BRAEMAR
SHIPPING SERVICES PLC

# BRAEMAR SHIPPING SERVICES PLC

("Braemar", "the Company" or "the Group")

**20 May 2014**

## Preliminary results for the year ended 28 February 2014

Braemar Shipping Services plc (LSE: BMS), a leading international provider of broking, consultancy, technical and other services to the shipping and energy industries, today announces full year results for the year ended 28 February 2014 and a proposed merger with ACM Shipping Group plc ("ACM") which is being announced separately today.

**FINANCIAL HIGHLIGHTS**

- Revenue of £125.5m (2013: £139.7m)
- Revenue excluding the *RENA* up 4% to £125.5m (2013: £120.8m)
- Pre-tax profit of £9.0m (2013: £9.6m)
- Pre-tax profits excluding the *RENA* up 24% to £9.0m (2013: £7.2m)
- Basic EPS from continuing operations of 31.9p (2013: 34.5p)
- Basic EPS from continuing operations excluding the *RENA* up 23% to 31.9p (2013: 26.03p)
- Cash at 28 February 2014: £13.7m (28 Feb 2013: £23.3m), up from £7.1m at 31 August 2013
- Final dividend maintained at 17.0p per share, full year 26.0p (2013: 26.0p), covered 1.3 times by earnings before acquisition related amortisation

**OPERATIONAL HIGHLIGHTS**

- Shipbroking increased its total forward order book of business
- Excellent performance by the Technical division driven by a strong performance in Braemar Offshore
- Non-core business of Casbarian sold in March 2014
- Organic growth in Ship Agency in the Logistics division

James Kidwell, chief executive of Braemar Shipping Services plc, said:

"I am delighted with the performance of the Group over the year and in particular the Technical Services division, which delivered a near doubling of profits. The shipbroking business had a demanding year but we believe the industry has now passed the bottom of the cycle. The merger with ACM will create a strong platform for growth in this sector.  It provides us with a unique and exciting opportunity to expand our shipbroking business in step with the growth of our shipping and technical services businesses. We believe this will be of great benefit to our people, our clients and our shareholders over the years ahead."

**ENDS**

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**Notes to editors**
Braemar Shipping Services plc is a leading international provider of broking, consultancy, technical and other services to the shipping, marine and energy industries. It is listed on the Official List of the London Stock Exchange in the Industrial Transport sector.  The business is organised into the following segments:  Shipbroking, Technical, Logistics and Environmental.
www.braemarplc.com

**Principal businesses:**

**Shipbroking**
Braemar Seascope provides chartering, sale and purchase and consulting shipbroking services to international ship owners, charterers and financial institutions operating in the tanker, gas, chemicals, offshore, container and dry bulk markets. There are shipbroking offices in the UK, USA, Norway, China, Australia, Singapore, India and Italy.
[www.braemarseascope.com](www.braemarseascope.com)

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**Technical**

Braemar's Technical division provides a range of specialist marine services to the energy and marine insurance markets. The business operates as four distinct businesses with overlapping markets and skillsets. The businesses are as follows:

- Braemar Adjusting provides specialist loss adjusting and other expert services to the energy (oil and gas), marine, power and other related industrial sectors. It has offices in London, Houston, Singapore, Calgary, Rio de Janeiro and Abu Dhabi.

- Braemar Offshore provides specialised marine and offshore services mainly performing pre-risk marine warranty surveys. It has offices in Australia, China, India, Indonesia, Malaysia, Singapore, Thailand and Vietnam.

- Braemar incorporating The Salvage Association (Braemar SA) provides marine consultancy and surveying services to the shipping, energy, offshore and insurance industries. It has a network of offices in Asia, Europe and the US that undertake hull and machinery damage surveys for the insurance industry.

- Braemar Engineering provides consultant marine engineering and naval architecture services to the shipping and offshore markets from offices in London and Houston. It has a particular expertise in the transportation of LNG by ship.

www.braemar.com

**Logistics**
Cory Brothers Shipping Agency provides ship agency, freight forwarding and logistics services within the UK and Singapore.
www.cory.co.uk

**Environmental**
Braemar Howells provides pollution response and advisory services primarily in the UK and Africa and is continuing to develop an international presence. It has earned an international reputation for its work for the insurance industry in handling the containers from stricken vessels.
www.braemarhowells.com

## PRELIMINARY ANNOUNCEMENT – YEAR ENDED 28 FEBRUARY 2014
## CHAIRMAN'S STATEMENT

**Proposed Merger with ACM**

Your Board has been for some time considering ways in which we could strengthen and expand our shipbroking division to keep in step with the growth of our shipping and technical services businesses. We believe that the merger with ACM, on which I comment more below, will achieve the step change we have been seeking and your Board is pleased to be bringing it before you for your approval.

**Results for the year – Overview**

The shipping markets – the principal driver of our Shipbroking division - remained subdued for the majority of the year. However, during the second half, a greater sense of confidence encouraged new investment and more long term business and our forward order book began to increase.

Our Technical division, which provides services to the offshore energy market, benefitted from improved levels of activity and achieved excellent results. The non-core US-based offshore engineering business, Casbarian, was sold in March 2014.

Our Logistics division produced a solid performance and the Environmental division reverted to its regular level of activity, having been significantly boosted last year by the "*RENA*" project.

