BRAEMAR

2020

Braemar Shipping Services Plc
Annual Report and Accounts 2020

We believe it takes expertise and experience to enable more prosperous and secure global trade.

Braemar provides comprehensive expert advice and integrated solutions and services on shipping risk and investments to charterers, shipowners and lenders for the benefit of all parties. Across our four divisions we have a global network of 28 offices with regional hubs in London, Hamburg, Singapore, Houston and Melbourne which service our global client base.

STRATEGIC REPORT

CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

2020 PERFORMANCE

Revenue

£120.8m

2018/19: £117.9m

Cash generated from operations

£10.3m

2018/19: £6.1m

Underlying operating profit from continuing operations

£9.6m

2018/19: £9.1m

SHIPBROKING

Our expertise and market intelligence provide charterers, shipowners and lenders a comprehensive service to manage their risk, across the globe.

For more information
See pages 9–11

FINANCIAL

Comprehensive scope of advisory services for capital transactions, refinancing and financial restructuring.

For more information
See page 12

LOGISTICS

Extensive industry experience and a worldwide reputation for delivering on customers' requirements.

For more information
See page 13

ENGINEERING

Provides expertise, engineering and solutions to the gas processing, liquefied gas and marine industries.

For more information
See page 14

AQUALISBRAEMAR ASA ("AQUALISBRAEMAR")

High end consultancy services to the global energy, shipping and insurance industries.

For more information
See page 15

COMMITTED TO DELIVERING LONG-TERM VALUE

I am pleased to report that the year to 29 February 2020 was a successful year for Braemar, despite being a challenging period.

Ronald Series
Executive Chairman

The Group's underlying performance from continuing operations achieved an appreciable improvement over the previous year.

Since the year-end, the impact on our operations, our people and our clients due to the COVID-19 outbreak has of course become a major consideration for us. However, we are pleased that we have been able to continue operating and servicing our clients at a very high level during this time, whilst maintaining a priority focus on the health and safety of all our employees and their families.

The resilience of our established cloud-based IT operating systems has been instrumental in enabling our staff to work from home where necessary, in line with government guidelines in the relevant countries in which we operate, whilst maintaining our focus on successfully not only meeting, but also exceeding, our clients' needs and expectations.

Shipbroking produced another excellent performance for the year under review, showing just how the growth of our capabilities, including the establishment of a presence in Athens, has enabled Braemar to provide enhanced services to our clients. Shipbroking's result was well ahead of expectations, and its forward order book has grown from $43 million at 1 March 2019, to $50 million at 1 March 2020, and has continued to grow since that date.

Our shipbroking expertise lies at the centre of most of what Braemar does. It facilitates the combining of our areas of expertise to enable Braemar to offer comprehensive advice both in shipping investment and risk management – a "One Braemar" approach. In a volatile shipping world, Braemar provides expertise, dedication and perseverance to our clients to enable them to minimise their risks and maximise their returns.

During the last financial year, we completed the disposal of the loss-making offshore, marine and adjusting businesses within our Technical Division to Aqualis ASA ("Aqualis"), leading to the formation of AqualisBraemar ASA ("AqualisBraemar"), which is listed on the Oslo Bourse. This transaction was announced on 13 May 2019 and completed on 21 June 2019, and with it, Braemar became the largest shareholder in AqualisBraemar with a 27% holding. We are encouraged by the prospects for our investment in AqualisBraemar and we look forward to working with the AqualisBraemar board to grow that business further in the coming years.

This disposal was one of the key decisions made by the Board in the financial year, as part of which the Board considered its duties under Section 172 of the Companies Act 2006. The Board felt that the AqualisBraemar management team had the requisite skill set to deliver longer-term growth and profitability for the businesses for the continued benefit of Braemar's shareholders.

Furthermore, it felt that the combined entity would be well placed to continue to offer high service standards to its customers, and that the transaction was the best strategic option for the business' employees. The newly formed business is already demonstrating its ability to deliver profitable growth, highlighted in the recent positive Q1 results reported to the Oslo Bourse.

We noted in last year's Annual Report that when we sold three out of the four business units comprising our Technical Division, we decided to retain the Engineering business. This was mainly because the services offered by the Engineering business to the LNG industry have a close working relationship with our Shipbroking Division. We are pleased to report that Engineering's relationship with our Financial Division is also developing positively, enabling us to also offer financial services to Engineering clients.

Our Financial Division, Braemar Naves, had a busy but challenging year, with a number of transaction-based success fee mandates not proceeding to completion. However, the business made good progress with retainer-based advisory fees, particularly in the restructuring advisory space and the number of mandated clients has continued to grow. As noted above, by working together with our Engineering Division, a number of opportunities for financing various engineering projects on a world-wide basis are being developed. The Singapore office developed well during the year, with a number of new client mandates being taken on.

During the last financial year, we also conducted a strategic review of our Logistics Division, Cory Brothers, to determine the optimum future strategy for our investment in this sector. Cory Brothers, acquired by Braemar in 2003, has a proud and long record stretching back to its founding in Cardiff in 1842. We have determined that, in the current market, taking into account the probable impact of the COVID-19 pandemic, the opportunities potentially to be provided by Brexit, and the likelihood of some consolidation within the Agency market, our investment in Cory Brothers should be maintained.

We will continue to improve the operations of this Division and to look for opportunities to grow its business within the UK, as well as internationally.

The successful restructuring of certain areas of the Logistics Division during the year reduced its operating costs, improved its technology base, and provided a platform from which to participate in possible consolidation within the industry and to grow this business in future years.

Finally, we are currently undertaking a strategic review of the Engineering Division to enable us to refine our future strategy for this remaining part of the Technical Division. We anticipate that this review will be finalised during the second half of 2020.

Results for the year

Revenue from continuing operations for the year was 2.5% higher at £120.8 million compared with £117.9 million in 2018/19. Underlying operating profit from continuing operations was 5.5% higher at £9.6 million compared with £9.1 million in 2018/19 and underlying earnings per share were 24.94 pence compared with 23.32 pence last year. All of these figures exclude the Technical Division business units that were sold to AqualisBraemar in the transaction that completed in June 2019, which are treated as discontinued operations for this purpose. There was a reported profit for the year from continuing operations of £4.9 million (2018/19: loss of £4.7 million) after taking into account other specific items of £3.1 million (2018/19: £12.0 million), mainly due to acquisition and disposal related expenditure which are further detailed in the Financial Review.

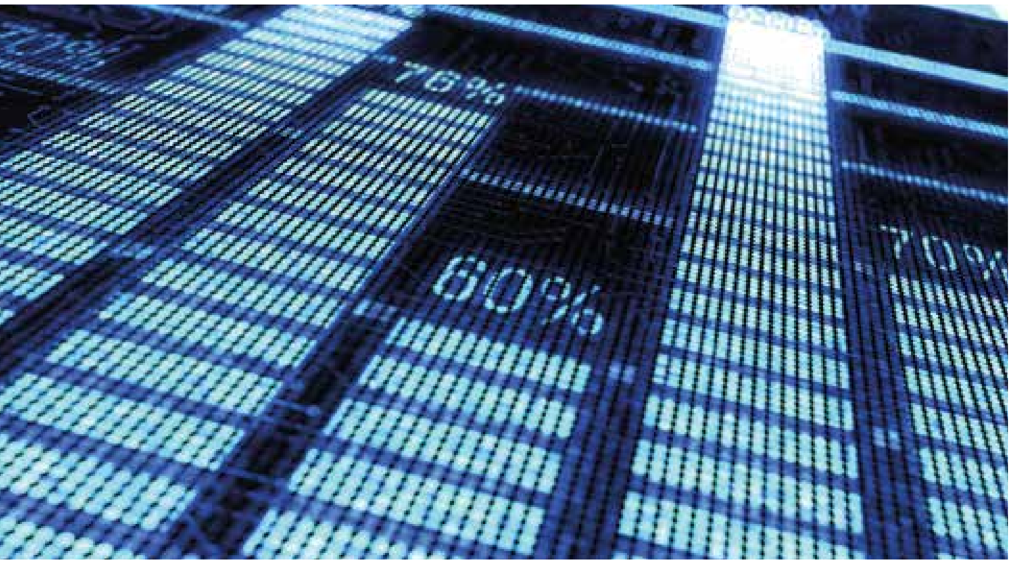
The Shipbroking Division performed extremely well, achieving an operating profit of £11.7 million (2018/19: £9.3 million), which showed growth of 26% on revenue that grew by 9% to £82.4 million (2018/19: £75.7 million). This growth was largely driven by the Tankers desk (both deep sea and specialised) particularly in the second half of the year, but all desks had a good year. The forward order book grew by 16% to $50 million as at 1 March 2020 (2018/19: $43 million) and with a higher proportion due to be delivered in the next twelve months than was the case last year. The order book has continued to grow since the year-end.

Our Financial Division, which was created following the acquisition of NAVES Corporate Finance GmbH in September 2017, had a disappointing year. Although it remained very active, revenues fell from £7.0 million in 2019 to £5.9 million this year due to lower levels of transaction-related fees. Operating profits were £1.1 million, down from £2.1 million in the year to 28 February 2019.

KEY STRATEGIC PRIORITIES

- Growing the capability of the Shipbroking Division into new geographies and new areas of business
- Increasing the pipeline of projects in the Financial Division
- Opportunities for consolidation in the Agency market of the Logistics Division
- Review the future development of the Engineering Division
- Participation in Offshore, Marine, Adjusting and Renewables Consulting through our investment platform in AqualisBraemar serving the global energy, shipping and insurance industries

For more information
See page 4



Cory Brothers, our Logistics Division, underwent a year of restructuring and cost management that delivered increased profits at £1.0 million (2018/19: £0.8 million) despite revenue that reduced by 9% to £29.3 million (2018/19: £32.1 million). Our Engineering Division reported a loss of £1.4 million (2018/19: £0.3 million) from flat revenues and full provisions for historic bad debts, in what was a year of disruption due to the sale of the rest of the Technical Division.

There was a loss for the year from discontinued operations of £0.9 million (2018/19: £22.7 million), which resulted from the trading loss made by the assets disposed of to AqualisBraemar in June 2019, whilst still in Braemar's ownership. Reported profit for the year was £4.0 million (2018/19: loss of £27.4 million).

Strategy

In recent years, Braemar's business has been directed at meeting the growing expectation from our clients for an integrated, comprehensive service offering which can meet many (if not all) of their needs. Braemar's depth and breadth of experience, coupled with its integrated, comprehensive expert advice, market research and intelligence, enables our experienced Chartering and Sale and Purchase brokers to partner with our professional specialists in corporate finance, derivatives, engineering and technical consultancy to facilitate superior outcomes for our clients – the "One Braemar" approach. We are committed to developing and maintaining long-term relationships with our clients, to assist them in maximising their opportunities, whilst minimising their costs and risk.

The Shipbroking Division's ongoing strategy of growing its capability into new geographies and into new areas of business has continued to provide positive momentum to its performance. We have recruited selectively in areas in which we wish to grow, whilst at the same time encouraging our younger talent to develop within our expanding business. The promotion of several of our younger brokers into newly introduced Associate Director positions has been positively received.

This year is the second full year of ownership of the Braemar Naves corporate finance business, which continued to grow and to interface more closely with the Shipbroking Division, delivering a tailored experience for our clients pursuant to our "One Braemar" strategy. However, due to the state of the shipping financial markets, Braemar Naves was not able to achieve the level of transaction fees that we had been expecting. Nonetheless, it continued to increase the number of retainer-based clients and has developed a healthy pipeline of prospects. We expect Braemar Naves to perform more strongly in the year ahead, particularly as the business was founded on the back of the distressed debt markets following the financial crisis in 2008.

The year proved to be a challenging one for Cory Brothers, our Logistics Division, with a restructuring and cost-cutting exercise being actioned. Whilst this meant that its performance was ahead of the prior year, but behind budget for this year, it nonetheless showed its resilience. Our strategic review completed recently confirmed that there are a number of opportunities for consolidation in the Agency market. Cory Brothers, with its strong pedigree and long history, combined with its continuing improvement in IT systems, is well placed to participate in this market. In addition, due to the nature of the markets in which it operates, it achieves a good return on the capital employed, even though its operating margin is relatively low.

As mentioned above, our strategy for the future development of our Engineering Division, Wavespec, is currently under review, and we will announce the results of this in due course.

The combination of the bulk of our Technical Division's business with the business of Aqualis created AqualisBraemar, a market leader in offshore, marine, adjusting and renewables (particularly offshore wind), with global coverage. With our 27.3% holding potentially rising to 33% (depending on the conversion of our performance-related warrants measured over the two-year period to 31 March 2021), we have a very strong investment platform from which to grow our participation in these markets. There is a very experienced management team at AqualisBraemar, which has been appropriately incentivised to grow the reach and profitability of that business, enabling Braemar to benefit still further.

Dividend

On 23 April 2020, we announced that the Board would not be recommending a final dividend for the year to 29 February 2020. In reaching this decision, the Board considered a number of matters, including those set out in Section 172 of the Companies Act 2006. The decision was made against the background of the COVID-19 outbreak, and the uncertainty of the extent and duration of its impact on Braemar's operating performance. The Board needed to balance a final dividend declaration against the potential longer-term consequences of reducing the Company's cash reserves available to support any impact on trading, and the potentially competing demands of other stakeholders and alternative opportunities for investing these funds to grow the business. At the time of producing this statement, many parts of the world are still in varying states of business and social lockdown and so it is still too early to determine the full impact of the outbreak. Although current trading is not yet showing any further evidence of decline, we believe it will be some time before we are able to know the full effects with confidence.

It remains the Board's intention to return to paying a dividend once the economic outlook is more certain, and provided that the Company's financial position supports this.

Board of Directors

There were a number of changes to the Board during the financial year.

As reported in the 2019 Annual Report, I was appointed to the Board as Chairman on 15 April 2019 when David Moorhouse retired, and Nicholas Stone was appointed as Group Finance Director on 1 April 2019.

On 27 July 2019, James Kidwell retired after serving on the Board for 17 years, spending ten years as Group Finance Director and seven years as Chief Executive. On behalf of the Board, I would like to take this opportunity to thank David and James for their contributions.

As announced at the time of James' retirement, the Board requested that I take on the role of Executive Chairman on an interim basis, whilst we determined the future structure and direction of the business. It has always been the Board's intention to appoint a new Chief Executive Officer when the time is right and we will update shareholders when there is progress in this matter.

On 15 June 2020, the Board appointed Nicholas Stone to the position of Group Chief Operating Officer, which responsibility he will fulfil alongside his current role of Group Finance Director. On behalf of the Board, I congratulate Nicholas on this well-earned appointment, and look forward to his continuing the significant contribution that he has made to the Group since his appointment as Group Finance Director.

Colleagues

On behalf of the Board, I would like to express our sincere thanks and congratulations to all of our employees who have "gone the extra mile" for colleagues and clients during these unprecedented times. We know that it has not been easy, with many family, personal and business issues providing day-to-day conflicts, but we are extremely proud of the way our people have responded to the challenges created by the onset of COVID-19.

Braemar's people are its key ingredients in value creation, and we are committed to the ongoing development of our staff. Their career growth is a key part of our succession planning.

Outlook

To grow the Braemar brand still further, and to increase market awareness and understanding of the range of services that Braemar offers to its clients, we are currently engaged in the early stages of a review of our global branding, marketing and communications strategy. This will ensure that we maximise the opportunity from operating as "One Braemar" across the Group and will be of benefit to all Group operations.

Our Shipbroking Division has started the current year reasonably strongly, with high levels of activity in some of its markets more than offsetting a slow-down in certain other areas. We expect the market to remain volatile for the rest of the year, and for the Shipbroking Division to continue to win business and grow market share during this period, as we continue to invest in our people and to expand into areas of opportunity. With the start to the year that we have already experienced, and with the strong outlook ahead, we are optimistic that the Shipbroking Division will have another good performance this year.

The Financial Division continues to develop and strengthen its reputation, and to grow into more geographies, benefiting from belonging to the broader Group. The current disruption in the value of shipping portfolios, particularly in the cruise liner market, offers additional opportunities for growth for our strategic and restructuring advice. We expect the Financial Division to show an improvement this year.

The Logistics Division has opportunities to advance in the current climate and is well positioned for post-Brexit supply chain support and to play a role in the likely consolidation that will take place in the Ships Agency market.

The Engineering Division has positive longer-term prospects, particularly in the Liquefied Natural Gas ("LNG") sector, although the impact of COVID-19 has disrupted certain of its nearer-term prospects. However, the combination of our Engineering expertise with our Shipbroking and Financial skills, positions it well for providing comprehensive consulting advice to our clients.

The AqualisBraemar business is now re-balanced for growth, and with the continuing drive for improved profitability and cash generation by the strong management team, we look forward to an improved performance in 2020/21. There are good opportunities for further consolidation in this sector, and AqualisBraemar will be in a strong position to play a major role.

The ongoing development of our strategy to integrate our service offerings in order to provide higher value-added services to our clients should continue to improve our results, to the benefit of all our stakeholders. The year has started well and current trading is resilient, despite the ongoing impact of COVID-19, and therefore we look forward to the year ahead with cautious optimism.

Ronald Series
Executive Chairman
15 June 2020

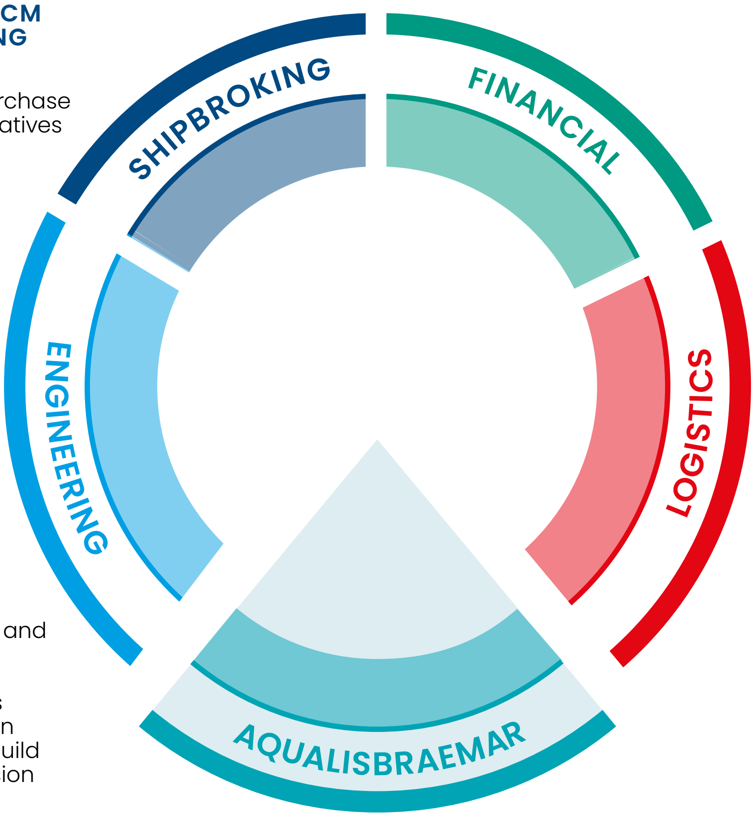
BUSINESS MODEL

WE BELIEVE THAT IN THE VOLATILE AND INCREASINGLY COMPLEX WORLD OF SHIPPING, IT TAKES EXPERTISE AND EXPERIENCE TO ENABLE MORE PROSPEROUS AND SECURE GLOBAL TRADE.

WHAT WE DO

Braemar is a leading international provider of shipbroking, financial advisory, logistics and engineering services to the shipping and energy industries. We are committed to developing and maintaining long-term relationships with our clients, and to assisting them to maximise their profitability, whilst minimising their costs and risks. In achieving this goal, we rely on our experienced chartering and sale and purchase shipbrokers, together with our professional specialists in market research, corporate finance, derivatives, engineering and logistics, to deliver an integrated and comprehensive higher value-added service.

FOUR WHOLLY OWNED DIVISIONS AND ONE ASSOCIATE



BRAEMAR ACM SHIPBROKING

- Chartering
- Sale and purchase
- Freight derivatives
- Valuations
- Research

BRAEMAR NAVES

- Transactions advisory
- Financing advisory and capital raising
- Restructuring and insolvency advisory
- Asset and loan management

BRAEMAR WAVESPEC

- Specialist engineering and consultancy services
- LNG services
- Vessel design
- Vessel newbuild and conversion

CORY BROTHERS

- Port agency
- Hub agency
- Liner agency
- Logistic services

AQUALISBRAEMAR

- 27% equity ownership
- Global energy, shipping and insurance industry consultancy services
- Renewables
- Offshore
- Marine
- Adjusting

OUR STRENGTHS

Customer centric
We invest the time to understand our clients' needs and create smarter solutions for the benefit of all parties involved.

Relationships
We have established strong, long-term relationships with our clients.

Expertise
Our employees have in-depth specialist expertise; from chartering and S&P advisers with sector knowledge, to professional specialists in corporate finance, derivatives, engineering, analytics and intelligence.

Reputation
We have built a reputation across the shipbroking industry as a trusted, professional partner.

Scale
We offer a comprehensive range of services and advice on a global scale.

Culture and values
Our collaborative, knowledge-sharing culture enables us to provide value-added services to our clients.

VALUE GENERATION FOR OUR STAKEHOLDERS

Through our activities we aim to create value for all our stakeholders.

For shareholders
We aim to create long-term and sustainable growth which delivers long-term returns for our shareholders.

For clients
We maximise returns and minimise risk for our clients in the volatile global shipping market.

For employees
We provide a positive working environment, rewarding careers and opportunities for development.

For communities
Our expertise enables more prosperous and secure global trade, thus contributing to the communities in which we operate.

Number of employees
535[1]
2018/19: 542

Equity scheme participation
37%
2018/19: 37%

Full year dividend per share
5.0p
2018/19: 15.0p

Underlying EPS
24.94p
2018/19: 23.32p

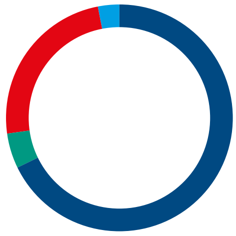
For more information
See pages 18–22

1 535 employees and 28 offices in continuing operations (2018/19: 542 employees and 40 offices in continuing operations).

DURING A YEAR OF SIGNIFICANT ACTIVITY DUE TO THE SALE OF THE BULK OF THE TECHNICAL SERVICES DIVISION AND REVIEWS OF TWO OF THE OTHER DIVISIONS, THE BUSINESS SHOWED GROWTH OF 2.5% IN REVENUE AND 5.5% IN UNDERLYING OPERATING PROFIT.

This was led by the Shipbroking Division, which grew revenue by 9% and operating profit by 26%, taking advantage of volatile markets, particularly by the Tankers desk. This strong performance was supported by the Logistics Division which grew operating profit by 17% despite a decline in revenue due to strong cost management and restructuring during the year. The other two divisions, particularly Engineering, had weaker performances.

Share of Group revenue



SHIPBROKING – 68%
FINANCIAL – 5%
LOGISTICS – 24%
ENGINEERING – 3%

SHIPBROKING

Revenue

£82.4m

20	£82.4m
19	£75.7m
18	£61.8m

Underlying operating profit

£11.7m

20	£11.7m
19	£9.3m
18	£7.7m

FINANCIAL

Revenue

£5.9m

20	£5.9m
19	£7.0m
18	£3.7m

Underlying operating profit

£1.1m

20	£1.1m
19	£2.1m
18	£1.8m

LOGISTICS

Revenue

£29.3m

20	£29.3m
19	£32.1m
18	£33.2m

Underlying operating profit

£1.0m

20	£1.0m
19	£0.8m
18	£0.8m

ENGINEERING

Revenue

£3.1m

20	£3.1m
19	£3.1m
18	£4.2m

Underlying operating loss

£(1.4)m

20	£(1.4)m
19	£(0.3)m
18	£(0.1)m

AQUALISBRAEMAR[1]

Revenue

$54.8m

19	$54.8m
18	$36.2m

Adjusted EBIT[2]

$1.3m

19	$1.3m
18	$2.4m

Basic earnings per share

0.16c

19	0.16c
18	0.06c

1 Taken from AqualisBraemar ASA Annual Report 31 December 2019
2 Alternative performance measure

SHIPBROKING

The Shipbroking Division operates under the name "Braemar ACM Shipbroking" and is a major international shipbroking business delivering a comprehensive service.

SHIPBROKING

- Successful diversification of broking desks
- Cross-desk trading
- Technology platform investment
- Further geographical expansion – Athens and plans for Geneva
- Resilience and agility to continue to perform in volatile markets

Revenue

£82.4m

Underlying operating profit

£11.7m

With brokers located in the key shipping cities, we have built a reputation across the shipbroking industry as a trusted, professional partner. We cover voyage and contract chartering, sale and purchase, long-term projects and market research across all the major commercial shipping sectors.

The Shipbroking Division had an excellent year and achieved a full year performance of strong revenue growth well ahead of expectations. Underlying operating profits were £11.7 million, 26% higher than the prior year, and the division continued to invest in new teams. The forward order book at 1 March 2020 was $50 million, significantly ahead of the $43 million held at 1 March 2019, and has continued to grow since the year-end. The diversification of the business across a number of broking markets and the cross-desk trading have been significant contributors to this success.

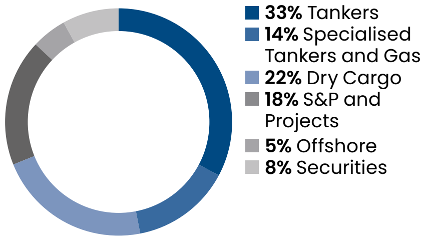
We continued with our broking recruitment plan and diversification, adding further talent to our broking teams across most sectors, but particularly in Tankers, Offshore and Securities. We intend to continue this process and recruit selectively where we identify opportunities to grow further. During the year, we established a presence in Athens and are planning to open an office in Geneva in order to strengthen our geographic coverage.

We have added to our management with the recently appointed Managing Director of our Asia Pacific region to support our growth in that area and we see opportunities in both Wet and Dry sectors. We have also added a Human Resources Director for the division to strengthen our management processes in this area as our people are our critical resource. The disruption to our working environment due to COVID-19 has been significant and all teams have been working from home since the second week of March. However, the broking teams and their management have responded well and ensured that the impact on the service levels to our clients has been minimised.

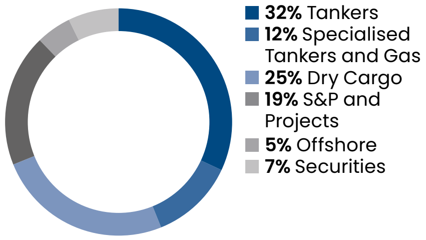
The diversification of our Shipbroking Division has again paid benefits, with a slightly weaker year in Dry Cargo being more than offset by very strong performances by the Tankers and Specialised Tankers and Gas desks, as well as growth in the other desks.

REVIEW OF OPERATIONS
CONTINUED
SHIPBROKING

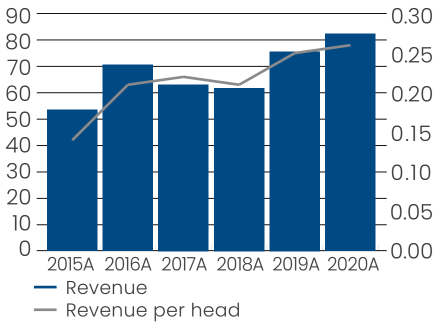
Shipbroking (FY2019/20) – Revenue by desk



Shipbroking (FY2018/19) – Revenue by desk



Revenue and revenue per head (£m)



Tankers

During the first half of the 2019 calendar year, tanker demand was insufficient to compensate for the large number of new vessels that were delivered into the tanker market. However, the market started to improve by mid-year as tankers were withdrawn from the spot market to have exhaust scrubbers installed to comply with the IMO's regulations on sulphur emissions. By October 2019, with vessel supply already tight, a combination of US sanctions and other geopolitical factors curtailed supply further. This led to a sudden rush to fix the remaining available spot tonnage and produced one of the steepest rises in vessel earnings the market has seen in recent years. The ongoing geopolitical insecurity kept the spot market at elevated levels for the remainder of the year.

As 2020 began, efforts to slow the spread of COVID-19 were beginning to reduce oil demand. OPEC producers compensated by cutting exports and the strength in the tanker market began to subside. However, the failure of Saudi Arabia and Russia to reach agreement on production cuts in March 2020 has led to a significant oversupply of crude oil. This oversupply has seen tankers of all sizes used for floating storage, leading to a sustained period of market volatility.

The Tankers desk had its best year in recent times and despite uncertainty and volatility within the market delivered a strong increase in revenue. The Suezmax team had a strong year and has expanded to meet the increasing demands of the market. The VLCC team increased its market coverage and is at the forefront of the ever-growing Chinese and Indian markets. We are well placed to continue to grow in these regions, having offices in Singapore and India to serve these markets.

We added new brokers to the Refined product and Aframax team, which also generated new business, and we continue to look for opportunities to add to other areas. Overall, the Braemar success story in this area lies in the combination of knowledge and experience within the team, balanced with younger brokers to ensure adaptability and longevity.

Specialised Tankers and Gas

Our Specialised desk covers the Chemicals, small product tankers, Petrochemical Gas, LPG and LNG markets. This was an area of significant revenue growth during the year with geographical expansion and revenue growth in Singapore and the US. Recruitment of new brokers in London has also continued and new derivative freight forward products are being developed to complement the physical broking. This affords clients greater visibility and liquidity to manage their forward books in line with that already seen in the existing Braemar securities desks.

Margins were at times reduced for Chemical tanker owners, but improved as the year progressed, only to weaken again in recent months due to the COVID-19 lockdown. Storage opportunities drove some short-term demand for the larger product tankers and optimism remains that the market will strengthen again as 2020 progresses.

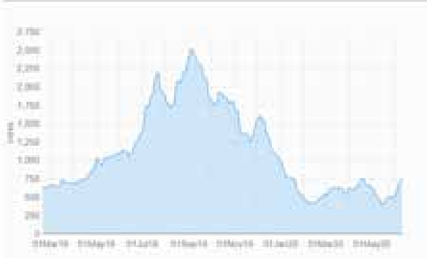
Last year saw increasing global demand for LPG, especially from China. This resulted in increases in LPG export capacity and a stronger year for the LPG carrier market. Despite the uncertainties created by the COVID-19 lockdown since the year-end, the spot market has seen resilient demand from Asia for LPG to replace short-term shortages created by local refinery closures. The fundamentals for the LPG market remain strong and we expect it to emerge in relatively good shape once the crisis abates.

The Petrochemical market was stable last year with contract volumes healthy for the shorter regional routes. However, the longer haul spot charter contracts were weaker due to increased shipping availability and a trend toward longer-term chartering. COVID-19 has led to some pressure on rates as downstream demand shrank in some areas. However, as certain regions, particularly in Asia, start to open up again, there has been an increase in long haul spot demand but it remains to be seen whether these deep-sea movements are sustainable once the rest of the world recovers.

Baltic Dirty Tanker Index

Source: Baltic Exchange www.balticexchange.com

Baltic Dry Index



Source: Baltic Exchange www.balticexchange.com

Our LNG desk remains predominantly split between London and Singapore, with established co-broking arrangements in Madrid and Tokyo. We have successfully recruited new members to both regional teams, maintaining complete market coverage and confirming our place as a global LNG broking desk. Revenue more than doubled during the year, capitalising on the team's growth and a strong spot market, but also from increasing long-term charters and Sale and Purchase contracts. The team has effectively diversified its revenue stream to balance fluctuations in the market, and despite a challenging spot chartering outlook for 2021 the desk continues to have a strong forward book. The team is looking forward to the delivery of its second LNG Newbuilding in December 2020 with a ten-year charter attached. Our US Barging business has had one of its best years and we have expanded that business with the intention to grow even further into the US market.

Dry Cargo

The year started with the impact of the Brazilian mining disaster and weather conditions still depressing volumes and charter rates, but conditions improved during the year and earnings were much improved in the second half. The market disruption caused by the number of vessels in dry dock having scrubbers fitted was not as significant as expected, with the supply of tonnage being maintained. Overall, the team has performed well both in volume and market share, in what can only be described as a difficult year.

Baltic Dry Index

The investment in resources in Singapore in the year to 29 February 2020 is also starting to drive increased volumes and earnings, and plans are in place for increasing European coverage to improve the geographic diversification.

Sale and Purchase and Projects

The Sale and Purchase desk had another successful year with increased activity in all sectors, especially with respect to new building in the tankers sector. We were involved in multiple newbuilding contracts for VLCCs at the largest shipyard in the world, helping to continue to grow the forward order book. Revenues in this area also increased during the year due to long-term charters connected to the new build projects and were well ahead of our expectations despite lower levels of market activity.

We had significant success over the past year in selling tankers at elevated price levels due to the rise in spot rates in the second half of 2019. Volatility and strength in the tanker sector has been reflected in the movement of second-hand values and, more recently, the uncertainty over the impact of COVID-19 on raw material demand has reduced activity in the sale and purchase markets.

Securities

It was a very strong year for the Wet Forward Freight Agreement ("FFA") partnership with GFI, which exhibited significant revenue growth in what was a volatile market. Building on the acquisition of Atlantic Brokers in 2018, the strategy to build a Dry FFA desk has made good progress with a growing customer base and increased revenues. The recruitment of two new senior brokers during the year has brought a balance and critical mass to the team. There was also investment in technology with the launch of a new electronic platform, which has gone down very well in the marketplace.

Offshore

The Offshore desk had a good year with increased revenues and profits. It was able to take advantage of a stronger market than in recent years, gaining market share in the process, as well as concluding some good project business. The impact of COVID-19 and the recent falls in oil demand and price are going to have a negative impact in the coming months. However, the recruitment of new personnel in Singapore with the capability to focus on subsea and renewables, as well as oil and gas, will help mitigate that impact.

REVIEW OF OPERATIONS
CONTINUED
FINANCIAL

The Financial Division operates under the name "Braemar Naves" and supports shipowners, investors and banks with a comprehensive scope of financial advisory services for capital transactions, refinancing and financial restructuring.

Revenue
£5.9m

Underlying operating profit
£1.1m

FINANCIAL

- Expertise in restructuring and distressed debt management
- Potential beneficiary from volatility in shipping investment
- Synergies with sale and purchase desk in shipbroking
- Success in Singapore opens doors to future expansion
- Focus on corporate as well as asset-based lending

Since the acquisition of NAVES Corporate Finance GmbH, Braemar Naves has expanded its global footprint by establishing a presence in London and Singapore, together with an ability to work with the Asian financing markets in China, Japan and Korea in particular. Through its close cooperation with both the Shipbroking and the Engineering Divisions, it has been able to offer integrated advisory services for private equity and hedge funds. Although it was a disappointing year in terms of profitability, the team has remained very busy with a number of mandates for financing projects that have continued into the current year. Despite the lower level of transaction-based fees, the level of retainer advisory fees continued to grow and more than covered operating costs.

Restructuring and related services continued to contribute significantly to the performance of the Division. During 2019/20 it supported restructurings in Germany, Greece, Singapore and Malaysia. A particular focus was the offshore support vessel market. The pre and post-insolvency management business, which had a specific emphasis on Germany, shrank and therefore we adjusted the personnel in this business accordingly. In the new financial year 2020/21, our restructuring business has been benefiting from the global downturn. The division is currently mandated for the restructuring and recapitalisation of a number of international companies, which proves the successful shift of the focus from the German to the international market. It is also actively pursuing other mandates across the globe, including LNG project financings in Africa.

The Financial and Shipbroking Divisions worked together on the disposal process for a variety of multipurpose offshore vessels, tankers and dry bulk vessels, as part of the wind-down of a number of loan portfolios. Since the beginning of the new financial year and as a result of the COVID-19 crisis, a slowdown in this activity has been observed, partly because of difficulties in handing over vessels to the new owners, and partly because of gaps in perceived valuations. However, the pressure on loan portfolios is expected to increase and to result in more activity as the COVID-19 lockdown is relaxed.

The volume of loan portfolios transacted was significantly lower than in preceding years, as was our mandate pipeline in this sector. The financial asset management business benefited from several exits which led to healthy commission income in this area, although related retainer income will decrease as a result. The market for loan portfolio disposals is expected to be relatively quiet as crises usually have a significant lead-in time. Higher levels of activity are expected in this area in 2021.

The Singaporean office became profitable in the second half of the financial year, following the success of a number of equity financings in Asia. Income generation remains strong in the new financial year so far, and headcount is being increased accordingly. A presence is being established in Athens alongside Shipbroking colleagues with the first employee already located there and further recruitment planned.

LOGISTICS

The Logistics Division operates under the name "Cory Brothers" and provides hub and port agency services to shipowners and charterers together with specialist freight forwarding and logistics services. The business principally operates in the UK, but also has offices in the US, Singapore, the Netherlands and Gibraltar.

Revenue

£29.3m

Underlying operating profit

£1.0m

LOGISTICS

- Strong and resilient industry brand stretching back to 1842
- Completion of strategic review – division to be developed
- Investment in client-facing technology
- Short-term Brexit opportunities in customs clearance
- Target further margin improvement

The Logistics Division has extensive industry experience and a worldwide reputation for delivering on customers' requirements. The business provides a high-quality service which is carried out by experienced staff based in the UK and overseas.

It was a year of careful cost management and restructuring in Cory Brothers with a rationalisation of offices in both the UK and overseas and the division's head office was successfully relocated from Felixstowe to Ipswich. At the same time, investment has been made in technology to support both areas of the business and to improve efficiency and greater online client interaction.

In total, annualised costs of £0.6 million were saved, leading to an operating profit that grew by 22% despite a fall in revenues of 9%. This has placed the division in a stronger position to grow sustainable profits in future years.

Port and hub agency

The ship agency business services UK ports, the port of Singapore, North America and the Netherlands and has joint arrangements with a number of worldwide agency partners via our UK-based hub management business.

