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CLARKSONS

ANNUAL REPORT AND ACCOUNTS

2004



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Clarksons is the world's leading shipping services group.

Through its global network of offices it gives its clients unique access to shipbroking services across the full range of dry bulk, tanker and sale & purchase sectors.

In recent years the group has expanded to become a fully integrated shipping services provider covering such activities as research and consultancy, shipping publications, shipping derivatives, shipping finance advice, shipping logistics and ship valuations

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Highlights

	2004	2003
Turnover	£87.4m	£58.7m
Profit before taxation	£20.2m	£12.1m
Earnings per share	83.8p	48.6p
Dividends per share	25.0p	17.5p

The result reflects the company's ability to

**continue growing strongly
its principal business.**

Returns and cash flows have again been strong reflecting

**a sound underlying
ability to generate cash.**

2005 has started well and your company is

**well placed to produce
another excellent result.**

Chairman's statement

An expanding team operating globally has attracted an exceptionally broad spread of talented individuals with core competence and knowledge.

In my first annual review as chairman, I am delighted to report that your company has produced another record profit.

The result reflects the company's ability to continue growing strongly its principal business and the chief executive's review gives a broad outline of the progress made during the year, sector by sector. An expanding team operating globally has attracted an exceptionally broad spread of talented individuals with core competence and knowledge. We are seeing the benefits in the results.

Returns and cash flows have again been strong reflecting a sound underlying ability to generate cash.

Strategy

The company's strategy is to continue developing shipbroking activities globally, following our customers to where the business is best served and broadening our product range. Our expansion is focused in sectors where there is potential to increase market share. We remain committed to investing further in shipping service activities in which the Clarkson brand and our competitive advantage of market intelligence give us an edge. An advantage of these shipping service activities such as publishing, logistics and derivatives is that they should be less closely linked to the shipping cycle and should therefore increasingly improve the consistency and predictability of our earnings.

Dividend

The company is committed to maintaining a progressive dividend policy but is also funding significant growth in its business. Major cash spends are referred to in the finance director's review. Costs have been incurred with the now enlarged offices in Shanghai, Singapore, Athens and London and our strategic intent is to commit further funds to shipping service activities including logistics.

The board and staff

In 2004 I took over as chairman from Michael Beckett who retired at the annual general meeting. Richard Fulford-Smith rejoined the board as chief executive officer of the group in April 2004. Gary Weston resigned in April 2004 after many years service and I would like to thank both Michael and Gary for their excellent past service to the company. In September we strengthened the board further with the appointment of Dr Martin Stopford. Martin is an extremely well-known public figure in shipping circles and heads up our expanding research and publications unit.

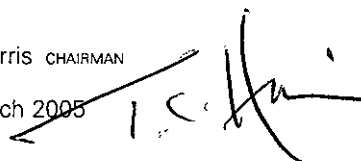
On behalf of the company I would like to thank all our employees who have contributed so strongly to another excellent performance. Their role is critical in a people business such as Clarksons and their hard work, great skill and good humour is highly appreciated.

Outlook

2005 has started well. Freight rates remain significantly above long-term averages with Chinese growth continuing to be a major driver. At present the only negative factor is continuing dollar weakness. A strong forward order book and the close relationship between income and our main cost, staff remuneration, reduces earnings volatility year to year. Developing shipping service activities such as publishing, logistics and derivatives will give greater consistency to earnings. Your company is well placed to produce another excellent result in 2005 and to continue to generate increased returns to its shareholders.

Tim Harris CHAIRMAN

31 March 2005



Chief executive's review of operations

In my first review of operations as chief executive officer, I am pleased to report on a year of continuing growth, both in our business and profits.

Overview

In my first review of operations as chief executive officer, I am pleased to report on a year of continuing growth, both in our business and profits.

In the interim statement we indicated our intention to grow the business organically and through acquisition. We have done both.

We have previously made known our desire to reduce the vulnerability of earnings given freight market volatility. In part, this is already achieved by our shipbroking staff accepting that a significant part of their total remuneration package will always be linked to underlying profitability. In addition we have a significant amount of forward income in derivatives,

period charters and newbuilding contracts which will underpin earnings into the future. We are committed to the expansion of our non-cyclical businesses through investment in logistics, publications and shipping related financial services.

Our Shipbroking business is the base platform from which we continue to operate. It is supported by our Research and Futures businesses. In combination, these three areas of core competence have created strong brand recognition. We are acknowledged in our industry as being a one-stop shop with unrivalled market knowledge and intelligence.

In the last year we have expanded robustly. The acquisition of Ferrobulk in Genoa, the opening of a new

The ClarkSea Index

The ClarkSea Index is a unique data source only provided by Clarkson Research that tracks average earnings across the shipping market.

Chief executive's review of operations

World seaborne trade

Total trade in billions of tonnes

© CLARKSON RESEARCH 2005

office in Dubai and almost doubling the size of our offices in Shanghai, Athens and Houston, all of which extends further our global reach. The group now employs more people overseas than in London. Although London is unlikely to feature heavily in our expansion plans in the near future many new initiatives emanate from this centre and our new premises adjacent to London Bridge will house a record number of employees.

The Clarkson product base has been enhanced by a number of new initiatives and ideas. In December 2004 we acquired Oilfield Publications Limited (OPL). This company specialises in publications for the offshore oil and energy sectors. It will therefore add significantly to our range of publications and will bring additional

publishing skills that complement our market information and database expertise. Our office in Houston has been joined by a team from Normarine Offshore Consultants which will increase our competence in the offshore markets. Through OPL and with greater emphasis from Research we will be capable of expanding our services to the energy markets generally.

In the last year we have brought to the market a new sale and purchase derivatives product – Sale and Purchase Forward Agreements – as well as providing a new risk management service to the freight sector.

As we have already indicated, our greatest assets are our staff. Our commitment to staff is reflected by our desire to provide them with superior resources to work

Deepwater drilling
vessels: an example of
the charts produced by
Oilfield Publications
Limited.

Chief executive's review of operations

Baltic Dry Index 2004

(1 November 1999 = 1334)

© CLARKSON RESEARCH 2005

even more effectively. To this end we are investing heavily in IT and developing a global information gathering and dissemination network. We compete primarily with unregulated, unlisted private companies who operate in a less accountable environment than a public company. To compete we must pay competitive salaries and bonuses and our trading teams are given responsibility to understand and control the key financial elements of their costs and income.

Review of operations

Dry bulk

With the exception of Houston, all of our offices have a dry cargo chartering presence. London continues to maintain its leading role but due to the growing

influence of emerging dry bulk markets, such as China, Italy and Greece, we have invested significantly in these booming centres. Apart from our associated companies in Paris and San Francisco all our other offices worldwide now operate under the Clarksons name. Organising our teams to operate globally by product type remains a key ambition.

Our lead position in dry bulk derivative broking places our clients in a particularly strong position to manage their market exposure more effectively.

We are constantly addressing ways to improve our spot income and the addition of new cargo-based broking teams will assist in this. We are particularly excited by the addition of Ferrobulk in this respect.

Berge Phoenix:
290,793 dwt ore carrier
on charters arranged by
our associate AGA
Cofimar.

Chief executive's review of operations

Major VLCC routes

Average earnings index (1990=100)

© CLARKSON RESEARCH 2005

The average 2004 earnings for a modern capesize vessel was US\$70,400 per day (2003: US\$41,300 per day); modern panamax vessels achieved on average US\$33,900 per day (2003: US\$19,100 per day) and handymax vessels earned on average US\$28,100 per day (2003: US\$14,900 per day).

The year has started positively and dry cargo will benefit significantly from the substantial timecharter book written last year.

Tanker chartering

Our deepsea and product teams also operate globally concentrated in the three main centres of activity – Houston, London and Singapore. Their influence has grown substantially and we operate on the panels of most oil majors.

With the support of our growing team of energy analysts and database compilers in Research we are able to offer oil major clients an unrivalled service. In transacting their business we offer them the comfort of being a public, transparent company with access to unrivalled market knowledge and full quality systems accreditation.

A proper understanding of the derivatives business is central to our capability to provide a complete service to both shipowners and oil charterer clients. We have grown our tanker derivatives broking teams both in London and Singapore which gives us a unique position in this rapid and constantly changing market.

The average 2004 earnings derived on the spot market for a modern double hull VLCC was US\$96,100 per day (2003: US\$52,400 per day); modern suezmax vessels earned on average US\$75,000 per day (2003: US\$41,600 per day); modern aframax tankers earned on average US\$49,600 per day (2003: US\$ 34,200 per day).

Major clean product routes

Average earnings index (1990=100)

© CLARKSON RESEARCH 2005

The clean and dirty products sectors saw increases in average daily earnings of 33% and 48% respectively.

Chemicals

Now globally established in three major chemical centres of London, Houston and Singapore, Chemicals continues to expand its business primarily through long term contracts and time charters. We run and manage contracts on behalf of many of the major participants in the chemical sector and place emphasis on the quality of our support services, research and analysis.

We believe the expanding shipowning base in this specialised market sector will require support which represents an opportunity for our business to grow further given its excellent platform of knowledge and experience.

Gas

Our LNG ('Liquified Natural Gas') team is recognised for its significant contribution with knowledge based solutions in assisting new players and gas producers/traders. The new sources of gas and an ample supply of shipping should create a free market environment where gas can be openly and transparently traded which should ultimately result in consumers being confident they can secure reasonably priced gas.

Our LNG joint venture with BRS of Paris has prospered in 2004 in a challenging environment and the improving trend should continue into 2005 with many newbuildings delivering and a growing timecharter book.

We are likely to witness the same increases in the LPG ('Liquified Petroleum Gas') supply chain as for LNG as this product is set for substantial growth and also expected to become a more competitive energy feedstock.

Chief executive's review of operations

Secondhand sales activity

Total value of secondhand trades in \$ billions

© CLARKSON RESEARCH 2005

Our ammonia activities have prospered in 2004 and we have been particularly successful in building our forward order book. With team expansion and firming rates in LPG/ammonia we expect to significantly grow our income in this market sector during the coming year.

Containers

Clarksons was a late entrant in this important market area. We are leaders in the provision of core data, fleet and newbuild registers and market intelligence and are now building new broking teams in London and Shanghai.

We are writing significant volumes of business in the time-charter, newbuild and secondhand markets. This mostly benefits our forward order book and fuels our ability to grow the team and its income.

Madrid Spirit: 72,204 dwt
LNG carrier (photo courtesy
of Teekay Shipping).