Revenue from continuing operations was £125.5m (2013: £139.7m) and operating profit was £8.9m (2013: £9.3m). Excluding the effect of the *RENA* project in 2012/13, underlying revenue from continuing operations grew by 4% from £120.8m to £125.5m and underlying operating profit grew by 29% from £6.8m to £8.9m. Basic earnings per share from continuing operations (and again allowing for the "*RENA*" effect) at 31.9 pence was 23% higher than 2012/13. Continuing operations exclude the Casbarian business from both this year and last. The excellent growth in both sales and operating profit in the Technical division was offset by slower trading in Shipbroking and reduced activity in the Environmental division. Despite an outflow in working capital brought about by a shift in the mix of business towards the Technical division, the balance sheet remains strong with a net cash position of £13.7m at the end of the year.

**Proposed merger with ACM**

We believe the proposed merger with ACM represents a transformational change in the development of our Group. Like Braemar, ACM is a leading shipbroker providing a wide range of ship-broking services for the global market. It is widely recognized as a market leader in tanker broking and has extensive international operations employing over 160 brokers and support staff world-wide. With our 282 brokers and support staff and the enhanced global footprint going forward, we believe that the combined business will enable us to provide even higher quality service to our clients based on improved market coverage. Following the merger, we plan to establish broking desks which maintain succession and have strength in depth and will create a leading broking platform for the next decade. Details of the proposed merger have been announced separately to the market today and we expect to send a circular to shareholders in relation to the proposed merger as soon as possible and in any event within the next 28 days. I recommend you read it carefully and vote in favour of the transaction as my Board colleagues and I will be doing, as will the Board of ACM.

**Board and management**
Following a year of change at the Board level in 2012/13, the year was one of stability.

Looking ahead we plan to make some changes in the light of the planned merger with ACM. Having served twelve years as a non-Executive director, John Denholm will step down as a Director at this year's AGM. John has made an invaluable contribution to the Board as a non-Executive Director since 2002 and as Chairman of the Remuneration Committee and we thank him warmly for all he has done for the Group over the years.

We look forward to welcoming our new colleagues from ACM when the proposed transaction is completed.

**Dividend**
The Directors are recommending for approval, at the Annual General Meeting on 4 July 2014, an unchanged final dividend of 17 pence per ordinary share. This will be paid on 15 August 2014 to shareholders on the register at close of business on 18 July 2014. Together with the 9 pence interim dividend, the Company's dividend for the year will be 26 pence (2013: 26 pence). The dividend is covered 1.3 times by earnings from continuing operations before amortisation of acquisition related intangibles.

**Colleagues**
On behalf of the Board I would like to express my thanks to all our employees who have worked diligently for Braemar to achieve these results. It is the professionalism of the Braemar team around the world that makes a difference to our clients and helps build the Braemar brand and reputation.

**Sir Graham Hearne CBE**
Chairman
19 May 2014

## CHIEF EXECUTIVE'S REVIEW OF THE BUSINESS

### TRADING PERFORMANCE

It was a significant year of change for the Group with indications of a recovery in the shipping markets in which we operate and the Technical division demonstrating its potential. The Group overall achieved revenue of £125.5m down from £139.7m, although adjusting for the revenue generated by the *RENA* Project in the prior year, the underlying growth in revenue was 4%.

The Shipbroking division revenue fell during the year reflecting the continued weak markets for the majority of the year and the low forward order book at the start of the year. Revenue at £40.9m was 11.8% down on last year and represented one third of total Group revenue in the period. The second half of the year, however, saw some improvement in markets and a 15% increase in revenue over the first half. This improvement was also reflected in our forward order book which has grown in total by more than 25% in the year to approximately $40m, of which approximately $20m relates to 2014/15. We have continued to pay attention to our cost base but our main objective has been to continue to invest in people and infrastructure in anticipation of improved markets. As a result the divisional operating profit at £2.6m was lower than the prior year, but is showing signs of improvement.

The Technical division had an excellent year with revenue up 22% on the prior year at £40.0m. All aspects of the division improved year on year and accounted for 32% of the Group's total revenue. We anticipate that this division will continue to be a driver of our future growth expectations. The largest contributors to this growth were firstly, Braemar Offshore which provides marine warranty surveying and consulting expertise to the oil and gas industry principally in Asia and secondly, Braemar Engineering which is a specialist consultant to the LNG shipping market place. Braemar Adjusting and Braemar Salvage Association, which provide surveying skills to the offshore, shipping and insurance markets, also performed strongly and importantly, recruited a number of new key staff, putting them in a stronger position to capitalise on opportunities in the year ahead. Divisional operating profit for the division was £6.8m, up 82% (£3.7m) on the prior year.

Revenue for the Logistics division rose by 3.8% to £38.9m with increased contributions from both ship agency and forwarding and logistics. The markets we operate in remain fiercely competitive but we maintained our market share. The best performance in the year was from the agency business in Singapore which grew strongly. Divisional operating profit for the division at £2.0m was unchanged on the prior year.

The Environmental division returned to a normal level of activity after the completion of the project in New Zealand on the *RENA*. Revenue in 2013/14 of £5.8m compares with underlying revenue of £4.5m in the prior year. This level of revenue generated a divisional operating profit of £0.1m (2013: £2.7m).

### STRATEGIC DEVELOPMENT

Our objective is to continue to build the Braemar brand to be the most valued provider of knowledge and skill-based services to the shipping and offshore markets on a global basis. We have made significant steps in this direction during the year and will do so again in the year ahead.
In Shipbroking our new offices in Oslo and Houston are now integrated within the Group and are in a position to capitalise on our global network.