The majority of our port agency business arises from our activity in UK ports, where we are a clear market leader, together with our global hub activity which is coordinated out of the UK. There was a reduced level of activity from Cory Brothers' biggest hub customers, but the UK port agency business held up well, and globally the agency business delivered higher margins at 9.6% versus 8.5% in the previous year. Cory Brothers continues to face competitive challenges from both established and new operators in the UK, but its long-established relationships and reputation for excellent customer service have meant that the impact in the year was not significant.

Liner agency and freight forwarding

The liner agency business has maintained its long-standing relationships with key clients on the basis of high service levels in challenging markets, notwithstanding clients and potential clients taking the service in-house or reducing their demands. As a result, revenues declined by 14% versus the prior year. In freight forwarding, the business with key customers remained solid whilst export business grew significantly. However, this was offset by contraction in our imports business and road haulage. The Brexit uncertainties generated a number of opportunities for gaining additional customs clearance work which may turn into increased volumes in 2021 depending on how the EU exit negotiations progress.

The new financial year has started positively, in particular within the hub and port agency. The changes made during 2019 have ensured the division is rightsized to weather the COVID-19 crisis, minimising the need for any government support that has been seen throughout the sector. Volumes of business in the main trading areas have seen minimal reduction thanks to the broad business base both nationally and internationally. Growth opportunities are being identified in both agency and logistics sectors, linked to a strong continued market presence, a weakening of competition and the implementation of enhanced digital platforms.

ENGINEERING

The Engineering Division operates under the name "Braemar Wavespec" and provides expertise, engineering and solutions to the gas processing, liquefied gas and marine industries.

Revenue

£3.1m

Underlying operating loss

£(1.4)m

ENGINEERING

- Strong reputation in LNG market for Wavespec brand
- Cost management programme underway
- Technical know-how important to other Braemar Divisions
- Review of future opportunities and structure underway

The Engineering Division had a year of considerable disruption due to its demerger from the larger Technical Services Division. Although revenues remained constant, the degree of third-party sub-contractors required to execute the site supervision work, and a number of bad debt provisions, led to a significantly higher loss for the period.

Costs have been managed carefully and resources reduced to the minimum necessary to maintain critical mass in the LNG arena. The contribution of the LNG expertise is highly valuable to the Shipbroking and Financial Divisions, and there are a number of potential joint project opportunities for which no material financial recognition has yet been taken.

For a number of years, the engineering team has been working on an LNG containment system design with a number of industry partners, which is yet to receive design approval for commercial use. A number of invoices for services provided to this project over the last two years, totalling £0.4 million, are more than twelve months outstanding and have therefore been provided for in full in the 2020 results. Progress for funding the design to the production stage had been making good progress until the COVID-19 crisis hit and activity stalled. The ongoing review of this division is looking in part to identify ways to ensure that the division can continue to support the partners without being exposed to future losses.

AQUALISBRAEMAR

The AqualisBraemar combination is creating a global market leader in marine, offshore and renewables services. The increased scale is expected to unlock revenue and cost synergies through better staff utilisation and overhead efficiencies.

Note: Braemar has 27% ownership and accounts for this as an associate.

Revenue

$54.8m

Basic earnings per share

0.16c

AQUALISBRAEMAR

- Braemar has 27% ownership – warrants potentially moving this up to 33%
- Proforma combined revenues of $73.4m and EBIT of $0.7m
- Renewables showed organic growth of 46%
- Strong management team with good track record and consolidation opportunities

During the past year, AqualisBraemar opened several new offices, including Moscow, Tokyo and a renewables branch office in Busan, South Korea. The business has grown from 19 locations worldwide, to almost 50 strong. This is a result both of the acquisition of the Technical services businesses from Braemar during the year as well as the opening of new offices where opportunities have become available. The opening of additional offices is under focus.

The AqualisBraemar business has a focus on capital efficiency and free cash flow, which should lead to significant improvements in profitability and return on invested capital. Many of the anticipated synergies at the time of the transaction have already been realised, but the impact of the COVID-19 outbreak on global markets may delay the delivery of further underlying improvements. Of particular interest is the significant organic growth in the offshore wind market, which continues to attract major private and national government investment.

There is good opportunity for further consolidation in this sector, and AqualisBraemar will be a strong contender to play a meaningful role.

SECTION 172(1) STATEMENT

The Companies Act 2006 (the "Act"), as amended by the Companies (Miscellaneous Reporting) Regulations 2018, now requires companies to include a "Section 172(1) Statement" in the Strategic Report describing how directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Act when performing their duties under Section 172. Section 172 of the Act requires directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the:

- likely consequences of any decision in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Directors' duties under Section 172 are embedded in all of the decisions that the Board and its Committees make – as are a range of other factors, including alignment with our strategy and our values. As such, information on how Section 172 matters have been considered can be found throughout this Annual Report.

The Board understands the importance of effectively engaging with the Company's key stakeholders, in order to better understand their views and interests, and to better consider the potential impact of the Directors' decisions on them. Information on the Company's key stakeholders can be found on page 7 and information on how the Company engaged with various stakeholders during the year can be found on pages 17 to 21, 33, 38, 43 and 53 of this Annual Report.

The Board recognises that the interests of stakeholders may conflict with each other and that it may not always be possible to provide a positive outcome for all stakeholders from a particular decision. The Board looks to follow best corporate governance practice and has a governance framework in place that allows it to assess the broad range of interests and perspectives, to balance potentially competing interests, and, ultimately, to make informed and reasoned decisions. Information on how the Board and its Committees operate can be found in the Corporate Governance Report on pages 32 to 61 of this Annual Report.

The identification and assessment of risk is an integral part of the Board's decision-making process, particularly when it comes to considering longer-term consequences and the sustainability of the Company's business model and strategy. The Company conducted a full review of its risk and compliance framework during the year, which involved (amongst other things) balancing the potential conflict between the desirability of the Company maintaining a reputation for high standards of business conduct with the interests of the Group's employees and the need to foster the Group's business relationships. More information on this can be found on pages 27 and 41 of this Annual Report.

Two of the principal decisions that the Company took in the year (and as part of the year-end processes) are discussed in this Annual Report and provide examples of how the Directors have had regard to Section 172 matters. These are the AqualisBraemar transaction (more information on which can be found on pages 2 and 4 of this Annual Report) and the decision to not recommend a final dividend (more information on which can be found on pages 4 and 31 of this Annual Report).

A BUSINESS BUILT ON REPUTATION

Our business is built on our reputation as a professional and trusted services provider and partner and we are committed to conducting all of our business activities responsibly and ethically.

Braemar's people are its key ingredients in value creation; we are committed to the ongoing development of our staff and their career growth is a key part of our succession planning.

During the year we have focused on improving a number of our business processes and policies across our operations and have invested in our compliance and human resources functions to better promote the long-term interests of a number of our key stakeholder groups. This section outlines the initiatives in place across the Group to further this objective and continue the progress that we have made in these areas during the year.

Our people

The Group employs over 500 people globally. The in-depth knowledge, market expertise and experience of our employees are the key to our continued success. We operate in competitive markets and our clients expect first-class advice and execution, which can only be provided by a workforce that is skilled, knowledgeable and motivated to deliver the highest level of service. We have invested in and expanded our human resources function this year, in order to better provide the resources to assist with and develop the practices and structure our people need to work effectively and to provide more structured opportunities for our employees to develop and excel. We have also launched processes for engaging with all of our employees, which are described in more detail on page 19 of this Annual Report. Remuneration is also an important part of rewarding and motivating our workforce and we look to ensure that our remuneration and incentive structures are competitive within the markets in which we operate, but are also proportionate and aligned with the values, culture and strategy of the Group. By taking these steps, we aim to attract and retain a productive and engaged workforce.

RELATIONSHIPS, RESOURCES AND RESPONSIBILITIES
CONTINUED

BUILDING A TALENT PIPELINE

In our Shipbroking Division, we have identified a number of individuals in our main London office who we believe have the potential to be key contributors to the long-term success of the Shipbroking Division and have appointed them to newly created Associate Director roles.

These Associate Directors are tasked with delivering on certain business objectives set by the Divisional management team, including the development of a structured training programme to build a talent pipeline for the future. The Associate Director roles will be extended into the Shipbroking Division's global locations in the coming year.

During the year, we have taken steps to improve and simplify the structures and procedures around reporting lines and people management in our largest division, Shipbroking. A key appointment was that of the Managing Director for our Asia Pacific region, who will be a member of the Shipbroking Division's operating board in London. His leadership will ensure affiliated operations between the two regions and build upon an already strong presence in our Asian markets. The Shipbroking Division also commenced a review of its onboarding procedures for employees, which resulted in the introduction of a formal induction programme and improvement in the division's performance management programmes.

Our Logistics Division implemented a formalised appraisal system during the year which we intend to roll out across the Group in the next financial year. One important feature of this new system is that it will not only monitor how successful our people are in undertaking their role, but also help to ensure that their behaviours and professionalism are in keeping with the Group's values.

Training and development

We recognise the need to invest in the training and development of our people in order to build our talent pipeline, to identify potential candidates who could move into senior leadership roles and to provide our people with opportunities to grow and progress within the business. During the year, we worked with our senior leadership teams to formalise training and development initiatives across the Group.

Our Logistics Division is developing a training plan for its senior leadership and management teams to strengthen their existing skill sets. It is also building development plans and career path milestones for its apprentices. These programmes are currently in development and will be rolled out across the Logistics business over the next twelve months.

Developing our existing talent is critical in enabling the Group to continue providing our clients with the wealth of technical competency and expertise that drives our growth and profitability. Particularly in the Shipbroking Division, trainees are encouraged to establish client relationships early on and are provided with opportunities to interact, negotiate and understand our industry and its drivers, beyond the day-to-day trading environment. These educational opportunities are provided by client visits and secondments to our international offices.

Attracting fresh talent will be a key objective for the Group globally in the coming year and beyond. These initiatives include offering internships and apprenticeships in our Shipbroking and Logistics offices in the UK, offering training programmes in our Shipbroking office in Singapore in partnership with the Singapore Maritime Foundation and partnering with the University of Melbourne to provide work placements (and the potential opportunity for employment post-graduation) for local undergraduates in our Shipbroking offices in Australia.

Engaging with our employees

Integral to the development and support of our employees is engagement. During the year, the Board designated Stephen Kunzer as the non-executive Director responsible for engagement with the workforce. Stephen is committed to ensuring that employees across the Group have the appropriate opportunities and encouragement for their views and interests to be understood by management and that these are then considered in Board discussions and decision making.

To provide an opportunity for all of our employees to share their views, during the year we launched an Employee Engagement Survey across the Group. Over 58% of our global workforce responded to the survey and our review of those responses highlighted the following:

- employees strongly agreed that their individual role within their Division contributed to the success of the Group. This outcome was ranked as number one in terms of a satisfaction ranking collated from responses received across the four Divisions.
- most employees across the Group reported feeling proud to work for the Company, indicating good employee engagement. This was further validated by a strong belief in the respective leadership teams of each Division.
- our managers and the support and motivation they provide to employees were positively acknowledged in a number of the survey responses. Employees rated managers highly on motivation and appreciation of employee performance, showing that overall our employees feel supported and valued by their line managers. Further responses indicated that management contributed to a positive work culture across the Group. Importantly, employees across the Group knew who to approach with any work issues. This was particularly reassuring to our management team in view of the current home working arrangements in response to COVID-19 and indicates a strong support network within our organisation.
- areas of the survey where employees identified lower levels of satisfaction included the need to receive more regular feedback from managers and the desire for clearer understanding of individual career paths and promotional opportunities. This theme was consistent across the Group. This feedback was noted by management and has been aligned to the objectives regarding succession planning and career development for the coming year.

Management were pleased with the survey results overall and intend to conduct future surveys periodically as an integral part of our employee engagement.

Health, safety and wellbeing

We place great importance on both the physical and mental wellbeing of our people. Due to the impact of COVID-19, much of our workforce has been required to work remotely since March. Essential development of our IT infrastructure and video conferencing facilities had already taken place during the year and this put us in a strong position to seamlessly transition our people to work flexibly in response to COVID-19.

We have been focusing on mental health and have put resources in place to look after people who might need additional support. These include communications for those who are isolated and the promotion of our Employee Assistance Programme, which had been launched earlier in the year.

RELATIONSHIPS, RESOURCES AND RESPONSIBILITIES
CONTINUED

We also trained a group of employees who volunteered to become Certified Mental Health First Aiders and they are on hand for our employees to contact should they need support, whilst also generally promoting the importance of mental health and wellbeing.

Health and safety is a priority and we have a zero-accident mentality. We have health and safety policies in place, which we will continue to review and update in the coming year. While most of our operations are low risk, our Logistics Division operates in a higher risk environment from a health and safety perspective. The entire Logistics workforce completed health and safety training during the year, including a new health and safety for homeworking module specifically in response to COVID-19.

The Logistics Division's UK business holds OHSAS 18001 occupational health and safety management accreditation and is in the process of migrating to the new ISO 45001 standard. No accidents were recorded during the year. Our Logistics Division and our Engineering Division also conform to the quality control standards set out in ISO 9001.

Culture and diversity

We engender a culture that inspires and motivates our people to strive for excellence and work with integrity and pride. As a global business with an international workforce working across 28 offices in 24 locations, we are committed to maintaining a culture of diversity and inclusion that values the rich mix of individuals, viewpoints, talents and experiences found in our organisation.

We provide equal opportunities for all of our staff without any discrimination on the grounds of race, religious or political beliefs, marital status, age, gender, sexual orientation or disability. As part of our future succession planning, we intend to strive for opportunities to increase diversity in the workplace. In the past year, we have seen a move to attract and recruit more females in the shipping sector and we are looking to collaborate with other organisations to further promote diversity. Although we recognise that there is still more progress to be made, during the year we have seen an increase in our female headcount across the Group, and females now make up 22% of our global headcount (118 out of 535 employees).

The Group's senior management comprises three females and 24 males and there is one female and four males on the Board. We believe it is important to have women within our business who act as role models to our female talent and demonstrate the opportunities available in our sector; for example, Sheila McClain, who leads our Engineering Division. During the financial year, we also conducted a diversity training programme across the Group and continue to evaluate what additional training is required in order to ensure that our staff are familiar with our values and culture and how we expect these to be put into practice.

Our communities

We are committed to giving back to society and contributing to the communities in which we operate and we support our communities in a variety of ways across our offices. Our Logistics Division supports the communities local to its offices by sponsorship of various sports teams and working with charitable organisations such as EACH, still birth charities and The British Legion to raise around £10,000 in charitable donations last year.

The Shipbroking Division regularly supports charity events and other fundraising initiatives across our regions. These include the Crisis at Christmas campaign in London and the Mission to Seafarers charity in our Asia Pacific region, while our Perth office sponsors annual days out for disabled and disadvantaged children.

Annually, we are a supporter of Mercy Ships and their Cargo Day, where brokers who participate donate commission that provides free medical care to those in need who can access this aboard the ship when it sails into ports in the sub-Saharan Africa area. Last year Braemar donated commission of approximately $90,000 to Mercy Ships.

We are passionate about our industry and efforts to educate and inspire talent in the industry who are as passionate as us about what we do. As part of this commitment, the Company is an advocate of the work of the Institute of Chartered Shipbrokers ("ICS") for its students and members across the globe. In Australia, our support is extended through participation in ICS events, and providing office space for students to sit exams. Our Shipbroking and Logistics Divisions both participate in the ICS's annual prize-giving with sponsorship of Subject Prize awards in the UK and Singapore.

Our clients

Our business is based on our long-standing relationships with clients, including a variety of intermediaries, financial agents, other service providers, suppliers, ship owners, charterers and end-users of our services. Our clients rely on us to provide relevant specialist advice, skilled expertise and market access and we aim to deliver high-quality and innovative services that are tailored to meet their needs. We have built a reputation for knowledge, skill and trustworthiness and are committed to meeting the highest professional standards in everything we do. We encourage feedback from our clients on the services they have received to help us to continue to improve our services.

During the year, the Group carried out a comprehensive review of its risk, compliance and internal controls framework, which resulted in a number of our internal policies being updated to ensure that the integrity of our business operations is maintained and more closely monitored. More information on this exercise can be found on pages 27 to 31 of this Annual Report. This project resulted in the updating and implementation of a number of client-related policies, including a comprehensive refresh of our Know Your Customer due diligence processes for onboarding clients, ongoing monitoring for higher risk clients and for reporting suspicious activities. Whilst we are committed to maintaining the highest standards of quality and conduct in all aspects of our business, we also have a complaints procedure to set out our process for managing complaints, should they arise.

Integrity

Integrity is one of our core values and we aim to conduct our business in an ethical and professional manner across all our operations. It was a key driver of the review of our risk, compliance and internal controls framework mentioned above, as part of which we updated our Anti-Bribery and Corruption policy, training and monitoring procedures, which look to set out clear guidelines on the Group's approach to all forms of bribery and corruption and ensure ongoing compliance.

We have also launched a new training programme, to provide employees with training on the updated policies and procedures and to ensure that our values and expectations are communicated across the Group.

We are also in the process of appointing new local risk and compliance teams in each of our locations who will be responsible for monitoring and ensuring compliance with our updated policies and procedures. Any breaches will be recorded in our compliance system and reported to the newly formed Risk Committee (consisting of the Group Finance Director, the divisional Finance Directors, the Company Secretary, the divisional Heads of Human Resources, the Group IT Director and the Group Risk and Compliance Manager), which will determine the appropriate action to be taken and report on any issues to the Group's Audit Committee.

Ethical conduct

We respect internationally recognised human rights standards, such as the UN Universal Declaration of Human Rights and other relevant international conventions and guidelines. We are committed to ensuring that there is no modern slavery or human trafficking in any part of the Group or our supply chain. Our new onboarding procedures and training programme include measures to alert our workforce to potential slavery and human trafficking and to try and ensure that slavery and human trafficking are not taking place anywhere across the business. For more information, please see our Slavery and Human Trafficking statement on our website, www.braemar.com.

Our whistleblowing policy encourages open and honest communication where incidents of non-compliance are seen in our business and also allows employees to whistleblow using an externally provided helpline called Safe Call. Any issues raised are discussed by management and appropriate action taken.

Environment

As a primarily office-based organisation, we are an environmentally low-impact business. However, we care about the environment and take steps to reduce our impact wherever possible. Cory Brothers has ISO 14001 Environment accreditation.

Environmental initiatives taken during the year include reducing waste by providing recycling facilities, cutting paper usage, introducing energy saving measures and reviewing our company car fleet with the aim of introducing hybrid vehicles where appropriate. We measure and monitor our energy and calculate our Scope 1 and Scope 2 greenhouse gas emissions through the use of gas and electricity in our offices and car usage for work purposes as seen below.

Greenhouse gas emissions

	2019/20	2018/19	2017/18	2016/17	2015/16
Overseas electricity	**227**	319	312	327	372
United Kingdom electricity	**307**	431	421	442	655
Natural gases	**36**	50	49	51	50
Fuel – diesel/petrol	**134**	188	185	191	232
Total tonnes CO_2e	**704**	988	967	1,011	1,309

NON-FINANCIAL INFORMATION STATEMENT

This is our Non-Financial Information Statement, prepared to comply with sections 414CA and 414CB of the Companies Act 2006. We explain here where you can find further information on how we act responsibly in relation to our employees, wider society and the environment.

Reporting requirement	Key policies and standards (which include relevant due diligence requirements)	Further information
Environmental matters	Health, safety and environmental	For more on Environment See page 21
Our employees	Employee handbook Whistleblowing Health and safety	For more on Our people See pages 18–20
Social matters		For more on Communities See pages 20–21
Human rights	Anti-slavery GDPR	For more on Ethics See page 21
Anti-bribery and corruption	Anti-Bribery and Corruption Anti-Tax Evasion Anti-Fraud Anti-Money Laundering/Know Your Customer Entertainment, Meals and Gifts	For more information See page 21
Our business model		For more information See page 6
Principal risks – Risk management		For more information See pages 27–31
Non-financial key performance indicators		For more on key performance indicators See pages 7, 20, 21 and 43

A very strong year for the Shipbroking Division and the results of management action in the Logistics Division are evident in the increased underlying operating profit from continuing operations delivered during the year.

Nicholas Stone
Group Finance Director

Summary Income Statement 2020	2019/20 £'000	2018/19 £'000	2017/18 £'000
Revenue	**120,794**	117,853	103,053
Cost of sales	**(23,399)**	(24,892)	(24,673)
Operating costs	**(84,919)**	(80,971)	(68,193)
Central costs	**(2,857)**	(2,924)	(2,855)
Underlying operating profit before specific items	**9,619**	9,066	7,322
Acquisition and disposal-related expenditure	**(2,008)**	(10,960)	(9,067)
Restructuring costs	**(1,336)**	(759)	–
Operating profit/(loss)	**6,275**	(2,653)	(1,745)

Overview
Both underlying and statutory operating results have improved, with operating profit increasing to £6.3 million from a loss of £2.7 million, with the underlying measure increasing from £9.1 million to £9.6 million. The net impact of costs of acquisitions and the accounting treatment for certain items of consideration are separately identified as specific items and have decreased from £11.7 million to £3.3 million. Losses from discontinued operations were significantly lower at £0.9 million (2018/19: (£22.7 million)) and, as a result, reported profits for the year were £4.0 million compared to a loss of £27.4 million in the previous year.

Direct and operating costs
Cost of sales comprise freight and haulage costs incurred in the Logistics Division and payments to sub-contractors, materials and other costs directly associated with the revenue to which they relate to in other divisions. Operating costs have increased, primarily due to the increased levels of bonus in the Shipbroking Division.

Specific items
We have separately identified certain items that we do not consider to be part of the ongoing trade of the Group. These significant items are material in both size and/or nature and we believe may distort understanding of the underlying performance of the business. These are summarised as follows:

Acquisition and disposal related expenditure
We have accounted for £2.0 million (2018/19: £11.0 million) acquisition related charges during the year, for the acquisitions of NAVES Corporate Finance GmbH ("NAVES") and Atlantic Brokers Holdings Limited. Of these acquisition related specific items, £7.2 million was paid during the period in cash.

Of the total charge of £2.0 million, the Group incurred £1.2 million of costs which are directly linked to the acquisition of NAVES (2018/19: £8.0 million). These include £0.9 million of post-acquisition consideration payable to certain sellers under the terms of the acquisition agreement. The acquisition agreement included substantial payments to the working vendors, conditional on their continuing employment, some of which are related to the profitability of the Financial Division during the first three years of ownership. The estimate of the amount payable under these "earn-out" provisions has decreased significantly in the period and therefore the total charge has reduced accordingly. These elements of the consideration will be accounted in the Income Statement over the relevant period.

Costs incurred on the Braemar Atlantic acquisition were £1.1 million (2018/19: £2.5 million) of post-acquisition consideration payable to certain sellers under the terms of the acquisition agreement.

HIGHER REVENUE AND IMPROVED UNDERLYING PROFITABILITY

FINANCIAL REVIEW
CONTINUED

When we acquired ACM Shipping Group plc in July 2014, we established a share plan to retain key staff. The cost of this share plan is categorised as acquisition related expenditure and the charge in the year was £0.2 million (2018/19: £0.1 million).

The final element of this is a credit of £0.4 million relating to an increase in the carrying value of warrants for shares in AqualisBraemar granted as part of the disposal of the majority of the Group's Technical Division in June 2019. This credit is as a result of an increase in the expected value of the warrants according to the forecasts made by AqualisBraemar and reflected in their Balance Sheet as at 31 December 2019. Since our Balance Sheet date of 29 February 2020, AqualisBraemar has reduced its forecasts, as described in the post Balance Sheet events in Note 32.

Discontinued operations

Following the disposal of the majority of the Group's Technical Division in June 2020, we have classified these business units as a discontinued operation. Consequently, the results from these operations do not form part of the Group's underlying performance. Comparative periods have been restated to reflect consistent reporting between periods. In the prior year period we also report the losses made on the disposal of Braemar Response in October 2018 in this classification.

The discontinued operations made a total post-tax loss of £0.8 million during the period of ownership in the year. There has also been a further loss on disposal recorded of £0.1 million as a result of the settlement of certain warranty claims made by AqualisBraemar over and above estimates that had been made at the time of the disposal.

In the prior year a loss of £22.7 million was reported, of which £1.4 million relates to the disposal of Braemar Response and £21.3 million to the impact of the disposal of the Technical Division business units. It is an aggregation of the trading losses and an estimate of the loss that will be made upon completion and can be explained in more detail as follows:

The assets held for sale at the previous Balance Sheet date included certain assets and cash that were redistributed to Braemar under a reorganisation that was carried out as part of the disposal and before completion. The impairment of the remaining net assets of the business units was required to align their carrying value to the estimated value of consideration to be received in the sale transaction, net of the anticipated level of fees and other costs incurred.

Other specific items

We have incurred £1.3 million of one-off costs related to a restructuring programme in the Logistics Division and to Board changes during the year. In the previous year we revalued our investment in seats on the London Tankers Brokers Panel in line with third-party transactions in the period.

Share of associate profit for the period

The reported share of associate profit for the period relates to the 27% ownership of AqualisBraemar, acquired in June 2019 in return for the disposal of the Technical Division business units. The reported profit of £0.4 million comprises a share of trading losses of £0.3 million and a profit of £0.7 million relating to the revaluation by AqualisBraemar of the net assets acquired by way of a bargain purchase, immediately following the transaction. This element is a one-off revaluation and therefore is treated as a specific item and not part of underlying profits.

AqualisBraemar approved a dividend of NOK 0.2 per share at their recent AGM, which will be paid during June 2020 and will total around £0.2 million for our shareholding.

Adoption of IFRS 16

During this accounting period the Group adopted IFRS 16 "Leases" and there are various references to the movement in assets and liabilities in the notes to these accounts. The overall impact on the Balance Sheet is summarised in the table below.

The impact of IFRS 16 on reported profit before tax in the Income Statement is immaterial, although there is an impact between the reported operating profit and net finance cost. Without the implementation of this standard the reported underlying operating profit would have been £9.3 million and underlying finance costs would have been £1.5 million.

Finance costs

The net finance cost for the year of £1.9 million reflects the cost of working capital associated with the facilities structures held with HSBC, the interest payable on financing and convertible loan notes associated with the acquisition of NAVES and the interest charge associated with right-of-use assets under IFRS 16. £1.4 million (2018/19: £1.0 million) has been attributed to underlying operations, including £0.3 million for the IFRS 16 charge, and £0.5 million to the NAVES acquisition (2018/19: £0.8 million). In 2018/19, £0.3 million was charged to discontinued operations.

Capital expenditure

In 2019/20, total capital expenditure was £3.9 million (2018/19: £1.7 million). The most significant item of capital expenditure relates to software as we continue the improvement of our operating and finance systems.

Balance Sheet

Net assets at 29 February 2020 were £57.5 million (2018/19: £58.4 million). At 29 February 2020, the Group held gross trade receivables before impairment provisions of £31.9 million, up from £31.5 million at 28 February 2019. The proportion of trade receivables provided against increased slightly from 10.3% to 10.6%, principally due to delays in collecting receivables in the Engineering Division.

Loss on discontinued operations	2019/20 £'m	2018/19 £'m
Total loss made in the year by Technical Division	**0.8**	1.7
Tax credit	**–**	(0.1)
Restructuring costs and attributed interest	**0.1**	0.6
Write down of intangible assets	**–**	6.1
Estimated impairment of remaining net assets	**–**	13.1
Total reported loss	**0.9**	21.3

Adoption of IFRS 16	£'m
Increase in property, plant and equipment	**9.5**
Current assets	
Increase in finance lease receivable	**3.2**
Current liabilities	
Increase in short-term borrowings	**(3.9)**
Non-current liabilities	
Increase in long-term borrowings	**(10.9)**
Net impact of IFRS 16 on net assets	**(2.1)**

Borrowings and cash

At the Balance Sheet date, the Group had a revolving credit facility available to it of £35.0 million with HSBC. Due to the uncertainties of future trading and short-term cash collection as a result of COVID-19, we have received confirmation from HSBC that, subject only to normal procedural matters, the leverage covenant relating to these facilities will be increased to improve headroom.

The Group also has access to a global cash pooling facility in the UK, Germany and Singapore which allows efficient management of liquidity between our main regional hubs. The Group operates a pooling arrangement for cash management purposes and at the end of the year the Group had net debt across those pools of £20.0 million (2018/19: £7.8 million) with the main reason for the increase being the repayment of loan notes and deferred consideration associated with the NAVES acquisition.

Retirement benefits

The Group has a defined benefit pension scheme which was closed to new members during the 2015/16 financial year. The scheme has a net liability of £3.7 million (2018/19: £2.0 million) which is recorded on the Balance Sheet at 29 February 2020. The agreed annual scheme-specific funding since the triennial valuation as at March 2014 was a cash contribution of £0.5 million. The triennial funding valuation as at March 2017 was carried out and concluded during 2018 and the result was an unchanged annual employer cash contribution of £0.5 million, which was agreed with the trustees and is being paid in monthly instalments. The next triennial valuation will take place during this financial year.

Convertible loan notes and deferred consideration

In total, the Group has committed to the issue of up to €24.0 million convertible loan note instruments in respect of the acquisition of NAVES. These convertible loan note instruments are unsecured, unlisted and non-transferable. The notes are Euro denominated and carry a 3% per annum coupon. Each tranche is redeemable on or after two years from the date of issue, by the Group or by the individual holder. The conversion prices were fixed at 390.3p for management sellers and 450.3p for non-management sellers.

The fair value of convertible instruments and deferred consideration as at 29 February 2020 was £10.5 million (2018/19: £16.9 million). Of the total €24 million, only €21.9 million can now be issued after the measurement of the second earn-out in September 2019. The status of maximum future payments (assuming all are redeemed for cash), and future Income Statement charges can be summarised as below.

The final value of the February 2023 earn-out notes will be determined later this year based on earnings to August 2020.

Foreign exchange

The US dollar exchange rate has moved from $1.33/£1 at the start of the year to $1.28/£1 at the end of the year. A significant proportion of the Group's revenue is earned in US dollars. At 29 February 2020, the Group held forward currency contracts to sell $42 million at an average rate of $1.29/£1.

Taxation

The Group's underlying effective tax rate in relation to continuing operations in 2019/20 was a credit of 1.0% (2018/19: charge of 17.2%), which is significantly lower than the current UK tax rate. The main factors which have led to this lower rate are credits in respect of prior years (£0.8 million) and a credit relating to the deferred tax asset created by the net lease liability recorded under IFRS 16 (£0.9 million). These factors have outweighed the impact of disallowable expenses (£0.7 million) and tax paid in overseas countries at higher rates than in the UK (£0.2 million). More details of this reconciliation can be found in Note 7 to these accounts and an explanation of the assets and liabilities incorporated onto the Balance Sheet under IFRS 16 in Note 16.

Alternative profit measures ("APMs")

Braemar uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information to investors and other interested parties. In particular, we have separated the impact of individually material capital transactions, such as acquisitions and disposals, from ongoing trading activity to allow a focus on ongoing operational performance.

Our APMs include underlying operating profit and underlying earnings per share. Our prior year APMs have been restated to reflect the reclassification of discontinued operations noted above.

Capital management

The Group manages its capital structure and adjusts it in response to changes in economic conditions and its capital needs. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and debt instruments. The Group has a policy of maintaining positive cash balances whenever possible which can be supported by short-term use of its revolving credit facility. This is drawn down as required to provide cover against the peaks and troughs in our working capital requirements.

ESOP Trust

During the previous year the Company requested that SG Kleinwort Hambros Trust Company (CI) Ltd, as Trustee of the Company's ESOP Trust, purchase shares in Braemar Shipping Services Plc. A total of 716,000 shares in the Company were purchased by the Trustee for the prior year period and, as a result, at 28 February 2019 the ESOP held 706,701 shares. No further purchases were made in the financial year and at 29 February 2020 the trust held 348,400 shares.

Dividend

The Directors are not recommending a final dividend due to the uncertainties created by the COVID-19 impact on the global economy.

NAVES consideration **Year ended**	February 2021 £'m	February 2022 £'m	February 2023 and beyond £'m
Deferred consideration loan notes	1.8	1.2	2.5
Earn-out notes	3.2	1.6	3.2
Maximum cash payable	5.0	2.8	5.7
Expected Income Statement charge	0.6	0.2	0.1

FINANCIAL REVIEW
CONTINUED

Going concern
Particular care has been taken, in preparing these accounts, to the going concern review and viability statement in this Annual Report. Whilst there is more uncertainty in the current environment than usual, we have not seen any increase in debtor days nor any noticeable fall in cash collections so far this year. Careful and more frequent monitoring of cash forecasts and client payments has been introduced in order to identify if this changes over the coming months.

Approved on behalf of the Board

Nicholas Stone
Group Finance Director
15 June 2020

Reconciliation of underlying results to reported statutory results	**Year ended 29 Feb 2020 £'000**	Year ended 28 Feb 2019 £'000
Revenue	**120,794**	117,853
Cost of sales	**(23,399)**	(24,892)
Gross profit	**97,395**	92,961
Other operating costs	**(87,776)**	(83,895)
Underlying operating profit	**9,619**	9,066
Net underlying finance costs	**(1,403)**	(197)
Share of associate loss	**(262)**	–
Underlying profit before tax	**7,954**	8,869
Underlying taxation	**(178)**	(1,669)
Underlying profit for the year	**7,776**	7,200
Underlying earnings per ordinary share		
Basic	**24.94p**	23.32p
Diluted	**22.54p**	21.36p
Underlying operating profit	**9,619**	9,066
Specific items	**(3,344)**	(11,719)
Operating profit/(loss)	**6,275**	(2,653)
Gain on revaluation of investment	**–**	500
Net finance costs	**(1,853)**	(987)
Share of associate profit for the period	**436**	–
Profit/(loss) before taxation	**4,858**	(3,140)
Taxation	**50**	(1,525)
Profit/(loss) for the year from continuing operations	**4,908**	(4,665)
Loss for the year from discontinued operations	**(892)**	(22,700)
Profit/(loss) for the year attributable to equity shareholders of the parent	**4,016**	(27,365)
Earnings per ordinary share		
Basic	**12.88p**	(88.63p)
Diluted	**11.64p**	(88.63p)

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management forms an integral part of how we operate. It is essential for delivering our strategic objectives as well as protecting our relationships and reputation.

EFFECTIVE RISK MANAGEMENT APPROACH

The Group's risk management framework
The Board is responsible for managing the Group's risk, overseeing the internal control framework and determining the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term objectives. The Group's risk management framework and internal controls are continually monitored and reviewed by the Board and the Audit Committee. During the year, the Group created a new role of Group Head of Internal Audit and Group Risk and Compliance Manager to lead the Group's risk management, internal controls and compliance functions. The Group also conducted an extensive review of its risk, compliance and internal control framework, which has led to a number of policies, processes and procedures being updated and rolled out across the Group – a process that will continue in the coming year. The Board is committed to maintaining a reputation for the highest standards of conduct in all aspects of its business, but in considering the other matters set out in Section 172 of the Companies Act 2006, the Directors were mindful that the approach must be balanced with the interests of the Group's employees and the need to foster the Group's business relationships. As such, the Group's policies and procedures are designed to ensure that the level of risk to which the Group is exposed is consistent with the Group's risk appetite and aligned with the Group's long-term strategy, but also to avoid a disproportionate administrative burden on employees, clients or counterparties.

Risk management process
The Group's risk management approach or framework incorporates both bottom-up and top-down identification, evaluation and management of risks. Within the framework:
- divisional management teams have initial responsibility for identifying, monitoring and updating business risks; and
- key specialist personnel at Group level review areas such as IT, human resources, legal and finance in order to consider any risks that are not addressed at a divisional level.

The Group's risk management framework is managed via an online system that is accessible to Group and Division management teams globally. The system allows for:
- Company-wide real-time updating;
- ongoing monitoring of risks and mitigation activities at both Group and divisional levels; and
- risk management reporting at office location, Division and Group levels.

The Group's risk management framework uses a matrix approach to assess both the likelihood and the impact of identified risks. The matrix produces a score which is used to evaluate collectively the extent of all risks within a similar categorisation or certain profile, and to illustrate the effectiveness of our mitigation of a single risk by capturing the gross and current (net of mitigation controls) score of each individual risk.

All identified risks are aggregated with related events and circumstances and reviewed to assess their potential impact on the Group's strategic objectives and the resources required to manage them effectively. The process also evaluates the timescale over which emerging risks may occur and requires consideration of how such risks can be best managed and mitigated. The extent of controls and mitigation as well as the potential for a material effect on the market value of the Group are then assessed. By definition, unmitigated risks can be significant, but our control processes and monitoring actions reduce the risk level. The process helps rank the risks (factoring in their potential impact and likelihood, as well as the timescale in which they may occur), which are then further considered by the Risk Committee, the Audit Committee and the Board who also independently consider risks to produce the principal risks, which are set out on pages 28 to 30.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Risk mitigation
The Group takes various measures to mitigate risk. Key mitigation steps taken in our risk management process throughout the year included:
- maintaining appropriate insurance cover;
- establishing Group budgets on an annual basis and approved by the Board;
- monitoring the performance of the Group and the individual businesses against budget and reforecasts throughout the year, including investigation of any significant variances;
- an internal system of checks and authorisations and independent audits which are conducted in relation to the ISO 9001:2000 certification held by the Logistics Division;
- operating a Group-wide whistleblowing procedure;
- regular reporting of treasury management activity to the Board by the Group Finance Director (noting that the Group does not enter speculative treasury transactions);
- using common Group systems for accounting, human resources and operations activities, supported by a global IT team;
- monitoring of contractual risks by the legal team;
- succession planning and strategic recruitment supported by the human resources team; and
- enhancing and strengthening our Group governance framework, including reviewing and updating Group policies, procedures and process, where appropriate, and delivering training so that all employees are familiar with the requirements.