Newbuildings: Average price index

Comprising all major shipping sectors (1988=100)

© CLARKSON RESEARCH 2005

Secondhand and Newbuilding

Our Secondhand team produced an excellent result in 2004 due to a combination of the strong price levels and our concentration on high quality business with major clients. This resulted in a series of significant transactions confirming our position at the forefront of this sector of the market.

Our share of newbuilding business continued to grow and we remain entrusted with the management of some of the world's leading shipyard/owner relationships.

During the year we introduced a new team in Greece and we are growing our presence in the Asian market particularly China.

We continue to face significant competition in this important area of our business. Regulation is non-existent and the

Chief executive's review of operations

World fleet

Total tonnage in deadweight millions

© CLARKSON RESEARCH 2005

opportunism of boutique shops who add little or no value is still richly rewarding for them.

Offshore

With a new team from Normarine in Houston and with the acquisition of OPL, both of which I referred to earlier, we are seeking to become a meaningful force in the offshore markets.

We have already arranged a number of rig deals and some support vessel contracts. We intend to expand further in Singapore, Houston and London.

Futures

Clarksons was the original creator of the FFA ('Forward Freight Agreement'). The product is now widely used and it is not surprising, given our experience, support and

understanding of the product, that we remain the world's foremost arranger of FFA trades.

Much of the business undertaken is still over-the-counter with contracting parties bearing the counterparty risk, but we welcome the interest shown by several institutions who have expressed a desire to offer a cost effective clearing mechanism to the FFA market.

The volatility of dry and wet freight markets has led to increased recognition of the value of these derivative products. Shipping operators increasingly use FFAs to hedge freight market exposures; cargo interests provide a natural counterparty while traders provide liquidity. Over the last twelve months we have seen a significant growth of tanker contracts. Given the increasing relevance of

Nyathi: 37,069 dwt
product tanker; one of
seven ordered by
Unicorn Shipping at
Shina Shipbuilding,
contracted by Clarksons.

Chief executive's review of operations

We are committed to the expansion of our non-cyclical businesses through investment in logistics, publications and shipping related financial services.

freight in energy markets, proprietary investment banks are increasingly active as are the lending banks.

Research

Research had a busy year. Turnover continues to move ahead with digital products continuing to perform particularly strongly, now accounting for a third of revenue. Publications now account for 43 per cent of turnover with customer services making up the balance. The acquisition of OPL took place in December and the two businesses are being merged to leverage off their respective strengths. During the year the company's IT function, which was previously outsourced, was integrated with the Research IT team. The aim is to develop an organisation with more depth to serve both Research's clients and the company as a whole.

Logistics

Towards the end of 2003 we announced the launch of Channel Freight Ferries (CFF) to provide a regular daily service between Southampton in the UK and Radicateil in France. CFF commenced daily sailings in January 2004. Hauliers have been slower than anticipated to take up the more cost effective service provided on this route and the business is therefore correspondingly behind in its business plan. We are in the process of tailoring our commitment to our customers' needs consistent with their level of support.

The logistics division has a 58% equity stake in Pasir Bulk Carriers (Pasir) in Singapore. Throughout 2004 Pasir owned two 75,000 dwt combination carriers which continued to operate profitably on bareboat charter. Since the year end Pasir Bulk Carriers has sold one of its two vessels.

We are taking steps to expand our logistics activities, including utilising the monies arising on the sale of the Pasir 1. Further investments are intended to generate earnings which are more stable than those derived from freight markets.

Richard Fulford-Smith, CHIEF EXECUTIVE

31 March 2005

These profits are a record for this company and the highest since it was listed on the London Stock Exchange in 1986.

Results

Profit before taxation rose to £20.2 million, compared with £12.1 million in 2003, an increase of 67%. These profits are a record for this company and the highest since it was listed on the London Stock Exchange in 1986. Earnings per share were 83.8 pence per share (2003: 48.6 pence per share).

Turnover, which is primarily derived in US dollars, increased to £87.4 million in 2004 (2003: £58.7 million). At constant exchange rates, the increase would have been 66%.

Taxation

The overall effective tax rate was 32.1% (2003: 33.7%). The tax rate is higher than the standard rate of UK tax of 30.0% due to the impact of disallowable trading expenses.

Dividends

The directors are recommending that the dividend for the year increases to 25.0 pence per share (2003: 17.5 pence per share); this dividend represents a 43% increase on last year and is now more than a sixfold increase over that declared five years ago. The final dividend of 16.0 pence per share will be paid to shareholders on 17 June 2005.

Foreign exchange

The US dollar is the major trading currency of the group. The average sterling exchange rate for the period was US\$1.84 (2003: US\$1.65). At the year end the exchange rate had reached US\$1.92. The group benefited from the use of forward currency contracts to mitigate its exposure to variations in currency exchange rates during the year and thereby reduced the adverse impact of the weaker US dollar on our 2004 results.

Balance sheet

During 2005 the principal operating company will move to new London headquarters at St Magnus House, near London Bridge. This will inevitably result in an additional capital spend over that incurred in a more usual year.

Since the year end, Pasir Bulk Carriers has sold one of its combination carriers of which our share of the profit will be approximately £2.5 million.

Trade debtors have risen to £12.6 million from £7.2 million reflecting higher freight rates and increased volumes.

Creditors include provision for bonuses which have accumulated during the year for payment early in the following year – referred to under cash flow. Other accruals and related creditors have increased in line with the overall expansion of the business.

The company issued 76,000 shares during 2004 for a total consideration of £490,200 to meet obligations on an acquisition and under employee share schemes. The capital redemption reserve arose from various share buybacks in 1997 and 1998. Under the Urgent Issues Task Force Abstract 38 'Accounting for ESOP Trusts', shares owned by the Executive Share Purchase Trust are now stated as part of shareholders' funds and the 2003 comparatives have been amended accordingly.

Cash flow

Cash generation remains a key strength of the group. During the year the group accumulated cash as profit linked bonus entitlements are accrued; bonuses are paid in February following the end of the financial year. The group continued to pay off bank borrowings that were secured on the two combination bulk carriers. At the end of the financial year the aggregate cash balance was

Finance director's review

Clarkson earnings per share pence

Clarkson dividend pence

£44.1 million (2003: £32.0 million). Subsequent to the year end a number of significant payments will be made including £21.9 million in staff bonuses and a £10.0 million contribution into the group's pension scheme to repair a deficit which has arisen.

Acquisitions

In December 2004 the group acquired OPL, the offshore publications business for £3.3 million. Also in December 2004 the group acquired the business of Khedivial, the forerunner to our new business based in Dubai, for a consideration of £0.3 million satisfied in shares. These have generated additional goodwill of £3.5 million resulting in a cumulative balance at the end of 2004 of £5.5 million.

Pensions

The group operates a variety of pension schemes throughout the world, the majority of which are defined contribution arrangements. The UK, however, has both a defined contribution section and a defined benefit section within the main UK pension scheme.

Defined benefit pension arrangements give rise to open ended commitments and liabilities for the sponsoring company. As a consequence the company closed its existing defined benefit section of the UK scheme to new entrants on 31 March 2004 and has now decided to close this section for further accrual to all existing members as from 31 March 2006.

This defined benefit section was subject to a valuation as at 31 March 2004. At that date the defined benefit section had a deficit of £11.9 million. In response to this deficit and the decision to close this section of the scheme to further accrual, the group decided to make a one-off cash contribution of £10.0 million into the scheme following the year end.

International financial reporting standards

Clarksons currently prepares its report and accounts under UK Generally Accepted Accounting Practice (UK GAAP). The group is required, from 1 January 2005 onwards, including release of the Interim Report 2005, to report under International Financial Reporting Standards (IFRS).

We have evaluated the possible impact on the information provided. The most significant accounting changes are:

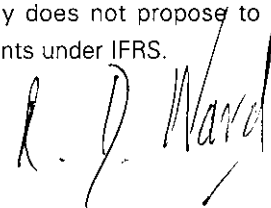
- The inclusion of any Pension Fund surplus or deficit in the balance sheet of the company.
- Goodwill will no longer be amortised over its useful life.
- The proposed dividend will no longer be accrued at the year end.

There are other changes, including detailed additional disclosures, but these are not considered likely to result in a material adjustment to previously published information. Full details and reconciliations will be provided in the 2005 Interim Report and the 2005 Annual Report and Accounts. The group does not anticipate amending any of its current procedures because of the effects of IFRS.

Given the comparatively limited extent of the changes necessary, and the disclosures already contained under UK GAAP, the company does not propose to issue unaudited 2004 statements under IFRS.

Rob Ward FINANCE DIRECTOR

31 March 2005



Board of directors

Tim Harris CBE

Chairman NON-EXECUTIVE

Tim Harris aged 57 was appointed a director of the company in March 2002. He is executive chairman of James Fisher and Sons plc. He was previously with P&O where he as assistant managing director and prior to that chairman and chief executive of P&O Nedlloyd.

Martin Clark

Director NON EXECUTIVE

Martin Clark aged 59 was appointed a director of the company in January 2002. He is a non-executive director of Senior plc. He was previously group finance director of Caradon plc and prior to that finance director at Northern Foods plc and Associated British Foods plc.

Rob Ward FCA

Finance Director

Rob Ward aged 56 joined Clarksons in 1991 and was previously with Credit Lyonnais Laing & Cruickshank, Mercantile House Holdings PLC and Henry Ansbacher Holdings PLC. He was appointed to the PLC board in 1993.

Richard Fulford-Smith

Chief executive

Richard Fulford-Smith aged 49 joined Clarksons in 1992 from Simpson Spence & Young and was previously with Ocean Transport and Trading group. Eggar Forrester and J.E. Hyde. He was appointed to the PLC board in April 2004.

Martin Stopford

Director

Martin Stopford aged 57 joined Clarksons in 1990 and was previously a Vice President at Chase Manhattan Bank and a Director of British Shipbuilders. He was appointed to the PLC board in September 2004.

Martin Watson

Director NON-EXECUTIVE

Martin Watson aged 58 was appointed a director of the company in September 2001. He is also a non-executive director of London Clubs International PLC. He is a founding partner of London law firm, Watson, Farley & Williams

The non-executive directors comprise the audit and risk management and the remuneration, management development and succession committees of the company.

Report of the directors

The directors present their report and the group accounts for the year ended 31 December 2004, which were approved by them on 31 March 2005.

Principal activities and business review

The principal activity of the company during the year was that of an investment holding company, whose subsidiaries were primarily involved in the provision of shipping and shipping services. A review of the group's performance and likely future developments is contained in the chairman's statement, the chief executive's review of operations and the finance director's review on pages 2 to 11.

