of tangible fixed assets	(541)	(1,300)
	Purchase of trade investments	(55)	(9)
	Sale of leasehold property	570	–
	Sale of plant and machinery	41	90
	Sale of trade investments	392	4
		407	(1,215)
	ACQUISITIONS AND DISPOSALS		
	Purchase of minority interests and other businesses	–	(181)
		–	(181)
	EQUITY DIVIDENDS PAID	(721)	(865)
	MANAGEMENT OF LIQUID RESOURCES		
20	Decrease/(increase) in deposits	9,106	(1,537)
		9,106	(1,537)
	NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	8,064	(331)
	FINANCING		
	Repurchase of ordinary share capital	(8,396)	(2,092)
19, 20	DECREASE IN FUNDS	(332)	(2,423)

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

Entities, 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, research and consultancy.

(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 1.66 (1997: 1.64).

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

In accordance with FRS10 'Goodwill and Intangible Assets', the company has changed its policy on goodwill. Purchased goodwill is now capitalised and amortised over its estimated useful life. Goodwill written off to reserves under the company's previous policy will not be reinstated.

2 SEGMENTAL INFORMATION

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

Turnover by geographical location of the invoicing subsidiary is as follows:

	1998 £'000	1997 £'000
UK	**20,545**	24,693
USA	**1,817**	2,218
Rest of World	**5,989**	6,146
	28,351	33,057

Group profit before taxation and net assets are analysed as follows:

	Profit before taxation		Net assets	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
UK	**1,449**	2,415	**4,737**	11,746
USA	**330**	431	**1,333**	1,653
Rest of World	**270**	402	**2,687**	3,310
	2,049	3,248	**8,757**	16,709

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after crediting/(charging):

	1998 £'000	1997 £'000
Depreciation of tangible fixed assets	**(1,110)**	(1,200)
Auditors' remuneration:		
Audit services	**(140)**	(152)
Non-audit services	**(54)**	(47)
Profit on disposal of fixed assets	**861**	–

The profit on disposal of fixed assets comprises a gain on the sale of a leasehold property of £555,000 and a profit of £306,000 on the sale of various quoted investments.

4 EMPLOYEES

	1998 *£'000*	*1997* *£'000*
Salaries, commission and fees	**14,847**	16,199
Profit share appropriation	**54**	128
Social security costs	**1,007**	1,345
Other pension costs	**1,475**	1,748
	17,383	19,420

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

	1998 *Number*	*1997* *Number*
UK	**187**	193
USA	**15**	15
Rest of World	**72**	80
	274	288

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

	1998 *£'000*	*1997* *£'000*
Bank overdrafts	**59**	1

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1998 *£'000*	*1997* *£'000*
UK corporation tax	**532**	1,158
Deferred taxation	**(100)**	(95)
	432	1,063
Overseas taxation	**282**	258
Taxation on profit on ordinary activities	**714**	1,321

The effective tax rate for the current year is higher than the standard rate of UK corporation tax. The exceptional profits on fixed asset sales were offset by brought forward capital losses. The group, however, continues to suffer a higher than standard rate of tax on ordinary profits principally as a result of disallowable expenses in the UK and overseas losses.

7 DIVIDENDS

	1998 *£'000*	*1997* *£'000*
Interim dividend paid of 1.50p per share (1997: 1.50p per share)	**213**	306
Final dividend proposed of 2.50p per share (1997: 2.50p per share)	**354**	508
	567	814

8 EARNINGS PER SHARE

The calculation of earnings per share arising from continuing activities is based on earnings of £1,292,806 (1997: £1,885,118) and on 16,278,314 (1997: 20,789,811) shares, being the weighted average number of ordinary shares in issue during the year. This is after excluding the shares and income arising thereon owned by the Executive Share Purchase Trust.

The diluted earnings per share is based on earnings of £1,292,806 (1997: £1,885,118) and on 16,465,100 (1997: 21,037,281) shares reflecting the dilutive effect of various option schemes.

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*	*Office furniture and equipment £'000*	*Total £'000*
ORIGINAL COST									
At 1 January 1998	1,240	19	2,655	6,169	295	10,378	892	–	892
Additions	9	–	5	493	34	541	–	27	27
Disposals	–	(19)	(63)	(220)	(63)	(365)	–	–	–
Foreign exchange differences	(64)	–	–	(37)	(21)	(122)	–	–	–
AT 31 DECEMBER 1998	1,185	–	2,597	6,405	245	10,432	892	27	919
DEPRECIATION									
At 1 January 1998	148	4	1,186	4,424	79	5,841	144	–	144
Provided during the year	19	–	244	807	40	1,110	15	5	20
Disposals	–	(4)	(63)	(206)	(23)	(296)	–	–	–
Foreign exchange differences	–	–	–	(26)	(7)	(33)	–	–	–
AT 31 DECEMBER 1998	167	–	1,367	4,999	89	6,622	159	5	164
NET BOOK VALUE AT 31 DECEMBER 1998	1,018	–	1,230	1,406	156	3,810	733	22	755
At 31 December 1997	1,092	15	1,469	1,745	216	4,537	748	–	748

