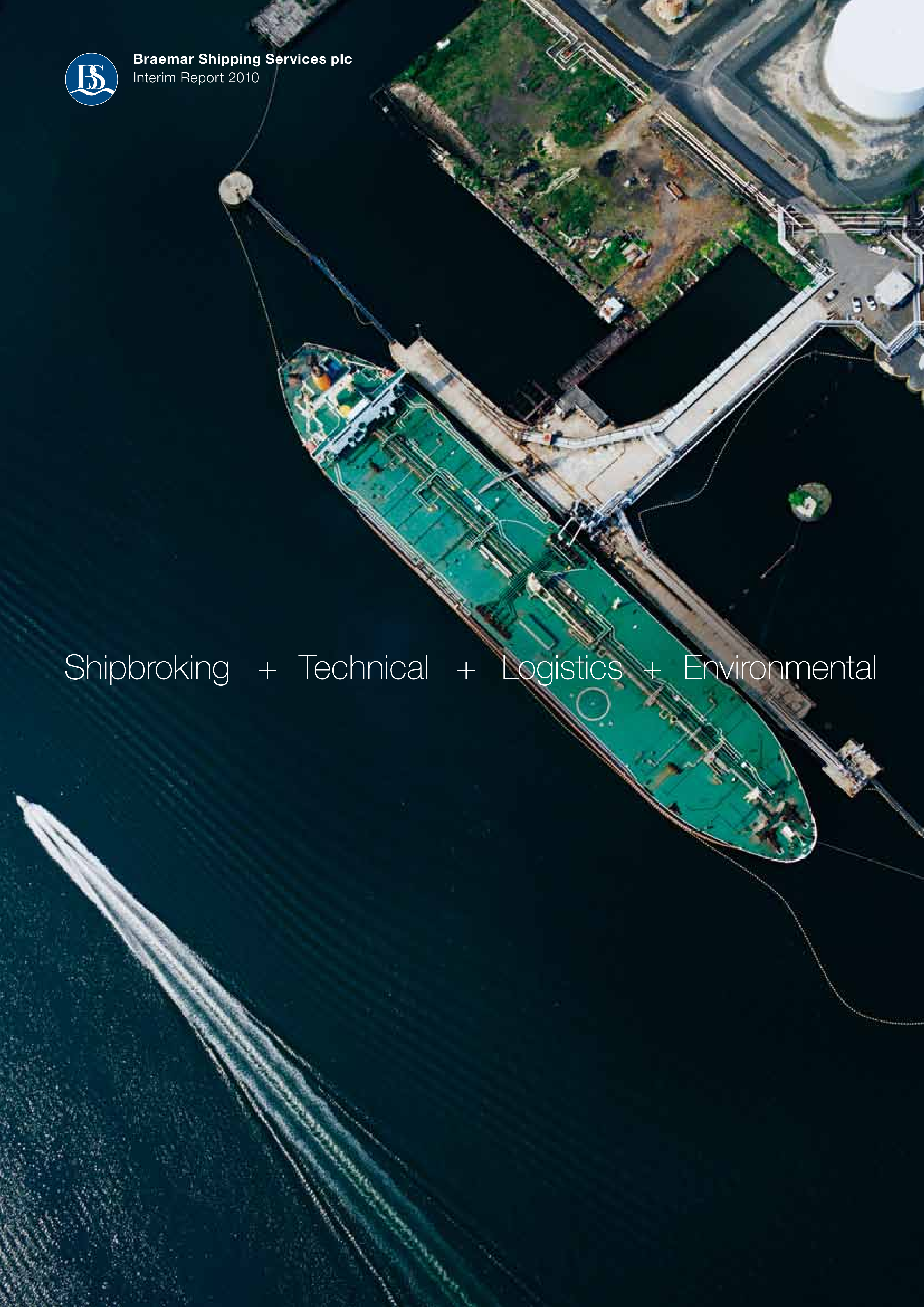
Braemar Shipping Services plc

Interim Report 2010

Shipbroking + Technical + Logistics + Environmental



The Group is divided into four operating divisions: Shipbroking, Technical, Logistics and Environmental. These work together to offer a unique combination of skills for clients, at any time, anywhere in the world.

We recognise that the needs of our clients are ever-changing and our aim is to provide the best client service by a skilled and dedicated workforce.

We will continue to develop our worldwide presence to meet the challenges of our international marketplace.