Group results and dividends

The results of the group, giving details of the profit, dividends and retained earnings are shown on page 25. An interim dividend of 9.0 pence per share was paid in September 2004. The directors will be recommending a final dividend of 16.0 pence per share, payable on 17 June 2005 to shareholders on the register at the close of business on 3 June 2005, making a total dividend for the year of 25.0 pence per share (2003: 17.5 pence per share).

Share price

The market price of the shares at 31 December 2004 was 724.0 pence (31 December 2003: 502.5 pence) and the range during 2004 was 455.5 pence to 832.5 pence (2003 range: 191.5 pence to 502.5 pence).

Directors

The directors of the company as at the date of this report are shown on page 12.

During the year G D Weston and M E Beckett resigned from the board on 30 April 2004 and 26 May 2004, respectively. R J Fulford-Smith and R M Stopford were appointed to the board on 23 April 2004 and 1 September 2004, respectively.

In accordance with the company's articles of association, M A Watson will retire by rotation at the annual general meeting. R J Fulford-Smith and R M Stopford, who were appointed by the directors during the year, will stand for election at the annual general meeting.

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

Substantial interests

The company has been notified of the following substantial interests in its issued share capital as at 23 March 2005 (being the latest practicable date prior to the approval of these accounts):

Employees and employee share trusts	21.36%
CMB Group	18.72%
Barclays Group	4.78%

Save for the above, the company is unaware of any substantial interests, other than those of the directors whose interests are shown on page 20, in its issued share capital.

As at 23 March 2005, employees directly held 9.27% of the company's share capital; 10.21% was held by employee share trusts for use under the company's various incentive schemes; 1.60% was held by an employee share trust on behalf of the Funded Unapproved Retirement Benefit Scheme and 0.28% was held by the Executive Share Purchase Trust in respect of deferred consideration, arising from an acquisition in 2002.

Share capital

Details of the company's share capital and any movements during the year are shown in note 18 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

Report of the directors

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 and former employees who are now pensioners with information about the group and staff issues. Information is also readily available on the group's corporate web site, www.clarksons.com.

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 23 March 2005, employee share trusts held 1,666,276 shares for allocation to employees at a future date under share incentive schemes. Of these, 171,643 shares were held on behalf of the Profit Sharing Scheme, 179,125 shares by the Executive Share Purchase Trust, and 1,315,508 shares under the Restricted Share Plan.

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 £64,000 (2003: £12,000), including a donation of US\$100,000 to the Tsunami appeal. No political contributions were made.

Corporate governance

A review has been undertaken of the company's existing corporate governance practices to ensure that it has complied with the new Combined Code (the 'Code'), as published in July 2003, throughout the year. The directors consider that the company has complied with the Code with the exceptions noted below.

The board currently comprises the chairman, three executive directors and two non-executive directors. Biographical details are shown on page 12.

The directors are responsible for the proper conduct of the company's affairs and have adopted a formal schedule of matters reserved for their decision. Certain matters, such as the annual review of the internal controls function, have been delegated to board committees, whose chairmen report back to the full PLC board. Appropriate directors' liability insurance is in place.

The roles of the chairman and chief executive have been clearly established and agreed by the board. The chairman is primarily responsible for the running of the board. The chief executive's primary role is the running of the company's business.

The senior independent director is M A Watson.

The members of the board and its committees at the year end and their attendance at board meetings during the year were as follows:

Board (4 meetings)

M Clark (4)

R J Fulford-Smith (2) Appointed 23 April 2004

T C Harris (4) Chairman

R M Stopford (1) Appointed 1 September 2004

R D Ward (4)

M A Watson (4)

Audit and risk management committee (2 meetings)

M Clark (2) Chairman

T C Harris (2)

M A Watson (2)

Report of the directors

Nomination committee (1 meeting)

M Clark (1)

M A Watson (1) *Chairman*

Remuneration committee (2 meetings)

M Clark (2)

T C Harris (2)

M A Watson (2) *Chairman*

The chairman has met with the non-executive directors during the year without the executive directors present. Going forward, there will be an annual meeting of the non-executive directors without the chairman to evaluate the chairman's performance.

The board considers that M Clark and M A Watson are independent. Since his appointment as chairman in May 2004, T C Harris is deemed to be no longer independent.

All non-executive directors are appointed for a specific term. A copy of the committees' terms of reference is available on request from the company secretary.

Although the current board mix complies with the Code's requirement for smaller companies, the directors are looking to improve the balance of the board through the recruitment of additional non-executive directors over the coming year.

The nomination committee considers all new appointments to the board against a detailed job description. The terms of appointment of the non-executive directors are available for inspection at the company's registered office.

On appointment, all directors are provided with induction training relating to the company's business. In addition, individual directors may seek professional advice on any matter concerning them in the furtherance of their duties at the expense of the company. All directors have access to the advice and services of the company secretary.

During the year the chairman undertook a formal evaluation of the board and each of its members. This was in the form of a rigorous assessment of the board's performance and that of its committees and individual directors. This evaluation process will be continued.

In accordance with the company's articles of association, all directors are subject to election at the first AGM following appointment and thereafter one-third of the directors retires and seeks re-election annually by rotation.

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 share option schemes. Further details of the work of this committee are contained within the report of the board on remuneration on pages 17 to 21.

The board undertakes an annual review of the group's internal controls, including financial, operational, compliance and risk management and confirms that these controls remain effective.

The main role and responsibilities of the audit and risk management committee is to consider the company's risk assessment, internal control procedures and the use of external auditors. The committee's terms of reference have been reviewed during the course of the year to ensure compliance with the requirements of the Code.

The audit committee is in the process of establishing arrangements by which staff of the group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The company does not have an internal audit function because it has been determined that this is not required for the existing scope and extent of the company's business.

On occasions it may be necessary to employ the company's external auditors for certain non-audit work. During the year the company's external auditors also provided due diligence and taxation services. All non-audit services are reported to the audit committee which has satisfied itself that these services do not affect the auditors' objectivity and independence.

Members of the board meet regularly with shareholders whose views are communicated back to the full board.

Report of the directors

Pension scheme

The assets of the company's pension scheme are totally separate from the assets of the group and are invested with independent fund managers. The pension scheme is not controlled by the board but by trustees who include both company and employee nominees. The trustees are responsible for looking after the assets of the pension scheme and for ensuring that its funds are only used to provide retirement benefits in accordance with its trust deed and rules. The pension scheme's auditors and actuaries are both independent of the company.

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.

Internal control

The board is responsible for the establishment and ongoing implementation of the company's internal 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 misstatement or loss.

The board regularly reviews and reports on the effectiveness of the group's system of internal control and the directors confirm that they have carried out a review of the effectiveness of the system of internal control during the year.

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 controls.

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. The company has no trade creditors.

Post balance sheet event

On 18 March 2005 the group acquired Maredorado Srl and its subsidiaries ('Ferrobulk'). Further details are shown in note 31 to the accounts.

Annual general meeting

Resolutions will be proposed at the annual general meeting to renew the directors' authority to allot new shares, issue new shares other than pro-rata and purchase the company's own shares. Further details of these resolutions together with explanatory notes can be found in the enclosed notice of meeting.

Auditors

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

By order of the board

T McEvoy SECRETARY



31 March 2005

Report of the board on remuneration

Remuneration committee

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

The names of the directors who have served on the remuneration committee during the year are as follows: M E Beckett, M Clark, T C Harris and M A Watson.

The remuneration committee continues to receive advice and services from Hewitt Associates that materially assists the committee in their consideration of matters relating to directors' remuneration.

Remuneration policy

The policy of the company is to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims, deliver an appropriate 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 comparable UK public companies involved solely in the business of providing shipping services. Comparisons are therefore made with a general financial index. The remuneration committee is advised by Hewitt Associates to maximise comparability with the benchmark companies.

The remuneration committee seeks to structure total benefits packages which align the interests of shareholders and senior executives. Directors' remuneration will be the subject of regular review in accordance with this policy in the next and following financial years.

Base salary

Base salary is reviewed annually and is determined by reference to individual responsibilities, performance and external market data. Therefore it is set to reflect the experience, responsibility, effectiveness and market value of the executive.

Benefits

The principal taxable benefits for executive directors are the provision of car allowances and healthcare insurance.

Annual performance bonus

The remuneration committee considers that the performance-related elements of the executive directors' packages (normally consisting of annual cash bonuses and annual grants over shares with a market value at the date or dates of grant) give the executive directors the potential to receive annual benefits, but only if significant value has been delivered to shareholders. It is therefore considered that, in terms of providing motivation to the executive directors to improve shareholder value, the performance-related elements of the directors' packages are the most important.

The remuneration committee considers that the current policy concerning the annual bonus scheme will be maintained in the next and following financial years.

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 performance of the group as a whole and partly on the profit performance of their respective divisions. Targets are set at the beginning of the financial year. Bonuses up to 450% of base salary may be paid.

Report of the board on remuneration

Share schemes

All employees including executive directors are encouraged to become involved in the financial performance of the group through the operation of share incentive schemes.

Details of the company's various incentive schemes are as follows:

Long Term Incentive Plan

A new long term incentive plan was adopted in May 2004 to replace the restricted share plan and the senior executive share option scheme. The new plan comprises an Inland Revenue approved part and an unapproved part and allows senior executives to be granted options and/or share awards. There is an annual limit of 150% of basic salary for share awards or 450% of basic salary for options. Grants are subject to prescribed performance conditions. At 31 December 2004 no options or share awards had been granted except as shown in note 18.

Restricted Share Plan

This scheme expired in January 2004. Awards under this plan were made annually to key executives of the main operating subsidiaries by allocating a proportion of annual bonus entitlement towards the purchase of shares which are held in trust for a prescribed minimum period and are then transferred to the executive, subject to their remaining with the company.

Profit Sharing Scheme

This is an Inland Revenue approved scheme whereby up to 5% of UK profits were 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. Following the government's decision to phase out schemes of this type, the final appropriation under this scheme was made in respect of 2001's performance.

Policy on share option performance conditions

The remuneration committee determines whether the performance condition has been met using the earnings per share information contained in the company's annual report and accounts.

The performance condition comparing increases in earnings per share against inflation has been chosen in order to ensure that options would only become exercisable against the background of a sustained real increase in the financial performance of the company.

Performance graph

TOTAL SHAREHOLDER RETURNS

This graph shows a comparison of the total shareholder return for the company's shares for each of the last five financial years against the RPI adjusted by a margin of 2% over a three year period.

The RPI was chosen for this comparison because there are few comparable UK public companies involved solely in the business of providing shipping services and therefore a sector analysis is unavailable.

_____ Total shareholder return Adjusted RPI

Report of the board on remuneration

Policy on service contracts

The company's policy on the duration of directors' contracts is that:

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

Non-executive directors are appointed for fixed terms of 3 years, renewable on the agreement of both the company and the director.