Principal risks
The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company. The most significant risks to which the Board considers the Company is exposed are set out below. The impact of COVID-19 has increased the risk in a number of these categories, which are marked with an asterisk (*).

Geopolitical and macroeconomic

Braemar's businesses may be negatively impacted by geopolitical and/or macroeconomic issues, such as climate change, changes in the crude oil price, restrictions in global trade due to pandemics such as COVID-19, sanctions and changes in supply and demand.

Summary of impact

A downturn in the world economy could result in reduced transaction volumes and lower revenue.

Changes in shipping rates and/or changes in the demand or pricing of commodities could affect supply activity.

Change from 2019

Impacted by COVID-19 *

Rationale Global pandemic has imposed some physical restrictions on trade and is likely to cause a reduction in global GDP.

Mitigating control and management actions

The Group's diversification on a sector and geographic basis reduces dependency on individual business areas.

Continued monitoring to ensure the Group is appropriately resourced across its activities and geographies.

Ongoing management of costs based on current and reasonably foreseeable market conditions.

Currency fluctuations

The Group is exposed to foreign exchange risk as a result of a large proportion of its revenue being generated in US dollars while the cost base is in multiple currencies.

Summary of impact

A change in exchange rates could result in a financial gain or loss.

Change from 2019

Mitigating control and management actions

The Board monitors macroeconomic issues to assess possible foreign exchange movements.

Forward currency contracts are entered into to mitigate the risk of adverse currency movements.

Financial capacity

Limited financial capacity could result in the Group being unable to execute all of its strategic objectives.

Summary of impact

Without sufficient financial resources the Group cannot execute all of the growth opportunities that may be available.

Change from 2019

Impacted by COVID-19 *

Rationale Ability to raise funds may be reduced in the short term.

Mitigating control and management actions

All identified growth opportunities prioritised to ensure that resources are allocated to opportunities with the best potential return.

Regular review of debt levels and dividend policy.

Financial liquidity

The Group could experience liquidity problems as a result of the extended lead times certain revenue streams require to convert to cash.

Summary of impact

The Group could be cash constrained, resulting in reduced investment, headcount, dividends, and not achieving its strategic objectives.

Change from 2019

Impacted by COVID-19 *

Rationale Revenue may be reduced, leading to lower cash balances. Client liquidity may also be constrained and lead to delays in converting invoices to cash and an increased bad debt charge.

Mitigating control and management actions

Continued working capital management and monitoring across the Group, with coordinated resolution of any liquidity deficits.

Continue the consolidation of banking relationships and the implementation of global pooling capabilities.

Ensure operation of, and compliance with, robust credit controls across the Group, including adherence to agreed payment terms.

	Summary of impact	Mitigating control and management actions
Failure to attract and retain personnel **Failure to identify, attract and retain skilled personnel could result in failure to deliver business objectives and to maintain client relationships.**	If key staff leave the Group, they are likely to take "their" business with them, resulting in a loss to the Group. If new staff are not attracted to the Group, then rate of growth may be limited. **Change from 2019** —	Develop a culture of engagement and professional development, including career path and succession planning. Maintenance of competitive remuneration packages, including use of deferred equity awards.
Disruptive technology **The risk of technological change, and increased customer demands for enhanced technological offerings, could render aspects of our current services obsolete, potentially resulting in loss of customers.**	Relationships could be devalued and replaced by disruptive technology platforms, resulting in increased competition and consequent price reductions. **Change from 2019** ↗	Increased investment in business applications within the Shipbroking and Logistics Divisions. Applications and reporting tools have been developed internally. Increased investment in data analytics. Staff with technological expertise retained/recruited. External consultants used where appropriate. Ongoing monitoring of external developments. Investigating cooperation with technology partners.
Cultural behaviours **Inadequate policies and reward structures could incentivise negative behaviours, create internal conflict, and could lead to reputational damage.**	Business value and earnings could be reduced. **Change from 2019** —	Regular review of policies, including the Employee Handbook, which set out behavioural expectations. Annual review, with external benchmarking, helps to ensure remuneration packages continue to be appropriate and competitive. Ongoing monitoring to ensure completion of employee annual training plans, compliance with all relevant Group policies and completion of attestation requirements across the Group.
Corporate governance and change management **Corporate governance framework or management structure ineffective in introducing change, managing our business, and achieving the Group's strategic objectives.**	The business may not operate as effectively, resulting in lower returns. Internal and external relationships could be damaged/missed. Business development opportunities could be damaged. **Change from 2019** ↗	Regular review of corporate governance framework, management structure, succession planning and job mapping and responsibilities at Group and divisional levels for continuous improvement and alignment with best practice. Creation and appointment of new oversight roles to enhance the effectiveness of the internal audit and compliance processes and changes within management infrastructure to make career paths more transparent.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

	Summary of impact	Mitigating control and management actions
Compliance with laws and regulations **The Group is exposed to the risk of breaches of requirements, such as those included in the UK Bribery Act, the Proceeds of Crime Act ("POCA") 2002 (UK Anti-Money Laundering regime), and the General Data Protection Regulation ("GDPR").**	Breaches could result in fines, sanctions and loss of the ability to operate. **Change from 2019**: —	Ongoing monitoring of legal and regulatory compliance across the Group. Group-wide training programme to help ensure employee understanding of all relevant legal and regulatory obligations. Compliance with our policies, relevant laws and regulations (and seeking specialist advice on the requirements where appropriate). Ongoing monitoring to ensure insurance cover is maintained at adequate levels.
Cybercrime and data security **Cybercrime could result in loss of business assets or disruption to the Group's IT systems and its business.** **Lack of appropriate data security could result in loss of data.**	Loss of service and associated loss of revenue. Reputational damage. Potential for loss of cash due to fraud or phishing. **Change from 2019**: — **Impacted by COVID-19**: * **Rationale**: Pandemic has closed office buildings. Employees required to work remotely. This new way of working could increase exposure to potential cyber threats, but has been mitigated by successful transition to home working.	Robust security measures are in place to detect and protect against cybercrime, including: – standardised best-in-class security solutions for firewalls, mail control, anti-virus, server protection and access management. – continuous improvement of security solutions and processes to maintain security accreditations.
Major business disruption **The risk of disruption to our business due to a disaster or unplanned events occurring.**	The business may be unable to operate as effectively as usual, resulting in financial loss. **Change from 2019**: — **Impacted by COVID-19**: * **Rationale**: Pandemic has closed office buildings with employees working remotely. Successful implementation of home working gives more confidence in the business resilience.	Regular monitoring of systems and back-up arrangements including business continuity and disaster recovery testing. Multisite operations maintained including the facility for remote working, which reduces dependency on individual sites/personnel. Appropriate insurance maintained. Continued investment moving activity to the cloud.

Internal audit

The Group's internal audit function is monitored and reviewed by the Audit Committee, to ensure that the Group's risk management and internal controls processes are working effectively. A detailed description of the Group's internal audit function, including the changes made in the year, can be found on page 40 of this Annual Report.

Going concern

The Group generated positive underlying operational cash flow last year and has continued to do so in the first months of trading in the current year. Although the current trading environment is less predictable due to the COVID-19 disruption, the Directors believe that it is well positioned to manage the Group's risks. For the reasons outlined in detail in Note 1 (see page 74) to these accounts they also consider there is no material uncertainty relating to going concern. The Directors have a reasonable expectation that the Company and Group have adequate resources to continue to trade for twelve months from the date of the approval of these financial statements and for this reason they continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period of three years, which they believe is an appropriate period based on the Group's current financial position, budgets and forecasts, strategy, principal risks and exposure to potentially volatile market forces. Due to the uncertain trading environment the Directors have engaged with the Group's main bankers, HSBC, as part of this process and received confirmation from them to a relaxation of certain covenants relating to its borrowing facilities, subject to the usual procedural matters, in order to provide additional headroom within the cash forecasts.

The Directors' testing of the assessment included a review of the financial impact of significant adverse scenarios, resulting from declines in Group profitability that could threaten the viability of the Group, together with the likely effectiveness of the potential mitigations that are reasonably believed to be available to the Group over this period. In considering these potential mitigations, the Board was mindful of its duties under Section 172 of the Companies Act 2006 and considered the potentially competing interests of different stakeholder groups and the potential long-term consequences of the actions, including the use of funds for remuneration (and the role this plays in the retention of staff), paying dividends, making investments and repaying debt. This assessment also incorporated a "reverse stress test" which is designed to identify scenarios under which the Group's banking facilities would be inadequate to continue as a going concern despite using all mitigating options available. The Directors have concluded that the revenue and operating margin scenarios that would lead to such a failure are highly unlikely. This is based on current trading and market conditions and the fact that there is no evidence indicating that revenues and margins will fall to levels indicated in this test, despite the lack of visibility. There is therefore a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three financial years. There is more detail on this assessment process in Note 1 to these accounts.

In assessing the prospects of the Group, the Directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

Corporate Governance Report

This Corporate Governance Report, which comprises this introduction, pages 34 to 38, the Audit Committee Report, the Nomination Committee Report, together with the Directors' Remuneration Report, describes how the Board and its Committees operate and how the Company has applied the Code during the year ended 29 February 2020.

CHAIRMAN'S INTRODUCTION

The Board is committed to maintaining a high standard of corporate governance across the Group. We see this as an essential part of achieving our corporate strategy and preserving our reputation, our position in the market, and the trust and support of our shareholders, employees, clients and other stakeholders.

Ronald Series
Executive Chairman

In 2019/20, the Company was subject to the UK Corporate Governance Code published by the Financial Reporting Council (the "FRC") in 2018 (the "Code"). The Code is publicly available on the FRC's website at: www.frc.org.uk. The Board endorses the principles and provisions set out in the Code and believes that the Company has been compliant with the Code throughout the year, with the exception of Provision 9, which states that the roles of the Company's Chair and Chief Executive should not be exercised by the same person. As was reported in last year's Annual Report, I joined the Board as non-executive Chairman following David Moorhouse's retirement in April 2019. In accordance with Provision 9 of the Code, the Board considered that I was independent on appointment when assessed against the circumstances set out in Provision 10. However, with James Kidwell's retirement as Group Chief Executive in July 2019, following the disposal of the majority of the Braemar Technical Division's business units, the Board believed that it would be in the best interests of the Company and its stakeholders if I were to take on the role of Executive Chairman in the immediate term. The Board has engaged with the Company's shareholders and employees on this decision and, whilst it is not considered to be a long-term appointment, the Board believes that it is the best interim solution, particularly in light of the strength of the Group's broader senior management. The Board was satisfied that I had sufficient time to meet the additional responsibilities required of me. It also considered the impact that this decision would have on the Company's ability to comply with Provision 9 of the Code; but has taken steps to mitigate and monitor any potential impact on the division of responsibilities between the leadership of the Board and the executive leadership of the Company, and the Company's broader governance framework. More information on this point can be found on page 36 of this Annual Report.

This report, which comprises this introduction, the following pages 34 to 38, the Audit Committee Report on pages 39 to 41, the Nomination Committee Report on pages 42 to 43, together with the Directors' Remuneration Report on pages 44 to 58, describes how the Board and its Committees operate and how the Company has applied the Code during the year ended 29 February 2020.

Ronald Series
Executive Chairman
15 June 2020

BOARD OF DIRECTORS

THE BOARD CONSISTS OF AN EXECUTIVE CHAIRMAN, A GROUP FINANCE DIRECTOR AND THREE INDEPENDENT NON-EXECUTIVE DIRECTORS. THE EXECUTIVE CHAIRMAN LEADS THE BOARD AND IS RESPONSIBLE FOR ITS OVERALL EFFECTIVENESS IN DIRECTING THE COMPANY, TAKING INTO ACCOUNT THE INTERESTS OF THE COMPANY'S VARIOUS STAKEHOLDERS.

EXECUTIVE DIRECTORS

Ronald Series (68)
Executive Chairman of the Board

Committee memberships
None.

Background and relevant experience
Currently the executive chairman of DX (Group) plc. Previously was the senior independent director of Clipper Logistics plc and held senior management positions at Lonmin plc, the platinum group metals producer, Viridian Group Limited, the energy company, and Dubai World, the global investment company. He joined the Board of Braemar Shipping Services Plc in April 2019.

External appointments
Executive chairman of DX (Group) plc. Non-executive director of AqualisBraemar ASA.

Nicholas Stone (56)
Group Finance Director and Group Chief Operating Officer

Committee memberships
None.

Background and relevant experience
Chartered accountant. Formerly chief financial officer of The Appointment Group. Prior to that, a director of Hornby plc and various positions including operations and finance director with KBC Advanced Technologies plc. He joined the Board of Braemar Shipping Services Plc in April 2019.

External appointments
None.

NON-EXECUTIVE DIRECTORS

Lesley Watkins (61)
Independent non-executive Director, Senior Independent Director, Chair of the Audit Committee and Chair of the Nomination Committee

Committee memberships
Chair of the Audit Committee and Nomination Committee and member of the Remuneration Committee.

Background and relevant experience
Chartered accountant. Formerly finance director and company secretary of Calculus Capital Limited; former non-executive director of Game Digital plc and Panmure Gordon & Co Plc, and chair of their respective audit committees. 18 years' experience in investment banking with UBS and Deutsche Bank. She joined the Board of Braemar Shipping Services Plc in 2017.

External appointments
Non-executive director and chair of the audit committee of Investec Bank plc. Non-executive director and chair of the audit committee of Chaucer Syndicates Limited.

Jürgen Breuer (54)
Independent non-executive Director and Chairman of the Remuneration Committee

Committee memberships
Chairman of the Remuneration Committee and member of the Nomination and Audit Committees.

Background and relevant experience
Formerly at Société Générale, Citibank and Sal Oppenheim; senior managing director responsible for starting and managing GFI Group's Asian businesses. He joined the board of ACM Shipping Group plc in 2011 and the Board of Braemar Shipping Services Plc in 2014.

External appointments
Baltic Bau companies and Heinrich-Heine-Garten Binz GmbH.

Stephen Kunzer (54)
Independent non-executive Director

Committee memberships
Member of the Audit, Nomination and Remuneration Committees.

Background and relevant experience
Formerly chief executive officer of Eastern Pacific Shipping Pte Limited; former managing director of Tanker Pacific Management (Singapore) Pte Limited. Extensive experience of shipbroking and global shipping markets, with a career of over 30 years working in London and the Far East. He joined the Board of Braemar Shipping Services Plc in February 2019.

External appointments
Independent director of Dampskibsselskabet NORDEN A/S.

The Board is responsible to the Company's shareholders for providing effective and entrepreneurial leadership. The Board works with the management of the Company's Divisions and the Company's stakeholders to provide strategic direction and a framework within which long-term sustainable success can be achieved.

Board leadership and division of responsibilities
The Board consists of an Executive Chairman, a Group Finance Director and three independent non-executive Directors. The Board believes this composition is appropriate for the Company's size and activities.

The Executive Chairman leads the Board and is responsible for its overall effectiveness in directing the Company, taking into account the interests of the Company's various stakeholders. In the absence of a Group Chief Executive, the Executive Chairman also leads the executive and divisional management in the development of strategy and the management of all aspects of the performance and management of the Company and its subsidiaries. With these additional responsibilities for the Executive Chairman, the Board decided that the Senior Independent Director, Lesley Watkins, should take on additional responsibilities to monitor and assist the division of responsibilities between the leadership of the Board and the executive leadership of the Company's business. In particular, Lesley Watkins has taken on the role of Chair of the Nomination Committee. The Remuneration Committee is chaired by Jürgen Breuer. Each of the non-executive Directors has his or her general duties and responsibilities, including those set out in the Companies Act 2006, their letters of appointment and the terms of reference of the Board Committees, many of which are related to ensuring that there is sufficient division of responsibilities, particularly their duty to ensure that the Board scrutinises and holds to account the performance of management and individual Executive Directors. When taken together with the role played by senior management in the leadership of their particular Divisions, the Board is satisfied that there is a clear division of responsibilities between the Board leadership and leadership of the Company's business.

Prior to the departure of the Group Chief Executive and the appointment of the Executive Chairman in July 2019, the Chairman role was non-executive and was held by David Moorhouse CBE, until his retirement in April 2019, and then Ronald Series. The non-executive Chairman also chaired the Nomination Committee, except when it was dealing with the appointment of his successor.

The non-executive Directors, none of whom has fulfilled an executive role within the Company, are appointed for an initial three-year term subject to annual re-election at the Annual General Meeting in accordance with the Code. Lesley Watkins is in the final year of her initial three-year term and Jürgen Breuer is in the final year of his second three-year term. At the recommendation of the Nomination Committee, the Board has resolved to appoint both Lesley Watkins and Jürgen Breuer for a further three-year term (subject to the terms of their appointment letters, ongoing review and annual re-election). Nicholas Stone was appointed as the Group's Finance Director with effect from 1 April 2019. The Board met twelve times during the year and the attendance by each of the Directors is set out below.

Number of meetings in FY 2019/20: 12 (FY 2018/19: 10)

	Attended
Non-executive Directors	
David Moorhouse CBE[1]	**2/2**
Jürgen Breuer	**12/12**
Stephen Kunzer	**12/12**
Lesley Watkins	**11/12**
Executive Directors	
Ronald Series[2]	**10/10**
James Kidwell[3]	**5/6**
Nicholas Stone[4]	**11/11**

1 David Moorhouse retired as non-executive Chairman with effect from 14 April 2019.
2 Ronald Series was appointed as non-executive Chairman with effect from 15 April 2019 and as Executive Chairman with effect from 18 July 2019.
3 James Kidwell retired as Group Chief Executive with effect from 27 July 2019.
4 Nicholas Stone was appointed as Group Finance Director with effect from 1 April 2019.

LONG-TERM SUSTAINABLE SUCCESS

Board Committees

The Board has three standing Committees: Audit, Nomination and Remuneration. Each of the Board Committees comprises solely independent non-executive Directors. The composition and responsibilities of the Audit, Nomination and Remuneration Committees are set out in each of the Committee reports, on pages 39, 42 and 44 of this Annual Report respectively. The Remuneration Committee report on pages 44 to 58 of this Annual Report is incorporated into this report by reference. The terms of reference for each of the Committees can be found in the Investors section of the Company's website.

The Group also has an Executive Committee, which comprises the Executive Chairman, the Group Finance Director, the Company Secretary and the heads of each of the Group's Divisions. The Executive Committee meets at regular intervals during the year as a forum for the Executive Chairman and the Committee's members to discuss strategic and divisional matters.

The Group also constituted a Risk Committee during the year, although this is not a formal Board Committee. The Risk Committee is to meet regularly and report to the Audit Committee on matters such as risk analysis, the Company's procedures for detecting fraud, the Company's systems and controls for the prevention of bribery and money laundering, and the internal audit function. It comprises the Group Finance Director, the divisional Finance Directors, the Company Secretary, the divisional Heads of Human Resources, the Group IT Director and the Group Risk and Compliance Manager.

Effectiveness of the Board

The Board carries out regular self-evaluations to monitor and improve on its performance and actively looks for opportunities to improve its effectiveness and that of its Committees and individual Directors. Since the appointment of an Executive Chairman, the evaluation process is now led by the Senior Independent Director, who also meets with the other non-executive Directors, without any Executive Directors present, in order to appraise the Executive Chairman's performance. The Executive Chairman of the Board regularly speaks with individual Directors about their roles and, with the assistance of the Company Secretary, works to ensure that the Directors continually update their skills, knowledge and familiarity with the Group's activities. The Executive Chairman also meets with the non-executive Directors without any other Executive Directors present.

Profiles of each Director, together with information on their experience relevant to the Group and their external appointments, are set out on pages 34 and 35 of this Annual Report. The Company Secretary, Peter Mason, is responsible for advising the Board, through the Executive Chairman and the Senior Independent Director, on all governance matters and for ensuring that proper Board procedures and appropriate standards of governance are complied with.

Following the completion of the combination of Braemar Technical Services and AqualisBraemar ASA, James Kidwell was appointed as a non-executive director of the combined entity, AqualisBraemar ASA, which is listed on the Oslo Stock Exchange. Following his departure, this responsibility was taken on by Ronald Series, who was appointed with effect from 27 September 2019. Due to the Company's ongoing interest in AqualisBraemar ASA, this appointment was thought to be in the best interests of the Company. Also during the period, Lesley Watkins was appointed as a non-executive director and chair of the audit committee for Chaucer Syndicates Limited. Not least as she had previously ceased her executive role with Calculus Capital Limited, the Board was comfortable that Lesley Watkins had sufficient time to take on the role, and believed that the appointment would not have any negative impact on her role with the Company. The Board is generally supportive of Directors holding additional external appointments, which can enhance their knowledge and experience to the benefit of the Company. However, the Board is mindful of best corporate governance practice in this regard, notably under the Code, and requires Directors to seek its prior approval.

Risk management, compliance and effective controls

The Directors have a duty to the Company's shareholders to ensure that the information presented to them is fair, balanced and understandable, and provides shareholders with the necessary information to assess the Company's position, performance, business model and strategy. Further details of the Directors' responsibilities for preparing the Company's financial statements are set out in the statement of Directors' responsibilities on pages 60 and 61 of this Annual Report.

In fulfilling its responsibilities, the Board has established procedures for identifying and evaluating any risks associated with its strategic objectives (including both emerging and principal risks) and considering how those risks can be managed effectively. During the year, in addition to constituting a new Risk Committee, the Company made a number of changes to its risk and compliance procedures. The Audit Committee is responsible for the independent review and challenge of the adequacy and effectiveness of the Company's approach to risk management and reports its findings to the Board.

The Group strictly prohibits any payments that may constitute a bribe and this is monitored by divisional management, through internal auditing and by the Group Risk and Compliance Manager. As part of the changes to its risk and compliance procedures mentioned above, the Group updated its anti-bribery and corruption policy during the year and began a new compliance training programme for staff, which includes coverage of this important area. There were no matters of concern warranting further investigation identified in the Group during the year, and the Group will continue to monitor compliance with its policies and procedures and to provide further training.

More information on the changes to the Company's risk and compliance procedures, and on the other work of the Audit Committee, can be found in the Audit Committee Report on pages 39 to 41 of this Annual Report. More information on the Company's risk management procedures, including a summary of the principal risks facing the Group and the procedures in place to identify emerging risks, is set out on pages 27 to 30 of this Annual Report. More information on the Group's internal audit function can be found on pages 31 and 40 of this Annual Report.

Culture and values

The Group is committed to maintaining a culture based on its high standards and core values, which are set out in Group guidelines, policies and procedures available to all staff. The Group's objective and strategy is to continue developing and maintaining long-term relationships with its clients, to assist them to maximise their opportunities, whilst minimising their costs and risks, through the Group's integrated, comprehensive higher value-added service offering. The Group's values are centred on its key stakeholders and working to ensure that they are engaged, and that all of the Group's dealings are conducted, in an honest and professional manner. The Board believes that maintaining and developing a culture that incorporates these values will assist the Group with achieving its long-term strategic objectives. Diversity and equal opportunities are important issues for the Group, as we believe that our workforce is the key to our success, and the Group is committed to maintaining a culture of diversity and inclusion that values the rich mix of individuals, viewpoints, talents and experiences found in our organisation. More information on our culture and values, what action has been taken during the year to ensure that policies, practices and behaviour across the Group are aligned with them, and how we engage with, invest in and reward our workforce, can be found in the Relationships, Resources and Responsibilities section on pages 17 to 21 of this Annual Report.

Shareholder relations

The Board recognises the importance of maintaining good communications with key stakeholders of the Company's business and taking into account the interests of those stakeholders in its decision-making. A number of the material decisions taken by the Board in the year (and as part of the year-end process) are discussed in this Annual Report and provide examples of how the Board considers the position of the Company's stakeholders in its decision-making as part of its duty to promote the success of the Company. More information on these matters can be found in the Company's Section 172(1) Statement set out on page 16 of this Annual Report.

One group of key stakeholders for the Company is its shareholders and the Board recognises the importance of engaging with shareholders in order to fulfil its duties under Section 172 of the Companies Act 2006. The Company follows an active investor relations programme carried out mostly through regular meetings of the Executive Chairman and Group Finance Director with existing and potential investors following the announcements of the interim and preliminary full year results of the Group. From time to time, the Executive Chairman and Senior Independent Director, and other non-executive Directors, will also consult with the Company's major shareholders. Feedback on shareholder meetings is provided via the Group's corporate stockbroker and public relations adviser. The Board exercises care to ensure that all information, especially that which is potentially price sensitive, is released to all shareholders at the same time and as soon as possible, in accordance with applicable legal and regulatory requirements. Corporate announcements are made available on the Group's website and through a regulatory news service.

The Group notes that at its 2019 Annual General Meeting, whilst all resolutions proposed were passed with the requisite majorities of votes, three of the resolutions received votes against them which exceeded 20%. The Company is required by the Code to report on these resolutions and what impact the votes against them have had on decisions taken by the Board since the 2019 Annual General Meeting. Two of the resolutions that received votes against them of more than 20% related to the Directors' authority to disapply pre-emption rights of shareholders. Following engagement with the Company's shareholders on this matter, it is understood that there is concern over the dilution impact on existing shareholders where pre-emption rights are disapplied, particularly when the Company's share price is at a comparatively low level. It is customary for listed companies to seek this authority to provide the Board with additional flexibility for specific situations, and the Company will seek to renew it at this year's Annual General Meeting, in line with the Pre-Emption Group's Principles, to ensure that it retains the flexibility to manage its Balance Sheet, particularly in connection with an acquisition or strategic capital investment. The third resolution that received votes against it of more than 20% was to re-elect James Kidwell as a Director of the Company. The Directors regularly engage with shareholders and seek their views on the performance of the Board and of individual Directors, and on succession planning more generally. This resolution will not be put to shareholders this year, following James Kidwell's retirement during the year.

The Company traditionally encourages participation in its Annual General Meeting where each resolution is separately put to the meeting for a vote and where the Board provides an overview of the Company's performance in the current financial year to date and the financial outlook for the coming financial year. Unfortunately, due to the ongoing COVID-19 pandemic and current government advice on non-essential travel and social distancing, the Company expects this year's Annual General Meeting to be a closed meeting and shareholders not to be permitted to attend in person. However, the Company will encourage all shareholders to exercise their voting rights by appointing a proxy and to submit questions in advance, and anticipates making a trading statement on the day via a regulatory news service.

REPORT OF THE AUDIT COMMITTEE

I am pleased to present the report of the Audit Committee in respect of the year ended 29 February 2020.

Membership and attendance

	Attended
Jürgen Breuer	4/4
Stephen Kunzer	4/4
Lesley Watkins	4/4

The Audit Committee comprises three independent non-executive Directors and its terms of reference can be found in the Investors section of the Company's website. The Audit Committee has a sufficient level of competence relevant to its function and the sector in which it operates. The qualifications and experience of the members of the Audit Committee can be found on pages 34 and 35 of this Annual Report. Meetings of the Audit Committee are attended, by invitation, by the Executive Chairman, the Group Finance Director, the Company Secretary and representatives of the external auditor. The Audit Committee met four times during the year. In addition to these formal Committee meetings, the Chair of the Committee meets separately with the Group audit partner at least twice a year.

The key function of the Audit Committee is to address the following specific responsibilities, while adapting its activities as appropriate to address changing priorities within the business:

- Financial reporting: reviewing the published half-year and annual financial statements and reports, and any other formal announcement relating to the Group's financial performance, and advising the Board on whether such information represents a fair, balanced and understandable assessment of the Company's position and prospects; monitoring compliance with relevant statutory reporting and listing requirements; reviewing and considering any changes in accounting standards; and considering the suitability of, and any changes to, accounting policies used by the Group, including the use of estimates and judgements.
- Internal control and risk management: reviewing internal control procedures to ensure they remain adequate; assisting the Board in conducting a robust assessment of the Company's emerging and principal risks; and monitoring the scope and effectiveness of the activities of the Group's internal audit activities in the context of the Group's overall risk management system. A summary of the principal risks facing the Group and how these are managed can be found on pages 27 to 31 of this Annual Report.
- Compliance, whistleblowing and fraud: reviewing the adequacy of the Group's procedures for employees to report wrongdoing or raise concerns and reviewing the systems in place to detect and prevent bribery, fraud and money laundering.
- Relationship with the external auditor: conducting the tender process to appoint an external auditor and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; planning with the external auditor the half-year review and full year audit programme, including agreement as to the nature and scope of the external audit as well as the terms of remuneration in the context of the overall audit plan; monitoring the ongoing effectiveness of the external auditor; monitoring the objectiveness and independence of the external auditor; and approval any non-audit services undertaken together with the level of non-audit fees.

REPORT OF THE AUDIT COMMITTEE
CONTINUED

The following sections describe the work of the Audit Committee during the year ended 29 February 2020.

External audit
As reported last year, BDO LLP was appointed as external auditor following an external audit tender process conducted in the financial year ended 28 February 2019. The lead audit partner at BDO LLP responsible for the external audit is Scott McNaughton, who has held the role for two years. The Audit Committee continues to monitor the external audit function and to ensure that it remains independent and effective. The Audit Committee continues to agree the scope and related fee for the annual external audit and to review the quality of the external audit and the general performance of the Group's external auditor, taking into account feedback from various stakeholders across the business, and the Audit Committee's own assessment. The Audit Committee recommends the re-appointment of BDO LLP for approval at the Annual General Meeting. This recommendation is based on the Audit Committee's perception and consideration of audit quality, the most recent FRC audit quality review reports, industry knowledge, geographical coverage and the tender process conducted in the previous financial year.

The Group has a clear policy for the approval of non-audit services, which sets a limit on the level of fees for non-audit services at 70% of the external audit fee. The external auditor is only appointed to perform a non-audit service when doing so would not compromise the independence and effectiveness of the external audit function, and when its skills and expertise make it the most suitable supplier. The Group policy for the approval of non-audit services requires the Audit Committee's prior approval of all non-audit services. This year, the external audit fee represents 100% of the total fee paid to BDO LLP (2018/19: 100%).

Internal audit
During 2019/20, the Board approved the creation and appointment of a new Group Head of Internal Audit role to coordinate the Group's internal audit function. The Group Head of Internal Audit presents the Group internal audit plan and resulting internal audit reports to the Audit Committee for approval, with the Audit Committee then ensuring that the proposed internal audit programme is met during the year and that management is sufficiently responsive to any findings. The Directors have reviewed the Group's system of internal control throughout the year and are satisfied that it remains effective.

The Group Head of Internal Audit was supported by a co-sourcing arrangement with Ernst & Young UK LLP. The areas forming part of the internal audit are based on assessment of the risks to the business, as described on pages 27 to 31 of this Annual Report. A three-year risk-based Group internal audit plan is approved by the Audit Committee, with at least annual review to help ensure key Group and new or emerging risks receive appropriate and timely audit focus. All internal audit reports are reviewed by the Audit Committee during the year. Where internal audits identify control deficiencies, management action plans are developed and agreed with action implementation dates. The following approach is also taken to ensure that the Group's divisional management are engaged and involved with design of the internal audit plan:

- the formation of a Risk Committee (as discussed further below), which meets quarterly to agree and co-ordinate compliance, risk management and provide input to internal audit activity;
- the operational head and the financial head of each business unit are required to confirm that the results of their business are accurate, that the stated levels of debtors and accrued income are recoverable and adequate provision is made for uncollectible amounts, and that the business complies with the Group's position on the UK Bribery Act and there have been no breaches of applicable sanctions;
- a control self-assessment questionnaire was circulated to all Group entities and completed to ensure that adequate controls are in place. All returns were discussed with each of the senior divisional management; and
- suggestions for internal audit activity are sought from each Group entity to ensure that all areas of the business are involved in the development of the internal audit plan.

Action plans were agreed for all findings identified during the course of internal audits. These actions were periodically reviewed to help ensure timely implementation. No significant findings were identified.

Review of financial statements
The Audit Committee reviewed the presentation of the Group's results for the year ended 29 February 2020 in this Annual Report. As part of its review, it considered matters raised by the Group Finance Director, together with reports presented by the external auditor summarising the findings of their annual audit and interim reviews.

The key areas of judgement considered for the year ended 29 February 2020 were:

- the Group's investment in AqualisBraemar: a number of estimates are involved in accounting for the Group's investment in AqualisBraemar, these include:
  - the fair value of the Group's share of AqualisBraemar's identifiable net assets. This is based on a purchase price allocation exercise, further details of which can be found in Note 18 to the financial statements;
  - the fair value of the warrants. This is based on an estimate of the number of shares that will vest according to forecasts prepared by the management team of AqualisBraemar; and
  - transactions that occur between the reporting dates of AqualisBraemar and the Group. Since the reporting dates differ, adjustments must be made for significant events between the reporting dates of AqualisBraemar and the Group;
- revenue recognition: IFRS 15 "Revenue from Contracts with Customers" requires judgement to determine whether revenue is recognised at a "point in time" or "over time", as well as determining the transfer of control for when performance obligations are satisfied;
- provision for impairment of trade receivables: the provision for impairment of trade receivables and accrued income represents management's best estimate at the Balance Sheet date. A number of judgements are made in the calculation of the provision, primarily the age of the invoice, the existence of any disputes, recent historical payment patterns and the debtor's financial position. When measuring expected credit losses in accordance with IFRS 9, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers as well as historical experience of credit losses. The Group has considered the impact of COVID-19 on the financial statements at 29 February 2020 and concluded that it is a non-adjusting event after the reporting date. With the exception of increasing the expected credit loss rates for trade receivables in the freight forwarding business, no other impairment allowances were made in respect of COVID-19;

- measurement of right-of-use assets and liabilities: on adoption of IFRS 16 "Leases", management are required to assess lease termination and extension options – such options are accounted for as lease modifications when management estimate it is highly probable that the options will be exercised. Where the interest rates implicit in the Group's leases are not available, management also use estimates to determine the incremental borrowing rates that are used to discount lease liabilities;
- impairment of goodwill: determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which these assets have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise for the cash-generating unit and the selection of a suitable discount rate. Further details can be found in Note 12 to the financial statements;
- carrying value of deferred and contingent consideration ("earn-out"): deferred and contingent consideration is initially recognised at fair value and subsequently reassessed at each reporting date to reflect changes in management's estimates and assumptions;
- classification and recognition of specific items: the Group excludes specific items from its underlying earnings measure; management judgement is required as to what items qualify for this classification. Each item reported as specific is either directly related to acquisitions or not expected to be incurred on an ongoing basis; and
- going concern: the impact of COVID-19 means that future cash flows are less certain and therefore additional work was done to assess likely cash generation and the adequacy of the Group's banking facilities, including assessing the reverse stress workings and the terms of the covenant's relaxation, in order to determine if it is appropriate to adopt the going concern basis in preparing the financial statements.

Risk and internal control framework

During the year, the Audit Committee placed particular focus and resource on a full review of the Group's risk, compliance and internal control framework. Braemar is committed to the highest standards of conduct in all aspects of its business. However, when reviewing and improving this framework of policies, processes and procedures, the Directors also needed to remain mindful of the potentially competing interests of the Company's stakeholders in this regard and, particularly, the need to balance cost, resource, and the interests and perspectives of clients and other market participants with the need to maintain its reputation for integrity and to comply with international laws and best practice. This review, and the Audit Committee's ongoing responsibilities in this area, saw the Audit Committee involved in:

- reviewing the constitution of a new Risk Committee, comprising the Group's Finance Director, the divisional Finance Directors, the Company Secretary, the divisional Heads of Human Resources, the Group IT Director and the Group Risk and Compliance Manager, to report to the Audit Committee on matters such as risk analysis, the Company's procedures for detecting fraud, the Company's systems and controls for the prevention of bribery and money laundering, and the internal audit function;
- reviewing and improving the Group's framework of compliance policies and procedures, including in relation to sanctions, bribery and corruption, conflicts of interest, Know Your Customer, entertainment, meals and gifts, tax evasion, and whistleblowing;
- reviewing the design of a comprehensive programme of compliance training for all staff;
- reviewing and updating the Group's delegation of authority framework, in order to ensure appropriate controls are in place for the approval of certain matters and actions relating to expenditure, contractual exposure and other potential liability for the Group;
- reviewing the financial reporting framework and improving the processes for regular reporting of key financial judgments and estimates, as well as other elements of risk management, from the Group's Divisions;
- reviewing the development of the Group's new risk management framework, including assessing the Group's emerging and principal risks, more information on which can be found on pages 27 to 31 of this Annual Report;
- reviewing the Group's IT security monitoring and planning;
- reviewing the Group's insurance coverage; and
- reviewing the Group's foreign exposure and hedging strategy.

Lesley Watkins
On behalf of the Audit Committee
15 June 2020

REPORT OF THE NOMINATION COMMITTEE

I am pleased to present the report of the Nomination Committee in respect of the year ended 29 February 2020.

Membership and attendance

	Attended
David Moorhouse CBE[1]	1/1
Jürgen Breuer	5/5
Stephen Kunzer	5/5
Lesley Watkins	4/5
Ronald Series[2]	4/4

1 David Moorhouse CBE retired from the Nomination Committee with effect from 14 April 2019.
2 Ronald Series was appointed as Chair of the Nomination Committee with effect from 15 April 2019, but has subsequently stepped down as a member whilst he continues in his role of Executive Chairman.

The Nomination Committee comprises three independent non-executive Directors. At the start of the year, the Committee included the non-executive Chairman of the Board, who was also the Chairman of the Committee. On joining the Board as the new non-executive Chairman in April 2019, Ronald Series also assumed the Chairmanship of the Committee. However, with Ronald Series taking on the interim role of Executive Chairman, the Board decided that he should step down from the Committee and that the Senior Independent Director, Lesley Watkins, should assume the role of Chair of the Committee whilst the Chairman of the Board continues to fulfil executive duties. The Executive Chairman continues to attend the meetings by invitation, as does the Group Finance Director, the Company Secretary and external advisers, as required. The Committee's terms of reference can be found in the Investors section of the Company's website. The Committee met five times during the year.