The proposed merger with ACM, referred to in the Chairman's Statement, will transform the scale and prospects of our business. It will enable us to build on the core strengths of the Braemar business and to establish the Group as a leading player in many of the shipping sectors within the core Shipbroking market.

There are four distinct businesses within the Technical division, serving overlapping sectors of their global market. They are all successful in their own right but are stronger by working in collaboration. We are looking progressively to benefit from this combined strength, without losing the individual drive and success of the component parts.

The Logistics division – operating as Cory Brothers – has opportunities to grow through international strategic alliances and by using the Braemar office network to establish other offices overseas with new staff. Where possible established relationships are being developed internationally. Since the year-end we have sold the small Morrison Tours business, based in Leith, which provided on-shore excursions for passenger cruise ships in Scotland as it was not a strategic fit within the division.

The Environmental division – called Braemar Howells – continues to look at ways to strengthen and improve its existing environmental consulting services while remaining alert to the potential for large project possibilities where its managerial expertise can be put to best effect.

Finally, we sold our interest in the Casbarian engineering business, based in New Orleans. The expected returns and value added to the Technical division did not justify the investment required and we therefore judged it to be no longer a strategic fit for the group.

## REVIEW OF OPERATIONS

### Shipbroking – Braemar Seascope

***Deep Sea Tankers***

During the first half of the year deep sea freight rates remained weak, largely due to the effect of over-capacity in the market which had an adverse impact on revenue. The improvement in the second half was reflected in the Baltic Dirty Tanker Index which increased to an average of 762 in the second half of the year compared with an average of 631 in the first half. The recovery in freight rates was driven by the trend for slow steaming which helped spread the tonnage and by an improvement in market sentiment. Very Large Crude Carrier ("VLCC") rates have been relatively weak so far in 2014 partly due to seasonal refinery maintenance in the Far East, but mainly due to oversupply. Both the Suezmax and Aframax sectors have seen sporadic rate spikes during the year mainly because of geo-political tensions which cause nervousness over oil supply. Our volumes remained high throughout the year in the crude sector and there is greater confidence in the market than twelve months ago and we expect some improvement in 2014/15. The clean product tanker market has generally been steady over the year and our volumes in the Far East grew throughout the year, in particular with increased freights from longer haul voyages.

***Specialised Tankers***

Our Specialised tanker department covers the transportation of smaller parcels of products, chemicals, petrochemical gases, LPG and LNG with the majority of business conducted within Europe. Overall, the results were similar to the previous year but the forward book has grown substantially from the conclusion of significant long term charter business exporting shale gas from North America to Europe most of which commences in 2015. The outlook is encouraging with signs that revenue will improve next year from business generated on the spot market and contract business being renewed at higher freight rates, reflecting wider market sentiment. We opened a new office in Oslo in the second half, which is generating increased interest and we are expecting an improved performance next year.

***Offshore***
Our Offshore department delivered a strong performance this year, benefitting from an active market around the world which we service from our offices in London, Aberdeen and Singapore. The number of transactions completed increased by 20% in the year and the Aberdeen office recorded its highest number of fixtures since 2010. This was, in part, due to a prolonged period of bad weather in the North Sea which effectively extended the length of time vessels were on hire as they took longer to complete their work. The Offshore sale and purchase team also concluded a record number of deals in the year, providing a significant boost to the department's revenue and profit.

***Dry Bulk***
Although the dry bulk chartering market has struggled with over-capacity, rates improved during the course of the year, such that the Baltic Dry Index averaged 962 in the first half and 1,642 in the second, with 1,299 as the average for the year as a whole (2012/13: 901). A significant proportion of our revenue from dry bulk is generated by our offices in Australia. We strengthened our team in Singapore in the year especially on the Capesizes and have seen an improvement in the second half of the year driven by significant restocking of iron ore in China. The team also concluded some good long term contract business which will provide a good basis to work from in the coming year. Following an encouraging start to the year, freight rates have fluctuated as stockpile levels reach record highs. We expect to see a strengthening of the dry market once again in the second half of the year.

***Containers***
A steady stream of new, larger vessels delivered into the market has meant that the rates in the chartering market have remained low. However, some relief for the market has been afforded through the demolition of uneconomic vessels. In the smaller, sub-panamax sector demand remains steady and there is a reasonable expectation that rates may improve as the year progresses. While, the weak market has been challenging for chartering, it has provided opportunities for sale and purchase in which we have been active through the year.

***Sale and Purchase***
Revenue from our sale and purchase team, which is mostly generated from the sale of second hand tankers and bulk carriers, was lower this year than the previous year, reflecting what may prove to be a low point in asset values. In 2013 there was a surge in newbuilding orders as significant funds were raised in the public markets to take advantage of new "eco" designs and advantageous pricing. We were able to conclude a good volume of newbuilding business during the year which will benefit future years. We expect revenue in sale and purchase to improve in 2014/15 on the back of these orders.

Our demolition desk had an active year, although the general improved sentiment in both the wet and dry freight markets has led to owners delaying plans to scrap older vessels reducing demolition activity.

**Technical**
The Technical division had a very strong year with revenues increasing by 22% and divisional operating profit by 82%. The biggest contributor to the divisional profit was Braemar Offshore, while Braemar Engineering also made a significant contribution, and Braemar Adjusting and Braemar SA both reported an improved performance.