There are no predetermined provisions for compensation on termination within executive directors' service agreements, which exceed one year's emoluments.

In the event of early termination of the contracts, each director is entitled to compensation equal to their basic salary and contractual benefits for the notice period.

There is no entitlement to compensation for discretionary bonuses which might have been earned during the notice period. Share options would be treated as for any member of the scheme, depending on the reason for termination of the contract.

The policy on termination payments is that the company does not normally make payments beyond its contractual obligations, including any payment in respect of notice to which a director is entitled after mitigation is considered. In exceptional circumstances, an additional ex-gratia payment may be considered based on factors including the director's past contribution and the circumstances of the director's departure.

Directors' service contracts

Details of the current directors' service contracts are as follows:

	Date of contract	Unexpired term at 31.12.04	Notice period
M Clark	29.01.02	1 month	3 months
R J Fulford-Smith	02.07.04	12 months	12 months
T C Harris	26.05.04	29 months	3 months
R M Stopford	17.08.98	3 months	3 months
R D Ward	18.08.04	12 months	12 months
M A Watson	04.09.04	32 months	3 months

Executive contracts of service are negotiated on an individual basis as part of the overall remuneration package. R J Fulford-Smith and R D Ward have rolling one year contracts terminable on 12 months' notice. R M Stopford has a rolling three month contract terminable on three months' notice.

Non-executive directors are appointed for specified terms and are subject to re-election at the annual general meeting following appointment, and thereafter every three years. Each appointment can be terminated before the end of the three year period with three months' notice due. The board determines the level of remuneration of non-executive directors after taking independent financial advice.

Report of the board on remuneration

Directors' share incentives

Directors' interests in shares

The beneficial interests of the directors in the share capital of the company at 31 December 2004 are as follows:

	Ordinary shares	
	2004 Number	2003 * Number
M Clark	7,500	7,500
R J Fulford-Smith	662,955	662,955
T C Harris	10,778	10,778
R M Stopford	124,164	124,164
R D Ward	50,000	50,000
M A Watson	5,000	5,000

* or at date of appointment, if later.

On 24 March 2005 R M Stopford sold beneficial interests in 62,082 ordinary shares in the company.

R D Ward and M A Watson are directors and joint trustees of Clarkson (Trustees) Limited which acts as trustee for the shares issued under the Profit Sharing Share Scheme.

Directors' emoluments and compensation

(Audited)

Details of directors' emoluments and compensation received during the year are set out below:

	Basic salaries and fees	Benefits	Performance related bonuses	Compensation for loss of office	Total	Total
	2004 £'000	2004 £'000	2004 £'000	2004 £'000	2004 £'000	2003 £'000
Executive directors:						
R J Fulford-Smith Appointed 23 April 2004	294	7	1,250	-	1,551	-
R M Stopford Appointed 1 September 2004	50	3	-	-	53	-
R D Ward	317	11	428	-	756	485
G D Weston Resigned 30 April 2004	83	4	-	466	553	435
Non-executive directors:						
M E Beckett Resigned 26 May 2004	16	-	-	-	16	41
M Clark	25	-	-	-	25	25
T C Harris	55	-	-	-	55	25
M A Watson	25	-	-	-	25	25
	865	25	1,678	466	3,034	1,036

Benefits include cash allowances in lieu of company cars and healthcare insurance.

Compensation for loss of office comprises only contractual obligations to the director.

There are no sums payable to third parties for services made available by the directors.

No director was paid or was entitled to receive a sum paid by way of expense allowance that is chargeable to UK income tax in respect of his qualifying service (2003: £nil).

There are no elements of remuneration of a non cash nature, other than the benefits referred to above.

Basic salary is the only element of remuneration which is pensionable.

Report of the board on remuneration

Pensions

(Audited)

Executive directors of the company earned pension benefits 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 basic salary.

Defined benefit scheme

The following table sets out the change in each director's accrued pension in the company defined benefit scheme during the year and his accrued benefits in the scheme at the year end:

	Additional pension earned during the year £'000	Transfer value of additional pension earned less directors' contributions during the year £'000	Pension entitlement at normal retirement date accrued at the end of the year £'000	Pension entitlement at normal retirement date accrued at the start of the year £'000
R J Fulford-Smith	3	34	37	33
R M Stopford	3	60	43	39
R D Ward	3	51	46	42
G D Weston Resigned 30 April 2004	3	32	94	89

The pension entitlement shown is that which is paid annually on retirement based on service to the end of the year or date of ceasing to be a director if earlier.

The increase in accrued pension during the year excludes any increase in inflation.

The transfer value for the UK Listing Authority disclosure has been calculated on the basis of actuarial advice.

Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contribution nor the resulting benefits are included in the above table. The pension scheme also provides dependant's pensions in the event of death, and lump sum benefits on death in service. The pension figures shown above also exclude any of the member's FURBS entitlement.

Money purchase scheme

The company operates a funded unapproved retirement benefits scheme for certain 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 salary pension scheme. R J Fulford-Smith and R D Ward participate in this arrangement and the company's contributions in respect of the full year ended 31 December 2004 were £232,943 and £242,093 respectively (2003: R J Fulford-Smith £88,879 and R D Ward £110,288). During the year the company made additional payments into the pension scheme for the benefit of R M Stopford in the amount of £200,000 (2003: £nil) and G D Weston in the amount of £130,000 (2003: £nil).

There are no outstanding liabilities in respect of benefits due to current and past directors.

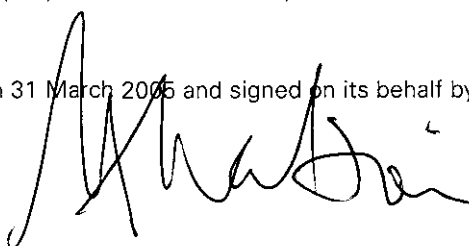
Approval by shareholders

At the annual general meeting of the company to be held on 25 May 2005 a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the board on 31 March 2005 and signed on its behalf by:

M A Watson REMUNERATION COMMITTEE CHAIRMAN

31 March 2005



Statement of directors' 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.

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 independent auditors

to the members of Clarkson PLC

We have audited the group's accounts for the year ended 31 December 2004, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Movement in Equity Shareholders' Funds, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 33. These accounts have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Report of the Board on Remuneration that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including the accounts which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the accounts.

Our responsibility is to audit the accounts and the part of the Report of the Board on Remuneration to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Report of the Board on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Chairman's Statement, the Chief Executive's Review of Operations, the Finance Director's Review, the Report of the Directors including the Corporate Governance Statement, the unaudited part of the Report of the Board on Remuneration and the Five Year Financial Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the Report of the Board on Remuneration to be audited. 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.

Report of the independent auditors

to the members of Clarkson PLC

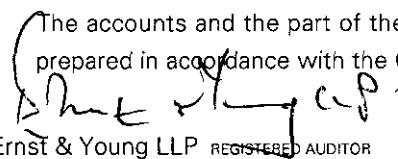
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Report of the Board on Remuneration to be audited are free from material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

Opinion

In our opinion:

The accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of the profit of the group for the year then ended; and

The accounts and the part of the Report of the Board on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP REGISTERED AUDITOR

London

31 March 2005

Consolidated profit and loss account

for the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Turnover – continuing operations	2	87.4	58.7
Administrative expenses		(70.0)	(46.8)
Group operating profit – continuing operations		17.4	11.9
Share of operating profit in associates		0.8	0.2
Total operating profit – group and share of associates		18.2	12.1
Loss on sale of fixed assets		–	(0.1)
Amounts written off investments		–	(0.8)
Interest receivable and similar income	5	2.1	1.1
Interest payable and similar charges	6	(0.1)	(0.2)
Profit on ordinary activities before taxation	2, 3	20.2	12.1
Taxation on profit on ordinary activities	7	(6.5)	(4.1)
Profit on ordinary activities after taxation		13.7	8.0
Equity minority interests	21	(0.3)	(0.4)
Profit on ordinary activities after taxation attributable to members of the parent company		13.4	7.6
Dividends	8	(4.0)	(2.8)
Retained profit for the year	20	9.4	4.8
Earnings per share – basic	9	83.8p	48.6p
Earnings per share – diluted	9	83.8p	48.5p
Dividends per share	8	25.0p	17.5p

The notes set out on pages 29 to 49 form part of these accounts.

Comparatives have been restated where necessary to reflect the requirements of UITF 38 (see note 1(a)).

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2004

	2004 £m	2003 £m
Profit on ordinary activities after taxation		
attributable to members of the parent company	13.4	7.6
Foreign exchange differences	(1.0)	(0.8)
Total recognised gains relating to the year	12.4	6.8

Movement in equity shareholders' funds

for the year ended 31 December 2004

	2004 £m	2003 £m
Profit on ordinary activities after taxation		
attributable to members of the parent company	13.4	7.6
Issue of new shares	0.5	0.5
Foreign exchange differences	(1.0)	(0.8)
Dividends	(4.0)	(2.8)
ESOP share proceeds	0.1	0.2
Total movements during the year	9.0	4.7
Equity shareholders' funds at 1 January – as previously reported	21.4	16.9
UITF 38 restatement	(0.5)	(0.7)
Equity shareholders' funds at 31 December	29.9	20.9

The notes set out on pages 29 to 49 form part of these accounts.

Comparatives have been restated where necessary to reflect the requirements of UITF 38 (see note 1(a)).

Balance sheets

As at 31 December 2004

	Notes	Group		Company	
		2004 £m	2003 £m	2004 £m	2003 £m
Fixed assets					
Intangible assets	10	5.5	2.1	–	–
Tangible assets	11	6.6	7.0	1.5	0.7
		12.1	9.1	1.5	0.7
Investments					
Investments in associates	12	0.8	0.5	–	–
Other investments	12	0.7	0.6	16.8	13.5
		1.5	1.1	16.8	13.5
		13.6	10.2	18.3	14.2
Current assets					
Debtors	13	18.0	10.0	11.3	10.6
Cash and deposits	29	44.1	32.0	1.2	5.9
		62.1	42.0	12.5	16.5
Creditors					
Amounts falling due within one year	14	(43.3)	(28.1)	(5.9)	(4.5)
Net current assets		18.8	13.9	6.6	12.0
Total assets less current liabilities		32.4	24.1	24.9	26.2
Creditors					
Amounts falling due after more than one year	15	(0.4)	(2.1)	–	–
Provisions for liabilities and charges	17	(0.9)	(0.2)	–	–
		(1.3)	(2.3)	–	–
		31.1	21.8	24.9	26.2
Capital and reserves					
Called up share capital	18	4.1	4.0	4.1	4.0
Share premium account	19	4.5	4.1	4.5	4.1
Profit and loss account	20	19.7	11.3	14.7	16.6
Capital redemption reserve	20	2.0	2.0	2.0	2.0
ESOP reserve	20	(0.4)	(0.5)	(0.4)	(0.5)
Equity shareholders' funds		29.9	20.9	24.9	26.2
Equity minority interests	21	1.2	0.9	–	–
		31.1	21.8	24.9	26.2

The accounts were approved by the board of directors on 31 March 2005, and signed on its behalf by:

T C Harris CHAIRMAN

R D Ward FINANCE DIRECTOR

The notes set out on pages 29 to 49 form part of these accounts.