The primary responsibilities of the Nomination Committee are to ensure that the Board and its Committees have the right composition, to lead the process for appointments to the Board, and to ensure that the Company has appropriate plans in place for succession to the Board and senior management roles.

The following sections describe the work of the Nomination Committee during the year ended 29 February 2020.

Board composition

During the year, the Committee led the completion of the process to appoint a new non-executive Chairman to replace David Moorhouse. The Committee was chaired by a non-executive Director when it was dealing with this matter and received assistance from the external search consultancy, Korn Ferry, which has no other connection with the Company or any of the Directors. As part of this process, the Committee considered the existing structure and diversity of the Board and senior management, so as to ensure that the Board maintains an appropriate balance of skills, experience and independence. The Committee also considered Ronald Series' continuing role with DX Group and determined that it would neither conflict with, nor prevent him from expending sufficient time on, the role of Chairman of the Company.

The Committee further considered the composition of the Board with the retirement of the Group's Chief Executive, James Kidwell, in July 2019. The Committee considered a whole range of issues, factors and stakeholders and decided that it would be in the best interests of the Company and its stakeholders if it were to operate without a full-time Group CEO in the short-term, whilst the Company determined the future structure and direction of the business, and to ask the Company's non-executive Chairman to take on the role of Executive Chairman on an interim basis. The Committee was chaired by a non-executive Director when it was dealing with this matter and, as mentioned above, is now chaired by the Senior Independent Director whilst the Board Chairman continues to fulfil executive duties. The Directors were required to balance a number of competing stakeholder interests in reaching this decision, including the increased demands on the rest of the senior management team, certain shareholders' views on the costs of hiring and remunerating a Group Chief Executive, and the Company's ability to comply with Provision 9 of the Code (for more on which, please refer to page 33 of this Annual Report). Not least because of Provision 9 of the Code, the Board intends to appoint a new Group Chief Executive when the timing is right, and the Committee continues to keep this matter under regular review.

Succession planning

The Nomination Committee's succession planning has two key areas of focus: firstly, to ensure that the Board has the right combination of skills, experience, knowledge and independence; and secondly, to ensure that the Company has plans in place for orderly succession, including the development of a diverse talent pipeline, for the Company's senior management and more broadly. As mentioned above, the Committee manages the former through its rigorous and formal approach to new Board appointments. It also regularly challenges the Directors to consider the size and composition of the Board and the appropriate range of skills and balance between executive and non-executive Directors through an evaluation process, more on which is set out below.

The Committee manages the second area through the review of the succession plans in place for the senior management across the Group, as part of which it looks to challenge the Executive Chairman and the divisional management to present detailed insights into the organisational structures and personnel profiles of the businesses and how they look to develop key talent and mitigate succession risk. More information on how the Company invests in the training and development of its people can be found on pages 18 and 19 of this Annual Report. Where necessary, the Company also considers how best to fill potential vacancies from outside the organisation.

In both of these areas, the Committee ensures that the Directors and senior management remain mindful of the Group's diversity policy. Braemar recognises the importance of diversity in all respects, including (but by no means limited to) gender, skills, experience, ethnicity and background, and the Committee believes that diversity and an inclusive culture are important contributors to a company's ability to achieve its strategic goals and deliver long-term, sustainable success. Braemar does not set prescriptive, quantitative diversity targets, believing that the Group should simply endeavour to ensure that equal opportunities are available for current and potential employees and that the best candidates for new appointments have the opportunity to be considered fairly and selected on merit relative to a range of criteria. As at the date of this report, approximately 19% of the Group's Executive Committee and its members' direct reports are female. More information on the Group's policy and approach on diversity can be found on page 20 of this Annual Report.

Board evaluation

The Board elected to conduct an internal evaluation process again this year. An important component of this process was the completion of a set of questionnaires by the Directors to record their views on a range of matters and to act as a catalyst for broader feedback. The Directors also engaged with other members of the senior management team and considered the feedback from the broader workforce surveys conducted across the Group. As part of its consideration of the division of responsibilities between the leadership of the Board and the executive leadership of the Company following the Chairman of the Board assuming executive responsibilities, the Senior Independent Director took on the responsibility for leading the evaluation process, with the support of the Executive Chairman and the Company Secretary.

The evaluation process considered, amongst other things, the performance and composition of the Board and its Committees as collective units, as well as the performance of individual Directors and their skills, experience, knowledge and independence. The Senior Independent Director reported the key findings to the Nomination Committee, which discussed them and made a number of recommendations. Overall, the feedback was both consistent and positive, and the performance of the Board, its Committees, the Chairman and each of the Directors was found to be effective. The process did recommend some areas for focus, particularly with regard to the provision of information and know-how for the Board and to communication between the Board and the senior management teams across the Group. The Board agreed that the Senior Independent Director should work with the Executive Chairman and the Company Secretary to implement appropriate actions to enhance the effectiveness of the Board, its Committees and the individual Directors.

Lesley Watkins
On behalf of the Nomination Committee
15 June 2020

I am pleased to present this year's Directors' Remuneration Report.

Membership and attendance

	Attended
Jürgen Breuer	9/9
Lesley Watkins	9/9
Stephen Kunzer	9/9

The Remuneration Committee comprises three non-executive Directors and its terms of reference can be found in the Investors section of the Company's website. Its main responsibilities are:
- determining the framework and policy for executive remuneration;
- setting the remuneration for the Executive Directors, the Chairman and the Group's senior management;
- reviewing remuneration and related policies for employees across the Group; and
- approving the design of, and determining targets for, performance-related incentive schemes and/or equity participation schemes.

In discharging these responsibilities, the Remuneration Committee may call for information and advice from advisers inside and outside the Group. During the year, the Remuneration Committee took advice from the Chairman of the Board, the former Group Chief Executive, the Group Finance Director, the Company Secretary and the former Group Head of HR, who attended by the invitation of the Remuneration Committee, but did not participate in any decision-making regarding or affecting their own remuneration.

The Remuneration Committee also appointed Aon Hewitt Limited ("Aon") during the year as an independent adviser, but no fees were incurred in respect of this appointment during the year. Aon is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Aon has also been engaged to provide advice in relation to the operation of the Company's share plans, but the Remuneration Committee is comfortable that the Aon team continues to provide it with objective and independent advice.

Our remuneration philosophy

The Remuneration Committee's approach to executive remuneration remains largely unchanged. The Remuneration Committee considers the Company's framework for executive remuneration throughout its regular work, together with the importance of aligning executive remuneration policies and practices with the Company's values and strategy and wider remuneration practices and policies across the Group. The Remuneration Committee is also mindful of best practice and market trends (including guidelines of investor bodies) and welcomes input from management and shareholders. Our framework should be:
- Market competitive: the success of our business is driven primarily by the talent of our employees and management team, and the relationships that they develop with our clients. The structures and quantum of our remuneration arrangements must be sufficient to allow us to compete in the highly competitive global talent markets.
- Proportional and aligned to performance: we should seek to pay no more than is necessary and ensure that a substantial portion of executive reward is aligned to profitability and the delivery of strategy. In line with our competitors, we operate profit sharing arrangements for those below the Board directly engaged in broking activities.
- Simple and transparent: our executive remuneration structures should be clear and understandable for participants and other stakeholders.
- Aligned to shareholders: we align long-term reward with the long-term value of our shares through share ownership guidelines and share-based remuneration.
- Aligned to culture and risk appetite: we should ensure that remuneration drives the right behaviours to support our strategy and reflect our values, including through the identification and mitigation of any risks that could arise from our incentive plans.

Main areas of consideration for 2019/20
- The main area for the Remuneration Committee's consideration with regard to Directors' remuneration in 2019/20 was executive incentives. The targets for 2019/20 focused on a blend of Group, divisional and individual targets and goals. James Kidwell and Nicholas Stone participated in the annual performance-related bonus arrangements. Nicholas Stone's maximum annual bonus opportunity was set as 100% of his salary upon joining, pro-rated to reflect his 1 April 2019 start date. Based on his performance against the objectives, it was determined that Nicholas Stone would receive a bonus outcome of 56% of the maximum opportunity, one-third of which will be deferred into Company shares under the Company's Deferred Bonus Plan ("DBP").
- The Remuneration Committee decided to grant awards to Nicholas Stone and James Kidwell under the Company's Long-Term Incentive Plan ("LTIP") at a level of 100% of salary with a performance condition measured against the Company's adjusted EPS performance in the 2021/22 financial year (the final year of the performance period of the awards).

- The Remuneration Committee exercised its discretion in considering James Kidwell's bonus at the time of his departure and determined that a cash bonus be awarded based on 20% of base salary and reflecting the successful completion of the AqualisBraemar transaction (half of which was paid on his departure with the remaining half to be paid on a sliding scale, according to the number of warrants vesting in 2021 pursuant to the AqualisBraemar transaction).
- The Remuneration Committee exercised its discretion in considering the treatment of James Kidwell's outstanding LTIP awards on his departure and determined that he should be paid £25,000 as a cash payment in lieu of his entitlements, meaning that the awards would then lapse. There were no other LTIP awards whose performance was required to be tested during the year.
- The Remuneration Committee decided to launch a new Save As You Earn ("SAYE") invitation in the year, in conjunction with which it reviewed the existing SAYE plans and resolved to make a few minor updates to the UK plan and adopt a new international plan, largely in line with the old one and the new UK one. These actions did not require shareholder approval. The Remuneration Committee believes that the SAYE scheme creates staff alignment with the Group and promotes a sense of ownership and was pleased with the take-up by approximately 42% of the eligible participants across the Group.
- The Remuneration Committee also conducted a review of the Group's wider bonus arrangements, in order to ensure that they are in line with the Company's remuneration philosophy. As a result of this review, the Remuneration Committee implemented a number of changes and made a number of additional recommendations, particularly to ensure that remuneration across the Group is aligned to the Group's values and the rewards are proportional and predictable.
- The Remuneration Committee also considered the remuneration arrangements connected with the change in responsibilities of the Chairman and Group Finance Director following the retirement of the Group's Chief Executive during the year.

Approach to 2020/21

- Looking ahead to the current year and beyond, the Remuneration Committee has spent time reviewing the Directors' Remuneration Policy (the "Policy"). The Policy applicable for the 2019/20 year was approved by shareholders at the 2017 Annual General Meeting and a new Policy will be put to shareholders at the 2020 Annual General Meeting. At the 2019 Annual General Meeting, the resolution to approve the Annual Remuneration Report in respect of 2018/19 received a vote in favour of 99.15%. The Remuneration Committee believes this reflected the broad support of the shareholder base for the Policy and its general compliance with best practice. The Remuneration Committee also believes that the current Policy remains largely apposite. However, the Remuneration Committee is also mindful of evolving best practice and market trends (including guidelines of investor bodies) and, following advice from Aon, are proposing a number of amendments to address the changing landscape and ensure that the updated Policy remains appropriate for the Company going forward. A summary of the amendments is set out in the proposed Policy on pages 46 to 53.
- In connection with the review of the Policy, the Remuneration Committee has also made a number of amendments to the Company's LTIP, in order to allow it to exercise downwards discretion to override any formulaic outcomes, and to bring it in line with best practice on recovery, particularly in the event of the Company suffering corporate failure. These amendments did not require shareholder approval.
- The Remuneration Committee also reviewed the Company's DBP and approved a new set of rules for future awards. Whilst the structure of the plan remains largely the same, a number of changes were made to the rules and the supporting documents with the aim of improving clarity, removing complexity and aligning it with the Company's values (particularly with regard to recovery in circumstances of malpractice).
- The Remuneration Committee intends to continue its work on the broader remuneration framework across the Group, particularly to identify and mitigate any remuneration-related risks and to recommend and implement changes to monitor and strengthen the link between individual awards and the delivery of the Company's strategy and long-term performance, but also more generally to ensure that the other factors in Provision 40 of the Code are suitably addressed.
- The Remuneration Committee reviewed the salary of the Group Finance Director, Nicholas Stone, in light of the proposal to appoint him to the additional position of Group Chief Operating Officer, and recommended that his annual base salary be increased to £250,000. This took effect upon his appointment to the position on 15 June 2020. The Remuneration Committee also reviewed the fees paid to the Executive Chairman and agreed that there would be no increase for 2020/21.
- The Remuneration Committee proposes to grant Nicholas Stone an LTIP award in 2020/21 up to 100% of his salary. As at the date of this Report, the Remuneration Committee was still to decide on the appropriate performance target.

Structure of the report

The remainder of this report has two constituent parts:

1) the Directors' Remuneration Policy (pages 46 to 53), which will be subject to a binding vote at the 2020 Annual General Meeting and, if approved, take effect from the close of the meeting; and
2) the Annual Report on Remuneration (pages 54 to 58), which sets out the details of how the Policy adopted at the 2017 Annual General Meeting was implemented during 2019/20 and the decisions taken in relation to 2020/21. This will be put to an advisory shareholder vote at the 2020 Annual General Meeting.

Jürgen Breuer
On behalf of the Remuneration Committee
15 June 2020

DIRECTORS' REMUNERATION REPORT
CONTINUED

REMUNERATION POLICY

This part of the report sets out the proposed Directors' Remuneration Policy (the "Policy") as determined by the Remuneration Committee (the "Committee"). This Policy will be subject to shareholder approval at the 2020 Annual General Meeting and, subject to that approval, will become effective from that date, replacing the Policy set out in the Annual Report 2017, which was approved by shareholders at the 2017 Annual General Meeting (the "2017 Policy").

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed (i) before this new Policy comes into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

How the Policy was determined and changes from the 2017 Policy

The Committee considers the impact and application of the Policy throughout its regular work, together with the importance of aligning executive remuneration policies and practices with the Company's values and strategy and wider remuneration practices and policies across the Group. The Committee is also mindful of best practice and market trends (including guidelines of investor bodies) and, following a tender process, received advice on the Policy from the independent remuneration advisers, Aon Hewitt Limited. The Committee also welcomes input from shareholders, management and the wider workforce. The Committee believes that the 2017 Policy remained largely apposite, but has made a number of changes, primarily to reflect evolving best practice. In particular:

- the maximum pension contribution for Executive Directors has been reduced to be in line with the level available for the majority of UK employees at any given time;
- the structure of the annual bonus has been reviewed and the Committee has capped the amount payable for delivering an appropriately stretching level of threshold performance at 25% of the maximum opportunity. In addition, at least 50% of the annual bonus will be payable based on Group financial performance, with the remainder being composed of performance measures and targets to reflect strategic or operational objectives and/or matters specific to a subsidiary company or section of the Group and/or individual objectives, which will be subject to a separate financial underpin;
- the recovery provisions for both the annual bonus and the LTIP have been aligned and extended in line with best practice and now include, as trigger events, serious reputational or financial damage to the Company, a material failure of risk management and corporate failure;
- a post-employment shareholding requirement has been introduced for Executive Directors;
- the Committee has given itself the discretion to override formulaic outcomes downward in the annual bonus and LTIP, where necessary, to take account of overall or underlying Group performance; and
- where the Company has an Executive Chairman, they will be eligible for additional remuneration in line with the Policy for Executive Directors.

Policy table for Executive Directors

BASE SALARY

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide an element of fixed remuneration as part of a market-competitive remuneration package to attract and retain the calibre of talent required to deliver the Group's strategy.	Base salaries are determined by the Committee, taking into account: – skills and experience of the individual; – size, scope and complexity of the role; – market competitiveness of the overall remuneration package; – performance of the individual and of the Group as a whole; and – pay and conditions elsewhere in the Group. Base salaries are normally reviewed annually with changes effective from the start of the financial year. Base salaries for 2020/21 are set out on page 54 of the Annual Remuneration Report.	While there is no defined maximum, salary increases are normally made with reference to increases for the wider employee population. The Committee retains discretion to award larger increases where considered appropriate, to reflect, for example: – an increase in scope or responsibility; – development and performance in role; and – alignment to market-competitive levels.	None.

BENEFITS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide a market-competitive benefits package for the nature and location of the role.	Incorporates various cash/non-cash benefits which are competitive in the relevant market, and which may include such benefits as a car (or car allowance), club membership, healthcare, life assurance, income protection insurance, and reimbursed business expenses (including any tax liability). Where relevant, other benefits on broadly the same terms as provided to the wider workforce or to reflect specific individual circumstances, such as housing, relocation, travel, or other expatriate allowances may also be provided. Executive Directors may also participate in the Company's Save As You Earn ("SAYE") scheme on the same basis as other employees and subject to statutory limits.	Benefit provision, for which there is no prescribed monetary maximum, is set at an appropriate level for the specific nature and location of the role.	None.

PENSION

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide a post-retirement benefit to attract and retain talent.	The Committee may offer participation in a defined contribution pension scheme or provide a cash allowance.	The maximum contribution for any Executive Director will be in line with the level available for the majority of UK employees at any given time (currently 5% of salary).	None.

ANNUAL BONUS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To incentivise and reward annual performance aligned with the long-term objectives of individuals and the delivery of strategy. **Deferral into shares strengthens long-term alignment with shareholders.**	Executive Directors are eligible to participate in the annual bonus at the discretion of the Committee each year. The performance measures and targets are determined annually by the Committee to reflect prevailing Group financial and strategic objectives. Payout levels are determined by the Committee after year-end based on performance against targets set at the start of the year. The Committee retains the discretion to override formulaic bonus outcomes, both upward and downward, where necessary, to take account of overall or underlying Group performance. The Committee will consult with shareholders prior to the exercise of any upward discretion. A portion of the annual bonus will be deferred into shares under the Deferred Bonus Plan ("DBP"), described in more detail in the section below. Clawback provisions will also apply, as explained on page 50.	100% of base salary. The payment for threshold performance will not exceed 25% of the maximum. Any part of the annual bonus that is subject to financial measures will be made on a straight-line basis for performance between threshold and target, and on a separate straight-line basis for performance between target and maximum.	At least 50% of the annual bonus will be based on Group financial performance. The Committee may make up to 50% of the annual bonus subject to performance measures and targets to reflect: – Group strategic or operational objectives; and/or – targets specific to a subsidiary company or section of the Group (if applicable to an Executive Director); and/or and will make the payout by reference to these measures and targets subject to a financial underpin.

LONG-TERM INCENTIVE PLAN ("LTIP")

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide a variable element which aligns the reward of all Executive Directors with long-term performance delivered for shareholders.	Awards are made under the 2014 Long-Term Incentive Plan ("LTIP") as approved by shareholders at the 2014 Annual General Meeting. Awards vest subject to performance measured over a period of at least three years. Vested awards are subject to an additional holding period, which unless the Committee determines otherwise will run up to the fifth anniversary of the date of grant. All Executive Directors are eligible to participate each year at the discretion of the Committee. The Committee retains the discretion to override formulaic vesting outcomes downward, where necessary, to take account of overall or underlying Group performance. Awards are subject to clawback provisions, as described in more detail on page 50.	The usual maximum award opportunity in respect of a financial year is 100% of base salary. However, in circumstances that the Committee considers to be exceptional, awards of up to 200% of base salary may be made.	Vesting is based on the achievement of performance targets set in respect of key performance measures aligned to the strategy and shareholder value (currently underlying earnings per share). 25% vests for threshold performance.

SHAREHOLDING REQUIREMENTS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
In-employment shareholding requirement **To create greater alignment between Executive Directors and shareholders.**	Executive Directors are required to build a shareholding of 100% of base salary within five years of appointment. Shares subject to unvested or vested but unexercised awards under the DBP and vested but unexercised LTIP awards may be included, in all cases on a net of tax basis. Executive Directors will be required to retain all of the shares (net of tax) that vest under the DBP and the LTIP until the shareholding requirement is met. The Committee shall retain a discretion to waive the requirements, in whole or in part, in exceptional circumstances such as critical illness or personal financial hardship (including divorce).	Not applicable.	Not applicable.
Post-employment shareholding requirement **To ensure continued alignment of the long-term interests of Executive Directors and shareholders post-cessation.**	Executive Directors are required to maintain a shareholding equivalent to the in-employment shareholding requirement immediately prior to departure (or the actual share and award holding on departure, if lower) for two years post-cessation. Shares subject to unvested awards under the DBP and vested but unexercised LTIP awards may be included, in both cases on a net of tax basis. The requirement will only apply to shares vesting under DBP and LTIP awards made from the effective date of the amended Policy onwards and will not apply to shares acquired either from awards granted before this date or from shares purchased directly by the Executive Director. There are appropriate contractual arrangements in place to ensure enforceability. The Committee shall retain a discretion to waive the requirements, in whole or in part, in exceptional circumstances such as death, critical illness or personal financial hardship (including divorce).	Not applicable.	Not applicable.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Company's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions including those described below.

Awards under any of the Company's share plans referred to in this report may:

a) be granted (if at all) at such times and within the limits of the plans and policy as conditional share awards or nil-cost options or in such other form that the Committee determines has broadly the same economic effect;
b) have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;
c) incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or where the award is subject to a holding period, release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
d) be settled in cash at the Committee's discretion (for example where there are tax or regulatory issues which make it impracticable to settle in shares, to enable the Company to cash settle part of the award to cover any tax withholding requirements or on a change of control at the request of the acquirer); and
e) be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Furthermore, operational discretions are also retained as described in the Policy table above and in respect of:
a) determining the extent of vesting on the assessment of performance;
b) determining "good leaver" status, the extent of vesting and related determinations in the case of share-based plans;
c) determining the extent of vesting and/or exchanges under share-based plans in the event of a change of control and other material corporate events;
d) approving arrangements to meet tax withholding obligations and in respect of exercise periods and processes;
e) weighting of performance measures and setting targets for the annual bonus and LTIP from year to year; and
f) in the case of DBP awards only (other than the CSOP element) the redesignation of conditional awards to nil-cost options and vice versa.

Bonus deferral

A portion of the annual bonus will be deferred into shares under the DBP, the latest plan rules for which were approved by the Committee in May 2020. Such awards will vest, unless the Committee determines otherwise, after three years from the date of grant, subject to continued employment with the Group (with provisions for individuals who leave the Group as set out in the table on page 53 of this Annual Report).

The Committee may determine that DBP awards are made in conjunction with the Company Share Option Plan ("CSOP") to enable UK tax resident individuals to benefit from the growth in value of the shares subject to the awards in a tax-efficient manner. In such circumstances, when DBP awards are granted, a corresponding market value option will be granted under the terms of the CSOP, the maximum, aggregate face value of which will be £30,000. The options will vest on the same terms as and on the same date as the corresponding DBP awards. Under the terms of a CSOP, no income tax or employees' or employer's National Insurance contributions will be payable, on exercise, on the growth in value of the shares. The number of shares in respect of which the DBP awards will vest will be reduced to take account of the gain in value, as at exercise, of the corresponding CSOP options. CSOP awards would only be made in conjunction with the DBP as described above, and not on a stand-alone basis.

Clawback

Under the DBP and the LTIP, the Committee may reduce the number of shares subject to unvested awards and/or impose further conditions on unvested awards and/or require payments in cash or shares be made in certain circumstances which include:
- a material misstatement or restatement of any financial results of the Company;
- a material failure of risk management by the Company or a relevant business unit;
- serious reputational or financial damage to the Company or a relevant business unit as a result of the participant's misconduct or failure of supervision;
- the discovery of facts that could have led to the dismissal of the participant prior to the vesting of the award;
- an error of calculation;
- the Company suffering corporate failure; or
- such other exceptional circumstances as the Committee considers relevant.

Clawback may also apply in the case of the cash element of the annual bonus.

The relevant discovery periods are until the time of vesting of the relevant award in the case of DBP awards and at any time prior to the second anniversary of vesting or payment of the award (as relevant) in the case of awards made under the LTIP and an annual bonus.

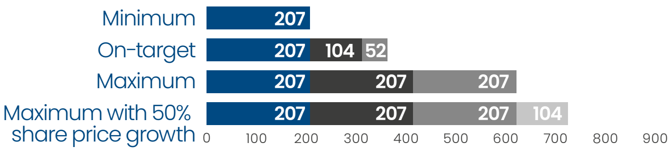
Performance measures and target setting

The annual bonus is normally based largely on the financial performance of the Group during the year. When setting the financial performance targets each year, the Committee considers a number of factors including the Board's business plan and the relative strength and cyclical nature of the shipping markets, as well as the outlook for the less cyclical non-broking businesses. As set out in the Policy table, the annual bonus may also include, where appropriate, targets to reflect Group strategic or operational objectives, specific subsidiary or divisional objectives, or individual objectives. Targets in these areas will be appropriately stretching and aligned to delivery of the Group's business plan and strategy. Performance measures and targets for the LTIP are determined by the Committee to reflect the Group's strategy and to align Executive Directors with long-term value creation for shareholders. The Committee sets long-term performance targets that require appropriately stretching levels of performance, taking into account internal and external expectations. Under the LTIP rules, performance conditions may be amended or varied if an event occurs or circumstances arise that cause the Committee, acting fairly and reasonably, to determine that an amended performance condition would be more appropriate provided that the amended performance condition would be materially neither more difficult nor easier to satisfy.

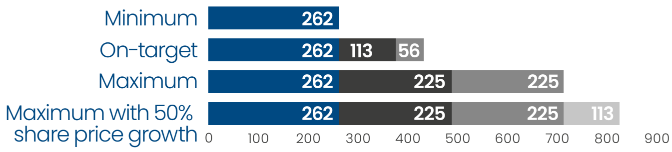
Illustration of the Remuneration Policy

The charts on page 51 illustrate the potential value of the remuneration packages of the Executive Directors under the following scenarios (no share price growth is assumed, except as specified below):
- Minimum – reflects fixed pay only (base salary and pension as at 1 March 2020 and benefits included using the disclosed values for the year ending 29 February 2020).
- Target – reflects fixed pay, annual bonus payout of 50% of maximum (i.e. 50% of salary) and LTIP vesting at threshold (i.e. 25% of salary).
- Maximum – reflects fixed pay, maximum annual bonus (100% of salary) and maximum LTIP awards (100% of salary).
- Maximum + 50% share price growth – reflects fixed pay, maximum annual bonus (100% of salary) and maximum LTIP awards (100% of salary) at a 50% higher share price than when the LTIP award was granted.

Executive Chairman[1]



Group Finance Director



Fixed pay ■ Annual bonus ■ Long-term incentive ■ Share price growth

1 Under the 2017 Policy, the Executive Chairman is not eligible for either an annual bonus or an LTIP award. Whilst an annual bonus for the Executive Chairman will be considered by the Committee if the Policy is approved by shareholders at the Annual General Meeting, the Committee does not currently envisage him participating in the LTIP.

External appointments.

The Committee recognises that Executive Directors may be invited to become non-executive directors in other companies (including at the request of the Company). Such additional external appointments should not be undertaken without prior approval of the Board. The Committee will consider whether a Director should be permitted to retain any fees paid for such service on a case-by-case basis.

POLICY TABLE FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Maximum opportunity
To provide market-appropriate fees to recruit and retain individuals of the calibre to deliver the strategy.	The remuneration of the Chairman is determined by the Committee and the remuneration of the non-executive Directors is determined by the Board (excluding the non-executive Directors). Fees are normally reviewed on an annual basis. Where the Chairman is a non-executive Chairman, they will receive a single fee encompassing all duties. Where the Company has an Executive Chairman, they will be eligible for additional elements in line with the Executive Director Policy table. Non-executive Directors receive a basic fee and may also receive additional fees for Committee or other Board duties. Fees are payable in cash, although the Company may retain the right to make payment in shares. Expenses reasonably incurred in the performance of the role may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits. A non-executive Chairman and non-executive Directors do not participate in any of the Group's bonus arrangements, share plans or pension schemes.	While there is no maximum fee level, fees are set considering: – market practice for comparative roles; – the time commitment and duties involved; and – the requirement to attract and retain the quality of individuals required by the Company.

Approach to recruitment remuneration

In respect of the appointment of a new Executive Director, the overall approach of the Committee would be to provide remuneration arrangements sufficient to facilitate the appointment of individuals of sufficient calibre to lead the business and deliver the strategy, whilst seeking to pay no more than it considers necessary to secure the required talent.

The Committee would normally seek, as far as practicable, to align the remuneration package with that set out in the Policy table for Executive Directors. Base salary would be set at an appropriately competitive level to reflect skills and experience and, where considered appropriate, may be set at a level which allows future above-average salary progression to reflect performance in role. If the individual was UK based, pension contributions or a cash allowance in lieu of pension would be payable at a rate not greater than that available to the majority of the UK workforce. Currently this is 5% of salary. Participation in the annual bonus and the LTIP would be in line with the structure and maximum opportunities set out in the Policy table, other than as referred to below.

Where an individual forfeits remuneration arrangements with a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Such payments or awards could include cash as well as performance and non-performance related share awards, and would be in such form as the Committee considers appropriate considering all relevant factors such as the form, expected value, anticipated vesting and timing of the forfeited remuneration. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be no higher than the estimated value forfeited.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Given the highly competitive nature of some of the talent markets in which the Group competes, the Committee considers that having flexibility to respond to the specific commercial realities of a recruitment scenario is in the best interests of the Company and its shareholders. Therefore, the Committee has discretion, which would only be used if the Committee believes such action is absolutely necessary in exceptional or unexpected circumstances to secure an external appointment, to include other reasonable fixed remuneration components to reflect, for example, local market practice in pension or benefit provision which were not foreseen in the Policy table, or deliver variable pay via alternative structures and/or flex the balance between annual and long-term incentives, whilst maintaining the intention that a significant portion would be delivered in shares. The Committee commits to explaining to shareholders the rationale for the relevant arrangements following appointment. For the avoidance of doubt, while cash may be included to reflect the buy-out of the forfeiture of cash-based remuneration on a "like-for-like" basis, the Committee does not envisage that substantial "golden hello" cash payments would be offered.

Where an appointed Executive Director will undertake broking activities, they may, at the discretion of the Committee, be eligible to participate in the Brokers' Bonus arrangements (instead of the normal annual bonus referred to in the Policy table). The Brokers' Bonus is non-contractual and is currently calculated as a percentage of the profits generated in respect of the year through broking activities of the relevant desk or reporting unit. In line with market practice for the Company's peers, there is no cap on individual Brokers' Bonus awards. However, the aggregate Brokers' Bonus "pool" for all broking employees across the Group is funded by broking profitability, and therefore any amount is capped by the profits generated by broking activities, as well as the profitability and financial position of the Group as a whole. A portion of the Brokers' Bonus will be deferred into shares, subject to the clawback provisions, under the DBP.

Taking into account the limits in the Policy table and the limits referred to above, the maximum level of variable remuneration which could be granted in respect of appointment (excluding compensatory awards referred to above) is 300% of salary, with the exception of (if relevant) an Executive Director who principally undertakes broking activities, where the maximum is 200% of salary and eligibility for participation in the Brokers' Bonus.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, awards may be granted outside of these plans as currently permitted under the Listing Rules, but within the limits set out in this section.

Where an Executive Director is appointed from within the Group, any legacy arrangements may be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following an acquisition of or merger with another company, the Committee may determine that legacy terms and conditions are honoured.

The remuneration package for a newly appointed Chairman or non-executive Director would be in line with the structure set out in the Policy table for the Chairman and non-executive Directors.

Service contracts and letters of appointment

The policy for Executive Directors is for them to have rolling service contracts that provide for a notice period by either party. The notice period ranges between six and twelve months. The Company may terminate the Executive Director's contract by making a payment in lieu of notice of the unexpired notice period equivalent to a value comprising salary, pension and contractual benefits. There is no provision in any of the service contracts of the Executive Directors for any ex-gratia payments.

It is intended that the Policy above would be applied to the service contracts for future Executive Director appointments. In addition, future service contracts would normally include a provision that payments in lieu of notice may be made on a phased basis subject to mitigation.

A non-executive Chairman and non-executive Directors are appointed pursuant to a letter of appointment. The policy is that non-executive Directors are appointed for an initial term of three years which may be extended for further three-year periods on the recommendation of the Nomination Committee and with the Board's agreement, subject to annual re-election at the Annual General Meeting. The non-executive Directors' letters of appointment are to be terminable on one month's notice from either party.

	Date of contract/letter	Unexpired term as at 29 February 2020
Executive		
Ronald Series	12 April 2019[1]	1 month
Nicholas Stone	11 December 2018	6 months
Non-executive		
Jürgen Breuer	12 December 2018	1 month
Stephen Kunzer	26 February 2019	1 month
Lesley Watkins	24 May 2017	1 month

1 As amended on 14 August 2019 to reflect his interim appointment as Executive Chairman. As the appointment as Executive Chairman is only an interim one, Ronald Series' services remain governed by a letter of appointment and his notice period remains at one month.

Loss of office payment policy

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract as well as the rules of any share or incentive plans.

In the event of termination, the following will apply:

Payment in lieu of notice	As set out above in the previous section, the Company may terminate employment by making a payment in lieu of notice of the unexpired notice period which shall comprise base salary, pension entitlements and other contractual entitlements (or an amount in lieu of them).
Annual bonus	There is no automatic entitlement in respect of the year of cessation, although the Committee retains the discretion to make an award for leavers, taking into account the circumstances of departure. Any such award would remain subject to performance and the maximum opportunity would normally be reduced pro-rata to reflect the period of the year worked.
DBP awards	If cessation of employment is by reason of death, ill-health, injury or disability, retirement, redundancy or the employing entity no longer being part of the Group, unvested DBP awards shall vest in full (subject to the normal reduction if the corresponding CSOP option is exercised) on the original vesting date (or on cessation, in the case of death), unless the Committee decides to accelerate vesting. If cessation of employment is for any other reason, then the Committee retains discretion to apply good leaver treatment. To the extent the Committee does not exercise this discretion, unvested DBP awards will lapse in full.
LTIP awards	If cessation of employment is by reason of death, injury, disability or ill-health (certified to the satisfaction of the Committee), the employing entity no longer being part of the Group or at the discretion of the Committee any other reason, unvested awards will continue and vest on the normal vesting date, unless the Committee decides to accelerate vesting. For all other reasons, awards will lapse on cessation (whether vested or unvested). The extent to which awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the original performance conditions are satisfied and, unless the Committee determines otherwise, the period of time that has elapsed since the award was granted until the date of cessation. Vested nil-cost option awards remain exercisable up to six months after the date of cessation, except where cessation is by reason of death, when awards remain exercisable for a period of twelve months. For LTIP awards which have vested but not yet been released from a holding period, the vested awards will continue and be released on the original release date.

In the event that a buyout award is made on recruitment, then the relevant leaver provisions would be determined at the time of the award.

Where an Executive Director is entitled to pursue a claim against the Company in respect of their statutory rights or any other claim arising from that Director's employment or termination of employment, the Company will be entitled to negotiate settlement terms (including additional exit payments) with that Director which the Committee considers to be reasonable in the circumstances and in the best interests of the Company.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith, in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment.

Remuneration arrangements across the Group

The Group operates in a number of different sectors and geographies and therefore remuneration practices vary widely across the employee population. Differences in remuneration practices for Executive Directors, senior management and other employees in the Group generally reflect differences in market practice taking into account role, seniority and geographical location. The Committee is also mindful of the importance of executive remuneration being aligned and proportionate with wider remuneration practices and policies at all levels across the Group.

Remuneration arrangements must be capable of attracting, retaining and engaging the calibre of talent needed to deliver the strategy in the specific talent markets in which the Group competes. The involvement of employees in the Group's performance is encouraged through participation in incentive plans, appropriate for the markets in which the Group operates. In particular, our shipbrokers, including any relevant Executive Directors, may participate in commission-based profit-sharing arrangements which reflect market practice in industry peers. Alignment with shareholders through share ownership is widely encouraged through participation in share-based incentive schemes, including both UK and International SAYE schemes and the DBP.

When making decisions in respect of the Executive Director remuneration arrangements, the Committee takes into consideration the pay and conditions for employees throughout the Group, including levels of salary increase and the operation of key incentive plans.

Engagement with shareholders

The Committee remains committed to an open and ongoing dialogue with shareholders on remuneration. The Committee monitors investors' views, best practice developments and market trends on executive remuneration. The Company encourages shareholders to contact the Committee Chairman with any issues or concerns regarding the Policy. Shareholders also have the opportunity to engage with the Committee at the Company's Annual General Meetings.

DIRECTORS' REMUNERATION REPORT
CONTINUED

ANNUAL REMUNERATION REPORT

Implementation of the Policy for 2020/21
This part of the report sets out details of how the Remuneration Committee (the "Committee") intends to apply the Policy to the current Directors in the 2020/21 financial year.

Base salary
The base salaries for the current Executive Directors are shown below. The figures included for Ronald Series, the Company's Executive Chairman, reflect his increased fee whilst he carries out executive responsibilities in the absence of a Group Chief Executive. Prior to taking on these additional responsibilities, his fee as a non-executive Chairman was £108,000 per annum. Nicholas Stone received an increase in his annual base salary during the year from £200,000 to £225,000 to reflect his increased responsibilities following the retirement of the Group Chief Executive Officer. The Board subsequently resolved to appoint Nicholas Stone to the additional position of Group Chief Operating Officer on 15 June 2020, which responsibility he will fulfil alongside his current role of Group Finance Director, and in relation to which it was agreed to increase his annual base salary to £250,0000 with immediate effect.

	2019/20 £'000	**2020/21 £'000**	Change
Ronald Series	207[1]	**207**[1]	0%
Nicholas Stone	225	**250**	11%

1 This figure includes an amount of NOK180,000 (using an exchange rate as at 29 February 2020) that the Committee decided should be paid to Ronald Series for the additional work and responsibility associated with the services he provides as a non-executive director of AqualisBraemar ASA at the request of the Company, in addition to his interim and part-time role of Executive Chairman of the Company. This amount is paid directly to him by AqualisBraemar ASA.

Benefits and pension
Nicholas Stone receives benefits and pension in line with the Policy. Ronald Series does not receive benefits and pension in line with his initial role as non-executive Chairman, to which he is anticipated to return in due course.