10 INVESTMENTS

	Group				
	Associated undertakings £'000	*Listed £'000*	*Unlisted £'000*	*Own shares £'000*	*Total £'000*
Cost at 1 January 1998	1	121	63	927	1,112
Additions	–	–	55	–	55
Disposals	–	(80)	(6)	(4)	(90)
Provision for anticipated losses on exercise of share options	–	–	–	(155)	(155)
Adjustments	–	(31)	31	–	–
Foreign exchange differences	–	1	–	–	1
COST AT 31 DECEMBER 1998	1	11	143	768	923
Group's share of post acquisition retained profit and reserves:					
At 1 January 1998	133	–	–	–	133
Retained for the year	119	–	–	–	119
Distributions	(61)	–	–	–	(61)
Adjustments	(3)	–	–	–	(3)
AT 31 DECEMBER 1998	188	–	–	–	188
NET BOOK VALUE AT 31 DECEMBER 1998	189	11	143	768	1,111
At 31 December 1997	134	121	63	927	1,245

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 1998	13,461	927	14,388
Disposals	–	(4)	(4)
Provision for anticipated losses on exercise of share options	–	(155)	(155)
AT 31 DECEMBER 1998	13,461	768	14,229

Own shares represent 1,053,878 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 1998 was £816,755. 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 1998 was £859,473 (1997: £1,644,000); 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 20% of the share capital of the company concerned.

11 DEBTORS	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	**3,584**	4,123	**–**	–
Amounts owed by associated undertakings	**415**	50	**–**	–
Other debtors	**837**	935	**505**	526
Prepayments and accrued income	**725**	562	**39**	–
Taxation	**1,314**	15	**525**	674
Owed by group companies	**–**	–	**70**	1,636
	6,875	5,685	**1,139**	2,836
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other debtors	**161**	200	**–**	–
	7,036	5,885	**1,139**	2,836

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Trade creditors	**791**	729	**–**	–
Other creditors	**589**	1,280	**–**	1
Bank overdraft	**232**	–	**231**	–
Accruals and deferred income	**4,805**	3,873	**266**	263
Advance corporation tax on dividends	**53**	203	**53**	203
Corporation tax	**703**	1,072	**8**	10
Other tax and social security	**338**	1,385	**–**	–
Dividend	**354**	508	**354**	508
Owed to group companies	**–**	–	**2,130**	–
Owed to associated undertakings	**5**	9	**–**	–
	7,870	9,059	**3,042**	985

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Group	
	1998 £'000	1997 £'000
Other creditors	**9**	7

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1998 £'000	Group 1997 £'000
DEFERRED TAXATION		
United Kingdom:		
Accelerated capital allowances	162	262
Short-term timing differences	–	–
	162	262
Less: advance corporation tax	–	(127)
	162	135
Overseas:		
Short-term timing differences	(43)	(40)
Total deferred taxation	119	95

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 1998		
Ordinary shares of 25p each:		
Authorised	26,975,000	6,744
Allotted, issued and fully paid	20,333,246	5,083
At 31 December 1998		
Ordinary shares of 25p each:		
Authorised	20,821,154	5,205
Allotted, issued and fully paid	14,179,400	3,545

The authorised, allotted, issued and fully paid share capital were reduced by the repurchase and subsequent cancellation of 6,153,846 ordinary shares of 25p each by the company in July 1998.

Options subsisting under share option schemes at 31 December 1998 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	148,000	204.4	1992-1999
Senior Executive Share Option Scheme (non-performance related)	1991	168,000	206.0	1994-2001
Senior Executive Share Option Scheme (performance related)	1994	475,000	91.0	2000-2004
Savings Related Share Option Scheme	1994	511,400	69.0	1999
Savings Related Share Option Scheme	1997	333,403	86.0	2000

16 SHARE PREMIUM

	Group and Company £'000
At 1 January and 31 December 1998	1,753

17 OTHER RESERVES

	Group			Company		
	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 1998	507	9,366	9,873	507	9,648	10,155
Foreign exchange differences	–	(324)	(324)	–	–	–
Arising on tender offer/ share repurchase	1,538	(8,396)	(6,858)	1,538	(8,396)	(6,858)
Adjustments	–	–	–	–	–	–
Retained profit for the year	–	768	768	–	4,486	4,486
AT 31 DECEMBER 1998	2,045	1,414	3,459	2,045	5,738	7,783

Goodwill amounting to £12,815,000 has been written off against reserves in previous years.

The profit dealt with in the accounts of the company was £5,053,000 (1997: £4,131,000).