Comparatives have been restated where necessary to reflect the requirements of UITF 38 (see note 1(a)).

Consolidated cash flow statement

for the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Net cash inflow from operating activities	25	24.3	22.4
Dividends from associates	12	0.2	0.1
Returns on investments and servicing of finance	26	2.0	1.1
Taxation		(4.7)	(2.6)
Capital expenditure and financial investment	27	(1.5)	(1.1)
Acquisitions and disposals	10	(3.3)	–
Equity dividends paid		(3.1)	(2.6)
Management of liquid resources			
Increase in short term deposits	29	(7.4)	(6.0)
Financing	30	(0.9)	(0.8)
Increase in cash	28, 29	5.6	10.5

The notes set out on pages 29 to 49 form part of these accounts.

Comparatives have been restated where necessary to reflect the requirements of UITF 38 (see note 1(a)).

Notes to the accounts

1 Statement of accounting policies

(a) Introduction

A summary of the principal accounting policies is set out below. The policies have been consistently applied throughout the current and previous year except for the adoption of Urgent Issues Task Force Abstract 38 'Accounting for ESOP trusts' (UITF 38). In accordance with UITF 38, shares in Clarkson PLC held by the Executive Share Purchase Trust are now deducted within consolidated shareholders' funds. Previously such shares were included within fixed asset investments. Within the consolidated cash flow statement, the purchase and sale of such shares is now presented as a financing transaction and not within returns on investments. The comparatives shown throughout these accounts have been restated accordingly. The principal effect of this adjustment is shown in note 20.

(b) Preparation of accounts

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(c) Basis of consolidation

The group accounts consolidate the accounts of Clarkson PLC and all its subsidiary undertakings made up to 31 December each year. No profit and loss account is presented for 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 in accordance with UITF 38.

(d) 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.

(e) Turnover

Turnover represents brokerage and commission earnings from shipping related activities invoiced during the year, hire charter earnings from shipowning and other income arising from shipping publications, research and consultancy. Invoices are raised when all material subjects are lifted, products are delivered or, in the case of future contracts, on the settlement date.

(f) Dividends receivable

Dividends from subsidiary undertakings are credited on the basis of amounts receivable. Other dividends, including those from associated undertakings, are credited when received.

(g) Deferred taxation

Deferred taxation is provided in full on all material timing differences calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

(h) Overseas currencies and financial instruments

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.

Notes to the accounts

1 Statement of accounting policies *continued*

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

The group uses spot and forward foreign currency contracts to reduce exposure to variations in the US dollar exchange rate. The group considers these foreign currency contracts qualify for hedge accounting and gains or losses on these instruments are only recognised when the transaction occurs.

(i) Provisioning

Trade debtors are stated net of specific provisions against doubtful debts which are made on the basis of policies and regular reviews established by management. Provisions are established on the basis of the age of the amounts overdue. Further provisions are made in respect of particular problem balances. The group also makes provision for dilapidation of leasehold premises where necessary.

(j) Tangible fixed assets and depreciation

Fixed assets are recorded at cost less 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:

Fleet interests	Over the remaining working life – estimated at 5 years
Freehold properties	60 years
Leasehold properties	Over period of lease
Office furniture and equipment	4-15 years
Motor vehicles	4 years

The carrying values of fixed assets are reviewed if circumstances indicate these values may have been impaired.

(k) Investments

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

(l) Pensions

The charge to annual profits for the defined benefit element of the UK pension scheme 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.

The group also operates various defined contribution pension schemes. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

(m) 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 trade creditors due within one year.

(n) Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on the implementation of Financial Reporting Standard 10 'Goodwill and Intangible Assets'.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(o) Operating leases

Rental payments under operating leases are charged to the profit and loss account as incurred.

Notes to the accounts

2 Segmental information

Turnover, group profit before taxation and net assets by class of business are analysed as follows:

	Turnover		Profit/(loss) before taxation		Net assets	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Shipping services	82.4	56.8	22.2	11.0	30.7	20.0
Shipping logistics	5.0	1.9	(2.0)	1.1	0.4	1.8
	87.4	58.7	20.2	12.1	31.1	21.8

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

	2004 £m	2003 £m
UK	67.7	46.6
Americas	2.0	0.5
Rest of World	17.7	11.6
	87.4	58.7

Information on turnover by destination is not provided because the directors consider that this creates a misleading impression of the true location of the business invoiced.

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

	Profit/(loss) before taxation		Net assets	
	2004 £m	2003 £m	2004 £m	2003 £m
UK	13.8	9.6	23.4	14.9
Americas	0.4	(0.2)	0.1	(0.1)
Rest of World	6.0	2.7	7.6	7.0
	20.2	12.1	31.1	21.8

Comparatives have been restated to reflect the requirements of UITF 38 (see note 1(a)).

Notes to the accounts

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2004 £m	2003 £m
Depreciation of tangible fixed assets	(1.7)	(2.0)
Amortisation of goodwill	(0.1)	(0.1)
Operating lease rentals – property	(2.1)	(1.1)
Operating lease rentals – other	(0.5)	–
Auditors' remuneration:		
Audit services – UK	(0.2)	(0.1)
Audit services – overseas	–	–
Non-audit services	(0.1)	(0.1)

Auditors' remuneration relates to services provided by Ernst & Young LLP and associates.

The company's audit fee was £55,000 (2003: £40,000).

4 Employees

	2004 £m	2003 £m
Salaries, commission and fees	19.4	15.8
Performance related bonuses	21.9	12.4
Social security costs	3.8	2.6
Other pension costs	4.0	3.8
	49.1	34.6

Other pension costs include £2,524,000 (2003: £2,458,000) in relation to the company's defined benefit pension scheme.

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

	2004 Number	2003 Number
UK	214	189
Americas	8	5
Rest of World	107	96
	329	290

Details of remuneration and pension entitlements for each director are included in the numbers above. Similar information is shown in the report of the board on remuneration.

Notes to the accounts

5 Interest receivable and similar income

	2004 £m	2003 £m
Bank interest receivable	1.1	0.6
Dividends receivable	1.0	0.5
	2.1	1.1

6 Interest payable and similar charges

	2004 £m	2003 £m
Bank loans and overdrafts	0.1	0.2

7 Taxation on profit on ordinary activities

	2004 £m	2003 £m
Current tax		
UK corporation tax at 30.0% (2003: 30.0%)	5.3	3.7
Adjustments in respect of previous periods	0.3	–
Overseas current tax	1.0	0.4
Share of associates' current tax	0.2	0.1
Total current tax	6.8	4.2
Deferred tax	(0.3)	(0.1)
Total tax	6.5	4.1

Factors affecting the current tax charge for the year

	2004 £m	2003 £m
Profit on ordinary activities before taxation	20.2	12.1
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.0% (2003: 30.0%)	6.0	3.7
Effects of:		
Expenses not deductible for tax purposes	0.6	0.8
Non-taxable income	(0.4)	(0.4)
Higher/(lower) tax rates on overseas earnings	0.1	(0.2)
Decelerated capital allowances	0.1	0.2
Increase in dilapidation provisions	0.2	–
Pension charge in excess of pension contributions	0.1	0.1
Tax losses carried forward (not available for group relief)	–	0.1
Other adjustments	0.1	(0.1)
Total current tax	6.8	4.2

Notes to the accounts

7 Taxation on profit on ordinary activities *continued*

Deferred tax

Included in debtors (note 13) is a deferred tax asset comprising:

	Pension provisions £m	Other timing differences £m	Total £m
At 1 January 2004	0.3	0.1	0.4
Profit and loss account	-	0.3	0.3
At 31 December 2004	0.3	0.4	0.7

There are potential unrecognised deferred tax assets at 31 December 2004 of £317,000 (2003: £189,000) in respect of decelerated capital allowances that are not expected to reverse in the foreseeable future.

Factors that may affect future tax charges

It is expected that future tax charges will continue to be adversely affected by the high levels of expenses not deductible for tax purposes.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures.

8 Dividends

	2004 £m	2003 £m
Interim dividend paid of 9.0 pence per share (2003: 7.0 pence per share)	1.4	1.1
Final dividend proposed of 16.0 pence per share (2003: 10.5 pence per share)	2.6	1.7
	4.0	2.8

Dividends do not include amounts arising on shares held by the Executive Share Purchase Trust.

9 Earnings per share

The calculation of basic earnings per share arising from continuing activities is based on earnings of £13,417,000 (2003: £7,646,000) and on 16,011,931 (2003: 15,729,514) shares, being the weighted average number of ordinary shares in issue during the year. This is after excluding 248,136 (2003: 433,820) weighted average number of shares held by the Executive Share Purchase Trust.

The diluted earnings per share is based on earnings of £13,417,000 (2003: £7,646,000) and on 16,014,783 (2003: 15,780,449) shares reflecting the dilutive effect of various option schemes.

Notes to the accounts

10 Intangible fixed assets

	Goodwill £m
Cost	
At 1 January 2004	2.3
Additions	3.5
At 31 December 2004	5.8
Amortisation	
At 1 January 2004	0.2
Provided during the year	0.1
At 31 December 2004	0.3
Net book value at 31 December 2004	5.5
At 31 December 2003	2.1

Goodwill is being amortised evenly over its useful economic life, estimated by the directors to be 20 years.

On 13 December 2004 the group acquired O.P.S. (Holdings) Limited, along with its subsidiaries, for a consideration of £3,312,000. With effect from 31 December 2004 the group acquired the business of Khedivial for a consideration of £258,000 including expenses. These have been accounted for as acquisitions in accordance with Financial Reporting Standard 6 'Acquisitions and Mergers'. The goodwill has been capitalised as an intangible asset.