Annual bonus
The annual bonus for Nicholas Stone will be based on a combination of performance measures linked to Group financial performance and the achievement of the Group's strategy and operational objectives for the year. The Board believes annual bonus targets to be commercially sensitive and, consequently, does not publish details of them on a prospective basis. However, it will consider a fuller disclosure on a retrospective basis when it reports on the performance against them in the following year's Annual Report. In accordance with our Policy, one-third of any bonus earned will be deferred into shares for three years. Under the current Policy, a Chairman is not eligible for an annual bonus (regardless of whether they are executive or non-executive). Our proposed new Policy provides that an executive Chairman will be eligible for an annual bonus in line with the Policy for Executive Directors. If the new Policy is approved by shareholders at the 2020 Annual General Meeting, the Committee will consider whether Ronald Series' additional, executive responsibilities should be incentivised and rewarded via an annual bonus and, if so, what performance measures would be appropriate.

LTIP
The Committee proposes to grant Nicholas Stone an LTIP award for the 2020/21 financial year of up to 100% of salary. As at the date of this Report, the Committee was still to decide on the appropriate performance target. In line with the Policy, any vested LTIP shares will be subject to a two-year holding period.

Chairman and non-executive Directors' fees
The Company appointed a new non-executive Chairman with effect from 15 April 2019. His annual fee on appointment was £108,000, which compared to the fee paid to the Chairman in 2018/19 of £120,000. Following the retirement of the Group's Chief Executive and the consequent decision to ask the Chairman to take on the role of Executive Chairman on an interim basis, the Committee decided that the Chairman's fee should be increased to £207,000 per annum whilst he was carrying out his additional responsibilities. This figure includes an amount of NOK180,000 that the Committee decided should be paid to Ronald Series for the additional work and responsibility he assumed upon becoming a non-executive director of AqualisBraemar ASA, at the request of the Company, on 27 September 2019. In line with the current Policy, Ronald Series was not eligible for an annual bonus in relation to these additional responsibilities, but this will be reviewed in the 2020/21 financial year if the proposed new Policy is approved by shareholders at the Annual General Meeting. The fee policy for the non-executive Directors will remain unchanged. A summary is in the table below, which only includes the non-executive Chairman fee.

	2019/20 £'000	**2020/21 £'000**	Change
Chairman fee	108	**108**	0%
Non-executive Director fee	42.5	**42.5**	0%
Audit Committee Chair fee	10	**10**	0%
Remuneration Committee Chair fee	7.5	**7.5**	0%

Implementation of the Policy in 2019/20

This section sets out details of the remuneration outcomes in respect of the year ended 29 February 2020. Those sections that have been audited have been identified below.

Single total figure of remuneration for 2019/20 (audited)

The remuneration of the Executive Directors in respect of 2019/20 is shown in the table below (with the prior year comparative).

	Base salary		Benefits[1]		Pension[2]		Annual bonus[3]		LTIP[4]		Total	
£'000	**2019/20 £'000**	2018/19 £'000	**2019/20 £'000**	2018/19 £'000	**2019/20 £'000**	2018/19 £'000	**2019/20 £'000**	2018/19 £'000	**2019/20 £'000**	2018/19 £'000	**2019/20 £'000**	2018/19 £'000
Ronald Series	**153[6]**	–	**–**	–	**–**	–	**–**	–	**–**	–	**153**	–
Nicholas Stone	**194**	–	**3**	–	**29**	–	**153[5]**	–	**–**	–	**379**	–
James Kidwell	**350**	350	**3**	2	**52**	52	**35**	–	**25**	–	**465**	404

1 Benefits include private healthcare.
2 Pension includes the value of pension contributions to the Company's defined contribution pension scheme (or an equivalent cash allowance) in respect of the relevant year.
3 Annual bonus represents the full value of the annual bonus awarded in respect of the relevant financial year. One-third is deferred into shares which vest after three years, subject to continued employment.
4 LTIP represents the value of the LTIP award that vests in respect of a performance period ending in the relevant financial year. James Kidwell received a cash payment in 2019/20 in lieu of entitlements under the LTIP, following which the awards made to James Kidwell in 2017, 2018 and 2019 lapsed.
5 This figure includes a £50,000 sign-on bonus that was paid at the commencement of Nicholas Stone's employment in April 2019 and a £103,000 annual bonus.
6 This figure includes the additional pro-rated amount that the Company decided should be paid to Ronald Series for his services as a non-executive director of AqualisBraemar ASA since 27 September 2019, at the request of the Company. This amount is to be paid by AqualisBraemar ASA.

The fees of the non-executive Directors in respect of 2019/20 are shown in the table below (with the prior year comparative).

	Fees	
	2019/20 £'000	2018/19 £'000
David Moorhouse CBE[1]	**15**	120
Jürgen Breuer	**50**	50
Lesley Watkins	**52.5**	52.5
Stephen Kunzer[2]	**42.5**	–

1 David Moorhouse retired from the Board with effect from 14 April 2019.
2 Stephen Kunzer was appointed as a Director with effect from 26 February 2019.

Payments to past Directors and payments for loss of office (audited)

James Kidwell's employment with the Company terminated on 27 July 2019. Notice commenced on 17 July 2019 and James Kidwell was paid £389,885 in lieu of his salary and pension cash allowance for the balance of his twelve months' notice period (in two equal instalments on 1 September 2019 and 2 December 2019). Private health cover continues until 16 July 2020. James Kidwell also received a cash bonus of £70,000 for the 2019/20 year (based on 20% of base salary and reflecting the successful completion of the AqualisBraemar transaction). Half of the bonus was paid on termination, with the remaining half to be paid on a sliding scale, according to the number of warrants vesting in 2021 pursuant to the AqualisBraemar transaction, with £0 being paid if no warrants vest and £35,000 being paid if all warrants vest. James Kidwell was treated as a good leaver under the following plans as specified in the rules of the relevant plan:

a) LTIP: £25,000 was paid as a cash payment in lieu of entitlements under the LTIP, following which the awards made to James Kidwell in 2017, 2018 and 2019 lapsed; and
b) DBP: 21,186 awards granted under the 2018 DBP on 22 June 2018 vested on 27 July 2019.

The Company also paid £6,000 plus VAT towards the costs of James Kidwell's legal fees incurred in connection with the cessation of his employment.

Annual bonus for 2019/20 (audited)

Nicholas Stone participated in the annual performance-related bonus arrangements, with a maximum annual bonus opportunity of 100% of his starting salary, pro-rated to reflect his start date of 1 April 2019. Like previous years, the annual bonus was based on a mix of financial, operational and strategic objectives aligned to the business priorities for the year, assessed against stretching objectives set by the Committee. Financial performance was measured against underlying operating profit metrics, with operational and strategic objectives focused on improving cash flow, risk management, internal controls and financial forecasting and reporting. The target financial performance metric was met, but not the maximum, and the operational and strategic objectives were 75% achieved. This resulted in an overall achievement of 56% of the maximum opportunity, which when pro-rated to reflect his start date, equated to a bonus of £103,125. A third of this is to be deferred into shares under the DBP.

DIRECTORS' REMUNERATION REPORT
CONTINUED

As reported above, James Kidwell received a cash bonus of £70,000 for the year, which equated to 20% of his salary and was in recognition of the successful completion of the AqualisBraemar transaction. Half of the bonus was paid on the termination of his employment, with the remaining half to be paid on a sliding scale, according to the number of warrants vesting in 2021 pursuant to the AqualisBraemar transaction, with £0 being paid if no warrants vest and £35,000 being paid if all warrants vest.

LTIP award – granted during 2019/20 (audited)

The Committee granted LTIP awards to James Kidwell and Nicholas Stone during the period at a level of 100% of salary with a performance condition measured against the Company's adjusted EPS performance in the 2021/22 financial year (the final year of the performance period of the awards). As mentioned above, the Committee exercised its discretion in considering the treatment of James Kidwell's outstanding LTIP awards on his departure and determined that he should be paid £25,000 as a cash payment in lieu of his entitlements (including the award granted during the year) and all of his awards have now lapsed. Nicholas Stone's award will vest by reference to adjusted EPS achieved in the 2021/22 financial year, with threshold vesting (25% of the maximum) to occur for adjusted EPS of 35p and maximum vesting to occur for adjusted EPS of 46p, with vesting between these points to be on a straight-line basis.

Shareholding guidelines and share interests (audited)

Under the shareholding guidelines, Executive Directors are required to build and retain a shareholding in the Group at least equivalent to 100% of their base salary. This guideline is expected to be met within five years of appointment to the Board. Non-executive Directors are not subject to a shareholding guideline. The following table sets out the shareholding (including connected persons) of the Directors in the Company as at 29 February 2020. This shows that neither of the Executive Directors have met the shareholding guideline. Due to Ronald Series' executive status only being interim in nature, the Board does not expect him to comply with the guidelines. Nicholas Stone was only appointed to the Board with effect from 1 April 2019 and will be expected to build up his shareholding in the five-year timescale to meet the guideline.

	Number of shares beneficially held at 29 February 2020	Shareholding as % of salary[1]	Guideline met?
Executive Directors			
Ronald Series	9,000	7%	No
Nicholas Stone	0	0%	No
Non-executive Directors			
Jürgen Breuer	81,300		
Lesley Watkins	3,000		
Stephen Kunzer	10,000		

1 Shareholding as a percentage of salary is calculated using the base salary/fee and the closing share price on 29 February 2020.

The table below provides details of the interests of the Executive Directors in incentive awards during the year. Ronald Series has not been included in the table, due to the interim nature of his executive status and to his having received no incentive awards during the year.

	Awards held at 1 Mar 2019	Grant date	Share price on grant £[1]	Granted	Exercised/ released	Lapsed	Awards held at 29 Feb 2020	Exercise price £	Exercisable from	Exercisable to
Nicholas Stone										
2019 LTIP	–	1 July 19	1.855	105,263	–	–	105,263	–	1 July 22	1 July 29
2019 SAYE	–	5 July 19	1.80	5,625	–	–	5,625	1.60	1 Aug 22	1 Feb 23

1 Share price included is the market price on the date of grant. When calculating the number of awards to be made, the Company uses the middle market quotations for the three trading days prior to grant.

The performance conditions attached to the outstanding LTIP awards are as follows:

– 2019 LTIP: 25% vesting for underlying EPS of 35p in the 2021/22 financial year (the final year of the performance period for the award) rising on a straight-line basis for 100% vesting for underlying EPS of 46p in the 2021/22 financial year.

Percentage change in remuneration of the CEO

The following table shows the year-on-year percentage change in the salary, benefits and annual bonus of the CEO and the average for the Group's UK employees for 2019/20 compared to 2018/19. The Company chose the Group's UK employees as the appropriate comparator group, as both the CEO and the majority of the Group's workforce are UK-based.

	CEO	UK employee average
Salary	(37)%	2%
Benefits	150%	1%
Annual bonus	N/A	27%

CEO pay compared to pay of UK employees

Method	CEO	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Option A		11:1	7:1	3:1
Total pay and benefits	324,433	29,000	45,500	114,320
Salary element of total pay and benefits	267,558	25,000	38,170	96,900

The Company has selected Option A as the method for calculating the CEO pay ratio. Option A calculates a single figure for every UK-based employee in the year to 29 February 2020 and identifies the employees that fall at the 25th, 50th and 75th percentiles. This method was chosen as it is considered the most accurate way of identifying the relevant employees and aligns to how the single figure table is calculated.

The Company has included the following elements of pay in its calculation: annual basic salary, allowances, bonuses, employer's pension contributions, and P11D benefits. These pay elements were separated into recurring and non-recurring components. The recurring components were scaled relative to the proportion of the financial year worked by each individual employee before being added to the non-recurring elements such as bonus and share awards.

This resulted in a single figure for each employee, from which the individuals at the 25th, 50th and 75th percentiles could be identified. The Company notes this is the first year of its reporting these ratios, and the impact of the interim Executive Chairman role on them, but believes that the median pay ratio for the year is comparatively modest and consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

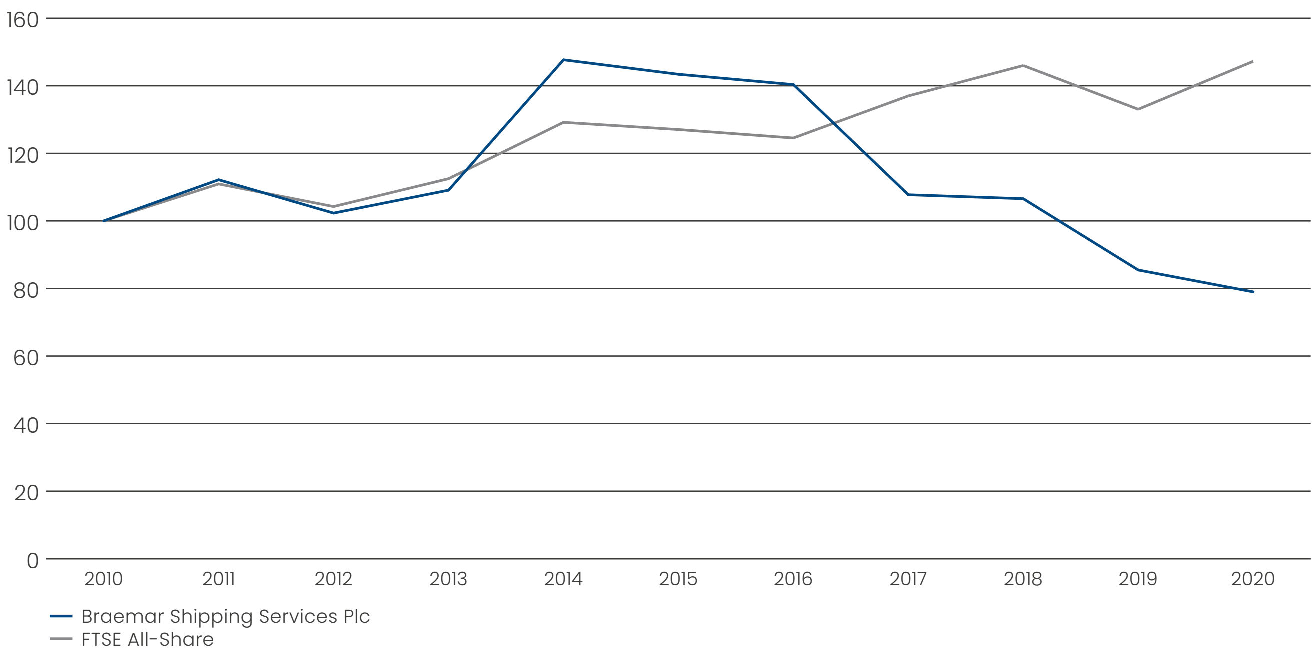
Relative importance of spend on pay

The chart below shows total employee remuneration and distributions to shareholders paid during the financial years 2019/20 and 2018/19 (and the difference between the two).

	2019/20 £ million	2018/19 £ million	Change (%)
Total employee remuneration	**71.0**	86.0	(17)%
Distributions to shareholders	**5.0**	5.0	0%

Performance graph and table

The chart below shows the Total Shareholder Return of the Company against the FTSE All-Share Index over the last ten years. The Committee believes the FTSE All-Share Index is the most appropriate index against which the Total Shareholder Return of the Company should be measured.



DIRECTORS' REMUNERATION REPORT
CONTINUED

The table below provides remuneration data for the role of the CEO for the current and each of the last five financial years over the equivalent period.

CEO	**2019/20 £'000 James Kidwell/ Ronald Series[1]**	2018/19 £'000 James Kidwell	2017/18 £'000 James Kidwell	2016/17 £'000 James Kidwell	2015/16 £'000 James Kidwell
Single total figure of remuneration	**324**	404	579	404	570
Annual bonus (% of maximum)	**10%**	0%	50%	0%	62%
LTIP vesting (% of maximum)	**0%**	0%[3]	0%	0%	N/A[2]

1 The 2019/20 remuneration is the pro-rata amount paid to James Kidwell and Ronald Series during the year for their respective periods of employment as Group Chief Executive and Executive Chairman during the year.
2 No LTIP awards were made in 2013, which would have vested in respect of performance to 2015/16.
3 James Kidwell was paid £25,000 in lieu of LTIP entitlements on his retirement.

Statement of voting at Annual General Meeting
The following table sets out the votes cast (including those cast by proxy) at the Annual General Meeting held on 3 July 2019 in respect of the Committee's report for the year ending 28 February 2019 and at the Annual General Meeting held on 22 June 2017 in respect of the Remuneration Policy.

	Votes for		Votes against		Total votes cast	Votes withheld
Resolution	#	%	#	%	#	#
Approval of Remuneration Report for year ending 28 February 2019	11,235,071	99.15	96,867	0.85	11,331,938	59,334
Approval of Remuneration Policy	4,515,598	78.27	1,253,979	21.73	5,785,465	15,888

The Committee believes that the vote in favour of last year's report of 99.15% reflects both the broad support of the shareholder base for the Company's Remuneration Policy and its general compliance with best practice and hopes that a similar proportion will support both this report and the new Policy.

Jürgen Breuer
On behalf of the Remuneration Committee
15 June 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2020

This section contains additional information that the Directors are required to include within the Annual Report. Together with the Strategic Report on pages 2 to 31, it forms the Management Report for the purposes of DTR 4.1.5R. Other information that is relevant to this Directors' Report, and which is incorporated by reference into this Directors' Report, can be found elsewhere in this Annual Report, as follows:

- Results and decisions relating to dividends on pages 3 to 5.
- Important events during the year ended 29 February 2020 and likely future developments in the business of the Company or its subsidiaries on pages 2 to 15.
- Greenhouse gas emissions on page 21.
- Employee engagement and diversity on pages 17 to 20 and 43.
- Engagement with clients and other key stakeholders on pages 17 to 20, 38 and 43.
- Indication of branches outside the United Kingdom on page 9. The Group also has branches in Beijing and Shanghai.
- Corporate Governance Report on pages 32 to 58.
- Section 172(1) Statement on page 16.
- Risk and compliance framework review on pages 27 to 31.
- Principal decisions taken during the year on pages 2, 4 and 31.
- Non-Financial Information Statement on page 22.

Amendment of Articles of Association
The Company's shareholders may amend the Company's Articles of Association by special resolution.

Change of control – significant agreements
No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

The Convertible Loan Notes that are summarised below carry certain accelerated conversion rights in the event of default on financial commitments associated with the instruments or business distress within the Group. The Convertible Loan Notes shall automatically convert or be redeemed in the event that any person or persons acting in concert hold more than 50% of the issued share capital of the Group or an impairment charge in excess of €50 million is reflected in the audited financial statements of the Group.

There are a number of ordinary course of business agreements that take effect, alter or terminate following a change of control of the Company, but none of these are considered to have a significant potential impact on the business of the Group as a whole.

Convertible Loan Note Instruments
On 26 September 2017, the Company completed the acquisition of NAVES Corporate Finance GmbH. A new class of convertible loan note instruments (the "Convertible Loan Notes") formed a core part of the consideration for this transaction and the Group has committed to the issue of up to €24.0 million Convertible Loan Notes in respect of this acquisition. To date, the Company has issued €15,403,956 worth of Convertible Loan Notes in connection with this acquisition.

These Convertible Loan Notes are unsecured, unlisted and non-transferable. The Convertible Loan Notes are denominated in euros and carry a 3% per annum coupon. Each tranche is redeemable by the Group or by the individual note holder on or after two years from the date of issue of the Convertible Loan Notes. The conversion prices were fixed at 390.3 pence for management note holders and 450.3 pence for non-management note holders.

Political contributions
There were no political contributions during the year ended 29 February 2020 (2019: £nil).

Share capital and voting rights
As at 29 February 2020, the Company's total issued ordinary share capital was 31,673,829 shares of 10 pence each (28 February 2019: 31,436,351 shares). All of the Company's shares are fully paid up and quoted on the London Stock Exchange plc's Official List. The rights and obligations attaching to the Company's ordinary shares (as well as the powers of the Company's Directors) are set out in the Company's Articles of Association, copies of which can be found online at Companies House, or by writing to the Company Secretary. There are no restrictions on the voting rights or the transfer restrictions attaching to the Company's issued ordinary shares.

At the upcoming Annual General Meeting, shareholders will be asked to consider a resolution to renew the Directors' authority to allot shares in the Company. Further details will be provided in the Notice of the Annual General Meeting.

Purchase of own ordinary shares
The Company is authorised to make market purchases of the Company's ordinary shares pursuant to the authority granted by its shareholders at the Annual General Meeting held on 3 July 2019. This authority will expire at the end of the next Annual General Meeting. The Company did not use this authority in either the year ended 28 February 2019 or the year ended 29 February 2020.

However, the Directors will propose that this authority is renewed at the 2020 Annual General Meeting in accordance with the Company's Articles of Association. In accordance with the ABI Investor Protection Guidelines, the maximum number of ordinary shares which may be acquired under such authority is 10% of the Company's issued ordinary shares. The Directors will only make a purchase of shares using this authority if it is expected to result in an increase in earnings per share and will take into account other available investment opportunities, appropriate gearing levels and the overall position of the Company. Any shares purchased in accordance with this authority will subsequently be cancelled.

Options and ESOP Trust

The total number of options to subscribe for shares in the Company that were outstanding as at 15 June 2020 was 832,902, being 2.63% of the issued share capital. If the options to subscribe for shares were fully exercised, the proportion of issued share capital represented by all options would be equivalent to 2.56%.

During the year ended 29 February 2020, none of the Company's ordinary shares were purchased by SG Kleinwort Hambros Trust Company (CI) Ltd, as Trustee of the Company's ESOP Trust (2019: 716,000). The Trustee had absolute discretion and independence in respect of any trading decisions it made in respect of these purchases. As at 15 June 2020, the ESOP holds 348,400 shares.

Directors and their interests

The Directors of the Company during the year ended 29 February 2020 and at the date of this Directors' Report are shown on pages 34 and 35.

The Directors' beneficial interests in the ordinary shares and share options of the Company as at 29 February 2020 are disclosed in the Directors' Remuneration Report on page 56. There have not been any changes in such interests between 29 February 2020 and 15 June 2020.

The Executive Directors, in common with other employees of the Group, also have an interest in 348,400 (2019: 706,701) ordinary 10 pence shares held by SG Kleinwort Hambros Trust Company (CI) Ltd on behalf of the Employee Share Ownership Plan and in 62,290 (2019: 62,290) ordinary 10 pence shares held by Computershare Trustees (Jersey) Limited on behalf of the ACM Shipping Limited Employee Trust.

The Directors held no material interest in any contract of significance entered into by the Company or its subsidiaries during the year ended 29 February 2020.

During the year, the Group maintained cover for its Directors and officers and those of its subsidiary companies under a directors' and officers' liability insurance policy, as permitted by the Companies Act 2006.

Significant shareholdings

As at 29 February 2020, Group employees and the Employee Share Ownership Plan owned approximately 1% of the shares in the Group. The working vendors of Braemar Naves Corporate Finance GmbH currently hold €7,582,556 million of Convertible Loan Notes.

As at 29 February 2020, the Company was aware of the following direct or indirect holdings of 3% or more of the issued ordinary share capital of the Company:

Name	Number of shares	Percentage of issued ordinary share capital
Hargreaves Lansdown Asset Management	2,017,452	6.42%
Chelverton Asset Management	1,925,000	6.12%
Barclays Wealth	1,336,753	4.25%
Quentin Soanes	1,288,990	4.10%
Charles Stanley	1,232,363	3.92%
Interactive Investor	1,186,784	3.78%
Unicorn Asset Management	1,144,363	3.64%
Horizon Kinetics Asset Management LLC	1,587,207	5.049%

Financial instruments

The Group's financial risk management objectives and policies are set out in the Corporate Governance Report on pages 37 to 41 and in the Strategic Report on pages 27 to 31.

Statement of Directors' responsibilities

The Directors are responsible for preparing this Annual Report and the Group and Company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under such law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements for the Group and for the Company, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state for the Group financial statements whether they have been prepared in accordance with IFRSs as adopted by the EU, and for the Company financial statements, state whether applicable UK Accounting Standards have been followed;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern; and

– use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to demonstrate and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement which complies with that law and those regulations. Copies of these reports and statement are included in this Annual Report.

The Directors are responsible for ensuring that this Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may differ from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the Company's website and the ongoing integrity of the financial information included on the Company's website.

Responsibility statement of the Directors in respect of the annual financial report
The Directors hereby confirm that to the best of their knowledge:
– the financial statements, prepared in accordance with IFRSs and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
– the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors confirm that they consider this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Company's shareholders to assess the Group's position, performance, business model and strategy.

Disclosure of information to the auditors
In accordance with Section 418 of the Companies Act 2006, each person who is a Director at the date of approval of this Annual Report confirms that:
– so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
– the Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Forward-looking statements
Where this Annual Report contains forward-looking statements, these are based on current expectations and assumptions and only relate to the date on which they are made. These statements should be treated with caution due to the inherent risks, uncertainties and assumptions underlying any such forward-looking information. The Group cautions investors that a number of factors, including matters referred to in this Annual Report, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, but are not limited to, those discussed on pages 27 to 31 of this Annual Report.

Forward-looking statements in this Annual Report include statements regarding the intentions, beliefs or current expectations of our Directors, officers and employees concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Neither the Group, nor any of the Directors, officers or employees, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Annual Report will actually occur. Undue reliance should not be placed on these forward-looking statements. Other than in accordance with our legal and regulatory obligations, the Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Reappointment of the auditors
In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of BDO LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The 2020 Annual General Meeting of the Company will be held at 2 p.m. on 19 August 2020 at the offices of the Company, One Strand, Trafalgar Square, London WC2N 5HR. A separate document accompanying this Annual Report contains the Notice convening the Annual General Meeting and a description of the business to be conducted thereat.

By Order of the Board

Peter Mason
Company Secretary
15 June 2020

Financial statements

This section comprises the Independent Auditor's Report, the financial statements and shareholder information for the year ended 29 February 2020.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRAEMAR SHIPPING SERVICES PLC

Opinion

We have audited the financial statements of Braemar Shipping Services Plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 29 February 2020 which comprise:

	Composition	Financial reporting framework
Group	– Consolidated Income Statement – Consolidated Statement of Comprehensive Income – Consolidated Balance Sheet – Consolidated Statement of Changes in Total Equity – Consolidated Cash Flow Statement – Notes to the financial statements, including a summary of significant accounting policies.	Applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.
Parent Company	– Company Balance Sheet – Company Statement of Changes in Total Equity – Notes to the financial statements, including a summary of significant accounting policies.	Applicable law and FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 February 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation set out on page 28 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 74 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 74 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter name	How we addressed the key audit matter in the audit
Recoverability of trade receivables (See Note 20): In respect of trade receivables, IFRS 9 Financial Instruments requires the Company to determine a provision for expected credit losses at each period end. There is significant management judgement involved in assessing the recoverability of these balances, taking into consideration the Group's contractual rights, available evidence of work performed, creditworthiness of the counterparty as well as the status of ongoing commercial negotiations. The COVID-19 pandemic impacts collectability of balances from customers since some businesses may not be operating due to lockdown restrictions and therefore restricts the Group's ability to generate cash flows for working capital requirements. There is therefore a risk that the provision for expected credit losses is not materially correct.	We have completed the following procedures: – for a sample of debtor balances, agreed aged balances to post year-end cash receipts. Where no cash has been received subsequent to year-end, we inspected any correspondences with the customer and reviewed customer payment history for any indicators of impairment. – performed detailed testing over the history of debtors considering slow paying debtors, amounts written off during the year, average time taken to collect and whether any slow paying or unreliable debtors hold balances at year-end, to assess the completeness of management's provision for credit loss. – critically challenged management's expected credit loss models and assumptions, which include the loss rate based on historical default rate and forward-looking information and the credit risk premium in response to the COVID-19 pandemic impact. We obtained an understanding of the rationale for management's judgements and assumptions through review of historical data and external market industry information relating to the COVID-19 impact. – for a sample of debtor balances, we reviewed and tested the accuracy of ageing of receivables by tracing the balance back to supporting documentation, and assessing the level of provisioning recognised against Group policies. Key observations: Based on the procedures performed we consider that management judgements and assumptions over the provisioning of trade receivable balances are reasonable and appropriate.
Accounting treatment for the disposal of Braemar Technical Services ("BTS") and acquisition of the investment in associate (See Notes 8, 9 and 18). The Group disposed of its 100% interests in Marine, Offshore and Adjusting business from the Technical Division to Aqualis ASA (now AqualisBraemar ASA, referred to as "AqualisBraemar") in exchange for consideration in the form of shares (27% equity interest in AqualisBraemar ASA) and performance-based warrants with associated vesting conditions. There are judgements and estimates involved in the disposal accounting to determine the profit or loss on disposal and recognition of investment in associate. This includes the recognition of a gain on bargain purchase and the fair value of warrants, both at initial acquisition and at year-end. The financial year-end of the investment in associate is non-conterminous with that of the Group. There may be management judgement in the determination of the share of associate profit or loss to be included in the Group accounts, with adjustments required for the effects of significant transactions or events occurring between the different Balance Sheet dates. The fair value of the warrants as at year-end was £1.2 million as noted within Note 21. This has reduced post year-end to £0.1 million, based on the AqualisBraemar preliminary Q1 announcement. No adjustment has been recorded in the year-end Balance Sheet on the basis that this is considered to be a non-adjusting post Balance Sheet event.	We have agreed the assets and liabilities disposed of at date of transaction to the sale and purchase agreement ("SPA") and agreed the values thereof to the underlying ledgers. We have scrutinised the SPA and tested the accounting treatment of the key terms and conditions to check that it is in line with the requirements of applicable accounting standards. We have reviewed the gain on bargain purchase calculation by agreeing inputs to underlying supporting documentation and challenged the basis of management's assessment regarding the fair value of net assets acquired and inspected supporting documentation where applicable. We have agreed the shares and warrants received to the SPA, and with the support of our valuations expert we have tested the fair value of warrants at acquisition and subsequent re-measurement at year-end. We have critically challenged management's assessment of the impact of the COVID-19 pandemic on the valuation of the warrants, and consideration of it being an adjusting or non-adjusting post Balance Sheet event. In our challenge, we reviewed the results of AqualisBraemar released on 27 February 2020, and subsequent period up to the time that COVID-19 was declared a pandemic. For the period between 31 December 2019 and 29 February 2020, we have reviewed information publicly available on AqualisBraemar's website and the post Balance Sheet disclosures in AqualisBraemar's annual report/Q1 release to identify any events or transactions requiring adjustment against the share of associate loss recognised. For a sample of revenue and expenses across the BTS entities, we have inspected supporting invoices and evidence of projects completed pre-disposal and checked that the transactions are recognised in the correct period. Key observations: Based on the procedures performed we are satisfied with the accounting treatment of the acquisition of AqualisBraemar and disposal of BTS.

Matter name	How we addressed the key audit matter in the audit
Going concern (See Note 1) The Group has financial covenants (adjusted leverage and interest cover) attached to its revolving credit facility which are tested on a quarterly basis for compliance. Non-compliance could result in facilities being withdrawn, impacting the Group's ability to continue as a going concern. Subsequent to year-end the Group had its covenants relaxed by the bank. With the recent developments due to the COVID-19 outbreak and the net liabilities of the Group, the Group's ability to meet its obligations in the short to medium term, and therefore going concern, has become an area of increased focus. There is also a risk that insufficient disclosure is given within Note 1 to the financial statements and within the remainder of the Annual Report. Having completed their review and a reverse stress test, the Directors have concluded that there is no reasonable assessment of cash flows that would result in a covenant breach, which would require the basis of preparation to include a material uncertainty on the going concern basis of preparation.	We have completed the following procedures: – reviewed the latest post year-end management accounts to confirm the cash and borrowing position and compared the post year-end financial performance to date to forecasts. – reviewed and confirmed the Group's covenant compliance calculations (both at year-end and post year-end) against facility agreements with third party financial institutions, including obtaining confirmation as to the relaxation of covenants. We have agreed the underlying data used in the covenant compliance calculations back to the underlying accounting records. – challenged the robustness of key assumptions (cash flows and revenue forecasts, growth rates) used in the Group's cash flow against order book, pipeline project documentation and industry and market data. – sensitised management's judgements to consider the impact of the forecasts not being achieved. – challenged the reverse stress test performed by management to confirm the revenue downturn required for covenants to be breached. We have assessed the reasonableness of this required revenue downturn and the likelihood of the scenario materialising being remote, against industry data, subsequent actual performance vs budget and the above mentioned forecasts. As part of this we considered the ability of the Group to execute the mitigating actions identified. – read the disclosures included in Note 1 to the financial statements and within the wider Annual Report to check the completeness and accuracy thereof. Key observations: Our observations on going concern are presented in the "conclusions relating to principal risks, going concern and viability statement" section of our audit report.
COVID-19 pandemic impact (See Note 32) The outbreak of COVID-19 was declared a Public Health Emergency on 30 January 2020, by the World Health Organization ("WHO"). Subsequently, in March 2020, it was confirmed as a pandemic. The effect of the pandemic resulted in restrictions in movement of goods, services, people and business operations. The Group's business operations may be impacted and its status as a going concern, as well as areas involving valuation or estimation uncertainty including trade receivables and fair value of warrants held in AqualisBraemar. These areas have been considered in the above key audit matters. Having reviewed the Group's operations, the Directors concluded that COVID-19 was a non-adjusting post Balance Sheet event. There is a risk that this assessment is not appropriate.	We challenged management as to the conclusion that COVID-19 is considered to be a non-adjusting post Balance Sheet event on the basis of COVID-19 being declared as a pandemic in March 2020, post year-end. Our challenge to management considered the geographical spread of the Group's operations and relevant market data to determine whether COVID-19 had an impact on component and segment operations as at year-end. We considered the completeness of the post Balance Sheet event note (see Note 32) by: – challenging management's goodwill impairment assessment by reviewing the underlying forecasts and agreeing the information therein to contracts projects in the pipeline/orderbook; – scrutinising post year-end cash collections for evidence of non-collection and impairment; – assessing the disclosures made in respect of the reduction in fair value of warrants held in AqualisBraemar subsequent to year-end. Key observations: We assessed the disclosures included within the financial statements, including management's conclusion of COVID-19 being a non-adjusting event at the reporting date and considered them to be appropriate.

Our application of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

We have determined materiality based on our professional judgement for the financial statements as a whole as follows:

	Group	Parent Company
Materiality	£405,000 (2018/19: £375,000)	£120,000 (2018/19: £105,000)
Basis	5% (2018/19: 4.1%) of underlying profit before tax.	Capped at 30% (2018/19: 28%) of Group materiality.
Rationale	Underlying profit is considered the most appropriate benchmark based on market practice and investor expectations.	Capped materiality at 30% (2018/19: 28%) of Group given the assessment of components' aggregation risk.

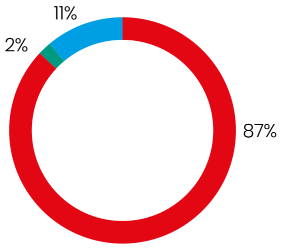
Further materiality measures applied in the conduct of the audit include:

	Measure	Application
Performance materiality	Group: £283,500 (2018/19: £262,500) Parent Company: £84,000 (2018/19: £73,500) 70% (2018/19: 70% of materiality)	The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.
Component materiality	The range of materiality used for components ranged from £80,000 to £360,000 (2018/19: £80,000 to £300,000).	Our audit work at each component has been executed at levels of materiality applicable to each individual entity based on its size and risk as approved by the Group audit team and, in each case, lower than that applied to the Group.
Reporting threshold	£8,000 (2018/19: £20,000)	All audit differences in excess of the "reporting threshold" are reported to the Audit Committee, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.
Quantitative and qualitative disclosures	We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.	

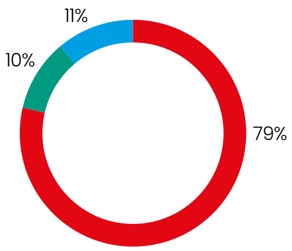
The scope of our audit

The Group has diverse international operations. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We designed an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion. Components were scoped in to address aggregation risk and to ensure sufficient coverage was obtained of Group balances on which to base our audit opinion. The coverage of our audit procedures is summarised graphically below and then detailed in the following table.

Group revenue



Group underlying profit



● Full-scope audit ● Specific procedures to address risk ● Desktop review

Significant components	– we focused our Group audit scope primarily on the audit work at seven significant components, which were subject to full-scope audit procedures. – these significant components comprise 87% of Group revenue, and 79% of Group underlying profit. – the Group audit team audited all significant components with the exception of the Singapore, Germany and Australia divisions, which were audited by local BDO member firms in the respective countries. – following the issuance of Group instructions, involvement in risk assessment and setting the overall audit approach and strategy with the component auditors at the planning stage, the Group audit team performed remote reviews of the significant components' working papers. The Group audit team attended several virtual conference meetings throughout the planning, fieldwork and completion stages of the audit. Remote reviews were performed following the COVID-19 outbreak for the Australian, Singapore and German components. – all testing was performed by BDO member firms under the direction and supervision of the Group audit team.
Specified procedures	– there were two components which were considered for specific procedures. – specified procedures were performed to address the risk of material misstatement arising from key balances in non-significant components, with testing performed on all material balances within these components. – this specific scope testing was performed on components that contribute 2% of the Group revenue and 11% of the Group underlying profit. – these specific audit procedures were performed by a non-BDO member firm and the Group audit team directed the work for the specified procedures through the issuance of detailed instructions, briefings and performing a review of selected working papers on significant risk areas.
Remaining components	– all other components were scoped in for analytical review procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information.

Capability of the audit to detect irregularities, including fraud
We also gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, IFRSs as adopted by the European Union and tax legislation.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of in-house legal counsel.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Comment	We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on pages 36 to 38** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 39 to 41** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 33** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

Strategic and Directors' report	– the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and – the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Strategic and Directors' report	In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.
Companies Act 2006	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company financial statements are not in agreement with the accounting records and returns; or – certain disclosures of Directors' remuneration specified by law are not made; or – we have not received all the information and explanations we require for our audit.