Contents

For more information:
www.braemarplc.com

Cover image: Tanker at Loading Dock Bayonne, New Jersey, USA

Highlights
Unaudited interim results for the six months ended 31 August 2010

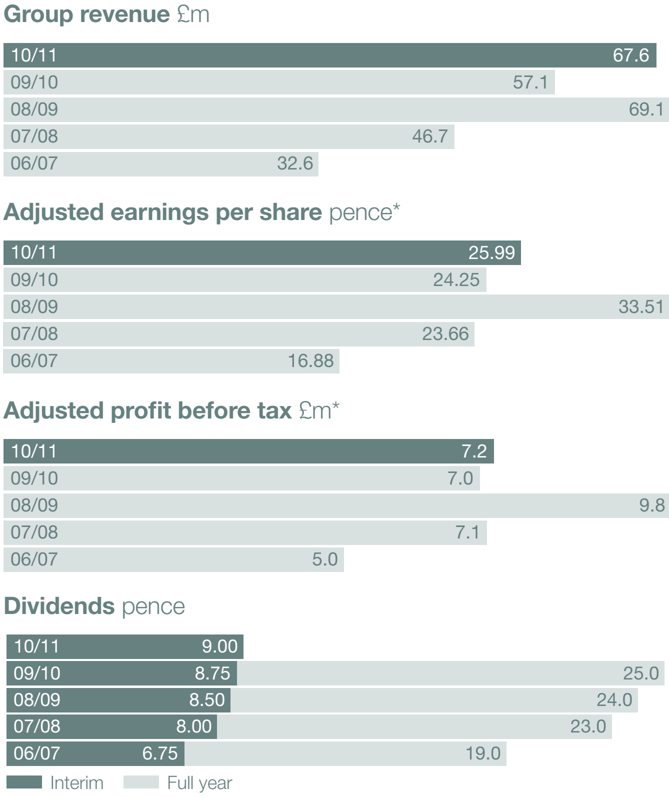
Financial highlights

- Revenue from continuing operations increased 18% to £67.6m (interim 2009/10: £57.1m)
- Pre-tax profit from continuing operations increased 3% to £7.2m (interim 2009/10: £7.0m, second half 2009/10: £6.5m)
- Basic EPS from operations increased 7% to 25.99p (interim 2009/10: 24.25p)
- Interim dividend of 9.00p per share (interim 2009/10: 8.75p)
- Strong balance sheet with cash of £14.8m (31 August 2009: £9.8m) and no debt

Operational highlights

- Strong shipbroking performance in a volatile market
- Asia expansion plan:
  – More than 100 staff in new Singapore office and the establishment of tanker and sale and purchase broking desks
  – Operating licence issued in China (Shanghai)

Interim results



* Profits and earnings in 2006/07 are adjusted to exclude an exceptional impairment charge

Chairman's statement

In a difficult shipping market the performance of the Group has been steady. Group revenues grew 18% to £67.6m and pre-tax profits increased 3% to £7.2m which compares with £7.0m in the first half of 2009/10 and £6.5m in the second half. Basic earnings per share were up 7% to 25.99p.

Sir Graham Hearne CBE
Chairman

£67.6m
Group revenue
+18%

9.0p
Company dividend
+3%

The gradual recovery in most shipping markets which began in 2009 continued into 2010 and the financial year began more positively than expected. Growing demand for raw materials from Asia underpinned the dry bulk sector which so far has been able to absorb the new tonnage delivered. The tanker market was relatively strong earlier in the year but weakened over the summer as the availability of tonnage exceeded the requirement for oil transportation. Changes in the freight markets have affected the sale and purchase market which has seen variable activity during the period. Throughout the period under review our transaction volumes have been consistent and in some cases improving. Broking revenues were also augmented by a strong forward order book at the beginning of the year.

Our strategy of steadily expanding the scope and geographical coverage of our operations evens out the exposure to particular markets which is beneficial during periods of volatility. The importance of Asia to our business cannot be underestimated and we intend to strengthen our presence significantly in the region. We have recently been granted a licence to form a shipbroking company in Shanghai which opens up the possibility of transacting local Chinese business. In addition, we will shortly be moving all our existing businesses in Singapore employing 110 staff into a single new office. The office will be used as a base for further expansion particularly in shipbroking where we are opening new tanker chartering and sale and purchase broking desks. As an indication of the importance we place on this development one of our executive Directors, Denis Petropoulos, who is also joint Managing Director of Braemar Seascope, will relocate to Singapore to lead this project.

Braemar Falconer, Braemar Steege and Cory Brothers all performed well with results that were similar to last year. Wavespec's consulting business in Houston has not yet reached profitability though in the longer term we expect to see some increase in the demand for our marine surveying and risk assessment services, as well as for our environmental business, Braemar Howells.

The Board has declared an interim dividend of 9.00 pence, an increase of 3% over 2009/10. The interim dividend will be paid on 14 December 2010 to shareholders on the register at the close of business on 19 November 2010.

Growth in Asia is expected to sustain the demand for shipping, while the supply of new tonnage will tend to suppress freight rates and vessel values – probably for some time to come. In this environment we expect to see transaction numbers rise but at lower average commissions. Part of our future income arises from the forward order book of business written which provides a level of security and predictability. Our prospects for the year as a whole remain positive.

Sir Graham Hearne CBE
Chairman
25 October 2010

Chief Executive's review of activities

We are expanding our activities in the Far east which is a critically important region for shipping.