	Book and fair value		
	O.P.S. (Holdings) Limited £m	Khedivial £m	Total £m
Net assets at date of acquisition:			
Fixed assets	0.1	–	0.1
Current assets	0.4	–	0.4
Current liabilities	(0.4)	–	(0.4)
	0.1	–	0.1
Goodwill arising on acquisition	3.2	0.3	3.5
	3.3	0.3	3.6
Discharged by:			
Fair value of shares	–	0.3	0.3
Cash	3.2	–	3.2
Expenses	0.1	–	0.1
	3.3	0.3	3.6

Notes to the accounts

11 Tangible fixed assets

	Group					Total £m
	Fleet interests £m	Freehold properties £m	Leasehold under 50 years £m	Office furniture and equipment £m	Motor vehicles £m	
Original cost						
At 1 January 2004	5.6	1.1	2.7	5.0	0.5	14.9
Additions	-	-	0.9	0.4	0.2	1.5
Arising on acquisition	-	-	-	-	0.1	0.1
Disposals	-	-	-	-	(0.2)	(0.2)
Foreign exchange differences	(0.4)	0.1	-	-	-	(0.3)
At 31 December 2004	5.2	1.2	3.6	5.4	0.6	16.0
Depreciation						
At 1 January 2004	0.9	0.2	2.5	4.1	0.2	7.9
Provided during the year	0.7	0.1	0.2	0.7	-	1.7
Disposals	-	-	-	-	(0.1)	(0.1)
Foreign exchange differences	(0.1)	-	-	-	-	(0.1)
At 31 December 2004	1.5	0.3	2.7	4.8	0.1	9.4
Net book value at 31 December 2004	3.7	0.9	0.9	0.6	0.5	6.6
At 31 December 2003	4.7	0.9	0.2	0.9	0.3	7.0

	Company		Total £m
	Freehold properties £m	Leasehold under 50 years £m	
Original cost			
At 1 January 2004	0.9	-	0.9
Additions	-	0.9	0.9
At 31 December 2004	0.9	0.9	1.8
Depreciation			
At 1 January 2004	0.2	-	0.2
Provided during the year	0.1	-	0.1
At 31 December 2004	0.3	-	0.3
Net book value at 31 December 2004	0.6	0.9	1.5
At 31 December 2003	0.7	-	0.7

Leasehold additions for the group and company represent costs relating to St. Magnus House in London. The necessary work is not yet complete and the company has not moved to this new location, thus no depreciation is charged in 2004.

Notes to the accounts

12 Investments

	Group		
	Associated undertakings £m	Unlisted £m	Total £m
Cost less provision			
At 1 January 2004	0.3	0.6	0.9
Additions	–	0.1	0.1
At 31 December 2004	0.3	0.7	1.0
Reserves			
At 1 January 2004	0.2	–	0.2
Profit for the year	0.6	–	0.6
Distributions	(0.2)	–	(0.2)
Foreign exchange differences	(0.1)	–	(0.1)
At 31 December 2004	0.5	–	0.5
Net book value at 31 December 2004	0.8	0.7	1.5
At 31 December 2003	0.5	0.6	1.1

There are no provisions relating to associated undertakings (2003: £nil).

Included in unlisted investments are provisions of £1,695,000 (2003: £1,695,000).

	Company Investment in subsidiary undertakings £m
Cost	
At 1 January 2004	13.5
Additions	3.3
At 31 December 2004	16.8

Comparatives have been restated to reflect the requirements of UITF 38 (see note 1(a)).

The directors consider there is no material difference between the fair value and cost of unlisted investments.

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

Notes to the accounts

13 Debtors

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Amounts falling due within one year				
Trade debtors	12.6	7.2	–	–
Amounts owed by associated undertakings	0.3	0.3	–	–
Other debtors	1.6	0.9	0.1	0.1
Prepayments and accrued income	2.4	0.9	0.1	–
Taxation – current	0.1	–	–	–
Deferred tax – timing differences (see note 7)	0.7	0.4	–	–
Owed by group companies	–	–	11.1	10.5
	17.7	9.7	11.3	10.6
Amounts falling due after more than one year				
Other debtors	0.3	0.2	–	–
Prepayments and accrued income	–	0.1	–	–
	18.0	10.0	11.3	10.6

14 Creditors: amounts falling due within one year

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Bank loans (see note 16)	1.4	1.3	–	–
Bank overdraft	0.1	–	–	–
Trade creditors	4.2	4.0	–	–
Other creditors	0.6	0.6	–	–
Accruals and deferred income	28.8	17.1	0.9	0.6
Corporation tax	4.7	2.8	–	–
Other tax and social security	0.9	0.6	–	–
Dividend	2.6	1.7	2.6	1.7
Owed to group companies	–	–	2.4	2.2
	43.3	28.1	5.9	4.5

Comparatives have been restated to reflect the requirements of UITF 38 (see note 1(a)).

15 Creditors: amounts falling due after more than one year

	Group	
	2004 £m	2003 £m
Bank loans (see note 16)	0.3	1.9
Other creditors	0.1	0.2
	0.4	2.1

Notes to the accounts

16 Bank loans

	Group	
	2004	2003
	£m	£m
Creditors: amounts falling due within one year:		
Bank loans due in one year or less	1.4	1.3
Creditors: amounts falling due after more than one year:		
Bank loans due in more than one year but not more than two years	0.3	1.3
Bank loans due in more than two years but not more than five years	-	0.6
	1.7	3.2

The bank loans, which all relate to Pasir Bulk Carriers Pte Limited are secured by fixed charges over the group's fleet interests. The group has guaranteed the proportion of the bank loans attributable to its investment in Pasir Bulk Carriers Pte Limited. There are no undrawn loan facilities.

17 Provisions for liabilities and charges

	Group
	£m
Provision for dilapidation of leasehold premises	
At 1 January 2004	0.2
Profit and loss account	0.7
At 31 December 2004	0.9

The provision is likely to be utilised in the next three years.

18 Share capital

	Number of shares	Nominal value £m
Authorised		
Ordinary shares of 25p each:		
At 1 January 2004	20,821,154	5.2
At 31 December 2004	20,821,154	5.2
Allotted, issued and fully paid		
Ordinary shares of 25p each:		
At 1 January 2004	16,243,314	4.0
Issued during the year	76,000	0.1
At 31 December 2004	16,319,314	4.1

During the year 76,000 shares were issued to meet obligations on an acquisition and under employee share schemes. 19,000 share options granted under the Senior Executive Share Option Scheme were exercised during 2004.

On 29 March 2005, 736,164 shares were admitted to the Official List to meet obligations on acquisitions and under employee share schemes.

Notes to the accounts

19 Share premium

	Group and Company £m
At 1 January 2004	4.1
Arising on the issue of new shares	0.4
At 31 December 2004	4.5

20 Other reserves

	Group				Company			
	Capital redemption reserve £m	Profit and loss reserve £m	ESOP reserve £m	Total £m	Capital redemption reserve £m	Profit and loss reserve £m	ESOP reserve £m	Total £m
At 1 January 2004								
As previously reported	2.0	11.3	–	13.3	2.0	16.6	–	18.6
UITF 38 restatement	–	–	(0.5)	(0.5)	–	–	(0.5)	(0.5)
As restated	2.0	11.3	(0.5)	12.8	2.0	16.6	(0.5)	18.1
ESOP share proceeds	–	–	0.1	0.1	–	–	0.1	0.1
Foreign exchange differences	–	(1.0)	–	(1.0)	–	–	–	–
Retained profit/(loss) for the year	–	9.4	–	9.4	–	(1.9)	–	(1.9)
At 31 December 2004	2.0	19.7	(0.4)	21.3	2.0	14.7	(0.4)	16.3

Comparatives have been restated to reflect the requirements of UITF 38 (see note 1(a)).

Goodwill amounting to £12,812,000 has been directly written off against the profit and loss reserve in previous years.

The profit for the year dealt with in the accounts of the company was £2,111,000 (2003: £7,586,000).

The ESOP reserve represents 225,442 shares (2003: 283,522 shares) held by the Executive Share Purchase Trust to meet obligations under various option schemes and deferred consideration. The shares are stated at cost and their market value at 31 December 2004 was £1,632,200 (31 December 2003: £1,424,698). At 31 December 2004 none of these shares were under option (31 December 2003: nil).

Notes to the accounts

21 Equity minority interests

	Group £m
At 1 January 2004	0.9
Share of profit for the year	0.3
At 31 December 2004	1.2

22 Financial commitments

At 31 December 2004 there were the following commitments in 2005 under non-cancellable operating leases which expire:

	Group					
	Land and buildings £m	Other £m	2004 Total £m	Land and buildings £m	Other £m	2003 Total £m
Within one year	0.5	–	0.5	–	–	–
In two to five years	0.8	0.1	0.9	2.1	0.1	2.2
In over five years	0.9	0.4	1.3	–	0.4	0.4
At 31 December 2004	2.2	0.5	2.7	2.1	0.5	2.6

	Company					
	Land and buildings £m	Other £m	2004 Total £m	Land and buildings £m	Other £m	2003 Total £m
In over five years	0.8	–	0.8	–	–	–
At 31 December 2004	0.8	–	0.8	–	–	–

23 Contingent liabilities

The company has given financial commitments to various suppliers to the extent of £3,846,000 (2003: £4,501,000).

A subsidiary company, H Clarkson & Company Limited, and six other parties are the defendants in a Commercial Court action commenced by a client of the subsidiary. In the proceedings, the client is claiming between US\$100 million and US\$138 million in damages. The subsidiary provided market commentary to the client prior to their acquisition of a shipping company which subsequently suffered a financial collapse. The client alleges that it relied on the commentary provided negligently by the subsidiary when evaluating this acquisition. The subsidiary has been advised its case is strongly defensible and, accordingly, no provision has been made in these accounts.

Notes to the accounts

24 Financial instruments

(a) Foreign currency risk management

Monetary assets and liabilities of the group that are not denominated in the functional currency of the operations involved are as follows:

Net foreign currency monetary assets								
	Sterling £m	US dollar £m	Other £m	2004 Total £m	Sterling £m	US dollar £m	Other £m	2003 Total £m
Functional currency of group operation:								
Sterling	–	16.0	0.5	16.5	–	8.6	0.1	8.7
US dollar	–	–	0.3	0.3	–	–	–	–
Other currencies	0.1	5.5	–	5.6	–	3.1	–	3.1
Total	0.1	21.5	0.8	22.4	–	11.7	0.1	11.8

The group uses spot and forward foreign currency contracts only to reduce exposure to variations in the US dollar exchange rate and to meet local currency expenditure requirements in the ordinary course of business.

The US dollar is the major trading currency of the group comprising approximately 90% of turnover in the year under review.