***Braemar Offshore***
Braemar Offshore had an exceptionally busy year and reported an excellent performance from both the marine warranty survey and offshore engineering activities, with overall revenue growing by 30% over the previous year. The increase was due to the higher number of offshore construction projects and rig moves in the Asia Pacific region. Revenue from marine warranty surveying work remained the core revenue driver for the business contributing more than two thirds of the total. The business has continued to develop its eight offices across the Asia Pacific region and has reduced the reliance on the historic key revenue generators. It has steadily increased the headcount in these offices to support the revenue growth and now employs over 150 staff across the region. The pace of revenue growth will be slower in the year ahead but the business is now well positioned for long-term expansion.

***Braemar Adjusting***
Despite a relatively quiet year for significant incidents in the energy sector, Braemar Adjusting still achieved higher revenues than the previous year. An uneventful hurricane season in the Gulf of Mexico affected the performance of the office in Houston, but the offices in Rio de Janeiro and London performed largely as expected and Calgary performed strongly too. Activity levels in China and Indonesia had an impact on utilisation rates in Asia and after a slow start for the new office in Dubai, it finished the year strongly. The business has focused heavily on strengthening its teams across its office network and with key new management and personnel now in place, the prospects for 2014/15 are good.

***Braemar (incorporating the Salvage Association) – Braemar SA***
Braemar SA has recorded an increase in activity and profits, with an overall increase in revenue of 15%. This was despite a reduced level of total global marine casualties being reported by clients, indicating a growth in the Company's market share. The improved performance was driven by an increase in the number of instructions resulting in an increase in chargeable time over the previous year. The largest increase in the number of cases has come through the London insurance market, with the business won being distributed to all regions to conduct. The increase of local cases won in the Far East region by 29% has also boosted the business's overall result, while in the Americas region work undertaken has, on average, been at a higher value due to the more complex nature of the instructions. Over the year we increased the number of experienced staff in order to deliver the higher volume of work and to support continued growth in activity. This is paying off and the current year has started well.

***Braemar Engineering***
Braemar Engineering is a world leader in LNG, both onshore and afloat. Within this context, it is also the leader in LNG carrier design and construction supervision. It is this reputation that has provided the business with the platform that has resulted in 2013/14 being the most successful year in its history, with strong performances from both the UK and US offices. In the first half of the year the team in the UK started work on a three year contract for the design and site supervision to build six LNG carriers as well as providing training for local staff. The design and

plan approval stage has now been completed and construction oversight, commissioning and delivery commenced in March 2014. Our office in Houston is developing a large range of projects and is involved in a project to develop the world's largest floating LNG production and export facility as well as the development of several potential LNG export and bunkering facilities in the USA. Both offices are forecasting a higher level of activity for the next couple of years and have seen a strong start to the current financial year.

**Logistics – Cory Brothers**

Revenue in Cory Brothers increased by 4% to £38.9m and divisional operating profit was unchanged at £2.0m. The revenue was generated by the ship agency business and the division's forwarding activities, both making a contribution despite fiercely competitive markets.

***Ship Agency***

The ship agency business services UK ports, the port of Singapore and has joint arrangements with agency partners in Brazil and Gibraltar. It has developed organically by expanding its European and global hub agency businesses with new and existing major customers. Underlying trading at all UK ports remains consistent month on month and we expect to see some improvement through 2014/15 in line with the market. We also aim to grow our overseas presence with further collaborations and hub agency operations.

***Forwarding and Logistics***

The forwarding and logistics operation maintains a global logistics network which enables it to provide a number of logistics solutions for its customer. These include seafreight, airfreight, contract logistics, import custom clearance and track and trace solutions.

The logistics industry continued to feel the impact of sluggish economies. It trades in a competitive and price sensitive market, with unusually volatile seafreight rates, margin and cost pressures. Despite the challenging environment, Cory Brothers was able to sustain its position and increase its revenue on the prior period. The number of forwarding jobs increased by 8%, although the container consolidation element of the business fell by 21%, mainly due to European overland business and economic weakness in Spain. The liner business provided support for 585 voyage calls during the year, broadly equivalent to the previous year.

The division's strategy continues to focus on regional and industry-specific growth segments whilst providing the clients with exceptional customer service. A new reefer department has been established to target the perishables logistics segment and contract logistics continues to be a key target, ensuring management are able to react more quickly and efficiently to the demands of the market.

**Environmental – Braemar Howells**

The work on the *RENA* was completed successfully in February 2013, and without a significant replacement project, the division's activity and revenue reverted to a more routine level achieving a divisional operating profit of £0.1m.

The division's core skill continues to be its 24/7 availability to respond quickly to incidents (maritime, rail and road) that require its specialist skills to coordinate and implement a structured response, in order to minimise the environmental damage in sensitive situations. It also provides worldwide hire of oil spill response equipment as well as consultancy services including advice on MARPOL waste reception facilities. As the work load increases the business is able to flex its workforce as required to cater for this.

Revenue from UK Operations has remained at the same level as the previous year with work including tank cleaning and waste reduction measures, as well as ad-hoc incident responses. Braemar Howells was also recently able to give assistance to customers in flood prevention and subsequent clean-up following the recent floods in the UK in January and February 2014. Overseas consultancy continues to grow in West and Central Africa.

**OUTLOOK**

The early signs of improvement in shipping markets are expected to continue and the Shipbroking division will benefit from its higher forward order book.

The Technical division is expected to make further progress in the year ahead, although growth may be lower than the year just finished which was exceptionally strong.

The Logistics division is also well placed to benefit from improving trade activity.

The proposed merger with ACM will add significantly to our prospects in future years.