Alan Marsh FICS
Chief Executive

We have built a solid position in dry cargo due to our strong ties with major, active charterers.

Our desks have increased their transaction volumes and grown their client base during this volatile period.

Shipbroking revenues grow

Revenue grew 26% to £32.0 million and operating profits were £7.5 million, up 32% from £5.7 million in the first half of last year.

Shipbroking

Braemar Seascope

Revenue
£32.0m

Operating profit
£7.5m

Revenue grew 26% to £32.0 million (2009/10: £25.4 million) and operating profits before amortisation were £7.5 million, up 32% from £5.7 million in the first half of last year. Shipbroking represented 82% of the operating profits before amortisation and unallocated costs.

Our dry cargo offices in the UK, Australia, Singapore, China, India and Italy have performed well in a volatile market. The Baltic Dry Index stood at 2,738 at 1 March 2010 and rose to a high of 4,209 in May before falling to a low of 1,700 in July closing at 2,713 on 31 August 2010. It currently stands at 2,727. Capesize rates were the most volatile due to a steady flow of newbuilding tonnage entering the market and playing against the export of bulk minerals volumes mainly from Australia, Brazil, South Africa, US west coast and the US Gulf. While Chinese demand for iron ore has remained strong, the demand for other bulk commodities such as coal has eased. We expect to see less volatility in the spot market and a gradual weakening of freight rates due to the increase in vessel numbers. Over the next two years the freight rate in the larger vessel categories are likely to be more affected because of the significant number of new units being delivered. The handysize sector should be more resilient and experience less volatility due to the smaller newbuilding order book. We have built a solid position in dry cargo due to our strong ties with major, active charterers which should result in a better revenue base.

The deep sea tanker chartering market started this financial year slightly stronger than we had anticipated. This was due to many large crude carriers being utilised for short- to medium-term storage of both crude oil and products and the delay of some newbuildings being delivered into the market. These factors created a shortage of tonnage which served to strengthen rates. However, since the summer, much of the storing tonnage has now been discharged and the previously delayed tonnage is now feeding back into the market. The added availability of tonnage is taking its toll on the crude chartering market and over the past three months rates have dropped back to the low levels experienced 12 months ago. Over the past six months the BDTI (Baltic Dirty Tanker Index) peaked in mid May at 1,122 points and since then has fallen to 715 points at the end of August. This is an indication of the volatility of the deep sea tanker markets and how small changes in tonnage demand can produce spikes in rates. With the stored crude oil now being refined, the CPP (clean petroleum product) market has been fairly busy with refinery distribution but the incoming new tonnage has kept the spot rates low. The small tanker product market has also been affected by many new vessels delivering and the rates have remained low for the first half of the year. Our desks have increased their transaction volumes and grown their client base during this volatile period.

Singapore office expansion

We will shortly be moving all our existing businesses in Singapore employing 110 staff into a single new office. The office will be used as a base for further expansion particularly in shipbroking where we are opening new tanker chartering and sale and purchase broking desks

The spot market has a significant knock-on effect on time charter rates and there are oil companies, traders and notable ship operators prepared to take advantage of the lower rates to charter tonnage in for the medium term. We have been successful in concluding several of these deals. This is likely to continue and we expect our strong period chartering team to remain busy.

Since the beginning of the year our wet FFA desk has dealt with a greater number of clients many of whom are involved in physical chartering and it is notable that we are concluding trades with several new operators as well as the more well-known oil traders and oil companies.

Rates continue to remain low in the specialised tanker divisions but the chemical chartering section has won new business this year as well as extending existing contracts. Our gas chartering section has also remained busy with several LPG shipping contracts being renewed and in particular increasing the number of spot charterers in the VLGC (very large gas carrier) market. Our broking of LPG product remains active and we are now seeing the added value of this business line both through physical product broking and the consequential shipping that may be required.

The LNG market is starting to absorb the surplus tonnage that had been intentionally built for specific projects and with the winter months approaching we expect to see a more active chartering market both for spot and term business.

Our sale and purchase department performed well in the first half with a good balance of business across both the wet and dry sectors. Vessel values and newbuilding prices have been generally stable over the period and newbuilding deliveries have also, for the most part, taken place as expected. The worldwide volume of demolition business has been lower than expected due to better freight rates, but our share remains high and demolition is an important aspect of the full service we provide. We are also extending our coverage with new desks in Singapore and Monaco both of which are expected to be immediately profitable.

The container market continued to recover with significantly increased volumes and subsequently improved freight rates. The laid up tonnage still in existence at the beginning of the year was steadily re-activated. Charter rates for container vessels have more than doubled in some sectors, albeit from historically low levels, and second-hand prices rose on the back of increased interest in the market especially from new entrants predominantly based in Greece and Asia. On the back of the renewed confidence both the chartering and sale and purchase teams in London, Singapore and Shanghai, have performed well with numerous charters and sales concluded. However, the buoyancy in the market has already affected the sale and purchase sector where willing buyers' and sellers' expectations are often some way apart and true sales candidates remain scarce. The charter market is expected to see a challenging second half with reports of reducing box volumes.