(b) Interest rate risk management

The interest rate profile of the financial liabilities of the group is:

	Floating rate £m	No interest £m	2004 Total £m	Floating rate £m	No interest £m	2003 Total £m
Sterling	0.1	1.3	1.4	–	1.6	1.6
US dollar	1.7	1.6	3.3	3.2	2.1	5.3
Other currencies	–	1.9	1.9	–	1.1	1.1
	1.8	4.8	6.6	3.2	4.8	8.0

There are no fixed rate financial liabilities.

The floating rate financial liabilities comprise a sterling overdraft bearing an interest rate based on LIBOR and a US dollar bank loan bearing interest based on the US Prime rate.

The interest rate profile of the financial assets of the group is:

	Fixed rate £m	Floating rate £m	No interest £m	2004 Total £m	Fixed rate £m	Floating rate £m	No interest £m	2003 Total £m
Sterling	21.1	14.4	1.4	36.9	16.5	11.8	0.9	29.2
US dollar	–	2.2	12.3	14.5	–	1.5	7.6	9.1
Other currencies	0.1	6.3	1.4	7.8	0.1	2.1	0.4	2.6
	21.2	22.9	15.1	59.2	16.6	15.4	8.9	40.9

The interest on fixed rate assets is fixed for periods up to 1 month after the balance sheet date at a weighted average rate of 4.7% per annum. Floating rate financial assets comprise cash deposits on money market deposit at call and 7 day rates. All other financial assets, including the group's fixed asset investments, earn no interest.

Notes to the accounts

24 Financial instruments *continued*

(c) Valuation of financial instruments

The comparison between the book values and fair values of all of the group's financial assets and liabilities is:

	Book value £m	2004 Fair value £m	Book value £m	2003 Fair value £m
Primary financial instruments				
Short term borrowings	(1.5)	(1.5)	(1.3)	(1.3)
Long term borrowings	(0.3)	(0.3)	(1.9)	(1.9)
Fixed asset investments	0.7	0.7	0.6	0.7
Debtors	14.4	14.4	8.3	8.3
Creditors	(4.8)	(4.8)	(4.8)	(4.8)
Cash and deposits	44.1	44.1	32.0	32.0
Derivatives held to hedge currency exposures on firm future commitments				
Forward contracts	-	0.1	-	1.3

Market values have been used to determine the fair values of forward contracts which will expire during 2005 and listed fixed asset investments.

(d) Maturity of financial liabilities

The maturity profile of the financial liabilities of the group is:

	2004 £m	2003 £m
In one year or less, or on demand	6.3	6.1
In more than one year but not more than two years	0.3	1.3
In more than two years but not more than five years	-	0.6
	6.6	8.0

(e) Borrowing facilities

The company has a borrowing facility available to it. The undrawn facility available as at 31 December 2004 was £2,000,000 (2003: £2,000,000). The facility is reviewed annually.

Notes to the accounts

25 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £m	2003 £m
Operating profit	17.4	11.9
Depreciation charges	1.7	2.0
Amortisation charges	0.1	0.1
Increase in debtors	(7.4)	(2.8)
Increase in creditors	11.8	11.1
Increase in provision for dilapidations	0.7	0.1
Net cash inflow from operating activities	24.3	22.4

26 Returns on investments and servicing of finance

	2004 £m	2003 £m
Dividends received	1.0	0.6
Interest received	1.1	0.6
Interest paid	(0.1)	(0.1)
	2.0	1.1

27 Capital expenditure and financial investment

	2004 £m	2003 £m
Purchase of tangible fixed assets	(1.5)	(0.9)
Purchase of investments	(0.1)	(0.6)
Sale of tangible fixed assets	0.1	–
Sale of investments	–	0.4
	(1.5)	(1.1)

Comparatives have been restated to reflect the requirements of UITF 38 (see note 1(a)).

Notes to the accounts

28 Reconciliation of net cash flow to movement in net funds

	2004 £m	2003 £m
Increase in cash	5.6	10.5
Increase in liquid resources	7.4	6.0
Cash inflow from decrease in debt	1.2	1.4
	14.2	17.9
Arising on acquisition	(0.1)	–
Deferred consideration	0.2	0.2
Foreign exchange differences	(0.6)	(0.4)
	13.7	17.7
Net funds at 1 January	28.5	10.8
Net funds at 31 December	42.2	28.5

29 Analysis of net funds

	At 1 January 2004 £m	Cash flow £m	Arising on acquisition £m	Other non-cash movements £m	Foreign exchange differences £m	At 31 December 2004 £m
Cash in hand, at bank	14.2	5.6	–	–	(0.9)	18.9
Short term deposits	17.8	7.4	–	–	–	25.2
	32.0	13.0	–	–	(0.9)	44.1
Debt due within one year	(1.3)	1.2	(0.1)	(1.4)	0.1	(1.5)
Debt due after more than one year	(1.9)	–	–	1.4	0.2	(0.3)
Deferred consideration	(0.3)	–	–	0.2	–	(0.1)
Net funds	28.5	14.2	(0.1)	0.2	(0.6)	42.2

30 Financing

	2004 £m	2003 £m
Issue of ordinary share capital	0.2	0.5
ESOP share proceeds	0.1	0.2
Debt due within one year – (decrease) in borrowings	(1.2)	(1.5)
	(0.9)	(0.8)

Notes to the accounts

31 Post balance sheet event

On 18 March 2005 the group acquired Maredorado Srl along with its subsidiaries ('Ferrobulk') for an initial consideration of £4,208,000, comprising £3,425,000 in cash and £783,000 by the issue of shares. Deferred consideration of up to £5,988,000 may be payable over the next three years dependent on the achievement of earnings targets over that period.

32 Pension schemes

Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' ('SSAP 24') disclosures

The group has continued to account for pensions in accordance with SSAP 24 and the disclosures below are those required by that standard.

The group's main pension scheme is in the UK and all financial information provided in this note relates to that scheme.

The group operates a defined benefit pension scheme, which is funded by the payment of contributions to a separately administered trust fund. Scheme assets are invested in a range of pooled pension investment funds managed by professional fund managers.

The pension scheme funding rate is determined at intervals not exceeding three years, on the recommendation of a qualified actuary. The latest actuarial valuation report was carried out as at 31 March 2004. The report was produced using the projected unit method of funding. This report showed scheme assets valued at 31 March 2004 of £81,500,000, producing a deficit of £11,900,000 over the projected value of liabilities. During 2004 a joint funding rate of 35.0% of pensionable salaries was adopted, based on interim advice provided by the actuaries.

In January 2005 a special contribution of £10,000,000 was paid by the company to the scheme. Following the recommendations of the report, in order to eliminate the remaining deficit over the expected future working life of the current members, a joint funding rate of 26.0% of pensionable salaries was adopted as from 1 January 2005.

Main valuation assumptions:

Annual rate of salary increases	2.9% *
Annual rate of increase in pensions	between 2.5% and 2.8%
Price inflation	2.9%
Long term rate of return on investments	between 5.0% and 6.2%

* denotes nil to April 2006

The company operates a funded unapproved retirement benefits scheme for certain 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 various pension schemes which are 'money purchase' arrangements. Where required the group also makes contributions into these schemes.

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

Notes to the accounts

32 Pension schemes continued

Financial Reporting Standard 17 'Retirement Benefits' ('FRS 17') disclosures

FRS 17 was issued in November 2000. Prior to the full implementation of this standard disclosures are still required. These disclosures are set out below.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2004 and updated by Hewitt Associates to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2004. Scheme assets are stated at their market value at 31 December 2004.

During the actuarial valuation exercise as at 31 March 2004 it became apparent that certain key assumptions made in preparing the 2003 FRS 17 information were incorrect. The 2003 FRS 17 figures now reflect accurate assumptions on future increases in pensionable salaries and mortality assumptions consistent with the 31 March 2004 valuation and 31 December 2004 FRS 17 information.

	2004	As restated 2003	2002
Main valuation assumptions:			
Rate of increase in pensionable salaries	2.9%*	2.8%*	3.8%
Rate of increase in pensions in payment	2.5-2.7%	2.7%	2.3%
Price inflation	2.9%	2.8%	2.3%
Discount rate for scheme liabilities	5.3%	5.4%	5.5%

* denotes nil to April 2006

The assets and liabilities of the scheme and the expected rates of return were:

	Expected rate of return % pa	2004 £m	Expected rate of return % pa	As restated 2003 £m	Expected rate of return % pa	2002 £m
Equities	7.50	50.8	7.75	45.7	7.50	36.2
Bonds	4.50	29.9	4.75	28.6	4.50	28.0
Property	6.50	5.5	6.75	4.7	5.60	4.7
Cash and other assets	4.80	1.3	4.00	0.8	3.10	1.5
Total market value of assets		87.5		79.8		70.4
Present value of scheme liabilities		(95.4)		(92.5)		(82.8)
Deficit in the scheme		(7.9)		(12.7)		(12.4)
Related deferred tax asset		2.4		3.8		3.7
Net pension liability		(5.5)		(8.9)		(8.7)
Net assets						
Net assets excluding net pension liability		31.1		21.8		16.8
Net pension liability		(5.5)		(8.9)		(8.7)
Net assets including defined benefit pension liability		25.6		12.9		8.1
Reserves						
Profit and loss reserve excluding pension liability		19.7		11.3		7.3
Net pension liability		(5.5)		(8.9)		(8.7)
Profit and loss reserve including defined benefit pension liability		14.2		2.4		(1.4)

Notes to the accounts

32 Pension schemes *continued*

The following amounts would have been recognised in the performance statements under the requirements of FRS 17:

	2004 £m	As restated 2003 £m	2002 £m
Operating profit			
Current service cost	(1.6)	(2.0)	(1.4)
Past service costs	–	–	–
Total operating charge	(1.6)	(2.0)	(1.4)
Other finance income			
Expected return on pension scheme assets	5.2	4.3	5.2
Interest on pension scheme liabilities	(4.9)	(4.5)	(4.1)
Net return	0.3	(0.2)	1.1
Statement of realised gains and losses			
Actual return less expected return on pension scheme assets	3.3	5.6	(11.6)
Experience gain/(loss) arising on the pension scheme liabilities	0.8	4.3	(6.3)
Loss on changes in assumptions underlying the present values of the pension scheme liabilities	(0.5)	(10.3)	(0.7)
Actuarial gain/(loss) recognised in the statement of realised gains and losses	3.6	(0.4)	(18.6)
Movement in deficit during the year			
(Deficit)/surplus in pension scheme at 1 January	(12.7)	(12.4)	5.1
Current service cost	(1.6)	(2.0)	(1.4)
Contributions	2.5	2.3	1.4
Other finance income	0.3	(0.2)	1.1
Actuarial gain/(loss)	3.6	(0.4)	(18.6)
Deficit in pension scheme at 31 December	(7.9)	(12.7)	(12.4)