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

	1998 £'000	1997 £'000
Operating profit	457	2,168
Depreciation charges	1,110	1,200
Loss/(profit) on sale of fixed assets	9	(3)
Loss on sale and provision against investments	155	35
Decrease in debtors	95	619
(Decrease)/increase in creditors	(724)	309
Net cash inflow from operating activities	1,102	4,328

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1998 £'000	1997 £'000
Decrease in cash	(332)	(2,423)
Foreign exchange differences	(138)	(35)
Movement in net debt	(470)	(2,458)
Net funds at 1 January	3,685	6,143
Net funds at 31 December	3,215	3,685

20 ANALYSIS OF NET FUNDS

	At 1 January 1998 £'000	*Cash flow £'000*	*Foreign exchange differences £'000*	*At 31 December 1998 £'000*
Cash in hand, at bank	3,685	(100)	(138)	3,447
Bank overdraft	–	(232)	–	(232)
	3,685	(332)	(138)	3,215
Deposits	10,518	(9,106)	(61)	1,351
	14,203	(9,438)	(199)	4,566

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 1998, were as follows:

Main assumptions:	
Annual rate of return on investments (above price inflation)	3.5%
Annual rate of salary increases (above price inflation)	1.5%
Annual rate of pension increases (above price inflation)	0.5%
Price inflation	3.0%
Market value of scheme's assets	£70.3 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	107.0%

Contributions were being paid at a joint rate of 22.5% of pensionable salaries which was more than sufficient to meet the shortfall identified in the previous valuation. To eliminate the resulting surplus over the average expected future working life of the current membership, the group has reduced the joint rate to 21.0% of pensionable salaries.

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 Financial Services Limited	100†	Financial services & other
	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			
LEBANON	Middle East Tankers and Freighters Bunker Services SAL (Offshore)*	50	Bunker broking
UK	H C 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

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
TURNOVER					
Continuing operations:					
Shipbroking	**28,351**	33,057	33,363	32,456	27,028
Shipowning	–	–	–	60	2,609
Total continuing operations	**28,351**	33,057	33,363	32,516	29,637
Discontinued operations:					
Insurance broking	–	–	–	9,413	11,069
	28,351	33,057	33,363	41,929	40,706
PROFIT/(LOSS) BEFORE TAXATION					
Continuing operations:					
Shipbroking	**2,917**	3,838	4,708	5,387	3,155
Shipowning	–	–	–	60	1,449
Head office and other	**(814)**	(462)	(620)	(718)	(377)
Profit sharing scheme	**(54)**	(128)	(177)	(205)	(120)
Total continuing operations	**2,049**	3,248	3,911	4,524	4,107
Discontinued operations:					
Insurance broking	–	–	–	(8,968)	(974)
	2,049	3,248	3,911	(4,444)	3,133
Taxation	**(714)**	(1,321)	(1,480)	(1,548)	(1,764)
Minority interests	–	–	(11)	–	–
Dividend	**(567)**	(814)	(894)	(671)	(447)
Retained profit/(loss) for the year	**768**	1,113	1,526	(6,663)	922

BALANCE SHEET

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
Fixed assets	**4,921**	5,782	5,858	5,802	7,070
Current assets	**11,834**	20,088	21,596	21,527	104,121
Current liabilities	**(7,870)**	(9,059)	(9,362)	(9,838)	(94,504)
Other long term liabilities	**(128)**	(102)	(248)	(311)	(2,304)
Shareholders' funds	**8,757**	16,709	17,844	17,180	14,383

STATISTICS

	1998	1997	1996	1995	1994
Earnings/(loss) per share – basic:					
Continuing activities	**7.94p**	9.07p	11.21p	13.87p	11.53p
Discontinued activities	–	–	–	(41.82p)	(5.25p)
Total	**7.94p**	9.07p	11.21p	(27.95p)	6.28p
Dividend per share	**4.00p**	4.00p	4.00p	3.00p	2.00p

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the twenty-fourth annual general meeting of the members of Horace Clarkson PLC ('the company') will be held at 12 Camomile Street, London EC3A 7BP on Tuesday 18 May 1999 at 11.30 am for the following purposes:

AS ORDINARY BUSINESS

1 To receive and adopt the directors' report and accounts for the year ended 31 December 1998 and the auditors' report thereon.

2 To declare a final dividend of 2.50 pence per ordinary share of 25 pence each in respect of the year ended 31 December 1998, making with the interim dividend of 1.50 pence per ordinary share already paid, a total dividend for the year of 4.00 pence per ordinary share.

3 To re-elect Mr G D Weston, 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 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 25 pence 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 2,126,910 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 five business days immediately preceding the day of purchase and less than 25 pence 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 5:

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.

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

That Article 88 of the company's Articles of Association be deleted in its entirety to enable the company's directors to comply with the Combined Code.

Explanatory note to resolution 6:

Article 88 precludes the chairman from offering himself for re-election at the annual general meeting of the company. This is not in accord with the Combined Code which states that all directors should be subject to retirement by rotation. The directors support the Combined Code and are therefore asking the company's shareholders to remove this impediment to their compliance with the Combined Code.

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

By order of the board

D H Gilbert
Secretary

D Gilbert

Registered office:
12 Camomile Street
London EC3A 7BP

31 March 1999

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 noon on Sunday 16 May 1999. 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.