**James Kidwell**
Chief Executive
19 May 2014

## FINANCIAL REVIEW

| Summary Income Statement | 2014 | 2013 [1] | 2012 [1] |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Revenue | **125,531** | 139,684 | 131,457 |
| Cost of Sales | **(31,758)** | (43,599) | (36,813) |
| Operating costs | **(82,252)** | (82,306) | (81,554) |
| Divisional operating profit | **11,521** | 13,779 | 13,090 |
| Unallocated costs | **(2,238)** | (2,951) | (1,953) |
| Non-recurring items | **-** | - | 69 |
| Amortisation of other intangible assets | **(432)** | (1,498) | (1,435) |
| Operating profit | **8,851** | 9,330 | 9,771 |

*Financial highlights*

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Shipbroking** | **£'000** | £'000 | £'000 |
| Revenue | **40,866** | 46,362 | 49,813 |
| Divisional operating profit | **2,635** | 5,348 | 7,121 |
| Operating profit margin | **6.4%** | 11.5% | 14.3% |
| Employee numbers | **286** | 289 | 299 |

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Technical** [1] | **£'000** | £'000 | £'000 |
| Revenue | **40,032** | 32,688 | 29,937 |
| Divisional operating profit | **6,798** | 3,744 | 2,247 |
| Operating profit margin | **17.0%** | 11.5% | 7.5% |
| Employee numbers | **330** | 306 | 306 |

| **Logistics** | | | |
|---|---|---|---|
| Revenue | **38,917** | 37,495 | 37,630 |
| Divisional operating profit | **1,981** | 2,006 | 1,888 |
| Operating profit margin | **5.1%** | 5.4% | 5.0% |
| Employee numbers | **223** | 228 | 228 |

| **Environmental** | | | |
|---|---|---|---|
| Revenue | **5,771** | 23,399 | 14,529 |
| Divisional operating profit | **106** | 2,681 | 1,857 |
| Operating profit margin | **1.8%** | 11.5% | 12.8% |
| Employee numbers | **55** | 52 | 52 |

[1] Excludes Casbarian

### Overview

Group revenue from continuing operations fell in the year compared with 2012/13, due to the absence of the work carried out in the Environmental division on the *RENA*, the impact of which was described in detail in last year's annual report. Underlying revenue has continued to increase and although revenue in shipbroking in the year under review fell, reflecting the low point in the shipping cycle, the strong performance by the Technical division made up for this shortfall.

### Discontinued operations

Following the poor performance of Casbarian, particularly in the second half of the year, Braemar undertook a review of its operations and concluded that the strategic fit with the Braemar Technical Services division was not sufficiently strong to justify further investment. In February 2014, the Group decided to exit the business and reached an agreement to dispose of Casbarian to the local management team. This divestment was concluded in March 2014. As a consequence, the results of Casbarian have been presented as a discontinued operation in the income statement and the net assets and liabilities shown as held for sale on the balance sheet. Losses from discontinued operations were £1.4m and the loss on disposal was £0.8m.

**Direct and operating costs**

Cost of sales consists of freight and haulage costs incurred in the Logistics division, payments to sub-contractors and materials, and other costs directly associated with the revenue to which they relate. The significant reduction in the level of costs of sales in comparison to the previous year is due to completion of the work on the *RENA*. The underlying level of cost of sales (adjusted for the *RENA*) has increased by 6% and is due to the higher level of activity in the forwarding business in the Logistics division and an increase in sub-contractor costs in the Technical division to support the higher volume of work undertaken by Braemar Offshore.

Operating costs were similar to last year despite the higher number of staff employed in the Group, reflecting the focus across the Group on cost efficiency in the year. Margins in Shipbroking were lower which illustrates the tough markets in which the division has been operating and the reduced number of contracted vessels brought forward from previous years. The profitability of the Technical division has improved, driven by the performance in Braemar Offshore where much of the higher volume of project work has been achieved using existing staff. Logistics has performed steadily, and the Environmental division has reverted to a low level of profitability in the absence of a significant revenue generating event. Costs in this division are kept under close scrutiny in order to ensure the business carries a level of overheads appropriate to its needs, while still being ready to react quickly should a significant project arise.

Unallocated costs fell in the year reflecting the full year impact of the Board and management changes that were made in 2012/13.

**Balance sheet**

Net assets at 28 February 2014 were £65.3m (2013: £69.8m). The value of the Group balance sheet has been significantly affected by the strengthening of the pound during the year, the Group's reporting currency. As the Group's network of offices across the world has expanded significantly in recent years, there has been an increased amount of assets held in overseas currencies. The effect of retranslating these assets at 28 February 2014 into the Group's reporting currency has resulted in a reduction of the value of the balance sheet by £4.4m (2013: increase of £1.1m).

Within working capital, trade and other receivables increased during the year reflecting the higher level of revenue in the final quarter of 2013/14 compared to the previous year. The value of the provision against trade receivables fell from 9.3% to 8.1%, and reflects an improvement in the ageing profile of the debt at 28 February 2014 . The Group will continue to drive for improvement in debt collections and expects the investment in IT infrastructure to support this initiative.

The value of intangible assets arising from acquisitions has now reduced to £0.7m and as a result the amortisation charge in respect of these assets will reduce to approximately £0.3m in 2014/15.

**Cash flow and Treasury management**

The Group is cash positive and at 28 February 2014 had cash balances of £13.7m (28 February 2013: £23.3m) and no debt. The level of our cash has fallen during the year which can largely be explained by a £4.4m investment in working capital, a £2.8m reduction to the accrual held to meet the Group's bonuses and a £3.2m foreign exchange effect. Immediately after the year end £2.0m was received relating to our LNG contract in Braemar Engineering. Net tax payments in the year were lower due to tax recovered in relation to payments made in previous years and the Group incurred £1.3m on capital expenditure.