The details of experience gains and losses under FRS 17 are as follows:

	Pension scheme assets %	2004 £m	Pension scheme assets %	2003 £m	Pension scheme assets %	2002 £m
Pension scheme assets:						
Difference between expected and actual return on pension scheme assets	3.8	3.3	6.9	5.6	16.4	(11.6)
	Pension scheme liabilities %	2004 £m	Pension scheme liabilities %	2003 £m	Pension scheme liabilities %	2002 £m
Pension scheme liabilities:						
Experience gains/(losses) on pension scheme liabilities	0.8	0.8	4.6	4.3	7.6	(6.3)
Total amount recognised in the statement of realised gains and losses	3.8	3.6	0.4	(0.4)	22.5	(18.6)

Notes to the accounts

33 Subsidiary and associated undertakings

Country of incorporation and operation	Company	Percentage of equity shares
Principal subsidiary undertakings		
UK	H Clarkson & Company Limited	100
	Calypso Shipping Investments Limited	100
	Channel Freight Ferries Limited *	100†
	Clarkson Capital Limited	100†
	Clarkson Ferries Limited	100
	Clarkson Logistics Limited	100
	Clarkson Mortgage Company Limited	100
	Clarkson Overseas Shipbroking Limited	100
	Clarkson Property Holdings Limited	100†
	Clarkson Research Services Limited	100
	Clarkson Securities Limited	100
	Clarkson Shipbroking Group Limited	100†
	Clarkson Shipping Investments Limited	100†
	Daytons Publishing Limited	100
	LevelSeas Limited	100
	Oilfield Publications Limited	100
	O.P.S.(Holdings) Limited	100†
Australia	Clarkson Australia (Pty) Limited *	100
Bermuda	Clarkson International Limited *	100
	Clarkson Pacific Limited *	100
China	Clarkson Asia Limited *	100
Greece	Clarkson (Hellas) Limited	100
Italy	Clarkson (Italia) Srl *	100
New Zealand	Clarkson New Zealand Limited *	100
Singapore	Clarkson Asia Pte Limited	100
	Pasir Bulk Carriers Pte Limited	58
South Africa	Clarkson South Africa Limited *	100
	Afromar Properties (Pty) Limited *	100
USA	Clarkson Shipping Services USA, Inc.*	100
	Oilfield Publications Inc.*	100
Associated undertakings		
Bermuda	Asia Shipping International Limited *	33
France	AGA Cofimar *	49
South Africa	Dudula Shipping Services (Pty) Limited *	50
UK	H C Shipping & Chartering Limited *	25
	LNG Shipping Solutions Limited	50
USA	Overseas Wiborg Chartering Co. (Partnership) *	50

* Not audited by Ernst & Young LLP and associates

† Held by Clarkson PLC

All the above companies are engaged in the provision of shipping and shipping related services.

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

Glossary of shipping terms

Aframax

A tanker size range defined by Clarksons as between 80,000 and 120,000 dwt.

Ballast voyage

A voyage with no cargo on board to get a ship in position for the next loading port or docking. On voyage the ship is said to be in ballast.

Bareboat charter

The hire or lease of a vessel from one company to another (the charterer), which in turn provides crew, bunkers, stores and pays all operating costs.

Bulk cargo

Unpackaged cargoes such as coal, ore and grain.

Bunkers

The ship's fuel.

Cabotage

Transport of goods between two ports or places located in the same country, often restricted to domestic carriers.

Capesize

Bulk ship size range defined by Clarksons as 80,000 dwt or larger.

Charterer

Cargo owner or another person/company who hires a ship.

Charter-party

Transport contract between shipowner and shipper of goods.

CIF

Cost, insurance and freight. Delivery of goods is the seller's responsibility to the port of discharge. The freight is paid for by the supplier of goods.

Clean oil

Refined oil products such as naphtha.

COA

Contract of Affreightment. An agreement to transport a defined amount of cargo at an agreed freight rate, with the shipowner choosing the ship.

Combination carrier

Ship capable of carrying oil or dry bulk cargoes, thereby increasing the productivity of the vessel. Typically termed OBO or Ore/Oiler.

Crude oil

Unrefined oil.

Daily operating costs

The costs of a vessel's technical operation, crewing, insurance and maintenance, but excluding costs of financing.

Demurrage

Money paid to shipowner by charterer, shipper or receiver for failing to complete loading/discharging within time allowed according to charter-party.

Dirty oil

Less refined of the oil products such as fuel oil.

Dry (market)

Generic term for the bulk market.

Dry cargo carrier

A ship carrying general cargoes or sometimes bulk cargo.

Dry docking

To put a vessel into a dry dock for inspection, repair and maintenance. Normally done on a regular basis.

Dwt

Deadweight ton. A measure expressed in metric tons (1,000 kg) or long tons (1,016 kg) of a ship's carrying capacity, including bunker oil, fresh water, crew and provisions. This is the most important commercial measure of the capacity.

FFA

A Forward Freight Agreement is a cash contract for differences requiring no physical delivery based on freight rates on standardised trade routes.

FOB

Free On Board. Cost of the delivery of goods is the seller's responsibility only up to the port of loading. The freight is paid for by the buyer of the goods.

FOB (estimate)

Forward Order Book represents estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.

FOSVA

Forward Ship Value Agreement. An FFA based product designed specifically for the sale and purchase market.

Freight rate

The agreed charge for the carriage of cargo expressed per ton(ne) of cargo (also Worldscale in the tanker market) or as a lump sum.

Glossary of shipping terms

Handysize/Handymax

Bulk ship size ranges of ships defined by Clarksons as 10-40,000 dwt and 40-60,000 dwt.

IMO

International Maritime Organisation: a United Nations agency devoted to shipping.

ISM code

International Safety Management code for the safe operation of ships and for pollution prevention as adopted by the IMO.

LNG

Liquified Natural Gas.

LPG

Liquified Petroleum Gas.

OBO

Oil, Bulk, Ore carrier (see Combination carrier).

Oil tanker

Tanker carrying crude oil or refined oil products.

Panamax

Bulk ship size range defined by Clarksons as 60-80,000 dwt. Strictly speaking the largest ship capable of navigating in the Panama Canal.

Parcel tanker

Tanker equipped to carry several types of cargo simultaneously.

Product tanker

Tanker that carries refined oil products.

Reefer

A vessel capable of handling refrigerated cargoes such as meat, fish and fruit.

Ro-Ro

An abbreviation for roll-on roll-off, describing vessels where vehicles drive onto and off the vessels.

Shipbroker

A person/company who on behalf of shipowner/shipper negotiates a deal for the transportation of cargo at an agreed price. Shipbrokers also act on behalf of shipping companies in negotiating the purchasing and selling of ships, both second-hand tonnage and newbuilding contracts.

Shuttle tanker

Tanker carrying oil from offshore fields to terminals.

Spot market

Short term contracts for voyage, trip or short term time charters, normally no longer than three months in duration.

Suezmax

A tanker size range defined by Clarksons as 120,000-200,000 dwt.

TEU

Twenty foot Equivalent Units. The unit of measurement of a standard twenty foot long container.

Time charter (t/c)

An arrangement whereby a shipowner places a crewed ship at a charterer's disposal for a certain period. Freight is customarily paid periodically in advance. The charterer also pays for bunker, port and canal charges.

Time Charter Equivalent (TCE)

Gross freight income less voyage costs (bunker, port and canal charges), usually expressed in US\$ per day.

Ton/Tonne

Imperial/Metric ton of 2,240 lbs/1,000 kilos (2,204 lbs).

ULCC

Ultra Large Crude Carrier. Tanker of 320,000+ dwt.

VLCC

Very Large Crude Carrier. Tanker between 200,000 and 320,000 dwt.

Voyage charter

The transportation of cargo from port(s) of loading to port(s) of discharge. Payment is normally per ton(ne) of cargo, and the shipowner pays for bunker, port and canal charges.

Voyage costs

Costs directly related to a specific voyage (eg. bunker, port and canal charges).

Wet (market)

Generic term for the tanker market.

Worldscale (WS)

An international index of freight for tankers. Worldscale is a schedule of freight rates for a standard ship in US dollars per tonne of oil for an array of oil routes. The rates listed in the table are designated as Worldscale Flat or WS100 and are revised annually.

The above glossary is intended to assist the general reader of these accounts and is not definitive.

Five year financial record

Profit and loss account

	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Turnover					
Shipping services	82.4	56.8	35.1	42.5	36.0
Shipping logistics	5.0	1.9	0.6	–	–
	87.4	58.7	35.7	42.5	36.0
Administrative expenses					
Shipping services	(62.2)	(45.5)	(31.4)	(35.2)	(31.1)
Shipping logistics	(7.8)	(1.3)	(0.5)	–	–
	(70.0)	(46.8)	(31.9)	(35.2)	(31.1)
Operating profit	17.4	11.9	3.8	7.3	4.9
Profit/(loss) before taxation					
Shipping services	22.2	11.0	4.3	9.3	5.6
Shipping logistics	(2.0)	1.1	0.1	–	–
	20.2	12.1	4.4	9.3	5.6
Taxation	(6.5)	(4.1)	(1.7)	(3.3)	(2.0)
Minority interest	(0.3)	(0.4)	–	–	–
Dividend	(4.0)	(2.8)	(2.4)	(2.2)	(1.4)
Retained profit for the year	9.4	4.8	0.3	3.8	2.2

Cash flow

	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Net cash inflow from operating activities	24.3	22.4	1.4	13.9	8.1

Balance sheet

	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Fixed assets	13.6	10.2	12.6	6.0	4.7
Debtors	18.0	10.0	7.1	6.8	8.9
Cash and deposits	44.1	32.0	16.2	19.4	10.9
Current liabilities	(43.3)	(28.1)	(15.1)	(18.2)	(13.6)
Other long term liabilities	(1.3)	(2.3)	(4.0)	–	–
	31.1	21.8	16.8	14.0	10.9

Statistics

	2004	2003	2002	2001	2000
Earnings per share – basic	83.8p	48.6p	18.0p	42.3p	26.0p
Dividends per share	25.0p	17.5p	15.0p	15.0p	10.0p

Information has been restated where necessary to reflect the requirements of UITF 38 (see note 1(a)).

Shareholder information

Financial calendar

Annual general meeting – 25 May 2005

Final dividend payable – 17 June 2005

Interim results for 2005 announced – September 2005

Interim dividend payable – September 2005

Final results for 2005 announced – March 2006

Advisers

Auditors

Ernst & Young LLP

Solicitors

Norton Rose

Simmons & Simmons

Stockbrokers

Evolution Securities

JPMorgan Cazenove

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