Our offshore teams in London, Aberdeen and Singapore enjoyed a good level of activity in the first half with a balance of chartering and project business contributing to income. We expect the remainder of the year to continue with reasonable activity and although rates may soften we are actively involved in significant project business.

Technical

Braemar Falconer +
Braemar Steege +
Wavespec

Revenue	Operating profit
£12.5m	£0.9m

The overall results of our Technical division were lower than expected. Revenue was £12.5 million which was at a similar level to last year but operating profits before amortisation fell from £1.9 million to £0.9 million. The established businesses performed as expected, but the new ventures of cargo loss adjusting and Wavespec's consulting business in Houston have both not yet reached profitability.

Our ship surveying and engineering business, Braemar Falconer, has continued to perform well over the past six months. The offices in Malaysia, Singapore, Vietnam and Indonesia all performed better than in the first half of last year. Rig moves and drilling activity have both picked up, contributing to revenues in Singapore, Vietnam and Indonesia. Activity in China has lagged during the first half because of restricted activity in the northern region but this is beginning to reverse with more projects being given the go-ahead. India is generally steady and Australia has shown early signs of increased activities. The ongoing projects together with those in the pipeline indicate that the present level of activity should be maintained for the remainder of the year. The cargo adjusting arm – Braemar Marine – which we started last year has been amalgamated with Braemar Falconer to extend their activities in the US and the Far East because of a natural link between the businesses. We expect it to become profitable next year.

Braemar Steege is performing in line with expectations. New energy loss adjusting instructions from the upstream sector have been slow in the first half of the year. This may continue, particularly in Houston where there has been slowdown in Gulf of Mexico development work, due to the tighter regulations. This situation is being countered by expansion of expert witness services and further development in the onshore power sector, where some notable instructions have been received with regard to nuclear installations. The Singapore office continues to do well from strong activity in offshore developments in Asia and Australia. The establishment of a fully staffed and operational unit in Rio de Janeiro in September positions Braemar Steege to take advantage of expected increases in activity in Brazil, where offshore exploration is growing substantially. This will assist the Group's progress within the wider Latin American region.

Cory's business maintained

Cory's ongoing business was maintained despite a relatively depressed UK market. Ship agency performed steadily with contributions from ship-to-ship transfer and hub services

Wavespec's long-term business with Qatargas was successfully completed in August 2010 and the company is now working on a number of early-stage Chinese LNG projects. The call for new operating procedures and increased safety considerations in the US should increase the demand for Wavespec's advisory services in due course.

Logistics
Cory Brothers

Revenue	Operating profit
£19.1m	£0.8m

Revenues grew from £16.0 million to £19.1 million and operating profits before amortisation were £0.8 million (2009/10: £1.2 million). Cory's ongoing business was maintained despite a relatively depressed UK market. Ship agency performed steadily with contributions from ship-to-ship transfer and hub services and the Singapore office performed well on the back of increasing activity in the region.

Logistics' revenues grew £2.8 million due to an increase in general forwarding activity, but operating profits were lower because of the conclusion of a large single contract in the prior year which enhanced that result. The cruise tour excursions business saw further increases in port calls and passenger take-up throughout the summer season.

Environmental
Braemar Howells

Revenue	Operating profit
£4.0m	£0.1m

Revenues were £4.0 million up 20% from the prior half and operating profits before amortisation were at break-even compared to £0.1 million last half. The company's overall income grew quite strongly as a result of several UK projects undertaken by the industrial services arm but the margins were disappointing. There has been a slowdown in the company's consulting and training services which have suffered in the recession. This is partly as a result of Government spending controls which have reduced the income in the Maritime Coastguard Agency, MoD and Network Rail contracts operated by the incident response section. International operations have started to pick up with new contracts won, the benefits of which will come through in the second half of the year.

Principal risks and uncertainties
The Directors consider that the principal risks and uncertainties which could have a material effect on the Group's performance in the second half of the year are unchanged from those identified on pages 23 and 30 to 31 of the 2010 Annual Report. These include operational risks occurring as a result of ineffective internal systems or controls, staff departures, professional errors and/or omissions (for which the Group carries insurance) and other external factors; foreign exchange risk from fluctuations in the US dollar to sterling exchange rate; liquidity risk arising from funding requirements; and credit risk in the form of non-payment of invoices.