The normal cycle of cash for the Group follows a pattern whereby a higher proportion of cash is earned in the second half of the year following payments of the final dividend to shareholders as well as staff bonuses in the first half.

**Foreign exchange**

The US dollar exchange rate relative to sterling moved by 10% in the year from US$1.52 at the start of the year to US$1.68 at the end of the year. The average rate of exchange for US dollar-denominated Shipbroking earnings was $1.58/£ (2013: $1.56/£). The effect of this movement impacted earnings to some extent, but the Group's treasury policy mitigated the full impact of the movement in the US dollar in the year by approximately £0.3m due to forward cover held from earlier in the year. Shipbroking revenues, denominated in US$, remain exposed to the US$/£ exchange rate in the long term.

**Taxation**

The Group's effective tax rate in relation to continuing operations in 2013/14 was 25.7% (2013: 25.4%). The rate is higher than the UK standard rate of corporation tax of 23% mainly due to disallowed expenses. The Group's profits are spread across a number of jurisdictions with both higher and lower tax rates. In the US, the US tax group made losses in the year, mainly due to the results from the discontinued operation, Casbarian. The resultant deferred tax asset is recognised in the Group's US tax group and will be used to offset future taxable profits in the US. In the UK it is expected that the further reduction of the rate of corporation tax from 23% to 21% in 2014/15 and the cut from 21% to 20% by April 2015 will reduce the effective tax rate in future years.

**Martin Beer ACA**
Group Finance Director
19 May 2014

**Braemar Shipping Services PLC**

## Audited Consolidated Income statement for the year ended 28 February 2014

| Continuing operations | Notes | 28 Feb 2014 £'000 | Restated 28 Feb 2013 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **125,531** | 139,684 |
| Cost of sales | | **(31,758)** | (43,599) |
| | | **93,773** | 96,085 |
| Operating costs | | | |
| Operating costs excluding amortisation of other intangibles | | **(84,490)** | (85,257) |
| Amortisation of other intangible assets | | **(432)** | (1,498) |
| | | **(84,922)** | (86,755) |
| **Operating profit** | 3 | **8,851** | 9,330 |
| Finance income | | **253** | 296 |
| Finance costs | | **(57)** | (41) |
| Share of profit from joint ventures | | **(88)** | 62 |
| **Profit before taxation** | | **8,959** | 9,647 |
| Taxation | | **(2,268)** | (2,447) |
| **Profit for the year** | | **6,691** | 7,200 |
| Loss for the year from discontinued operations | 4 | **(2,209)** | (351) |
| **Profit for the year** | | **4,482** | 6,849 |
| Attributable to: | | | |
| Ordinary shareholders | | **4,473** | 6,824 |
| Non-controlling interest | | **9** | 25 |
| **Profit for the year** | | **4,482** | 6,849 |
| **Earnings per ordinary share** | 6 | | |
| Basic – continuing operations | | **31.93p** | 34.47p |
| Diluted - continuing operations | | **30.61p** | 33.36p |
| **Earnings per ordinary share** | 6 | | |
| Basic - profit for the year | | **21.38p** | 32.78p |
| Diluted - profit for the year | | **20.49p** | 31.72p |

## Audited Consolidated Statement of comprehensive income

| | 28 Feb 2014 £'000 | 28 Feb 2013 £'000 |
|---|---|---|
| **Profit for the year** | **4,482** | 6,849 |
| **Other comprehensive income / (expense)** | | |
| *Items that are or may be reclassified to profit or loss:* | | |
| Foreign exchange differences on retranslation of foreign operations | **(4,391)** | 1,131 |
| Cash flow hedges - net of tax | **91** | (165) |
| **Total comprehensive income for the year** | **182** | 7,815 |
| Attributable to: | | |
| Equity holders of the parent | **173** | 7,790 |
| Non-controlling interest | **9** | 25 |
| **Total comprehensive income for the year** | **182** | 7,815 |

**Braemar Shipping Services PLC**

## Audited Consolidated Balance sheet as at 28 February 2014

| Assets | As at 28 Feb 14 £'000 | As at 28 Feb 13 £'000 |
|---|---|---|
| **Non-current assets** | | |
| Goodwill | **30,091** | 30,547 |
| Intangible assets | **1,369** | 1,524 |
| Property, plant and equipment | **5,898** | 6,165 |
| Investments | **1,715** | 1,796 |
| Deferred tax assets | **1,644** | 1,021 |
| Other long-term receivables | **242** | 261 |
| | **40,959** | 41,314 |
| **Current assets** | | |
| Trade and other receivables | **47,351** | 44,621 |
| Derivative financial instruments | **35** | – |
| Assets held for sale | **601** | – |
| Restricted cash | **-** | 339 |
| Cash and cash equivalents | **13,694** | 23,277 |
| | **61,681** | 68,237 |
| **Total assets** | **102,640** | 109,551 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Derivative financial instruments | **-** | 94 |
| Trade and other payables | **32,847** | 36,249 |
| Current tax payable | **2,112** | 1,638 |
| Provisions | **410** | 413 |
| Liabilities associated with assets held for sale | **1,119** | - |
| Client monies held as escrow agent | **-** | 339 |
| | **36,488** | 38,733 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **531** | 612 |
| Provisions | **335** | 363 |
| | **866** | 975 |
| **Total liabilities** | **37,354** | 39,708 |
| **Total assets less total liabilities** | **65,286** | 69,843 |
| **Equity** | | |
| Share capital | **2,167** | 2,165 |
| Share premium | **12,218** | 12,150 |
| Shares to be issued | **(2,934)** | (3,309) |
| Other reserves | **23,719** | 27,630 |
| Retained earnings | **30,116** | 30,962 |
| **Group shareholders' equity** | **65,286** | 69,598 |
| **Non-controlling interest** | **-** | 245 |
| **Total equity** | **65,286** | 69,843 |