Responsibilities

Directors	As explained more fully in the Statement of Directors' Responsibilities, within the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.
Auditors	Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 2 October 2018 to audit the financial statements for the year ended 28 February 2019 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 28 February 2019 to 29 February 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scott McNaughton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
15 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2020

Continuing operations	Notes	29 Feb 2020 Underlying £'000	29 Feb 2020 Specific items £'000	29 Feb 2020 Total £'000	28 Feb 2019 Underlying £'000	28 Feb 2019 Specific items £'000	28 Feb 2019 Total £'000
Revenue		120,794	–	120,794	117,853	–	117,853
Cost of sales		(23,399)	–	(23,399)	(24,892)	–	(24,892)
Gross profit		97,395	–	97,395	92,961	–	92,961
Operating expense:							
Other operating costs	3	(87,776)	(446)	(88,222)	(83,895)	(759)	(84,654)
Restructuring costs	8	–	(890)	(890)	–	–	–
Acquisition and disposal-related expenditure	8	–	(2,008)	(2,008)	–	(10,960)	(10,960)
		(87,776)	(3,344)	(91,120)	(83,895)	(11,719)	(95,614)
Operating profit/(loss)		9,619	(3,344)	6,275	9,066	(11,719)	(2,653)
Share of associate profit for the period	8,9	(262)	698	436	–	–	–
Gain on revaluation of investment		–	–	–	–	500	500
Finance income	6	458	–	458	297	–	297
Finance costs	6	(1,861)	(450)	(2,311)	(494)	(790)	(1,284)
Profit/(loss) before taxation		7,954	(3,096)	4,858	8,869	(12,009)	(3,140)
Taxation	7	(178)	228	50	(1,669)	144	(1,525)
Profit/(loss) for the year from continuing operations		7,776	(2,868)	4,908	7,200	(11,865)	(4,665)
Loss for the year from discontinued operations	9	–	(892)	(892)	–	(22,700)	(22,700)
Profit/(loss) for the year attributable to equity shareholders of the Parent		7,776	(3,760)	4,016	7,200	(34,565)	(27,365)

Total	Notes	29 Feb 2020 Underlying	29 Feb 2020 Specific items	29 Feb 2020 Total	28 Feb 2019 Underlying	28 Feb 2019 Specific items	28 Feb 2019 Total
Earnings per ordinary share							
Basic	11	24.94p		12.88p	23.32p		(88.63)p
Diluted	11	22.54p		11.64p	21.36p		(88.63)p

Continuing operations	Notes	29 Feb 2020 Underlying	29 Feb 2020 Specific items	29 Feb 2020 Total	28 Feb 2019 Underlying	28 Feb 2019 Specific items	28 Feb 2019 Total
Earnings per ordinary share							
Basic	11	24.94p		15.74p	23.32p		(15.11)p
Diluted	11	22.54p		14.23p	21.36p		(15.11)p

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	29 Feb 2020 £'000	28 Feb 2019 £'000
Profit/(loss) for the year		**4,016**	(27,365)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on employee benefit schemes – net of tax		**(1,638)**	999
Items that are or may be reclassified to profit or loss:			
Foreign exchange differences on retranslation of foreign operations		**(503)**	(2,999)
Cash flow hedges – net of tax	21	**(828)**	(229)
Other comprehensive (expense)/income		**(2,969)**	(2,229)
Total comprehensive income/(expense) for the year from continuing operations		**1,047**	(29,594)
Recycling of foreign exchange reserve	9	**670**	–
Total comprehensive income for the year from discontinued operations		**670**	–
Total comprehensive income/(expense) for the year attributable to equity shareholders of the Parent		**1,717**	(29,594)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 29 FEBRUARY 2020

	Note	Group			Company		
		As at 29 Feb 2020 £'000	As at 28 Feb 2019 restated £'000	As at 28 Feb 2018 restated £'000	**As at 29 Feb 2020 £'000**	As at 28 Feb 2019 restated £'000	As at 28 Feb 2018 restated £'000
Assets							
Non-current assets							
Goodwill	12	**83,812**	83,812	88,961	**–**	–	–
Other intangible assets	13	**2,411**	2,226	3,393	**632**	–	–
Property, plant and equipment	15	**11,928**	1,978	3,322	**7,559**	16	–
Other investments	17	**1,962**	1,773	1,356	**104,886**	112,548	119,324
Investment in associate	18	**7,315**	–	–	**7,000**	–	–
Financial assets	21	**1,184**	–	–	**–**	–	–
Deferred tax assets	7	**3,620**	1,640	3,120	**1,273**	–	–
Other long-term receivables	19	**2,467**	264	300	**2,040**	–	–
		114,699	91,693	100,452	**123,390**	112,564	119,324
Current assets							
Trade and other receivables	20	**39,541**	37,128	52,605	**40,812**	36,624	36,081
Derivative financial instruments		**–**	–	159	**–**	–	–
Assets held for sale	9	**–**	10,611	2,865	**–**	–	–
Cash and cash equivalents	22	**28,749**	24,111	10,437	**26**	1,213	2,993
		68,290	71,850	66,066	**40,838**	37,837	39,074
Total assets		**182,989**	163,543	166,518	**164,228**	150,401	158,398
Liabilities							
Current liabilities							
Derivative financial instruments	21	**527**	49	–	**–**	–	–
Trade and other payables	23	**48,031**	44,887	41,462	**24,702**	20,778	37,099
Short-term borrowings	24	**48,758**	35,844	12,886	**49,785**	42,848	25,054
Current tax payable		**1,334**	1,408	1,858	**–**	–	–
Provisions	25	**201**	90	320	**–**	–	–
Convertible loan notes	14	**4,340**	6,339	–	**–**	–	–
Deferred consideration	14	**600**	600	366	**–**	–	–
Liabilities directly associated with assets classified as held for sale	9	**–**	2,797	766	**–**	–	–
		103,791	92,014	57,658	**74,487**	63,626	62,153
Non-current liabilities							
Long-term borrowings	24	**10,943**	–	–	**8,763**	–	–
Deferred tax liabilities	7	**903**	930	999	**–**	–	–
Provisions	25	**765**	324	424	**541**	–	–
Convertible loan notes	14	**2,398**	4,579	7,364	**–**	–	–
Deferred consideration	14	**3,031**	5,357	2,977	**–**	–	–
Pension deficit	26	**3,672**	1,986	3,437	**–**	–	–
		21,712	13,176	15,201	**9,304**	–	–
Total liabilities		**125,503**	105,190	72,859	**83,791**	63,626	62,153
Total assets less total liabilities		**57,486**	58,353	93,659	**80,437**	86,775	96,245
Equity							
Share capital	27	**3,167**	3,144	3,144	**3,167**	3,144	3,144
Share premium	27	**55,805**	55,805	55,805	**55,805**	55,805	55,805
Shares to be issued	28	**(2,498)**	(3,446)	(2,701)	**(2,498)**	(3,446)	(2,701)
Other reserves	29	**22,279**	22,857	26,085	**21,742**	21,742	21,742
Retained earnings		**(21,267)**	(20,007)	11,326	**2,221**	9,530	18,255
Total equity		**57,486**	58,353	93,659	**80,437**	86,775	96,245

In accordance with the exemptions allowed by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. A loss of £3,301,000 (2019: loss of £4,500,000) has been dealt with in the accounts of the Company.

The accounts on pages 69–121 were approved by the Board of Directors on 15 June 2020 and were signed on its behalf by:

Ronald Series
Executive Chairman

Nicholas Stone
Group Finance Director

Registered number: 02286034

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	Group 29 Feb 2020 £'000	Group 28 Feb 2019 restated £'000
Profit/(loss) before tax		**4,858**	(3,140)
Loss from discontinued operations	9	**(892)**	(22,700)
Depreciation and amortisation charges	13, 15	**3,390**	1,314
Loss on disposal of fixed assets		**801**	–
Impairment of assets		**–**	1,055
Gain on sub-lease arrangements		**(101)**	–
Gain on bargain purchase	18	**(818)**	–
Share of loss of associate	9	**382**	–
Share scheme charges		**1,582**	1,282
Net foreign exchange (gains)/losses of financial instruments		**(70)**	229
Net finance cost	6	**1,853**	1,258
Specific items	8	**3,344**	24,953
Specific items – discontinued	9	**892**	–
Contribution to defined benefit scheme		**(450)**	–
Operating cash flow before changes in working capital		**14,771**	4,251
Increase in receivables		**(1,629)**	(56)
Increase in payables		**(604)**	5,456
Decrease in provisions and employee benefits		**552**	(780)
Cash flows from operating activities		**13,090**	8,871
Interest received	6	**385**	297
Interest paid	6	**(1,895)**	(1,187)
Specific items	8	**(2,523)**	(759)
Tax received/(paid)	7	**1,193**	(1,078)
Net cash generated from operating activities		**10,250**	6,144
Cash flows from investing activities			
Purchase of property, plant and equipment and computer software	13, 15	**(1,743)**	(2,807)
Investment in associate	18	**(1,605)**	–
Acquisition of other investment		**(150)**	–
Cash in subsidiaries disposed	9	**(3,910)**	–
Proceeds from disposal of investments		**–**	300
Proceeds from sale of property, plant and equipment		**–**	77
Other long-term assets		**–**	35
Principal received on finance lease receivables	16	**661**	–
Net cash used in investing activities		**(6,747)**	(2,395)
Cash flows from financing activities			
Proceeds from borrowings		**8,500**	14,450
Repayment of principal under lease liabilities	16	**(3,473)**	–
Repayment of borrowings		**(6,339)**	(7,000)
Net proceeds from pooling arrangements	22	**4,595**	15,508
Dividends paid	10	**(4,630)**	(4,616)
Gift to ESOP for purchase of shares		**–**	(1,712)
Deferred consideration		**(600)**	(1,710)
Net cash (used in)/generated from financing activities		**(1,947)**	14,920
Increase/(decrease) in cash and cash equivalents		**1,556**	18,669
Cash and cash equivalents at beginning of the period	22	**28,021**	10,437
Foreign exchange differences		**(828)**	(1,085)
Cash and cash equivalents at end of the period	22	**28,749**	28,021

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

Group	Note	Share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 2018		3,144	55,805	(2,701)	26,085	11,326	93,659
Change in accounting policy – IFRS 9		–	–	–	–	(891)	(891)
Change in accounting policy – IFRS 15		–	–	–	–	(989)	(989)
Revised 1 March 2018		3,144	55,805	(2,701)	26,085	9,446	91,779
Loss for the year		–	–	–	–	(27,365)	(27,365)
Actuarial gain on employee benefits schemes – net of tax		–	–	–	–	999	999
Foreign exchange differences		–	–	–	(2,999)	–	(2,999)
Cash flow hedges – net of tax		–	–	–	(229)	–	(229)
Total other comprehensive income		–	–	–	(3,228)	999	(2,229)
Total comprehensive income/(expense)		–	–	–	(3,228)	(26,366)	(29,594)
Dividends paid		–	–	–	–	(4,616)	(4,616)
Gift to ESOP for purchase of own shares		–	–	(1,712)	–	–	(1,712)
ESOP shares allocated		–	–	967	–	(967)	–
Share-based payments		–	–	–	–	2,496	2,496
At 28 February 2019		3,144	55,805	(3,446)	22,857	(20,007)	58,353
Change in accounting policy – IFRS 16	1a	**–**	**–**	**–**	**–**	**381**	**381**
At 1 March 2019 after adoption of IFRS 16		**3,144**	**55,805**	**(3,446)**	**22,857**	**(19,626)**	**58,734**
Profit for the year		**–**	**–**	**–**	**–**	**4,016**	**4,016**
Actuarial gain on employee benefits schemes – net of tax		**–**	**–**	**–**	**–**	**(1,638)**	**(1,638)**
Foreign exchange differences		**–**	**–**	**–**	**167**	**–**	**167**
Cash flow hedges – net of tax		**–**	**–**	**–**	**(828)**	**–**	**(828)**
Total other comprehensive expense		**–**	**–**	**–**	**(661)**	**(1,638)**	**(2,299)**
Total comprehensive expense		**–**	**–**	**–**	**(661)**	**2,378**	**1,717**
Dividends paid		**–**	**–**	**–**	**–**	**(4,630)**	**(4,630)**
Deferred tax on items taken to equity		**–**	**–**	**–**	**83**	**–**	**83**
RSP shares purchased		**23**	**–**	**–**	**–**	**(23)**	**–**
ESOP shares allocated		**–**	**–**	**948**	**–**	**(948)**	**–**
Share-based payments		**–**	**–**	**–**	**–**	**1,582**	**1,582**
At 29 February 2020		**3,167**	**55,805**	**(2,498)**	**22,279**	**(21,267)**	**57,486**

Company	Share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 2018	3,144	55,805	(2,701)	21,742	18,255	96,245
Loss for the year	–	–	–	–	(4,500)	(4,500)
Dividends paid	–	–	–	–	(4,616)	(4,616)
Gift to ESOP for purchase of shares	–	–	(1,712)	–	–	(1,712)
ESOP shares allocated	–	–	967	–	(967)	–
Share-based payments	–	–	–	–	1,358	1,358
At 28 February 2019	**3,144**	**55,805**	**(3,446)**	**21,742**	**9,530**	**86,775**
Change in accounting policy – IFRS 16	**–**	**–**	**–**	**–**	**(76)**	**(76)**
At 1 March 2019 after adoption of IFRS 16	**3,144**	**55,805**	**(3,446)**	**21,742**	**9,454**	**86,699**
Loss for the year	**–**	**–**	**–**	**–**	**(3,301)**	**(3,301)**
Dividends paid	**–**	**–**	**–**	**–**	**(4,630)**	**(4,630)**
RSP shares purchased	**23**	**–**	**–**	**–**	**(23)**	**–**
ESOP shares allocated	**–**	**–**	**948**	**–**	**(948)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**1,669**	**1,669**
At 29 February 2020	**3,167**	**55,805**	**(2,498)**	**21,742**	**2,221**	**80,437**

The accompanying notes form an integral part of these financial statements.

General information

The Group and Company financial statements of Braemar Shipping Services Plc for the year ended 29 February 2020 were authorised for issue in accordance with a resolution of the Directors on 15 June 2020. Braemar Shipping Services Plc is a public limited company incorporated 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 Plan trust.

1 Accounting policies

a) Going concern

The Group and Company financial statements have been prepared on a going concern basis. In reaching this conclusion regarding the going concern assumption, the Directors considered cash flow forecasts for a period of greater than twelve months from the date of signing of these financial statements. The cash flow forecasts have been prepared by the Directors having considered the impact of the outbreak of COVID-19 and its subsequent declaration as a pandemic by the World Health Organization.

As at 29 February 2020 the Group's net debt[1] was £20.0 million with available headroom in the £35.0 million revolving credit facility ("RCF") of £5.3 million. As at 31 May 2020 net debt had increased by £0.2 million to £20.2 million with the RCF fully drawn down and cash balances of £14.8 million.

The RCF has a number of financial covenant tests that must be adhered to. Post year-end, on 11 June 2020 the Group received, from its principal bankers, confirmation, subject only to normal procedural matters, that the financial covenant relating to debt to twelve months' rolling EBITDA will be relaxed. The bank has stated that the ratio will be increased from 3x to 4x until May 2021, reducing to 3.5x until May 2022 and returning to 3x until the facility expires in September 2022.

The cash flow forecasts assessed the ability of the Group to operate both within the revised covenants and the facility headroom, and included a number of downside sensitivities, including a reverse stress test scenario. The reverse stress test performed ascertained the point at which the covenants would be breached in respect of the key assumption of forecast revenue decline.

The reverse stress test indicated that the business, alongside certain mitigating actions which are fully in control of the Directors, would be capable of withstanding approximately a 40% reduction in revenue from June 2020 through to February 2021.

In light of current trading and revised forecasts, the Directors having assessed this downturn in revenue and concluded the likelihood of such a reduction to be remote, such that it does not impact the basis of preparation of the financial statements and there is no material uncertainty in this regard.

In reaching this conclusion, the Directors have considered forward-looking market data in respect of the shipping market, the forward order book within the Shipbroking Division, the resilience within the Logistics Division owing to the flexible cost model (which includes having undertaken a significant restructuring during the year) and the nature of the clients supplying essential goods and the potential within the Financial Division, should a global recession become apparent.

The Directors consider revenue as the key assumption in the Group's forecasts as there is a low level of cost of sales, other than in the Freight Forwarding business within its Logistics Division, which generates a low gross margin. The remaining costs are largely fixed or made up of discretionary bonuses, predominately within the Shipbroking Division and which are directly linked to profitability. Should the need arise, further mitigating actions would be available to reduce the size of the workforce to reflect the downturn in revenue.

Similar to other businesses, we have no background experience on how to manage the COVID-19 pandemic's impact on the business. Uncertainty remains over the outlook, and revisions to trade projections are likely. We are, however, comfortable that under the reverse stress test scenarios we have run, the Group could withstand a decline in revenue and continue to operate within the available banking facilities. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing the financial statements.

1 Net debt is calculated as secured revolving credit facilities (Note 24) less net cash (Note 22).

b) Basis of preparation and forward-looking statements
The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union and in accordance with the provisions of the Companies Act 2006.

The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice). No Income Statement is presented for Braemar Shipping Services Plc as provided by Section 408 of the Companies Act 2006.

The financial statements have been prepared under the historic cost convention except for items measured at fair value as set out in the accounting policies below.

Certain statements in this Annual 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. These statements involve risks and uncertainties, so 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.

The Group and Company financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

FRS 101
The financial statements of the Company have been prepared in accordance with FRS 101 Reduced Disclosure Framework. The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a Cash Flow Statement and related notes.
- disclosures in respect of transactions with wholly owned subsidiaries.

As the consolidated financial statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- IFRS 2 "Share Based Payments" in respect of Group settled share-based payments.
- certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instrument Disclosures".
- the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, and the exemption to disclose key management compensation.

New and amended standards adopted by the Group
New standards impacting the Group that have been adopted in the annual financial statements for the year ended 29 February 2020, and which have given rise to changes in the Group's accounting policies, are:
- IFRIC 23 "Uncertainty over Income Tax Treatments"; and
- IFRS 16 "Leases".

IFRIC 23 "Uncertainty over Income Tax Treatments"
IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:
- the Group to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- the Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

There has been no material impact on the Group's financial statements from the application of IFRIC 23.

IFRS 16 "Leases"
The Group is a lessee of a large number of property and other equipment leases and also a lessor of certain property leases.

In the current year, the Group, for the first time, has applied IFRS 16 "Leases". The date of initial application of IFRS 16 for the Group is 1 March 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

In the prior year, before the adoption of IFRS 16, operating leases were accounted for in accordance with IAS 17. Operating lease rentals were charged to the Income Statement as an expense on a straight-line basis over the lease term. Operating lease income was recognised in the Income Statement on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 Accounting policies continued
Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16.

Accounting policies under IFRS 16 "Leases"
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability comprise:
– fixed lease payments (including in substance fixed payments), less any lease incentives;
– variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
– the amount expected to be payable by the lessee under residual value guarantees;
– the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
– payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
– the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
– a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in the Income Statement.

For short-term leases (leases with a term of twelve months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses in the Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Approach to transition
The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 March 2019 is 3.14%.

Practical expedients adopted on transition
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 March 2019.

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group also elected to use the following practical expedients:
– a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
– right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 28 February 2019 instead of performing impairment reviews under IAS 36. The Group had no onerous lease provisions at 28 February 2019;
– hindsight has been used in determining the lease term; and
– leases which are short-term or expiring before 1 March 2020 are recognised as an expense on a straight-line basis.

Impact on lessee accounting
All leases held by the Group at 28 February 2019 were classified as operating leases under IAS 17. IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-Balance Sheet.

Applying IFRS 16, for all leases (except as noted above), the Group now recognises right-of-use assets and lease liabilities in the Consolidated Balance Sheet, initially measured at the present value of the future lease payments as described above.

Lease incentives (for example, rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 "Impairment of Assets". This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group recognises depreciation of right-of-use assets (presented within other operating expenses) and interest on lease liabilities (presented in finance costs) in the Income Statement, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in other operating expenses.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on Balance Sheet into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement. Under IAS 17 operating lease payments were presented as operating cash outflows.

Impact on lessor accounting
The Group is a lessor with respect to certain subleases of land and buildings. Lessor accounting under IFRS 16 is broadly unchanged with the distinction between operating leases and finance leases retained. In accordance with IFRS 16, the transfer of risk and reward is judged against the right-of-use asset, not the underlying physical asset. Subleases are treated as finance leases where substantially all risk and reward is transferred to the lessee. For finance leases, a receivable is recognised on the Balance Sheet with finance income taken to the Income Statement.

If a sublease does not transfer substantially all risk and reward it is accounted for as an operating lease with operating lease income taken to the Income Statement on a straight-line basis.

Financial impact
The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities.

The Group has chosen to use the table overleaf to set out the adjustments recognised at the date of initial application of IFRS 16.

Of the total right-of-use assets of £11.2 million recognised at 1 March 2019, £10.8 million related to leases of property and £0.4 million to leases of other assets. Where the Group is a sub-lessor, some right-of-use assets have been derecognised and finance lease assets have been recognised in other receivables.

1 Accounting policies continued

	Year ended 28 Feb 2019 £'000	Impact of IFRS 16 £'000	As at 1 Mar 2019 £'000
Non-current assets			
Property, plant and equipment	1,978	11,166	13,144
Other receivables	264	2,037	2,301
Current assets			
Trade and other receivables	37,128	517	37,645
Total impact on assets		13,720	
Current liabilities			
Trade and other payables	(44,887)	2,260	(42,627)
Short-term borrowings	(15,323)	(3,270)	(18,593)
Non-current liabilities			
Long-term borrowings	–	(12,329)	(12,329)
Total impact on liabilities		(13,339)	
Retained earnings	(20,007)	381	(19,626)

On initial adoption of IFRS 16 there was no material tax or deferred tax effect. At 29 February 2020, a deferred tax asset of £0.8 million was recognised as a result of IFRS 16.

The table below presents a reconciliation from operating lease commitments disclosed at 28 February 2019 to lease liabilities recognised at 1 March 2019:

	£'000
Operating lease commitments disclosed under IAS 17 at 28 February 2019	12,095
Additional leases identified	2,430
Short-term and low-value lease commitments straight-line expensed under IFRS 16	(266)
Effect of discounting	(920)
	13,339

The Group's interim financial statements to 31 August 2019 disclosed a decrease in retained earnings at 1 March 2019 of £0.2 million. The impact of IFRS 16 will be re-presented in the interim financial statements to 31 August 2020.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 March 2020 and not early adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

Effective for the period beginning 1 March 2020
- IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Amendment – Definition of Material)
- IFRS 3 "Business Combinations" (Amendment – Definition of Business)
- revised Conceptual Framework for Financial Reporting

The adoption of these standards and amendments is not expected to have a material impact on the financial statements of the Group in future periods.

Effective for the period beginning 1 March 2021
- amendments to IFRS 16: COVID-19-related rent concessions

Effective for the period beginning 1 March 2022
- amendments to IAS 1: Classification of liabilities as current or non-current
- amendments to IAS 37: Onerous contracts – costs of fulfilling a contract

The Group is currently assessing the impact of these new accounting standards and amendments.

Prior year adjustment

The 2019 and 2018 consolidated and Company Balance Sheets, and 2019 Consolidated Cash Flow Statement, have been restated due to a presentational error. The Group has previously disclosed net, cash and overdraft balances that did not meet the criteria of IAS 32 for offset. The prior year adjustment requires the gross-up of cash and short-term borrowing as follows:

Group	29 February 2019 £'000	28 February 2018 £'000
Increase in cash	20,521	5,016
Increase in short-term borrowings	20,521	5,016

Company	29 February 2019 £'000	28 February 2018 £'000
Increase in cash	1,213	2,993
Increase in short-term borrowings	1,213	2,993

The prior year adjustments have no impact on the reported profits or net assets in any of the periods. The opening and closing cash balances within the prior year Consolidated Cash Flow Statement have also been restated to reflect the above adjustments and the movement in the short-term borrowing classified as a financing cash inflow.

Further details as to the cash and overdraft arrangements and the banking facilities of the Group are disclosed in Note 22 and Note 24.

c) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Group and the Company made up to 28 February each year or 29 February in a leap year.

The results of subsidiaries are consolidated using the purchase method of accounting, from the date on which control of the net assets and operation of the acquired company are effectively transferred to the Group. Similarly, the results of subsidiaries divested cease to be consolidated from the date on which control of the net assets and operations are transferred out of the Group.

The following are key areas where the Group typically makes judgements involving estimates:

d) Use of estimates and critical judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The following are key areas where the Group typically makes judgements involving estimates:

Estimates

Associates

The carrying value of the Group's investments in associates is subject to a number of estimates and judgements that management undertake when comparing the fair value of the Group's share of identifiable net assets in associates to the fair value of the purchase price. See Note 18.

The fair value of warrants is also a critical estimate; the estimate of the number of warrants that will vest is based on a forecast put together by the management team of AqualisBraemar and valued using a Black-Scholes model. See Note 21.

Where the reporting dates of the Group and the associate differ, the most recent full year accounts of the associate are used for the Group's full year accounts to 29 February. Judgement is required when assessing whether or not to adjust for significant transactions or events between the reporting dates of the Group and the associate.

Measurement of right-of-use assets and liabilities

A critical estimate in determining the lease term is the assessment of extension and termination options. Extension and termination options are accounted for as lease modifications when management estimate it is highly probable that the options will be exercised.

Where the interest rates implicit in the Group's leases are not available, incremental borrowing rates will be used to discount lease liabilities. Estimates will be applied to reflect the "halo effect" of Group companies' membership of the Group when borrowing in local markets and, where relevant, the existence of the Group's revolver facilities and funding arrangements.

Recoverability of deferred tax assets

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. See Note 7.

1 Accounting policies continued

Share option vesting

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. See Note 27.

Assets and liabilities held for sale

In the prior year, the estimation of the fair value less costs to sell for assets held for sale was a critical accounting estimate. These estimates were prepared by internal management with the advice of independent valuation experts when considered necessary. There were a number of estimates that management undertook to determine the fair value of net assets held for sale, including the fair value of the consideration and the costs to sell. See Note 9.

Carrying value of deferred and contingent consideration

Determination of fair value of deferred and contingent consideration ("earn-out"): deferred and contingent consideration is initially recognised at fair value and subsequently reassessed at each reporting date to reflect changes in estimates and assumptions. Fair value is determined using an income approach which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate. See Note 14.

Provision for impairment of trade receivables and accrued income

Trade receivables and accrued income are amounts due from customers in the ordinary course of business. Trade receivables and accrued income are classified as current assets if collection is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

The provision for impairment of trade receivables and accrued income represents management's best estimate at the Balance Sheet date. A number of judgements are made in the calculation of the provision, primarily the age of the invoice, the existence of any disputes, recent historical payment patterns and the debtor's financial position.

The application of IFRS 9 "Financial Instruments" results in an additional provision for expected credit losses. When measuring expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 20.

The Group has considered the impact of COVID-19 on the financial statements at 29 February 2020 and concluded that it is a non-adjusting event after the reporting date. See Note 31. However, at 29 February 2020 there was evidence to suggest that trade receivables in the freight forwarding business may be at a higher risk of becoming credit impaired. The expected credit loss rates for freight forwarding trade receivables were increased. No other impairment allowances were made in respect of COVID-19.

Impairment of goodwill and other intangible assets

Goodwill is tested for impairment on an annual basis. However, the Group will also test for impairment at other times if there is an indication that an impairment may exist. See Note 13.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which these assets have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise for the cash-generating unit. The selection of suitable discount rates and the estimation of future growth rates vary between cash-generating units depending on their sensitivity and materiality. In compiling this, management have treated COVID-19 as a non-adjusting event after the reporting date.

Judgements

Revenue recognition

IFRS 15 "Revenue from Contracts with Customers" requires judgement to determine whether revenue is recognised at a "point in time" or "over time" as well as determining the transfer of control for when performance obligations are satisfied.

For Shipbroking, the Group has defined the performance obligation to be the point in time where the negotiated contract between counterparties has been successfully completed, and therefore revenue is recognised at this point in time. This is a critical judgement since revenue recognition would differ if the performance obligations were deemed to be satisfied at a different point in time.

Classification and recognition of specific items

The Group excludes specific items from its underlying earnings measure. The Directors believe that such additional performance measures can provide the users of the financial statements with a better understanding of the Group's underlying financial performance, if properly used. Management judgement is required as to what items qualify for this classification. There can also be judgement as to the point at which costs should be recognised and the amount to record to ensure that the understanding of the underlying performance is not distorted. Specific items include the results from discontinued operations. See Note 8.

e) Revenue recognition

Revenue is recognised in accordance with satisfaction of performance obligations. Revenue of the Group consists of:

i) Shipbroking – income comprises commission arising from tanker and dry cargo charter broking, sale and purchase broking, offshore broking and consultancy, valuation fees and fees relating to the facilitation of commodity and commodity derivatives. The Group acts as a broker for several types of shipping transactions, each of which gives rise to an entitlement to commission:
   - for single voyage chartering, the contractual terms are governed by a standard charterparty contract in which the broker's performance obligation is satisfied when the cargo has been discharged according to the contractual terms;
   - for time charters, the commission is specified in the hire agreement and the performance obligation is spread over the term of the charter at specified intervals in accordance with the charter party terms;
   - in the case of second-hand sale and purchase contracts, the broker's performance obligation is satisfied when the principals in the transaction complete on the sale/purchase and the title of the vessel passes from the seller to the buyer;
   - with regard to newbuilding contracts, the commission is recognised when contractual stage payments are made by the purchaser of a vessel to a shipyard which in turn reflects the performance of services over the life of the contract;
   - for income derived from providing ship and fleet valuations, the Group recognises income when a valuation certificate is provided to the client and the service is invoiced; and
   - for income derived from commodity broking, the commission is recognised when the services have been performed.

ii) Financial – income comprises retainer fees and success fees generated by corporate finance related activities. Revenue is recognised in accordance with the terms agreed in individual client terms of engagement. Recurring monthly retainers are recognised in the month of invoice and success fees are recognised at the point when the performance obligations of the particular engagement are fulfilled.

iii) Logistics – the performance obligation for agency income is satisfied at the point in time when the ship vessel sails from the port. For forwarding and logistics income the performance obligation is satisfied when the goods depart from their load location. Where the Group acts as a principal rather than as agent, the revenue and costs are shown gross.

iv) Engineering – fee income comprises fees for the supply of technical, survey and loss adjusting services. The performance obligation is at the point of supply and income from such services is recognised on a time incurred and recoverable expenses basis net of provisions.

Other income of the Company consists of dividends from investments. Dividend income from investments is recognised when the shareholders' legal rights to receive payment have been established with certainty.

At the year-end, there may be amounts where invoices have not been raised but performance obligations are deemed satisfied, and these are recognised as accrued income. The movement in the asset between years is due to the invoicing of all prior year assets and the accrual of amounts relating to the current year.

f) Foreign currencies

The presentational currency of the Group and the Company and the functional currency of the Company is pounds sterling. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Income Statement.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into derivative financial instruments contracts, mainly forward contracts and other derivative currency contracts (see Note 1(m)).

Assets and liabilities of overseas subsidiaries, branches and associates are translated from their functional currency into pounds sterling at the exchange rates ruling at the Balance Sheet date. Trading results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of overseas subsidiaries are dealt with through the foreign currency translation reserve (see Note 29), whilst those arising from trading transactions are dealt with in the Income Statement. On disposal of a business, the cumulative exchange differences previously recognised in the foreign currency translation reserve relating to that business are transferred to the Income Statement as part of the gain or loss on disposal.

g) Taxation

The taxation expense represents the sum of the current and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group and Company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the Balance Sheet date.

Full provision is made for deferred taxation on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the Balance Sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation is recognised in the Income Statement unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the Income Statement at the same time as the taxable transaction is recognised in the Income Statement. Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.

1 Accounting policies continued

h) Goodwill

Business combinations are accounted for using the purchase method.

On the acquisition of a business, fair values are attributed to the net assets (including any identifiable intangible assets) acquired. Goodwill arises where the fair value of the consideration given exceeds the fair value of the net assets acquired. Goodwill is recognised as an asset and is reviewed for impairment at least annually. Impairments are recognised immediately in operating costs in the Income Statement. Goodwill is allocated to cash-generating units for the purposes of impairment testing. On the disposal of a business, goodwill relating to that business remaining on the Balance Sheet is included in the determination of the profit or loss on disposal. As permitted by IFRS 1, goodwill on acquisitions arising prior to 1 March 2004 has been retained at prior amounts and is tested annually for impairment.

In relation to acquisitions where the fair value of assets acquired exceeds the fair value of the consideration, the excess fair value is recognised immediately in the Income Statement.

i) Intangible assets

i) Computer software

The Group capitalises computer software at cost. It is amortised on a straight-line basis over its estimated useful life of up to four years. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

ii) Development costs

The Group capitalises internally generated development costs when it is able to demonstrate:

– the technical feasibility of completing the intangible asset so that it is subsequently available for use;
– that there is a clear intention that the intangible asset would be completed and then used;
– that it is able to use the intangible asset;
– that future economic benefits are probable;
– that there are adequate technical, financial and other resources to complete the development and to use the asset; and
– the expenditure attributable to the intangible asset during its development can be reliably measured.

The Group amortises development on a straight-line basis over its estimated useful economic life of up to fifteen years. See Note 13.

Research costs are expensed as incurred.

iii) Other intangible assets

Intangible assets acquired as part of a business combination are stated in the Balance Sheet at their fair value at the date of acquisition less accumulated amortisation and any provisions for impairment. The amortisation of the carrying value of the capitalised forward order book and customer relationships is charged to the Income Statement over an estimated useful life of the lesser of two to ten years or when based on historical attrition rates. The amortisation in respect of capitalised brand assets is expensed to the Income Statement over an estimated useful life of three years.

The carrying values of intangible assets are reviewed for impairment at least annually or when there is an indication that they may be impaired.

j) Property, plant and equipment

Property, plant and equipment are shown at historical cost less accumulated depreciation and any impairment value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset, on a straight-line basis over its expected useful life as follows (except for long and short leasehold interests which are written off against the remaining period of the lease):

Motor vehicles	– three years
Computers	– four years
Fixtures and equipment	– four years

k) Investments

Investments in associates and joint ventures where the Group has joint control or significant influence are accounted for under the equity method. Investments in associates are initially recognised in the consolidated Balance Sheet at cost. Subsequently associates are accounted for under the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Income Statement and Statement of Comprehensive Income.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses arising from these transactions is eliminated against the carrying value of the associate.

Where the Group's share of the associate's identifiable net assets is greater than the cost of investment, a gain on bargain purchase is recognised in the Income Statement and the carrying value of the investment in the consolidated Balance Sheet is increased.

The most recent financial statements of an associate are used for accounting purposes unless it is impractical to do so. Where the Group and an associate have non-coterminous reporting dates the associate's full year accounts will be used for the purposes of the Group's reporting at 29 February with adjustments made for any significant transactions or events.

Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company Balance Sheet investments in associates and joint ventures are held at cost less accumulated impairment.

Investments where the Group has no significant influence are held at fair value, with movements in fair value recorded in profit and loss.

l) Impairment
The carrying amount of the Group's assets, other than financial assets within the scope of IAS 39 and deferred tax assets, are reviewed at each Balance Sheet date to determine whether there is an indication of impairment. If any such indication exists, or annually for goodwill, the asset's recoverable amount is estimated. The recoverable amount is determined based on the higher of value-in-use calculations and fair value less costs to sell, which requires the use of estimates. An impairment loss is recognised in the Income Statement whenever the carrying amount of the assets exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the assets, with the exception of goodwill, is increased to the revised estimate of its recoverable amount. This cannot exceed the carrying amount prior to the impairment charge. An impairment recognised in the Income Statement in respect of goodwill is not subsequently reversed.

m) Derivative financial instruments and hedging
Derivatives are initially recognised at fair value and are subsequently remeasured at their fair value at each Balance Sheet date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if it is, the nature of the item being hedged. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the Income Statement. The Group designates derivatives that qualify for hedge accounting as a cash flow hedge where there is a high probability of the forecast transactions arising. The Group has elected to continue to apply the hedge accounting model in IAS 39 "Financial Instruments: Recognition and Measurement". The effective portion of changes in the fair value of these derivatives is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recycled to the income Statement at the same time as the gains or losses on the hedged items. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

The fair value of forward foreign exchange contracts is based either directly (i.e. as prices) or indirectly (i.e. derived from prices) at the Balance Sheet date.

Financial assets are initially recognised at fair value and are subsequently measured at fair value through profit or loss at each Balance Sheet date.

Financial assets and liabilities are classified in accordance with the fair value hierarchy specified by IFRS 13. See Note 21.

n) Trade receivables and accrued income
Trade receivables and accrued income are recognised and carried at the lower of their original value less impairment. Specific provision is made where there is evidence that the balances will not be recovered in full. A provision for expected credit losses is made for trade receivables and accrued income using the simplified approach. A provision matrix is used to calculate an expected credit loss as a percentage of carrying value by age. The percentages were determined based on historical credit loss experience as well as forward-looking information. Expected credit loss provisions are made for other receivables and amounts due from subsidiaries based on lifetime expected credit losses using a model that considers forward-looking information and significant increases in credit risk.

Trade and other receivables are non-interest bearing and generally on terms payable within 30 to 90 days.

o) Cash and cash equivalents
Cash and cash equivalents included in the Balance Sheet comprise cash in hand, short-term deposits with an original maturity of three months or less and restricted cash.

Cash and cash equivalents included in the Cash Flow Statement include cash and short-term deposits. Bank overdrafts are included in the Balance Sheet within short-term borrowings.

p) Provisions
Provisions are recognised when the Group has a present obligation (legal or otherwise) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If material, the provisions are discounted using an appropriate current post-tax interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 Accounting policies continued

q) Share-based payments

The Group operates a number of equity-settled share-based payment schemes.