Treasury
The majority of the Group's income is US$ denominated and the average rate of exchange for conversion of US$ income in the six months to 31 August 2010 was $1.54/£ (Interim 2009/10: $1.57/£, Full Year 2009/10: $1.55/£). The rate of translation as at 31 August 2010 was $1.54/£. The half-on-half translation impact of the dollar was not significant and the Group holds forward contracts for $12 million at an average rate $1.49/£ in respect of second half cash flows. Over a full year the approximate effect on profits before taxation of a 10 cent swing in the average $/£ rate of translation (assuming no hedging) is £1.7 million.

Taxation
The effective underlying rate of tax, excluding the share of net profits from joint ventures, was 27.2% (2009/10: 30.3%). The rate is lower than previous years due the mix of overseas profits and also as a result of the prospective reduction in the standard UK rate (to 27% from April 2011) which reduces the deferred tax provisioning.

Cash flow and acquisitions
Cash balances were £14.8 million at 31 August 2010 compared with cash of £9.8 million at 31 August 2009 and £27.9 million as at 28 February 2010. The Group normally generates most of its annual cash flow in the second half of the year with the first half reduction mainly due to the payment of the annual staff bonus and the full year dividend from the prior year. Acquisition payments totalling £1.1 million were all for earn-outs arising from the purchases of businesses in prior years, the majority of which related to the final payment for Braemar Steege.

Alan Marsh
Chief Executive
25 October 2010

Statement of Directors' responsibilities
The Directors confirm, to the best of their knowledge, that this set of consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Securities Authority.

The Directors of Braemar Shipping Services plc are listed in the Braemar Shipping Services plc Annual Report for 28 February 2010.

By order of the Board

A. R. W. Marsh
Chief Executive
25 October 2010

J. R. V. Kidwell
Finance Director

Braemar Shipping Services plc
Consolidated income statement

Continuing operations	Notes	Unaudited Six months to 31 Aug 2010 £'000	Unaudited Six months to 31 Aug 2009 £'000	Audited Year ended 28 Feb 2010 £'000
Revenue	4	**67,591**	57,116	119,024
Cost of sales		**(18,160)**	(13,611)	(28,094)
Gross profit		**49,431**	43,505	90,930
Operating costs				
Operating costs excluding amortisation		**(41,572)**	(35,929)	(76,550)
Amortisation of intangible assets		**(788)**	(679)	(1,480)
		(42,360)	(36,608)	(78,030)
Operating profit	4	**7,071**	6,897	12,900
Finance income		**37**	98	193
Finance costs		**(7)**	–	(2)
Share of profit after tax from joint ventures		**113**	26	400
Profit before taxation		**7,214**	7,021	13,491
Taxation	5	**(1,928)**	(2,120)	(3,806)
Profit for the period		**5,286**	4,901	9,685
Attributable to:				
Equity holders of the parent		**5,259**	4,877	9,655
Non-controlling interest		**27**	24	30
Profit for the period		**5,286**	4,901	9,685
Earnings per ordinary share	6			
Basic – pence		**25.99p**	24.25p	47.93p
Diluted – pence		**25.51p**	23.98p	47.26p

Consolidated statement of comprehensive income

	Unaudited Six months to 31 Aug 2010 £'000	Unaudited Six months to 31 Aug 2009 £'000	Audited Year ended 28 Feb 2010 £'000
Profit for the period	**5,286**	4,901	9,685
Other comprehensive income/(expense)			
Foreign exchange differences on retranslation of foreign operations	**(87)**	(1,581)	3,597
Cash flow hedges – net of tax	**53**	1,269	(429)
Total comprehensive income for the period	**5,252**	4,589	12,853
Attributable to:			
Equity holders of the parent	**5,225**	4,565	12,823
Non-controlling interest	**27**	24	30
Profit for the period	**5,252**	4,589	12,853

Braemar Shipping Services plc
Consolidated balance sheet

Assets	Notes	Unaudited As at 31 Aug 2010 £'000	Unaudited As at 31 Aug 2009 £'000	Audited As at 28 Feb 2010 £'000
Non-current assets				
Goodwill	8	**28,588**	28,198	28,740
Other intangible assets	8	**3,457**	4,452	4,247
Property, plant and equipment	8	**6,648**	6,567	6,510
Investments		**1,609**	1,902	1,485
Deferred tax assets		**1,340**	612	1,208
Other receivables		**290**	129	169
		41,932	41,860	42,359
Current assets				
Trade and other receivables		**41,561**	37,547	36,918
Restricted cash		**–**	–	5,521
Cash and cash equivalents		**14,821**	9,837	27,930
		56,382	47,384	70,369
Total assets		**98,314**	89,244	112,728
Liabilities				
Current liabilities				
Trade and other payables		**31,876**	29,422	42,277
Current tax payable		**2,726**	2,575	3,346
Provisions		**272**	67	288
Client monies held as escrow agent		**–**	–	5,521
		34,874	32,064	51,432
Non-current liabilities				
Deferred tax liabilities		**1,817**	2,390	2,001
Provisions		**203**	133	168
		2,020	2,523	2,169
Total liabilities		**36,894**	34,587	53,601
Net assets		**61,420**	54,657	59,127
Equity				
Share capital	9	**2,109**	2,104	2,108
Share premium	9	**11,019**	10,920	11,014
Shares to be issued		**(2,998)**	(3,195)	(3,198)
Other reserves	10	**25,491**	24,708	25,525
Retained earnings		**25,628**	19,982	23,534
Total shareholders' equity		**61,249**	54,519	58,983
Non-controlling interest		**171**	138	144
Total equity		**61,420**	54,657	59,127