**Braemar Shipping Services PLC**

# Audited Consolidated Cash flow statement for the year ended 28 February 2014

| | Notes | 28 Feb 2014 £'000 | 28 Feb 2013 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 7 | **2,158** | 14,996 |
| Interest received | | **253** | 296 |
| Interest paid | | **(57)** | (45) |
| Tax paid | | **(1,358)** | (3,625) |
| **Net cash generated from operating activities** | | **996** | 11,622 |
| | | | |
| **Cash flows from investing activities** | | | |
| Dividends from joint ventures | | **-** | 189 |
| Acquisition of subsidiaries, net of cash acquired | | **(524)** | (279) |
| Purchase of property, plant and equipment and computer software | | **(1,266)** | (1,253) |
| Proceeds from sale of property, plant and equipment | | **-** | 83 |
| Other long term assets | | **19** | (28) |
| **Net cash used in investing activities** | | **(1,771)** | (1,288) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **70** | 137 |
| Dividends paid | | **(5,441)** | (5,412) |
| Purchase of own shares | | **(267)** | (148) |
| **Net cash used in financing activities** | | **(5,638)** | (5,423) |
| | | | |
| **(Decrease) / increase in cash and cash equivalents** | | **(6,413)** | 4,911 |
| Cash and cash equivalents at beginning of the period | | **23,277** | 17,467 |
| Foreign exchange differences | | **(3,170)** | 899 |
| **Cash and cash equivalents at end of the period** | | **13,694** | 23,277 |

**Braemar Shipping Services PLC**

## Audited Consolidated Statement of Changes in Total Equity for the year ended 28 February 2014

| Group | Share capital £'000 | Share premium £'000 | Shares to be issued £'000 | Other reserves £'000 | Retained earnings £'000 | Total £'000 | Non controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 March 2012 | 2,160 | 12,018 | (3,695) | 26,664 | 29,471 | 66,618 | 220 | 66,838 |
| Profit for the year | - | - | - | - | 6,824 | 6,824 | 25 | 6,849 |
| Foreign exchange differences | - | - | - | 1,131 | - | 1,131 | - | 1,131 |
| Cash flow hedges net of tax | - | - | - | (165) | - | (165) | - | (165) |
| Total recognised income in the year | - | - | - | 966 | 6,824 | 7,790 | 25 | 7,815 |
| Dividends paid | - | - | - | - | (5,412) | (5,412) | - | (5,412) |
| Issue of shares | 5 | 132 | - | - | - | 137 | - | 137 |
| Purchase of own shares | - | - | (148) | - | - | (148) | - | (148) |
| ESOP shares allocated | - | - | 534 | - | (534) | - | - | - |
| Credit in respect of share option schemes | - | - | - | - | 678 | 678 | - | 678 |
| Deferred tax on items taken to equity | - | - | - | - | (65) | (65) | - | (65) |
| At 28 February 2013 | 2,165 | 12,150 | (3,309) | 27,630 | 30,962 | 69,598 | 245 | 69,843 |
| Profit for the year | - | - | - | - | 4,473 | 4,473 | 9 | 4,482 |
| Foreign exchange differences | - | - | - | (4,391) | - | (4,391) | - | (4,391) |
| Cash flow hedges net of tax | - | - | - | 91 | - | 91 | - | 91 |
| Total recognised income in the year | - | - | - | (4,300) | 4,473 | 173 | 9 | 182 |
| Deferred consideration paid | - | - | - | 389 | (197) | 192 | (254) | (62) |
| Dividends paid | - | - | - | - | (5,441) | (5,441) | - | (5,441) |
| Issue of shares | 2 | 68 | - | - | - | 70 | - | 70 |
| Purchase of own shares | - | - | (267) | - | - | (267) | - | (267) |
| ESOP shares allocated | - | - | 642 | - | (441) | 201 | - | 201 |
| Credit in respect of share option schemes | - | - | - | - | 613 | 613 | - | 613 |
| Deferred tax on items taken to equity | - | - | - | - | 147 | 147 | - | 147 |
| **At 28 February 2014** | **2,167** | **12,218** | **(2,934)** | **23,719** | **30,116** | **65,286** | **-** | **65,286** |

Braemar Shipping Services PLC

# Notes to the financial statements

### Note 1 – General Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 28 February 2014 or 28 February 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The comparative income statement and related notes have been restated for discontinued operations as if the operation had been discontinued from the start of the comparative period (see Note 4).

### Note 2 - Accounting policies

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union, this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to distribute full accounts that comply with IFRSs as adopted by the EU on 10 June 2014.