During the year the Company operated employee save-as-you-earn option schemes called the Braemar Shipping Services Plc Savings-Related Share Option Scheme 2014 (the "SAYE Scheme") and the Braemar Shipping Services Plc International Savings-Related Share Option Scheme 2019 (the "International SAYE Scheme"). No option may be granted under either scheme which would result in the total number of shares issued or remaining issuable under all of the schemes (or any other Group share schemes), in the ten-year period ending on the date of grant of the option, exceeding 10% of the Company's issued share capital (calculated at the date of grant of the relevant option). Options are granted at up to a 20% discount to the prevailing market price.

In 2005 the Company put in place a Deferred Bonus Plan (the "Plan") whereby part of the annual performance-related bonus is delivered in shares, on a discretionary basis, to staff including Executive Directors. Under the Plan the shares are bought and held in an employee trust ("ESOP") until vesting, which will normally occur after three years from the date of grant, subject to the employee beneficiary remaining in employment with the Group, at which time the award will be settled by the transfer of shares to the beneficiary. Shares are valued at fair value at the date of grant.

The Company adopted a new Deferred Bonus Plan in May 2020 (the "New DBP"), pursuant to which future discretionary bonus awards will be granted to staff including Executive Directors. Awards under the New DBP may be linked to an option granted under the new Braemar Company Share Option Plan 2020, which was also adopted by the Company in May 2020 (the "New CSOP"). Where an employee receives a linked award under the New DBP, where the Company's share price rises over the vesting period, the New CSOP award can be exercised with the value of shares delivered on the vesting of the New DBP award being reduced by the exercise gain on the New CSOP award. Awards under the New DBP and the New CSOP will continue to be settled via the transfer of shares from the ESOP and not through new issue.

During the year ended 28 February 2015, the Company established a Restricted Share Plan ("RSP"). This scheme was set up to grant awards to certain key staff to try to retain them following the merger between Braemar and ACM Shipping Group Plc, but it can also be used where the Remuneration Committee considers it necessary to secure the recruitment of a particular individual. Executive Directors of the Company are not eligible to participate in the RSP. RSP awards are made in the form of a nil cost option and there are no performance criteria other than continued employment.

The Company also operates an LTIP, which was approved by shareholders and adopted in 2014. LTIP awards under this plan take the form of a conditional right to receive shares at nil cost. The awards normally vest over three years and are subject to a performance condition based on earnings per share ("EPS").

The Company reflects the fair value of the share-based payments as an investment in its subsidiaries.

r) Commissions payable

Commissions payable to co-brokers are recognised in trade payables due within one year on the earlier of the date of invoicing or the date of receipt of cash.

s) Long-term employee benefits

The Group has the following long-term employee benefits:

i) Defined contribution schemes

The Group operates a number of defined contribution schemes. Pension costs charged against profits in respect of these schemes represent the amount of the contributions payable to the schemes in respect of the accounting period. The assets of the schemes are held separately from those of the Group within independently administered funds. The Group has no further payment obligations once the contributions have been paid.

ii) Defined benefit schemes

The Group holds a defined benefit scheme, the ACM Staff Pension Scheme, with assets held separately from the Group. The cost of providing benefits under the scheme is determined using the projected unit credit actuarial valuation method which measures the liability based on service completed and allowing for projected future salary increases and discounted at an appropriate rate.

The current service cost, which is the increase in the present value of the retirement benefit obligation resulting from employee service in the current year, and gains and losses on settlements and curtailments, are included within operating profit in the Income Statement. The unwinding of the discount rate on the scheme liabilities which is shown as a net finance cost and past service costs are presented and recognised immediately in the Income Statement.

The pension liabilities recognised on the Balance Sheet in respect of this scheme represents the difference between the present value of the Group's obligations under the scheme and the fair value of the scheme's assets. Actuarial gains or losses and return on plan assets excluding interest are recognised in the period in which they arise within the Statement of Comprehensive Income.

iii) Other long-term benefits

The current service cost of other long-term benefits resulting from employee services in the current year is included within the Income Statement. The unwinding of any discounting on the liabilities is shown in net finance costs.

t) Borrowings and loan notes

Arrangement costs for loan facilities are capitalised and amortised over the life of the debt at a constant rate.

Finance costs are charged to the Income Statement, based on the effective interest rate of the associated external borrowings and debt instruments.

The convertible loan notes are considered to be a financial liability host with an embedded derivative convertible feature which is required to be separated from the host. The Group has an accounting choice to record the instrument in its entirety at fair value through profit and loss but has not chosen to apply this treatment. Instead, the financial liability host will be recognised as a euro liability initially recognised at fair value and prospectively accounted for applying the effective interest rate method. The derivative conversion feature will be recognised at fair value through profit and loss. Where there are conversion options that can be exercised within one year the liability is recognised as current.

u) Segmental analysis

The Group's segmental analysis is based on its four business segments: Shipbroking, Financial, Logistics and Engineering. This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting.

The second analysis is presented according to the geographic markets, comprising the UK, Singapore, the US, Australia, Germany and the Rest of the World. The Group's geographical segments are determined by the location of the Group's assets and operations.

v) Specific items

Specific items are significant items considered material in both size and nature. These are disclosed separately to enable a full understanding of the Group's ongoing financial performance. Results from discontinued operations have therefore been included in specific items.

Restructuring costs include all costs of employment termination, office closure and relocation and any Balance Sheet asset impairment associated with a material business reorganisation.

Acquisition and disposal-related expenditure relates to significant items directly associated with business combinations and considered material in size and/or nature. These are disclosed separately to enable a full understanding of the Group's underlying financial performance.

w) Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets, such as a disposal group, is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss.

A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Income Statement is restated as if the operation has been discontinued from the start of the comparative period.

2 Segmental information and revenue

a) Business segments

Management has determined the operating segments for the Group based on the reports reviewed by the Chief Operating Decision Maker to make strategic decisions. The Chief Operating Decision Maker is the Group's Board of Directors.

The Board considers the business from both service line and geographic perspectives. A description of each of the lines of service is provided on page 1.

The Group is organised into four operating divisions: Shipbroking, Financial, Logistics and Engineering. In the previous year, following the decision to dispose of the Offshore, Marine and Adjusting businesses, Engineering replaced Technical in the segmental information to reflect the business that remained within the Group.

Central costs relate to Board costs and other costs associated with the Group's listing on the London Stock Exchange. All segments meet the quantitative thresholds required by IFRS 8 as reportable segments.

Underlying operating profit is defined as operating profit for continuing activities before restructuring costs, gain on disposal of investment and acquisition and disposal-related items.

Sales between and within business segments are carried out on an arm's-length basis.

Capital expenditure comprises additions to property, plant and equipment, goodwill and other intangibles including additions resulting from business acquisitions.

Segment assets consist primarily of intangible assets (including goodwill), property, plant and equipment, receivables and other assets. Receivables for taxes, cash and cash equivalents and investments have been excluded. Segment liabilities relate to the operating activities and exclude liabilities for taxes and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Segmental information and revenue continued

Corporate assets consist primarily of property, plant and equipment and receivables. Corporate liabilities relate to deferred consideration and lease liabilities.

The segmental information provided to the Board for reportable segments for the year ended 29 February 2020 is as follows:

	Revenue 2020 £'000	Revenue 2019 £'000	Operating profit/(loss) 2020 £'000	Operating profit/(loss) 2019 £'000
Shipbroking	**82,377**	75,691	**11,763**	9,332
Financial	**5,931**	6,951	**1,101**	2,128
Logistics	**29,347**	32,065	**1,023**	841
Engineering	**3,139**	3,146	**(1,411)**	(311)
Trading segments revenue/results	**120,794**	117,853	**12,476**	11,990
Central costs			**(2,857)**	(2,924)
Underlying operating profit			**9,619**	9,066
Specific items			**(3,344)**	(11,719)
Operating profit/(loss)			**6,275**	(2,653)
Share of associate profit for the period			**436**	–
Gain on revaluation of investment			**–**	500
Finance expense – net			**(1,853)**	(987)
Profit/(loss) before taxation			**4,858**	(3,140)
Taxation			**50**	(1,525)
Profit/(loss) for the year from continuing operations			**4,908**	(4,665)
Loss for the year from discontinued operations			**(892)**	(22,700)
Profit/(loss) for the year			**4,016**	(27,365)

2020	Shipbroking £'000	Financial £'000	Logistics £'000	Engineering £'000	Corporate £'000	Total £'000
Capital additions	**252**	**–**	**478**	**56**	**3,137**	**3,923**
Depreciation of property, plant and equipment and amortisation of computer software	**430**	**13**	**104**	**124**	**2,696**	**3,367**
Segment operating assets	**47,743**	**34,252**	**27,831**	**3,526**	**45,520**	**158,872**
Segment operating liabilities	**(28,571)**	**(28,322)**	**(22,070)**	**(409)**	**(21,014)**	**(100,386)**

2019	Shipbroking £'000	Financial £'000	Logistics £'000	Technical £'000	Corporate £'000	Total £'000
Capital additions	569	47	567	34	450	1,667
Depreciation of property, plant and equipment and amortisation of computer software	731	1,031	173	145	162	2,242
Segment operating assets	44,820	37,535	30,503	1,733	28,431	143,022
Segment operating liabilities	(24,888)	(32,802)	(25,463)	(664)	(852)	(84,669)

b) Geographical segment – by origin

The Group manages its business segments on a global basis. The operation's main geographical area and also the home country of the Company is the United Kingdom.

Geographical information determined by location of customers is set out below:

	Revenue 2020 £'000	Revenue 2019 £'000	Non-current assets 2020 £'000	Non-current assets 2019 £'000
United Kingdom	**80,929**	74,691	**82,128**	58,676
Singapore	**15,384**	12,759	**2,224**	553
United States	**4,285**	8,852	**124**	107
Australia	**7,672**	8,840	**296**	189
Germany	**4,870**	6,336	**25,770**	30,191
Rest of the world	**7,654**	6,375	**120**	109
Continuing operations	**120,794**	117,853	**110,662**	89,825
Discontinued operations	**–**	32,276	**–**	–
Total	**120,794**	150,129	**110,662**	89,825

c) Revenue analysis

The Group disaggregates revenue into Shipbroking, Financial, Logistics and Engineering in line with the segmental information presented above. All revenue arises from the rendering of services. There is no single customer that contributes greater than 10% of Group revenue.

Remaining performance obligations

The Group enters into some contracts, primarily in the Shipbroking division, which are for a duration longer than twelve months and where the Group has outstanding performance obligations on which revenue has not yet been recognised. The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is set out below:

Forward order book

2020	Within 12 months £'000	1–2 years £'000	More than 2 years £'000	Total £'000
Sale and purchase	**7,571**	**1,845**	**703**	**10,119**
Chartering	**17,235**	**2,954**	**8,412**	**28,601**
Total	**24,806**	**4,799**	**9,115**	**38,720**

2019	Within 12 months £'000	1 – 2 years £'000	More than 2 years £'000	Total £'000
Sale and purchase	2,905	1,552	–	4,457
Chartering	17,856	2,125	7,987	27,968
Total	20,761	3,677	7,987	32,425

3 Operating profit/(loss)

Operating profit/(loss) from operations represents the results from operations before finance income and costs, share of profit/(loss) in associate, taxation and discontinued operations.

This is stated after charging/(crediting):

	Notes	2020 £'000	2019 £'000
Staff costs	4	**70,541**	85,732
Depreciation of property, plant and equipment	15	**2,980**	691
Amortisation of computer software	13	**410**	1,551
Operating lease rentals:			
– Land and buildings		**–**	2,543
– Other		**–**	1
Net movements in bad debt provisions		**166**	744
Auditor's remuneration	5	**623**	475
Net foreign exchange losses		**69**	229
Gain on revaluation of investment		**–**	(500)
Specific items included in operating profit	8	**3,344**	11,719

4 Staff costs

a) Staff costs for the Group during the year (including Directors)

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Salaries, wages and short-term employee benefits		**63,743**	59,641	**1,696**	1,773
Other pension costs	26	**1,681**	2,014	**33**	79
Social security costs		**3,641**	3,498	**205**	260
Share-based payments	27	**1,476**	1,300	**1,669**	1,358
		70,541	66,453	**3,603**	3,470
Discontinued operations		**5,359**	19,279	**–**	–
		75,900	85,732	**3,603**	3,470

The numbers above include remuneration and pension entitlements for each Director. Details are included in the Directors' Remuneration Report on pages 44–58.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

4 Staff costs continued
b) Average number of full-time employees

	2020 number	2019 number
Shipbroking	**314**	301
Financial	**24**	20
Logistics	**177**	192
Engineering	**9**	16
Central	**11**	13
	535	542
Discontinued operations	**73**	239
Total	**608**	781

The Directors' remuneration is borne by Braemar Shipping Services Plc.

The average number of full-time employees of the Company was eleven (2019: 13)

c) Key management compensation
The remuneration of key management is set out below. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on pages 44–58. Key management represents the Board of the Company.

	2020 £'000	2019 £'000
Salaries, short-term employee benefits and fees	**1,011**	672
Other pension costs	**51**	64
Share-based payments	**–**	33
One-off costs related to Board changes	**468**	759
	1,530	1,528
Number of key employees	**5**	5

Retirement benefits are accruing to one (2019: one) member of key management in respect of a defined contribution pension scheme.

5 Auditor's remuneration
A more detailed analysis of the auditor's services is given below:

	2020 £'000	2019 £'000
Audit services		
– Fees payable to the Company's auditor for audit of the Company and Group financial statements	**252**	125
Fees payable to the Group's auditor and its associates for other services:		
– The audit of the Group's subsidiaries pursuant to legislation	**336**	330
– Other services pursuant to legislation – interim review	**35**	20
	623	475

All fees paid to the auditor were charged to operating profit in both years.

6 Finance income and costs – net

	2020 £'000	2019 £'000
Finance income:		
– Interest on bank deposits	**385**	297
– Interest on IFRS 16 lease receivables	**73**	–
Total finance income	**458**	297
Finance costs:		
– Interest payable on rolling credit facility	**(1,029)**	(499)
– Interest payable on pooled overdraft facilities	**(364)**	(340)
– Interest payable on convertible loan notes	**(502)**	(445)
– Interest on IFRS 16 lease liabilities	**(416)**	–
Total finance costs	**(2,311)**	(1,284)
Finance costs – net	**(1,853)**	(987)

Interest payable on a rolling credit facility of £0.2 million (2019: £0.3 million) directly linked to acquisition related activities has been incurred during the period and is included in the above.

7 Taxation

a) Analysis of charge in year

	2020 £'000	2019 £'000
Current tax		
UK corporation tax charged to the Income Statement	**–**	589
UK adjustment in respect of previous years	**(927)**	(1,558)
Overseas tax on profits in the year	**1,769**	1,406
Overseas adjustment in respect of previous years	**281**	879
Total current tax	**1,123**	1,316
Deferred tax		
UK current year origination and reversal of timing differences	**(923)**	23
UK adjustment in respect of previous years	**(13)**	–
Overseas current year origination and reversal of timing differences	**(324)**	186
Overseas adjustment in respect of previous years	**87**	–
Total deferred tax	**(1,173)**	209
Taxation	**(50)**	1,525

Reconciliation between expected and actual tax charge	2020 £'000	2019 £'000
Profit/(loss) before tax	**4,858**	(3,140)
Profit/(loss) before tax at standard rate of UK corporation tax of 19% (2019: 19%)	**923**	(597)
Expenses not deductible for tax purposes	**680**	3,234
Utilisation of losses	**(119)**	–
Tax calculated at domestic rates applicable to profits in overseas subsidiaries	**151**	113
Credit in respect of movement in deferred tax asset as a result of IFRS 16	**(819)**	–
Other prior year adjustments	**(866)**	(1,225)
Total tax charge/(credit) for the year	**(50)**	1,525

Included within the total tax charge is a credit of £0.3 million (2019: £0.1 million) in respect of specific items disclosed separately on the face of the Income Statement.

A tax credit of £nil (2019: £0.1 million tax) is included in the results for discontinued operations as a result of the trading loss contained therein (see Note 9). No tax charge arose on the disposal and the majority of expenses incurred in relation to discontinued operations are non-deductible for tax purposes.

b) Deferred tax asset

Analysis of the deferred tax asset	As at 29 Feb 2020 £'000	As at 28 Feb 2019 £'000
Accelerated capital allowances (includes £602,000 (2019: £582,000) of overseas accelerated capital allowances)	**573**	728
Short-term timing differences (includes £113,000 (2019: £113,000) of overseas short-term timing differences)	**1,840**	507
Employee benefits (including £nil of overseas employee benefits)	**400**	405
IFRS 16 lease liabilities	**807**	–
	3,620	1,640

The movement in the deferred tax asset	2020 £'000	2019 £'000
Balance at beginning of year	**1,640**	3,120
Opening adjustment in respect of IFRS 9 and IFRS 15	**–**	362
Movement to Income Statement – continuing operations	**1,971**	(209)
Movement to equity	**83**	–
Adjustments in respect of prior years	**(74)**	–
Reclassification to assets held for sale	**–**	(1,633)
Balance at end of year	**3,620**	1,640

A deferred tax asset of £3,620,000 (2019: £1,640,000) has been recognised as the Directors believe that it is probable that there will be sufficient taxable profits in the future to recover the asset in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

7 Taxation continued
c) Deferred tax liability

Analysis of the deferred tax liabilities	As at 29 Feb 2020 £'000	As at 28 Feb 2019 £'000
Long-term timing differences	**(903)**	(930)
Balance at end of year	**(903)**	(930)

The movement in the deferred tax liability	As at 29 Feb 2020 £'000	As at 28 Feb 2019 £'000
Balance at beginning of year	**(930)**	(999)
Movement to Income Statement	**27**	69
Balance at end of year	**(903)**	(930)

No deferred tax has been provided in respect of temporary differences associated with investments in subsidiaries and interests in joint ventures where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognised, is approximately £0.1 million (2019: £0.1 million). At 29 February 2020 the Group had £1.4 million of unutilised tax losses, for which no deferred tax liability has been provided.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the Balance Sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the Balance Sheet date, would be to reduce the tax expense for the period by £0.3 million, and to increase the deferred tax asset by £0.3 million.

8 Specific items
The following is a summary of specific items incurred. Each item has a material impact on the reported results for the year and is not expected to be incurred on an ongoing basis and, as such, will not form part of the underlying profit in future years.

	2020 £'000	2019 £'000
Other operating costs		
Board changes	**(468)**	(759)
Profit on sublet of office	**22**	–
	(446)	(759)
Acquisition related items		
– Acquisition of ACM Shipping Group plc	**(153)**	(123)
– Acquisition of NAVES Corporate Finance GmbH	**(1,190)**	(8,045)
– Acquisition of Atlantic Brokers Holdings Limited	**(1,083)**	(2,485)
– Warrants	**418**	–
– Other acquisition related costs	**–**	(307)
	(2,008)	(10,960)
Gain on revaluation of investment	**–**	500
Restructuring costs	**(890)**	–
Share of profit in associate	**698**	–
Finance costs	**(450)**	(790)
Taxation	**228**	144
Loss from discontinued operations (Note 9)	**(892)**	(22,700)
Total	**(3,760)**	(34,565)

Other operating costs
The Group incurred total expenditure of £0.4 million (2019: £0.8 million) in relation to specific items in other operating costs. The former Chief Executive left the Board in July 2019 and £0.5 million of costs were incurred relating to his departure. The former Finance Director left the Board in June 2018 and £0.8 million in costs were incurred relating to her departure, the provision of an interim replacement and the recruitment of a permanent replacement. These are not costs that will be incurred on a regular basis and are therefore treated as specific items. A profit on disposal of less than £0.1 million was recognised in the current year in respect to the sub-let of certain office space accounted for in accordance with IFRS 16. The sub-let of office space is considered to be a one-off event and therefore treated as a specific item.

Acquisition related items

The Group incurred total expenditure of £2.0 million (2019: £11.0 million) in respect of acquisition related items. £0.2 million (2019: £0.1 million) was incurred in relation to the restricted share plan implemented to retain key staff following the merger between Braemar Shipping Services Plc and ACM Shipping plc. This restricted share plan is due to expire in July 2020.

Expenditure of £1.2 million (2019: £8.0 million) is directly linked to the acquisition of NAVES Corporate Finance GmbH. This includes a credit of £0.1 million related to foreign exchange translation of euro liabilities plus charges of £0.4 million of interest and £0.9 million of post-acquisition remuneration payable to certain vendors under the terms of the acquisition agreement. This agreement has a three-year earn-out period over which the costs of the acquisition will be charged to the Income Statement depending on the earnings of the Financial Division during that period. See Note 14.

Expenditure of £1.1 million (2019: £2.5 million) is directly linked to the acquisition of Atlantic Brokers Holdings Limited in respect of incentive payments to working sellers. The cash payment was made in the year to 28 February 2018 but is subject to clawback provisions if the working sellers were to leave employment of the Group before 28 February 2021 and, as such, the costs are charged to the Income Statement over that clawback period.

The Group recognised a gain of £0.4 million on the fair value movement of warrants. See Note 21.

Other specific items

In the prior year the Group recognised a gain on revaluation of its investment in the London Tanker Broker Panel. There were no transactions involving this investment in the current year, and such transactions are infrequent and therefore treated as a one-off event.

The Group incurred restructuring costs of £0.9 million in the Logistics Division as a result of a restructuring programme implemented by the new Managing Director. This involved the closure of the Manchester office, and relocation from Felixstowe to a smaller office in Ipswich which incurred £0.5 million of costs and a small number of redundancies resulted in £0.4 million of costs. These are not costs that will be incurred on a regular basis and are therefore treated as specific items.

The Group recognised specific income of £0.7 million (2019: £nil) in relation to its investment in AqualisBraemar. A gain of £0.8 million was recognised in relation to the gain on bargain purchase on initial recognition of the investment while a cost of £0.1 million has been recognised in respect of the Group's share of the fair value movement of contingent consideration due from AqualisBraemar. The recognition of this investment is a one-off event and is therefore treated as a specific item.

£0.5 million (2019: £0.8 million) of interest charges related to the Group's revolving credit facility have been included in finance costs. These charges relate to interest payable on tranches of the revolving credit facility that were used to fund the acquisition of NAVES Corporate Finance GmbH.

The Group recognised a further £0.9 million (2019: £22.7 million) in relation to discontinued operations that were disposed of during the year (Note 9).

9 Discontinued operations

On 21 June 2019, the Group entered into a strategic relationship with Aqualis. The transaction involved the divestment of the Offshore, Marine and Adjusting businesses in return for a significant minority shareholding in AqualisBraemar. As a consequence of this transaction, the results of these divested businesses are presented as a discontinued operation in the current and prior year.

On completion, 14,865,621 ordinary shares were issued to the Group; warrants were also issued to the Group, which if successfully vested will increase equity ownership. The warrants are in two equal tranches subject to certain performance considerations over a two-year period following completion such that one half of the warrants will be measured against the AqualisBraemar group EBITDA and one half against the gross profit of the former Braemar Marine and Adjusting divisions. The estimate of the number of warrants that will vest was made using a forecast put together by the joint management team of AqualisBraemar and valued using a Black-Scholes model. The resultant fair value of the warrants at 29 February 2020 was £1.2 million (see Note 21).

AqualisBraemar is a Norwegian quoted entity listed on the Oslo Bors and the Group has measured the value of the equity consideration using the share price on the disposal date.

At 28 February 2019, the assets and liabilities relating to the Offshore, Marine and Adjusting product lines were transferred to held for sale and impaired to their fair value less costs to sell of £7.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

9 Discontinued operations continued

The major classes of assets and liabilities comprising the operations held for sale are as follows:

	Year ended 29 Feb 2020 £'000	Year ended 28 Feb 2019 £'000
Property, plant and equipment	–	1,177
Deferred tax assets	–	–
Trade and other receivables	–	18,194
Current tax receivables (Group relief surrendered)	–	375
Cash and cash equivalents	–	3,910
Provision against assets held for sale	–	(13,045)
Trade and other payables	–	(2,797)
Net assets of discontinued operations	–	7,814

A reconciliation of the derecognition of assets held for sale to the profit on disposal is as follows:

	Year ended 29 Feb 2020 £'000
Net assets disposed of	
Property, plant and equipment	1,328
Trade and other receivables	4,838
Cash	3,910
Trade and other payables	(2,948)
	7,128
Proceeds	
Shares	5,395
Warrants	753
Working capital adjustment	2,361
	8,509
Transaction costs	(1,741)
Disposal-related costs	(403)
Recycling of foreign exchange	670
Loss on disposal	(93)
Trading loss	(799)
Total loss from discontinued operations	(892)

A working capital adjustment of £2.4 million was received in accordance with the working capital provisions in sale and purchase agreement.

Included in the loss on disposal is the cost of settling certain warranty claims arising of £0.5 million and transactions costs totalling £1.7 million in respect of legal and professional fees.

Historic differences on retranslation of the disposed subsidiaries totalling £0.7 million, and previously recorded through other comprehensive income and held with the foreign exchange reserve, have been recycled to loss on disposal.

The results of the discontinued operations which have been included in the Income Statement were as follows:

	Year ended 29 Feb 2020 £'000	Year ended 28 Feb 2019 £'000
Revenue	10,320	32,276
Costs	(10,982)	(34,465)
Specific items	(113)	(20,616)
Loss before taxation	(775)	(22,805)
Taxation	(24)	105
Loss for the year	(799)	(22,700)

The basic and diluted earnings per share in respect of discontinued operations were as follows:

	Year ended 29 Feb 2020 £'000	Year ended 28 Feb 2019 £'000
Basic earnings per share	**(2.86)**	(73.52)
Diluted earnings per share	**(2.86)**	(73.52)

During the year the discontinued operations had net operating cash flows of <£0.9 million (2019: <£0.8 million). There were no cash outflows relating to financing or investing activities (2019: £nil).

10 Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 £'000	2019 £'000
Ordinary shares of 10 pence each		
Final dividend of 10.0 pence per share for the year ended 28 February 2019 (2018: 5.0 pence per share)	**3,066**	3,079
Interim dividend of 5.0 pence per share paid (2018: 5.0 pence per share)	**1,564**	1,537
	4,630	4,616

The Board has prudently decided that it will not recommend a final dividend in respect of the financial year ended 29 February 2020.

The right to receive dividends on the shares held in the ESOP has been waived (see Note 28). The dividend saving through the waiver is £87,000 (2019: £104,000).

11 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 410,690 ordinary shares held by the Employee Share Ownership Plan (2019: 768,991 shares) 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 dilutive ordinary shares, being those options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The Group has other potential dilutive ordinary shares, including convertible loan notes, however these are not currently dilutive.

Total operations	2020 £'000	2019 £'000
Profit/(loss) for the year attributable to shareholders	**4,016**	(27,365)
	pence	pence
Basic earnings per share	**12.88**	(88.63)
Effect of dilutive share options	**(1.24)**	–
Diluted earnings per share	**11.64**	(88.63)

As any potential ordinary shares would have the effect of decreasing a loss per share in the prior year, they have not been treated as dilutive.

Underlying operations	2020 £'000	2019 £'000
Underlying profit from continuing operations for the year attributable to shareholders	**7,776**	7,200
	pence	pence
Basic earnings per share	**24.94**	23.32
Effect of dilutive share options	**(2.40)**	(1.96)
Diluted earnings per share	**22.54**	21.36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

11 Earnings per share continued

Continuing operations	2020 £'000	2019 £'000
Profit/(loss) from continuing operations for the year attributable to shareholders	**4,908**	(4,665)

	pence	pence
Basic earnings per share	**15.74**	(15.11)
Effect of dilutive share options	**(1.51)**	–
Diluted earnings per share	**14.23**	(15.11)

The weighted average number of shares used in basic earnings per share is 31,176,947 (2019: 30,876,631).

The weighted average number of shares used in the diluted earnings per share is 34,494,250 (2019: 33,700,210) after adjusting for the effect of 3,317,303 (2019: 2,823,579) dilutive share options.

12 Goodwill

Group	£'000
Cost	
At 28 February 2018	96,620
Impairment	(4,981)
Exchange adjustments	(168)
At 28 February 2019	91,471
Impairment	–
Exchange adjustments	–
At 29 February 2020	**91,471**
Accumulated impairment	
At 28 February 2019 and 29 February 2020	**7,659**
Net book value at 29 February 2020	**83,812**
Net book value at 28 February 2019	83,812

Goodwill decreased by £5.0 million in the prior year as a result of an impairment to goodwill relating to discontinued operations.

All goodwill is allocated to cash-generating units. The allocation of goodwill to cash-generating units is as follows:

	2020 £'000	2019 £'000
Shipbroking	**68,696**	68,696
Financial	**11,471**	11,471
Logistics	**3,645**	3,645
Technical	**–**	–
	83,812	83,812

These cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

All goodwill is denominated in the Group's reporting currency, with the exception of the Financial Division which is denominated in Euros. Goodwill denominated in foreign currencies is revalued at the Balance Sheet date. The exchange adjustment at 29 February 2020 was less than £1,000.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The discount rate was determined from the pre-tax weighted average cost of capital calculation which was not based on an entity specific capital structure.

The estimated cash flows were based on the approved annual budget for the next financial year and management projections for the following four years which are based on management's estimates of revenue growth and cost inflation. Cash flows have been used over a period of five years as management believes this reflects a reasonable time horizon for management to monitor the trends in the business. After five years a terminal value is calculated using a long-term growth rate of 1.0% (2019: 1.0%). They key assumptions are as follows:

2020	Shipbroking	Financial	Logistics
Discount rate	**9.24%**	**9.24%**	**9.24%**
Operating profit margin years 2-5	**10.7-12.4%**	**28.0-29.2%**	**3.3-4.5%**

2019	Shipbroking	Financial	Logistics
Discount rate	9.48%	9.48%	9.48%
Operating profit margin years 2-5	12.2-13.1%	35.7-36.0%	3.9-4.8%

Sensitivity to impairment

Overall, the tests performed indicated aggregate headroom over the carrying value of the goodwill of 100% in all three cash-generating units. To test the sensitivity of the results of the impairment review, the calculations have been re-performed under three scenarios:

- estimating the impact of COVID-19 on the approved annual budget for the next financial year.
- increasing the post-tax discount rate by 2%.
- reducing underlying operating profit by 20%.

The results showed that in all scenarios the net present values of the three cash-generating units were still in excess of the carrying value and therefore there was no indication of impairment.

Management have considered the impact of COVID-19 and concluded that it is a non-adjusting event after the reporting period. See Note 32.

At the Balance Sheet date, management concluded that there were no reasonably possible changes in the key assumptions used in the impairment review that would reduce headroom to nil or result in an impairment.

13 Other intangible assets

Group	Computer software £'000	Research and development £'000	Other intangible assets £'000	Total £'000
Cost				
At 28 February 2018	3,829	836	15,687	20,352
Additions	1,409	–	–	1,409
Reclassified to assets held for sale	–	–	(4,576)	(4,576)
Exchange adjustments	–	–	(106)	(106)
At 28 February 2019	5,238	836	11,005	17,079
Additions	567	–	–	567
At 29 February 2020	**5,805**	**836**	**11,005**	**17,646**
Amortisation and impairment				
At 28 February 2018	2,464	168	14,327	16,959
Charge for the year	478	56	1,017	1,551
Impairment	1,055	–	–	1,055
Reclassified to assets held for sale	–	–	(4,576)	(4,576)
Exchange adjustments	–	–	(136)	(136)
At 28 February 2019	3,997	224	10,632	14,853
Charge for the year	410	–	–	410
Impairment	–	–	–	–
Exchange adjustments	(28)	–	–	(28)
At 29 February 2020	**4,379**	**224**	**10,632**	**15,235**
Net book value at 29 February 2020	**1,426**	**612**	**373**	**2,411**
Net book value at 28 February 2019	1,241	612	373	2,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

13 Other intangible assets continued
Other intangible assets brought forward from the prior year relate to forward books of income acquired in acquisitions which are being amortised over the period that the income is being recognised; customer relationships which are amortised over a period of five years; and brand which is being amortised over ten years.

During the year ended 28 February 2019 computer software was impaired by £1.1 million in relation to the net assets held for sale. This software was not deemed transferable as part of the transaction thus it was impaired to nil.

Company	Computer software £'000	Total £'000
Cost		
At 28 February 2018	–	–
Additions	632	632
At 29 February 2020	**632**	**632**
Amortisation and impairment		
At 28 February 2018	–	–
Charge for the year	–	–
At 29 February 2020	**–**	**–**
Net book value at 29 February 2020	**632**	**632**
Net book value at 28 February 2019	–	–

At 29 February 2020, the Group had £210,000 of contractual commitments for the acquisition of computer software (2019: £132,000).

14 Deferred and contingent consideration
Acquisition of NAVES Corporate Finance GmbH
In September 2017, the Group acquired the entire share capital of NAVES Corporate Finance GmbH ("NAVES"). NAVES is an established and successful business, headquartered in Hamburg, Germany, which advises national and international clients on corporate finance related to the maritime industry including restructuring advisory, corporate finance advisory, M&A, asset brokerage, interim/pre-insolvency management, and financial asset management including loan servicing.

The acquisition agreement provides for a minimum consideration of £20.6 million (€24 million), excluding a working capital adjustment, and a maximum consideration of £30.0 million (€35 million). Management Sellers represent Mark Kuchenbecker and Axel Siepmann, the managing partners of NAVES, and Non-management Sellers represent other investors.

The initial consideration payable at completion was:
- £12.7 million (€14.8 million), excluding a working capital adjustment, 50% of which was paid in cash, and 50% satisfied by the issue of convertible loan notes; and
- £1.3 million (€1.5 million) to be satisfied by the issue of 458,166 ordinary shares to Non-management Sellers only (representing a price of 300.2 pence per ordinary share (being the Reference Price)).

At 29 February 2020 the following elements of deferred consideration have been paid:
- two annual instalments of £0.6 million (€0.7 million) to Management Sellers only, to be satisfied by the issue of convertible loan notes; and
- one annual instalment of £1.2 million (€1.4 million) to the Sellers, 50% in cash and 50% satisfied by the issue of convertible loan notes. Interest at a rate of 3% per annum will accrue on each of these tranches from the date of issue until the date of conversion or payment of the relevant tranche.

At 29 February 2020 the outstanding elements of deferred consideration are:
- three annual instalments of £0.6 million (€0.7 million) will be payable to Management Sellers only, to be satisfied by the issue of convertible loan notes; and
- two annual instalments of £1.2 million (€1.4 million) will be payable to the Sellers, 50% in cash and 50% satisfied by the issue of convertible loan notes. Interest at a rate of 3% per annum will accrue on each of these tranches from the date of issue until the date of conversion or payment of the relevant tranche.

An additional aggregate amount of up to £9.4 million (€11.0 million), being the balance of the maximum consideration, may be payable over the three years following completion in accordance with the terms and conditions in the acquisition agreement which provide as follows:
- payable to the Management Sellers only and satisfied wholly by the issue of convertible loan notes;
- payable annually in tranches of £3.2 million (€3.7 million) in each case within 30 days of the determination of NAVES' EBIT for the relevant period; and
- requires NAVES to deliver EBIT in excess of £1.7 million (€2.0 million) in each period to trigger payment with the maximum consideration payable in each year if EBIT of £3.8 million (€4.4 million) is delivered subject, in each case, to certain agreed adjustments.

At 29 February 2020, the actual amount payable is expected to be £4.8 million (€5.6 million):
- Year 1 – 100% of maximum being £3.2 million (€3.7 million) based on actual performance
- Year 2 – 42% of maximum being £1.3 million (€1.5 million) based on actual performance
- Year 3 – 11% of maximum being £0.3 million (€0.4 million) based on expected performance

Leaver provisions provide that if either of Mark Kuchenbecker or Axel Siepmann resigns or is dismissed for cause, then each Management Seller shall have their entitlements to receive further payments of the deferred consideration and earn-out consideration reduced by an amount equal to the relevant individual's percentage ownership interest in each relevant Management Seller.

IFRS 3 states that amounts paid to former owners which are conditional on ongoing service are for the benefit of the acquirer and not for the benefit of former owners. Consideration linked to the ongoing service of former owners will be treated as remuneration for post-combination services and classified as acquisition related expenditure under specific items in the Income Statement.

Costs of £1.2 million associated with the acquisition were incurred during the year ending 29 February 2020 (2019: £8.0 million) and have been classified as acquisition related expenditure under specific items in the Income Statement (see Note 8).

Convertible instruments and deferred consideration

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current				
Issued convertible loan notes	**4,340**	6,339	**–**	–
Deferred cash	**600**	600	**–**	–
	4,940	6,939	**–**	–
Non-current				
Issued convertible loan notes and deferred cash	**2,398**	4,579	**–**	–
Accrued retention convertible loan notes and deferred cash	**3,031**	5,158	**–**	–
Financial derivatives	**90**	99	**–**	–
	5,519	9,936	**–**	–
	10,459	16,875	**–**	–

Of the total convertible loan notes and deferred consideration, £0.6 million is in relation to payments that will be paid within one year of the Balance Sheet date.

In total, the Group has committed to the issue of up to £20.6 million (€24.0 million) convertible loan note instruments in respect of the acquisition of NAVES Corporate Finance GmbH.

These convertible loan note instruments are unsecured, unlisted and non-transferable. The notes are euro denominated and carry a 3% per annum coupon. Each tranche is redeemable on or after two years from the date of issue by the Group or by the individual holder. The conversion prices were fixed at 390.3 pence for Management Sellers and 450.3 pence for Non-management Sellers.

The convertible loan note instruments carry certain accelerated conversion rights in the event of default on financial commitments associated with the instruments or business distress within the Group. The loan notes shall automatically convert or be redeemed in the event that any person or persons acting in concert hold more than 50% of the issued share capital of the Group or an impairment charge in excess of £42.8 million (€50 million) is reflected in the audited financial statements of the Group.