Braemar Shipping Services plc
Consolidated cash flow statement

	Notes	Unaudited Six months 31 Aug 2010 £'000	Unaudited Six months 31 Aug 2009 £'000	Audited Year ended 28 Feb 2010 £'000
Profit before tax for the period		**7,214**	7,021	13,491
Adjustments for:				
– Depreciation		**582**	461	1,064
– Amortisation		**788**	679	1,480
– Loss on sale of property, plant and equipment		**–**	–	(5)
– Finance income		**(37)**	(98)	(193)
– Finance expense		**7**	–	2
– Share of profit of joint ventures		**(113)**	(26)	(400)
– Share based payments		**370**	311	591
Changes in working capital				
– Trade and other receivables		**(4,292)**	(509)	1,745
– Trade and other payables		**(9,227)**	(15,081)	(3,417)
Provisions		**33**	24	234
Financial instruments		**(343)**	–	686
Cash (used in)/generated from operations		**(5,018)**	(7,218)	15,278
Interest received		**37**	98	193
Interest paid		**(7)**	–	(2)
Tax paid		**(2,715)**	(2,584)	(4,421)
Net cash (used in)/generated from operating activities		**(7,703)**	(9,704)	11,048
Cash flows from investing activities				
Dividends received from joint ventures		**–**	338	406
Acquisition of subsidiaries, net of cash acquired	11	**(1,066)**	(1,652)	(2,793)
Purchase of property, plant and equipment	8	**(717)**	(853)	(1,394)
Proceeds from sale of property, plant and equipment		**–**	–	59
Purchase of investments		**–**	(19)	–
Other long-term receivables		**(121)**	47	7
Net cash used in investing activities		**(1,904)**	(2,139)	(3,715)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	9	**6**	–	98
Dividends paid	7	**(3,293)**	(3,121)	(4,888)
Purchase of own shares	9	**(42)**	–	(72)
Net cash used in financing activities		**(3,3 29)**	(3,121)	(4,862)
(Decrease)/increase in cash and cash equivalents		**(12,936)**	(14,964)	2,471
Cash and cash equivalents at beginning of the period		**27,930**	25,194	25,194
Foreign exchange differences		**(173)**	(393)	265
Cash and cash equivalents at end of the period		**14,821**	9,837	27,930

Braemar Shipping Services plc
Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserves (note 10) £'000	Retained earnings £'000	Attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 March 2010		2,108	11,014	(3,198)	25,525	23,534	58,983	144	59,127
Cash flow hedges – net of tax		–	–	–	53	–	53	–	53
Exchange differences		–	–	–	(87)	–	(87)	–	(87)
Net income recognised directly in equity		–	–	–	(34)	–	(34)	–	(34)
Profit for the period		–	–	–	–	5,259	5,259	27	5,286
Total income for the period		–	–	–	(34)	5,259	5,225	27	5,252
Dividends paid	7	–	–	–	–	(3,293)	(3,293)	–	(3,293)
Issue of shares	9	1	5	–	–	–	6	–	6
Purchase of shares	9	–	–	(42)	–	–	(42)	–	(42)
ESOP shares allocated	9	–	–	242	–	(242)	–	–	–
Share option schemes		–	–	–	–	370	370	–	370
Balance at 31 August 2010		**2,109**	**11,019**	**(2,998)**	**25,491**	**25,628**	**61,249**	**171**	**61,420**
At 1 March 2009		2,104	10,920	(3,479)	25,020	18,268	52,833	114	52,947
Cash flow hedges – net of tax		–	–	–	1,269	–	1,269	–	1,269
Exchange differences		–	–	–	(1,581)	–	(1,581)	–	(1,581)
Net income recognised directly in equity		–	–	–	(312)	–	(312)	–	(312)
Profit for the period		–	–	–	–	4,877	4,877	24	4,901
Total income for the period		–	–	–	(312)	4,877	4,565	24	4,589
Dividends paid	7	–	–	–	–	(3,121)	(3,121)	–	(3,121)
Purchase of shares		–	–	(69)	–	–	(69)	–	(69)
ESOP shares allocated		–	–	353	–	(353)	–	–	–
Share option schemes		–	–	–	–	311	311	–	311
Balance at 31 August 2009		**2,104**	**10,920**	**(3,195)**	**24,708**	**19,982**	**54,519**	**138**	**54,657**

Braemar Shipping Services plc
Unaudited notes to the financial information for the six months ended 31 August 2010

1 General information
The interim consolidated financial statements of the Group for the period ended 31 August 2010 were authorised for issue in accordance with a resolution of the Directors on 25 October 2010. Braemar Shipping Services plc is a Public Limited Company incorporated and domiciled in England and Wales.