### Note 3 – Segmental results

| 2014 | Shipbroking £'000 | Technical £'000 | Logistics £'000 | Environmental £'000 | Inter-division £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Revenue** | 40,866 | 40,032 | 38,917 | 5,771 | (55) | **125,531** |
| Divisional operating profit | 2,635 | 6,798 | 1,981 | 107 | - | **11,521** |
| Amortisation of other intangible assets | (295) | (103) | (34) | - | - | **(432)** |
| Segment result | 2,340 | 6,695 | 1,947 | 107 | - | **11,089** |
| Unallocated other costs | | | | | | **(2,238)** |
| Operating profit | | | | | | **8,851** |
| Finance income – net | | | | | | **196** |
| Share of profit from joint ventures | | | | | | **(88)** |
| Profit before taxation | | | | | | **8,959** |
| Taxation | | | | | | **(2,268)** |
| Profit for the year attributable to shareholders from continuing operations | | | | | | **6,691** |

| **2013** | | Restated | | | | Restated |
|---|---|---|---|---|---|---|
| **Revenue** | **46,362** | **32,688** | **37,495** | **23,399** | **(260)** | **139,684** |
| Divisional operating profit | 5,348 | 3,744 | 2,006 | 2,681 | - | **13,779** |
| Amortisation of other intangible assets | (709) | (644) | (145) | - | - | **(1,498)** |
| **Segment result** | 4,639 | 3,100 | 1,861 | 2,681 | - | **12,281** |
| Unallocated other costs | | | | | | **(2,951)** |
| Operating profit | | | | | | **9,330** |
| Finance income/(cost)- net | | | | | | **255** |
| Share of profit from joint ventures | | | | | | **62** |
| Profit before taxation | | | | | | **9,647** |
| Taxation | | | | | | **(2,447)** |
| Profit for the year attributable to shareholders from continuing operations | | | | | | **7,200** |

Braemar Shipping Services PLC
## Notes to the financial statements

### Note 4 – Discontinued operations

In January 2014, following a detailed review of the business undertaken by Casbarian in the United States, the Directors decided that the business did not align with the other businesses in the Technical division. As a result of the review, the Directors decided to exit the business and sold the business to the local management team on 20 March 2014 generating a loss on disposal of £0.8m. The results for the prior year have been restated.

The results of Casbarian have been reflected in the financial statements as discontinued operations together with a provision for the costs of selling the business. The prior year results have also been restated as discontinued operations.

| | **28 Feb 2014 £'000** | 28 Feb 2013 £'000 |
|---|---|---|
| **Revenue** | **3,848** | 4,090 |
| Cost of sales | **(773)** | (268) |
| | **3,075** | 3,822 |
| Operating costs | | |
| Operating costs excluding amortisation of other intangible assets | **(4,393)** | (4,129) |
| Amortisation of other intangible assets | **-** | (40) |
| | **(4,393)** | (4,169) |
| **Operating loss** | **(1,318)** | (347) |
| Finance costs | **-** | (4) |
| **Loss before taxation** | **(1,318)** | (351) |
| Taxation | **(115)** | - |
| **Loss for the year** | **(1,433)** | (351) |
| Costs of disposal | **(776)** | - |
| Loss from discontinued operations | **(2,209)** | (351) |

### Note 5 – Dividend

The proposed final dividend of 17.0 pence per share (2013: final 17.0 pence) takes the total dividend for the year to 26.0 pence (2013: 26.0 pence). The cost of the final dividend will be £3.6m (2013: £3.6m) based on 20.9m shares (which excludes shares held in the ESOP for which the dividend has been waived).

### Note 6 – Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding 659,682 ordinary shares held by the employee share trust (2013: 764,626) which are treated as cancelled. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive ordinary shares. The Group has one class of potential dilutive ordinary shares being those granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

| **Total operations** | **2014 £'000** | 2013 £'000 |
|---|---|---|
| Profit for the year attributable to shareholders | **4,473** | 6,824 |
| | **pence** | pence |
| Basic earnings per share | **21.38** | 32.78 |
| Effect of dilutive share options | **(0.89)** | (1.06) |
| Diluted earnings per share | **20.49** | 31.72 |

| | | |
|---|---|---|
| Profit for the year attributable to shareholders | **6,682** | 7,176 |
| **Continuing operations** | **pence** | pence |
| Basic earnings per share | **31.93** | 34.47 |
| Effect of dilutive share options | **(1.32)** | (1.11) |
| Diluted earnings per share | **30.61** | 33.36 |
| | **Shares** | Shares |
| Weighted average number of ordinary shares | **20,929,329** | 20,815,282 |
| Effect of dilutive share options | **902,575** | 695,456 |
| Diluted weighted average number of ordinary shares | **21,831,904** | 21,510,738 |

### Note 7 - Reconciliation of operating profit to net cash flow from operating activities

| | **2014 £'000** | 2013 £'000 |
|---|---|---|
| Profit before tax for the year from continuing operations | **8,959** | 9,647 |
| Loss before tax for the year from discontinued operations | **(2,094)** | (351) |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment | **1,015** | 1,051 |
| – Amortisation of computer software | **254** | 187 |
| – Amortisation of other intangible assets | **432** | 1,538 |
| – Loss/(profit) on sale of property plant and equipment | **18** | (37) |
| – Provision for disposal of discontinued operations | **822** | - |
| – Finance income | **(253)** | (296) |
| – Finance expense | **57** | 45 |
| – Share of loss / (profit) of joint ventures | **88** | (62) |
| – Share based payments | **613** | 679 |
| – Net foreign exchange gains and financial instruments | **(238)** | (185) |
| Changes in working capital: | | |
| – Trade and other receivables | **(4,194)** | 3,458 |
| – Trade and other payables | **(3,290)** | (769) |
| – Provisions | **(31)** | 91 |
| Cash generated from operations | **2,158** | 14,996 |