The term 'Company' refers to Braemar Shipping Services plc and 'Group' refers to the Company and all its subsidiary undertakings and the employee share ownership trust. The address of its registered office is 35 Cosway Street, London NW1 5BT.

These interim condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The audited statutory accounts for the year ended 28 February 2010 have been delivered to the Registrar of Companies in England and Wales. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498 of the Companies Act 2006.

Forward-looking statements
Certain statements in this half-yearly report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2 Basis of preparation and statement of compliance
This consolidated interim financial information for the half-year ended 31 August 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 28 February 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting policies
Changes in accounting policies
The accounting policies adopted in the preparation of these interim consolidated financial statements are consistent with those of the annual financial statements for the year ended 28 February 2010, as included in those annual financial statements, except as described below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 March 2010 and have been applied to the Group:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations, although with some certain significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with any adjustment to contingent consideration to be recorded through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- IAS 38 (amendment), 'Intangible Assets', is effective from 1 July 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination.

None of the above revisions have any impact on the presented results of the Group for this current period, but could impact the Group in the future. The requirements of IFRS 3R will be adopted prospectively.

A number of other new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 March 2010. The Board regularly considers these and have concluded that none are currently relevant to the Group nor expected to have a material impact in the future. Additionally, no new standards, amendments and interpretations which are effective for subsequent accounting periods have been adopted early by the Group.

4 Segmental information

Six months to 31 August 2010 (unaudited)	Shipbroking £'000	Technical £'000	Logistics £'000	Environmental £'000	Total £'000
Revenue	32,023	12,475	19,114	3,979	**67,591**
Segment result before amortisation of intangible assets	7,537	874	793	15	**9,219**
Amortisation of intangible assets	(293)	(322)	(155)	(18)	**(788)**
Segment result	7,244	552	638	(3)	**8,431**
Unallocated other costs					**(1,360)**
Operating profit					**7,071**
Finance income – net					**30**
Share of profit from joint ventures					**113**
Profit before taxation					**7,214**
Taxation					**(1,928)**
Profit for the period attributable to shareholders					**5,286**
Segment operating assets	44,485	19,738	13,195	3,126	**80,544**

Six months to 31 August 2009 (unaudited)	Shipbroking £'000	Technical £'000	Logistics £'000	Environmental £'000	Total £'000
Revenue	25,370	12,403	16,021	3,322	**57,116**
Segment result before amortisation of intangible assets	5,689	1,930	1,151	160	**8,930**
Amortisation of intangible assets	(181)	(322)	(158)	(18)	**(679)**
Segment result	5,508	1,608	993	142	**8,251**
Unallocated other costs					**(1,354)**
Operating profit					**6,897**
Finance income – net					**98**
Share of profit from joint ventures					**26**
Profit before taxation					**7,021**
Taxation					**(2,120)**
Profit for the period attributable to shareholders					**4,901**
Segment operating assets	43,047	19,204	12,454	2,188	**76,893**

Year ended 28 February 2010 (audited)	Shipbroking £'000	Technical £'000	Logistics £'000	Environmental £'000	Total £'000
Revenue	57,362	22,697	31,899	7,066	**119,024**
Segment result before amortisation of intangible assets	13,324	2,325	1,434	614	**17,697**
Amortisation of intangible assets	(481)	(644)	(319)	(36)	**(1,480)**
Segment result	12,843	1,681	1,115	578	**16,217**
Unallocated other costs					**(3,317)**
Operating profit					**12,900**
Finance income – net					**191**
Share of profit from joint ventures					**400**
Profit before taxation					**13,491**
Taxation					**(3,806)**
Profit for the period attributable to shareholders					**9,685**
Segment operating assets	42,654	18,400	13,291	2,239	**76,584**

Segment assets consist primarily of intangible assets (including goodwill), tangible fixed assets, receivables and other assets. Receivables for taxes, cash and cash equivalents and investments have been excluded.

Braemar Shipping Services plc
Unaudited notes to the financial information for the six months ended 31 August 2010 continued

5 Taxation

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are enacted or substantively enacted at the balance sheet date.

The Group's consolidated effective tax rate for the six months ended 31 August 2010 was 26.7% (six months ended 31 August 2009: 30.2%, year ended 28 February 2010: 28.2%).

6 Earnings per share

	(Unaudited) Six months to 31 Aug 2010 £'000	(Unaudited) Six months to 31 Aug 2009 £'000	(Audited) Year ended 28 Feb 2010 £'000
Profit for the period attributable to shareholders	**5,259**	4,877	9,655
	Pence	Pence	Pence
Basic earnings per share	**25.99**	24.25	47.93
Effect of dilutive share options	**(0.48)**	(0.27)	(0.67)
Diluted earnings per share	**25.51**	23.98	47.26
	Shares	Shares	Shares
Weighted average number of ordinary shares	**20,238,050**	20,114,413	20,143,909
Effect of dilutive share options	**374,437**	224,718	287,780
Diluted weighted average number of ordinary shares	**20,612,487**	20,339,131	20,431,689

7 Dividends

The following dividends were paid by the Group:

	(Unaudited) Six months to 31 Aug 2010 £'000	(Unaudited) Six months to 31 Aug 2009 £'000	(Audited) Year ended 28 Feb 2010 £'000
Ordinary shares of 10 pence each			
Final of 16.25 pence per share (2009: 15.5 pence per share)	**3,293**	3,121	3,121
Interim of 8.75 pence per share paid	**–**	–	1,767
	3,293	3,121	4,888

The Directors have declared an interim dividend of 9.00 pence per ordinary share, payable on 14 December 2010 to shareholders on the register on 19 November 2010.

8 Goodwill, other intangible assets and property, plant and equipment

	(Unaudited) Total £'000
Six months ended 31 August 2010	
Opening net book amount as at 1 March 2010	39,497
Acquisition of subsidiaries (see note 11)	(151)
Additions	717
Depreciation and amortisation	(1,370)
Closing net book amount at 31 August 2010	**38,693**
Six months ended 31 August 2009	
Opening net book amount as at 1 March 2009	38,247
Acquisition of a subsidiary	1,317
Additions	853
Depreciation and amortisation	(1,140)
Exchange differences	(60)
Closing net book amount at 31 August 2009	39,217

9 Share capital

	Number of shares (thousands)	Ordinary shares £'000	Share premium £'000	(Unaudited) Total £'000
At 1 March 2010	21,073	2,108	11,014	13,122
Shares issued and fully paid	2	1	5	6
At 31 August 2010	**21,075**	**2,109**	**11,019**	**13,128**
At 1 March 2009 and 31 August 2009	21,036	2,104	10,920	13,024

The Group's ESOP trust acquired 14,500 of the Company's shares in the first half of the year for £42,000.

During the six months ended 31 August 2010, 46,750 shares at a value of £149,000 that were awarded to employees in May 2007 as part of the Deferred Bonus Plan (the Plan) were delivered to them in May 2010 following the three year vesting period. Details of the Plan are disclosed in the annual financial statements for the year ended 28 February 2010.

In addition, 26,668 shares at a value of £93,000 that were awarded to executive Directors in May 2007 as part of the long-term incentive plan ('LTIP') were delivered to them in May 2010 due to performance conditions being met. Details of the LTIP are disclosed in the annual financial statements for the year ended 28 February 2010.

10 Other reserves

Group	Capital redemption reserve £'000	Merger reserve £'000	Deferred consideration reserve £'000	Translation reserve £'000	Hedging reserve £'000	(Unaudited) Total other reserves £'000
At 1 March 2010	396	21,346	(389)	3,821	351	25,525
Cash flow hedges						
– Transfer to net profit	–	–	–	–	(145)	(145)
– Fair value gains in the period	–	–	–	–	219	219
Foreign exchange differences	–	–	–	(87)	–	(87)
Deferred tax on items taken to equity	–	–	–	–	(21)	(21)
At 31 August 2010	**396**	**21,346**	**(389)**	**3,734**	**404**	**25,491**
At 1 March 2009	396	21,346	(355)	3,985	(352)	25,020
Cash flow hedges						
– Transfer to net profit	–	–	–	–	488	488
– Fair value losses in the period	–	–	–	–	1,274	1,274
Foreign exchange differences	–	–	–	(1,581)	–	(1,581)
Deferred tax on items taken to equity	–	–	–	–	(493)	(493)
At 31 August 2009	396	21,346	(355)	2,404	917	24,708

All other reserves are attributable to the equity holders of the parent company.

11 Acquisitions

The Group made no acquisitions during the period.

In respect of the acquisition of Braemar Steege Holdings Limited (formerly Steege Kingston Partnership Limited) on 3 March 2008, the Group made the second and final stage payment in respect of this business on 18 May 2010. An amount of £960,000 was paid based on a multiple of the earnings before interest and tax in the two years following completion and was settled wholly in cash. An amount of £151,000 that had been additionally accrued in respect of this acquisition has been adjusted against goodwill following this final payment.

Finally, stage payments were made in the six months ended 31 August 2010 in respect of the acquisitions of Cagnoil Limited (£47,000), LPG Connect (£41,000) and Freight Action Limited (£18,000).

Independent review report to Braemar Shipping Services plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the condensed consolidated half-year statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

John Luke
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square, London, E14 5GL
25 October 2010

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For the very latest information about our business go to www.braemarplc.com

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