All deferred consideration and earn-out consideration payable to Management Sellers is subject to Axel Siepmann and Mark Kuchenbecker remaining with the business during the relevant periods (subject to good leaver/bad leaver provisions).

The convertible loan notes and financial derivatives are valued using level 3 hierarchy techniques under IFRS 13. See Note 21.

Acquisition of Atlantic Brokers Holdings Limited

In February 2018 the Group acquired the entire share capital of Atlantic Brokers Holdings Ltd, the holding company for Atlantic Brokers Ltd (together, "Atlantic"). Atlantic is an established introducing broker of Physical and Financial Coal Products in both the Atlantic and Pacific Basins.

The acquisition agreement provides for a total consideration of £4.8 million (subject to a customary working capital adjustment). The total consideration payable is split:
- £2.7 million in cash (subject to adjustment based on target net asset value and regulatory capital requirements); and
- £2.1 million to be satisfied by the issue of 804,426 ordinary shares of 10 pence each in the capital of the Company, representing a price of 261.055 pence per share. The price per share represents the volume weighted average closing middle market share price for an ordinary share for the 30 consecutive trading days prior to completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

14 Deferred and contingent consideration continued

The sellers who are engaged in the business, Tristram Simmonds, Michael Griffin and Kelvin Taaffe (together, the "Working Sellers"), entered into new service contracts on completion of the acquisition. The transaction terms include lock-in mechanisms to incentivise the Working Sellers to remain with Atlantic for at least three years following completion. Working Sellers who become "bad leavers" within three years will be required to return one-third of the value of their Core Consideration to the Group for each post-completion anniversary not reached.

IFRS 3 requires that payments to acquire a business are distinguished from other payments and that a contingent consideration arrangement in which payments are automatically forfeited if employment terminates is remuneration for post-combination services. On this basis, all consideration paid to the Working Sellers will be treated as post-acquisition expenses and expensed to the Income Statement over the period of the restrictions.

Costs of £1.1 million associated with the acquisition were incurred during the year ending 29 February 2020 (2019: £2.5 million) and have been classified as acquisition related expenditure in the Income Statement (see Note 8).

15 Property, plant and equipment

Group	Leaseholds £'000	Computers £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost or fair value					
At 28 February 2018	2,250	4,179	5,037	51	11,517
Additions at cost	48	82	128	–	258
Disposals	(64)	(201)	(56)	–	(321)
Reclassification to assets held for sale	(630)	(2,593)	(2,751)	(51)	(6,025)
Exchange differences	19	35	38	–	92
At 28 February 2019	1,623	1,502	2,396	–	5,521
Recognised on adoption of IFRS 16	10,815	–	351	–	11,166
Additions at cost	2,986	73	292	–	3,351
Disposals	(1,620)	(501)	(668)	–	(2,789)
Exchange differences	14	8	43	–	65
At 29 February 2020	**13,818**	**1,082**	**2,414**	**–**	**17,314**
Accumulated depreciation					
At 28 February 2018	739	3,514	3,910	32	8,195
Charge for the year	192	219	280	–	691
Disposals	(256)	(254)	(84)	–	(594)
Reclassification to assets held for sale	(451)	(2,465)	(1,900)	(32)	(4,848)
Exchange differences	42	59	(2)	–	99
At 28 February 2019	266	1,073	2,204	–	3,543
Charge for the year	2,555	101	324	–	2,980
Disposals	(83)	(478)	(617)	–	(1,178)
Exchange differences	4	5	32	–	41
At 29 February 2020	**2,742**	**701**	**1,943**	**–**	**5,386**
Net book value at 29 February 2020	**11,076**	**381**	**471**	**–**	**11,928**
Net book value at 28 February 2019	1,357	429	192	–	1,978

On 1 March 2019 the Group adopted IFRS 16 "Leases" (see Note 1a and Note 16) and consequently right-of-use assets have been recognised within property, plant and equipment.

At 29 February 2020, the Group had no contractual commitments for the acquisition of property, plant and equipment (2019: £nil).

Company	Leaseholds £'000	Computers £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 28 February 2018	–	3	17	20
Additions at cost	–	–	–	–
At 28 February 2019	–	3	17	20
Recognised on adoption of IFRS 16	11,868	–	205	12,073
Additions at cost	–	3	–	3
Disposals	(2,726)	–	–	(2,726)
At 29 February 2020	**9,142**	**6**	**222**	**9,370**
Accumulated depreciation				
At 28 February 2018	–	–	–	–
Charge for the year	–	1	3	4
At 28 February 2019	–	1	3	4
Charge for the year	1,711	1	95	1,807
At 29 February 2020	**1,711**	**2**	**98**	**1,811**
Net book value at 29 February 2020	**7,431**	**4**	**124**	**7,559**
Net book value at 28 February 2019	–	2	14	16

16 Leases

Right-of-use assets

	Leaseholds £'000	Fixtures and equipment £'000	Total £'000
At 1 March 2019	10,816	351	11,167
Additions	2,074	101	2,175
Amortisation	(2,136)	(182)	(2,318)
Disposals	(1,535)	–	(1,535)
Exchange differences	–	(3)	(3)
At 29 February 2020	**9,219**	**267**	**9,486**

Lease liabilities

	Leaseholds £'000	Fixtures and equipment £'000	Total £'000
At 1 March 2019	15,248	351	15,599
Additions	2,074	101	2,175
Interest expense	436	11	447
Lease payments	(3,403)	(70)	(3,473)
Exchange differences	28	–	28
At 29 February 2020	**14,383**	**393**	**14,776**

Lease receivables

	Leaseholds £'000	Fixtures and equipment £'000	Total £'000
At 1 March 2019	2,554	–	2,554
Additions	1,235	–	1,235
Interest received	86	–	86
Lease payments	(661)	–	(661)
Exchange differences	–	–	–
At 29 February 2020	**3,214**	**–**	**3,214**

16 Leases continued

	2020 £'000
Short-term lease expense	**329**
Short-term lease income	**62**
Low value lease expense	**–**

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	1,059	2,860	3,416	7,339	102
Lease receivables	201	583	747	1,683	–

17 Investments

Group	Unlisted investments £'000
Cost at 28 February 2019	1,773
At 29 February 2020	
Additions	189
Cost at 29 February 2020	**1,962**

The Group recognises unlisted investments at fair value through profit or loss.

Company	Subsidiaries £'000	Unlisted investments £'000	Total £'000
Cost			
At 28 February 2018	119,961	1,200	121,161
Share-based payments	1,262	–	1,262
Disposals	–	(200)	(200)
Dissolution of dormant subsidiaries	(988)	–	(988)
Gain on revaluation	–	500	500
At 28 February 2019	120,235	1,500	121,735
Share-based payments	1,582	–	1,582
Disposal	(7,848)	–	(7,848)
At 29 February 2020	**113,969**	**1,500**	**115,469**
Impairment			
28 February 2019	9,187	–	9,187
Write-down of investment in Engineering Division	1,396	–	1,396
At 29 February 2020	**10,583**	**–**	**10,583**
Net book value at 29 February 2020	**103,386**	**1,500**	**104,886**
Net book value at 28 February 2019	111,048	1,500	112,548

The Company recognises investments in subsidiaries at cost less impairment.

The Company invested £1.6 million (2019: £1.3 million) in the subsidiaries of the Group in respect of share-based payment charges incurred in the year. See Note 27.

During the year the Company disposed of its investment in the Technical subsidiaries, which had been written down in the prior year to the fair value of the net assets held for sale, see Note 9.

During the year the Company impaired investments in the Engineering Division totalling £1.4 million.

A list of subsidiary undertakings is included in Note 31.

The financial statements of the principal subsidiary undertakings are prepared to 29 February 2020.

Unlisted investments
The Group's unlisted investments include 1,500 (2019: 1,500) ordinary £1 shares in London Tanker Broker Panel. During the prior year the Group disposed of 200 ordinary £1 shares, realising a gain on disposal of £0.1 million. The investment is carried at fair value, being the value of the most recent comparable transaction.

18 Investment in associate

On 21 June 2019 the Group recognised an investment in associate as a result of the divestment of the Offshore, Marine and Adjusting product lines in return for a significant minority shareholding in AqualisBraemar ASA (see Note 9).

On completion, 14,865,621 ordinary shares in AqualisBraemar ASA were issued to the Group. Warrants were also issued to the Group, which if successfully vested will take overall equity ownership up to 33%. On 16 July 2019 the Group acquired a further 4,375,000 shares through a private placement at a cost of £1.6 million.

AqualisBraemar ASA is listed on the Oslo Bors, its principal place of business is Oslo and its registered address is Olav Vs gate 6, 0161, Oslo, Norway. AqualisBraemar ASA has one share class and each share carries one vote. At 29 February 2020 the Group's shareholding was 19,240,621 ordinary shares, which equates to 27.3% of AqualisBraemar ASA's share capital and 27.3% of voting rights.

The share price of AqualisBraemar ASA on 29 February 2020 was NOK 3.70. The market value of the Group's shareholding at 29 February 2020 was £5.9 million (NOK 71.2 million).

The investment in associate has been accounted for using the equity method.

	£'000 Total
At 1 March 2019	–
Cost of investment	5,395
Private placement	1,605
Gain on bargain purchase	818
Share of loss in associate – underlying	(262)
Share of loss in associate – specific	(120)
Foreign exchange movements	(121)
At 29 February 2020	**7,315**

A purchase price allocation ("PPA") exercise was carried out to compare the fair value of the Group's share of identifiable net assets in AqualisBraemar ASA to the fair value of the purchase price. The notional PPA exercise resulted in a bargain purchase of £0.8 million which increased the carrying value of the investment in associate to £6.2 million. The gain on bargain purchase arises as a result of the fair value of the identifiable net assets acquired through the notional PPA exercise being greater than the cost of acquisition of the investment in AqualisBraemar ASA.

Management have reviewed the carrying value of the investment at 29 February 2020 and do not consider this to be impaired.

IAS 28 requires the most recent financial statements of an associate are used for accounting purposes, and that coterminous information should be used unless it is impractical to do so. AqualisBraemar ASA have a year-end of 31 December and for practical reasons AqualisBraemar ASA full year accounts will be used for the purposes of the Group's full year reporting at 29 February with adjustments made for any significant transactions and events. For the period to 29 February 2020, the Group has included its share of the AqualisBraemar ASA results to 31 December 2019. There were no other significant transactions or events between 31 December 2019 and 29 February 2020. At 31 December 2019 AqualisBraemar ASA had no contingent liabilities.

The summarised financial information of AqualisBraemar ASA for the period ended 31 December 2019 is as follows. These figures are taken from the annual report of AqualisBraemar ASA, adjusted for any fair value adjustments but before any intercompany eliminations.

	31 Dec 2019 £'000
Balance Sheet	
Current assets	36,741
Non-current assets	2,633
Current liabilities	(9,155)
Non-current liabilities	(3,450)
Net assets (100%)	26,769
Group share of net assets (27.3%)	7,315
Income Statement	
Revenues	42,650
Post-tax profit	7,034
Total comprehensive income	7,105
Dividends received from associate	–

The share of loss in associate recognised during the year has been adjusted for the elimination of gains and losses on transactions with AqualisBraemar.

19 Other long-term receivables

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Other long-term receivables		–	227	–	–
Security deposits		37	37	–	–
Finance lease receivables	16	2,430	–	2,040	–
		2,467	264	2,040	–

20 Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables	31,913	31,461	–	–
Provision for impairment of trade receivables	(3,405)	(3,239)	–	–
	28,508	28,222	–	–
Amounts due from subsidiary undertakings	–	–	40,058	35,750
Other receivables	6,561	5,957	–	818
Finance lease receivables	784	–	634	–
Accrued income	2,815	1,803	–	–
Prepayments	873	1,146	120	56
	39,541	37,128	40,812	36,624

The total receivables balance is denominated in the following currencies:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
US dollars	22,511	16,005	–	–
Pounds sterling	13,103	12,378	14,708	9,290
Other	3,927	8,745	26,104	27,334
	39,541	37,128	40,812	36,624

The Directors consider that the carrying amounts of trade receivables approximate to their fair value.

Trade receivables are non-interest bearing and are generally on terms payable within 30–90 days; terms associated with the settlement of the Group's trade receivables vary across the Group. Specific debts are provided for where recovery is deemed uncertain, which will be assessed on a case-by-case basis whenever debts are older than the due date, but always when debts are older than usual for the industry in which each business in the Group operates. As at 29 February 2020, trade receivables of £220,000 (2019: £2,298,000) which were over 24 months old were treated as credit impaired and have been provided for and trade receivables of £2,262,000 (2019: £1,147,000) which were between twelve months old and 24 months old were treated as impaired and have been provided for. A provision of £23,000 (2019: £152,000) has been made for specific trade receivables which are less than twelve months overdue.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses and then rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The ageing profile of trade receivables and the lifetime expected credit loss for provisions and contract assets is as follows:

		Expected loss rate	2020 £'000 Group provision	2020 £'000 ECL provision	2020 £'000 Total provision for impairment of trade receivables
Up to 3 months	**21,547**	**0.015%**	**–**	**315**	**315**
3 to 6 months	**3,514**	**0.034%**	**–**	**118**	**118**
6 to 12 months	**3,883**	**0.050%**	**23**	**195**	**218**
Over 12 months	**2,969**	**0.482%**	**2,482**	**235**	**2,717**
Trade receivables	**31,913**	**0.581%**	**2,505**	**863**	**3,368**
Accrued income	**2,815**	**0.013%**	**–**	**37**	**37**
Total	**34,728**	**0.594%**	**2,505**	**900**	**3,405**

		Expected loss rate	2019 £'000 Group provision	2019 £'000 ECL provision	2019 £'000 Total provision for impairment of trade receivables
Up to 3 months	23,477	0.023%	–	540	540
3 to 6 months	3,173	0.030%	–	95	95
6 to 12 months	2,513	0.040%	–	101	101
Over 12 months	2,298	0.050%	2,450	(11)	2,439
Trade receivables	31,461	0.143%	2,450	725	3,175
Accrued income	1,803	0.023%	–	64	64
Total	33,264	0.166%	2,450	789	3,239

The Company has no trade receivables (2019: £nil). Amounts due from subsidiary undertakings are interest-free, unsecured and repayable on demand. The Company provides for impairment using a lifetime expected credit loss provision for amounts due from subsidiary undertakings. At 29 February 2020 amounts due from subsidiary undertakings of £1.6 million (2019: £1.5 million) were treated as credit impaired. These amounts related to amounts due from the Engineering Division (2019: these amounts related to discontinued operations).

Movements on the Group provision for impairment of trade receivables were as follows:

	2020 £'000	2019 £'000
At 1 March	**3,239**	4,629
Restatement on adoption of IFRS 9	**–**	1,081
Provision for receivables impairment	**948**	385
Receivables written off during the year as uncollectible	**(782)**	(58)
Amounts previously impaired collected in period	**–**	(154)
Reclassified as held for sale	**–**	(2,619)
Exchange differences	**–**	(25)
At 29 February	**3,405**	3,239

21 Financial instruments and risk management
The Group is exposed through its operations to the following financial risks:
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

a) Financial instruments
(i) Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:
- Trade and other receivables
- Cash and cash equivalents
- Unlisted investments
- Warrants
- Trade and other payables
- Bank overdrafts
- Revolving credit facility
- Lease liabilities
- Forward currency contracts
- Deferred and contingent consideration

(ii) Financial instruments by category
Financial instruments measured at fair value
The Group's financial assets and liabilities measured at fair value through profit and loss, including their fair value hierarchy, are as follows. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction, other than in a forced or liquidated sale.

	As at 29 Feb 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Unlisted investments	1,500	–	1,500	–
Warrants	1,184	–	–	1,184
Total	**2,684**	**–**	**1,500**	**1,184**
Financial liabilities				
Forward currency contracts	437	–	437	–
Embedded derivative	90	–	–	90
Total	**527**	**–**	**437**	**90**

	As at 28 Feb 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Unlisted investments	1,500	1,500	–	–
Total	1,500	1,500	–	–
Financial liabilities				
Forward currency contracts	49	–	49	–
Total	49	–	49	–

Fair value hierarchy
The level in the fair value hierarchy within which the financial asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities are classified in their entirety into one of three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

Unlisted investment
The unlisted investment relates to the Group's investment in the London Tanker Broker Panel, see Note 17. The investment is carried at fair value, being the value of the most recent comparable transaction.

There was no movement in the fair value of the unlisted investment.

Warrants
The fair value of the warrants includes unobservable inputs and are therefore classified as Level 3. The key assumptions underpinning the fair value of the warrants relate to the future expected share price of AqualisBraemar ASA, the GBP:NOK and GBP:USD exchange rate and the future performance of both AqualisBraemar as a whole, and of the former Braemar Marine and Adjusting product lines. The fair value has been determined using the Black-Scholes valuation model. The inputs in the Black-Scholes valuation model are:
– the share price of AqualisBraemar NOK 2.87
– the exercise price of the option NOK 0.01
– the length of the exercise period 1.15 years
– the compound risk-free interest rate
– the annualised standard deviation

The fair value of the warrants was increased from £0.8 million on 21 June 2019 to £1.2 million on 29 February 2020 on the basis of forecasts prepared by the management of AqualisBraemar ASA at 31 December 2019. A gain of £0.4 million has been recognised in specific items, see Note 8.

Embedded derivative
The convertible loan note instruments issued on the acquisition of NAVES contain an embedded derivative, being a euro liability of principal and interest. The equity value of the underlying derivative is not considered closely related to the debt host, therefore the loan note is considered to be a financial liability host with an embedded derivative convertible feature which is required to be separated from the host. The fair value of the embedded derivative includes unobservable inputs and are therefore classified as Level 3. They key assumptions underpinning the fair value of the embedded derivative relate to the expected future share price of the Group and the GBP:EUR exchange rate. The fair value has been determined using the Black-Scholes valuation model.

£51,000 has been charged to the Income Statement in respect of the fair value movement of the embedded derivative from 1 March 2019 to 29 February 2020.

Forward currency contracts
The fair value of the forward currency contracts are based on prices quoted by the counterparty within these contracts versus the market rate at the Balance Sheet date and have therefore been classified as Level 2 in the fair value hierarchy. See the currency risk section for further details.

Financial instruments not measured at fair value
The Group's financial assets and liabilities that are not measured at fair value are held at amortised costs. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value. Their carrying values are as follows:

Financial assets	2020 £'000	2019 £'000
Cash and cash equivalents	**28,749**	24,111
Trade and other receivables	**39,541**	37,128
Total	**68,290**	61,239

Financial liabilities	2020 £'000	2019 £'000
Trade and other payables	**48,031**	44,887
Deferred and contingent consideration	**10,369**	16,875
Loans and borrowings	**59,701**	35,884
Total	**118,101**	97,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

21 Financial instruments and risk management continued

b) Currency risk

Currency risk arises when Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from operations in that currency. The Group's currency risk exposure arises mainly as a result of the majority of its Shipbroking earnings being denominated in US dollars while the majority of its costs are denominated in pounds sterling. There is also some currency exposure related to convertible loan notes and deferred consideration denominated in euros and from the carrying values of its overseas subsidiaries being denominated in foreign currencies.

The Group manages the exposure to US dollar currency variations by spot and forward currency sales and other derivative currency contracts, including participating hedging arrangements.

At 29 February 2020 the Group held forward currency contracts to sell $43.7 million at an average rate of $1.309/£1.

At 28 February 2019 the Group held forward currency contracts to sell $15.5 million at an average rate of $1.356/£1 and options over a further $9.5 million at an average rate of $1.368/£1.

The net fair value of forward currency contracts that are designated and effective as cash flow hedges amount to a £437,000 liability (2019: £49,000 liability) which has been deferred in equity.

Amounts of £638,000 have been charged (2019: £311,000 charged) to the Income Statement in respect of forward contracts which have matured in the period.

Excluding the effect of hedging, the effect on equity and profit before tax if the US dollar strengthened/(weakened) by 10% against sterling, with all other variables being equal, is as follows:

	Profit or loss		Equity, net of tax	
	+10% strengthening £'000	−10% weakening £'000	+10% strengthening £'000	−10% weakening £'000
29 February 2020				
US dollars	**2,695**	**(2,695)**	**2,183**	**(2,183)**
Euros	**335**	**(335)**	**272**	**(272)**
Total	**3,030**	**(3,030)**	**2,455**	**(2,455)**
28 February 2019				
US dollars	4,014	(3,284)	3,211	(2,627)
Euros	940	(940)	762	(762)
Total	4,954	(4,224)	3,973	(3,389)

c) Interest rate risk

The Group is exposed to interest rate risk from borrowings at floating rates. The Group minimises its short-term exposure to interest rate risk on its cash and cash equivalents by pooling cash balances across the Group's hubs.

The Group has not entered into any financial instruments to fix or hedge the interest rates applied to its bank borrowings and overdrafts.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments which are exposed to interest rate risk:

		Group		Company	
		2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Floating rate:					
Within one year					
Cash and cash equivalents	22	**28,749**	24,111	**26**	1,213
Secured pooled overdraft facilities	23	**(23,642)**	(15,323)	**(24,668)**	(22,328)
Secured rolling credit facilities and other borrowings	23	**(25,116)**	(20,521)	**(25,117)**	(20,520)
		(20,009)	(11,733)	**(49,759)**	(41,635)

Cash balances are generally held on overnight deposits at floating rates depending on cash requirements and the prevailing market rates for the amount of funds deposited. The other financial instruments of the Group are non-interest bearing.

The effect on equity and profit before tax of a 1% increase/(decrease) in the interest rate, all other variables being equal, is as follows:

	Profit or loss		Equity, net of tax	
	+1% increase £'000	–1% decrease £'000	+1% increase £'000	–1% decrease £'000
29 February 2020				
Cash and cash equivalents	**13**	**(12)**	**10**	**(10)**
RCF and overdrafts	**(22)**	**21**	**(18)**	**17**
Total	**(9)**	**9**	**(8)**	**7**
28 February 2019 restated				
Cash and cash equivalents	11	(10)	9	(8)
RCF and overdrafts	(13)	12	(13)	12
Total	(2)	2	(4)	4

d) Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the diversity of the Group's customer base. The Directors believe there is no further credit risk provision required in excess of normal provisions for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group seeks to trade only with creditworthy parties and carries out credit checks where appropriate. The maximum exposure is the carrying amount as disclosed in Note 20.

e) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meets its liabilities when they become due. Management receive rolling 13-week cash flow projections on a weekly basis to ensure the Group has sufficient liquidity.

The Board receives rolling twelve-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments which are exposed to liquidity risk:

At 29 February 2020	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	**36,994**	**11,037**	**–**	**–**	**–**
Loans and borrowings	**59,701**	**–**	**–**	**–**	**–**
Deferred and contingent consideration	**–**	**4,940**	**2,517**	**2,912**	**–**
Total	**96,695**	**15,977**	**2,517**	**2,912**	**–**
Forward currency contracts (gross settled)	**78**	**255**	**104**	**–**	**–**

At 28 February 2019	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	42,393	1,948	–	–	–
Loans and borrowings	35,884	–	–	–	–
Deferred and contingent consideration	–	6,939	4,940	4,397	599
Total	78,277	8,887	4,940	4,397	599
Forward currency contracts (gross settled)	88	(39)	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

21 Financials instruments and risk management continued

f) Capital management

The Group manages its capital structure so as to maintain investor and market confidence and to provide returns to shareholders that will support the future development of the business. The Group makes adjustments to the capital structure if required in response to changes in economic conditions. The Group considers its capital as consisting of ordinary shares and retained earnings. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group has a policy of maintaining positive cash balances and also has a revolving credit facility which it draws down as required to provide cover against the cyclical nature of the shipping industry.

The Board monitors underlying business performance to determine the ongoing use of capital, namely executive and staff incentive schemes (and whether to fund this through cash or share incentives); acquisition appraisals ahead of potential business combinations; investment in property, plant and equipment; and the level of dividends.

No changes were made in the objectives, policies or processes during the years ended 29 February 2020 and 28 February 2019.

g) Reconciliation of financing cash flows

	Non-current loans and borrowings	Non-current deferred consideration	Non-current lease liabilities	Current loans and borrowings	Current deferred consideration	Current lease liabilities	Total
At 1 March 2019	4,579	5,357	–	42,183	600	–	52,719
Cash flows	(502)	–	–	5,182	(600)	(3,473)	607
Non-cash flows:							
– Interest accruing in the period	502	–	447	1,393	–	–	2,342
– Lease adjustment	–	–	14,302	–	–	3,473	17,775
– Amounts reclassified from non-current to current	(4,579)	(600)	(3,834)	4,579	600	3,834	–
– Amounts reclassified from deferred consideration to loans	2,912	(2,912)	–	–	–	–	–
– Retention accrual net charge	–	1,189	–	–	–	–	1,189
– Effects of foreign exchange	(514)	(3)	28	(239)	–	–	(728)
At 29 February 2020	**2,398**	**3,031**	**10,943**	**53,098**	**600**	**3,834**	**73,904**

22 Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank and cash on hand	**28,114**	23,541	**26**	1,213
Term deposits	**635**	570	**–**	–
	28,749	24,111	**26**	1,213
Cash held for sale	**–**	3,910	**–**	–
	28,749	28,021	**26**	1,213

Cash and cash equivalents largely comprise bank balances denominated in sterling, US dollars, euros and other currencies for the purpose of settling current liabilities.

Cash includes an amount of £1.3 million (2019: £1.3 million) held in the bank accounts of regulated entities where there is a requirement to hold a certain amount of cash at any one time in order to cover future obligations. No charge or other restriction of use is held over this cash.

The Group utilises global cash pooling facilities, notably in our regional hubs of the UK, Singapore and Germany. The Consolidated Balance Sheet shows cash of £28.7 million (2019: £24.1 million) and short-term borrowings includes overdrafts relating to the pooled facilities of £25.1 million (2019: £20.5 million), see Note 24. The Group has a legal offset in respect of the pooling arrangement but is required to present the separate cash and overdraft balances gross; the overdraft relating to the pooling facilities as identified in Note 24 does therefore not represent a formal overdraft facility available to the Group. Similarly, the consolidated cash balance above of £28.7 million (2019: £24.1 million) is not fully available for use by the Group. The net cash balance available to the Group after deducting the pooled facilities is £3.6 million (2019: £3.6 million).

The Directors consider that the carrying amounts of these assets approximate to their fair value.

23 Trade and other payables

Current liabilities	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	**22,556**	25,214	**–**	–
Lease liabilities	**3,834**	–	**2,674**	–
Amounts owed to subsidiary undertakings	**–**	–	**21,839**	20,097
Other taxation and social security	**1,053**	938	**–**	–
Other payables	**844**	1,092	**189**	681
Other accruals	**19,744**	17,643	**–**	–
	48,031	44,887	**24,702**	20,778

The average credit period taken for trade payables is 61 days (2019: 61 days). The Directors consider that the carrying amounts of trade payables approximate to their fair value.

The Company has trade payables of £nil (2019: £nil). Amounts owed to subsidiary undertakings are interest free, unsecured and repayable on demand.

24 Borrowings

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Short-term borrowings				
Secured revolving credit facilities	**23,642**	15,323	**24,669**	22,328
Secured bank pooled overdraft facilities	**25,116**	20,521	**25,116**	20,520
	48,758	35,844	**49,785**	42,848
Long-term borrowings				
Lease liabilities	**10,943**	–	**8,763**	–

The revolving credit facility expires in September 2022 but is included within short-term borrowings on the basis that there are regular repayments/draw-downs made on this facility. The Group holds no other bank borrowings with a contractual maturity of greater than one year from the Balance Sheet date and, as such, all bank borrowings are classified as short-term.

All revolving credit facilities are drawn within Braemar Shipping Services Plc and appear in the accounts of the Company. The revolving credit facility bears interest based on LIBOR and EURIBOR. See Note 22 for details of the Group's cash pooling arrangements and the net overdraft available to the Group.

On 1 March 2019 the Group adopted IFRS 16 "Leases" (see Note 1a) and now recognises short-term and long-term lease liabilities on the Balance Sheet.

For all borrowings, the Directors consider that the fair value of the liability is equivalent to the carrying amount.

25 Provisions

	Dilapidations £'000	Employee entitlements £'000	Total £'000
At 28 February 2019	–	414	414
Reclassified to discontinued operations	–	–	–
Provided in the year	570	72	642
Utilised in the year	–	(90)	(90)
At 29 February 2020	**570**	**396**	**966**
Current	–	201	201
Non-current	570	195	765
At 29 February 2020	**570**	**396**	**966**

Dilapidations relate to future obligations to make good certain office premises upon expiration of the lease term. The provision is calculated with reference to the location and square footage of the office.

Employee entitlements relate to statutory long service leave in Braemar ACM Shipbroking Pty Limited. This is based on the principal that each Australian employee is entitled to eight weeks of leave over and above any annual leave on completion of ten years' continuous service. The provision is calculated with reference to the number of employees who have at least seven years of continuous service.

The Company provided for £0.5 million of dilapidations during the year; at 29 February 2020 this was classified as a non-current liability.

26 Retirement benefit schemes

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 31 March 2017 and updated by IAS 19 as at 29 February 2020. All valuations were carried out by a qualified independent actuary.

The Group's obligations in respect of the funded defined benefit scheme at 29 February 2020 were as follows:

	Group	
	2020 £'000	2019 £'000
Present value of funded obligations	**16,004**	13,705
Fair value of scheme assets	**(12,332)**	(11,719)
Total deficit of defined benefit pension scheme	**3,672**	1,986

Funded defined benefit scheme

The Group sponsors a funded defined benefit scheme (The ACM Staff Pension Scheme) for qualifying UK employees. The Scheme is administered by a separate board of trustees which is legally separate from the Group. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

Under the Scheme, employees are entitled to annual pensions on retirement at age 60 of one-sixtieth of final pensionable salary for each year of service. Pensionable salary is defined as basic salary plus the average of the previous three years' bonuses (capped at three times basic salary). Pensionable salaries for members who joined after 1 June 1989 are also restricted to an earnings cap. Other benefits are payable, for example those provided on death.

From 1 February 2016, post-retirement benefits are provided to these employees through a separate defined contribution arrangement.

Profile of the Scheme

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Broadly, around 63% of the liabilities are attributable to deferred pensions for current and former employees, with the remaining 37% to current pensioners.

The Scheme duration is an indicator of the weighted average time until benefit payments are made. For the Scheme as a whole, the duration is around 21.4 years.

Funding implications

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 March 2017 and showed a deficit of £3.4 million. As a result, the Company has been paying deficit contributions of £450,000 p.a. since 31 March 2017 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 July 2023.

Risks associated with the Scheme

The Scheme exposes the Group to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes moving assets to match pensioner liabilities when members reach retirement. The Trustees insure certain benefits payable on death before retirement.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pension ("GMP"). The UK Government intends to implement legislation which could result in an increase in the value of GMP for males. This would increase the defined benefit obligation of the plan. We have made an estimate of the impact of this based on our current understanding and it will increase the liabilities by 0.36%.

The principal assumptions used for updating the latest valuation of the Scheme were:

	2020 (% p.a.)	2019 (% p.a.)
Discount rate	**2.0**	2.8
CPI inflation	**2.8**	2.6
Pension increases:		
CPI capped at 2.5% p.a.	**1.9**	1.9
CPI capped at 5.0% p.a.	**2.1**	2.1
Deferred pension increases:		
CPI capped at 2.5% p.a.	**1.9**	1.9
CPI capped at 5.0% p.a.	**2.1**	2.1

	2020 Years	2019 Years
Life expectancy from age 60 for:		
Current 60-year-old male	**27.8**	28.3
Current 60-year-old female	**28.9**	29.3
Pre-retirement mortality	**–**	–
Post-retirement mortality	95% of S2PXA Light Tables, CMI 2018 (min 1.25%)	
Early retirement	33% of members retire at age 55, with the remainder retiring at age 60.	
Withdrawals from active service	No allowance.	
Cash commutation	25% of the member's pension is commuted.	

Scheme assets	**2020 £'000**	2019 £'000
Scheme assets are comprised as follows:		
UK equities	**501**	75
Overseas equities	**3,827**	3,557
Unquoted equities	**66**	498
Absolute return	**342**	746
High yield debt	**456**	544
Cash	**184**	281
Inflation linked bonds	**4,312**	2,773
Corporate bonds	**1,221**	460
Government bonds	**471**	1,372
Other	**952**	1,413
Total	**12,332**	11,719

Expense recognised in the Income Statement (included in operating costs)	**2020 £'000**	2019 £'000
Current service cost	**–**	–
Curtailment credit	**–**	–
Interest on net liability	**113**	90
Expense recognised in Income Statement	**113**	90
Remeasurements in other comprehensive expense:		
Return on assets in excess of that recognised in net interest	**(315)**	375
Actuarial losses/(gains) due to changes in financial assumptions	**2,195**	(604)
Actuarial losses/(gains) due to changes in demographic assumptions	**214**	(75)
Actuarial gains due to liability experience	**(71)**	(787)
Amount recognised in other comprehensive expense	**2,023**	(1,091)
Total amount recognised in Income Statement and other comprehensive expense	**2,136**	(1,001)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

26 Retirement benefit schemes continued

Changes to the present value of the defined benefit obligation are analysed as follows:

	2020 £'000	2019 £'000
Opening defined benefit obligation	**13,705**	16,609
Past service cost	**57**	–
Interest expense	**384**	432
Contributions by participants	**–**	–
Actuarial losses/(gains) on liabilities	**2,338**	(1,466)
Net benefit payments from scheme	**(480)**	(1,870)
Closing value at 29 February	**16,004**	13,705

	2020 £'000	2019 £'000
Opening fair value at 1 March	**11,719**	13,172
Expected return on assets	**328**	342
Actuarial gains/(losses) on liabilities	**315**	(375)
Contributions by employers	**450**	450
Contributions by participants	**–**	–
Net benefit payments from scheme	**(480)**	(1,870)
Closing value at 29 February	**12,332**	11,719

Actual return on Scheme assets	2020 £'000	2019 £'000
Expected return on assets	**328**	342
Remeasurement gain on assets	**315**	(375)
Actual return on assets	**643**	33

Sensitivity analysis

The table below illustrates the sensitivity of the Scheme liabilities at 29 February 2020 to changes in the principal assumptions. The sensitivities assume that all other assumptions remain unchanged and the calculations are approximate (full calculations could lead to a different result).

Change in assumption	Approximate increase in liabilities (%)	Approximate increase in liabilities (£'000)
Interest rate reduced by 0.5% p.a.	11.2%	1,792
Inflation assumption reduced by 0.5% p.a.[1]	7.2%	1,152
Increase in life expectancy of one year for all members reaching 60	2.2%	352

1 The inflation assumption sensitivity applies to both the assumed rate of increase in the CPI and the RPI, and includes the impact on the rate of increases to pensions, both before and after retirement.

Defined contribution schemes

There are a number of defined contribution schemes in the Group, the principal scheme being the Braemar Pension Scheme, which is open to all UK employees. Cash contributions paid into the defined contribution schemes are accounted for as an Income Statement expense as they are incurred. The total charge for the year in respect of this and other defined contribution schemes amounted to £1,207,000 (2019: £2,842,000) of which £1,207,000 (2019: £2,014,000) was in respect of continuing operations.

Contributions of £99,000 were due to these schemes at 29 February 2020 (2019: £141,000).

The assets of these schemes are held separately from those of the Group in funds under the control of the Trustees.

27 Share capital

Group and Company	Ordinary shares 2020 Number	Ordinary shares 2019 Number	Ordinary shares 2020 £'000	Ordinary shares 2019 £'000
a) Authorised				
Ordinary shares of 10 pence each	**34,903,000**	34,903,000	**3,490**	3,490

Group and Company	Ordinary shares 2020 Number	Ordinary shares 2019 Number	Ordinary shares 2020 £'000	Ordinary shares 2019 £'000	Share premium 2020 £'000	Share premium 2019 £'000
b) Issued						
Fully paid ordinary shares of 10 pence each						
As at start of year	**31,436,351**	31,436,351	**3,144**	3,144	**55,805**	55,805
Shares issued as part of acquisitions	**–**	–	**–**	–	**–**	–
Shares issued and fully paid (see below)	**237,478**	–	**23**	–	**–**	–
As at end of year	**31,673,829**	31,436,351	**3,167**	3,144	**55,805**	55,805

No shares were issued as part of acquisitions during the year ended 29 February 2020.

During the year ended 29 February 2020, 237,478 shares were issued at nil cost as part of the restricted share plan scheme.

No shares were issued in the year as part of the Save As You Earn ("SAYE") Scheme. No shares remained unpaid at 29 February 2020 or 28 February 2019.

The Company has one class of ordinary shares which carry no right to fixed income.

c) Share-based payments

The Company operates a variety of share-based payment schemes which are listed below.

i. Share options

The Company operates an employee save-as-you-earn option scheme called the Braemar Shipping Services Plc Savings-Related Share Option Scheme 2014 ("SAYE") and the Braemar Shipping Services Plc International Savings-Related Share Option Scheme 2019 (the "International SAYE Scheme"). No option may be granted under any scheme which would result in the total number of shares issued or remaining issuable under all of the schemes (or any other Group share schemes), in the ten-year period ending on the date of grant of the option, exceeding 10% of the Company's issued share capital (calculated at the date of grant of the relevant option). Options are granted at a 20% discount to the prevailing market price.

Details of the share options in issue and the movements in the year are given below:

Share scheme	Year option granted	Number at 1 March 2019	Granted	Exercised	Lapsed	Number at 29 February 2020	Exercise price (pence)	Exercisable between
SAYE								
	2017	320,230	–	–	(275,881)	**44,349**	245.0	2020–2021
	2019	–	654,945	–	(35,695)	**619,250**	160.0	2021–2022
		320,230	654,945	–	(311,576)	**663,599**		

Options are valued using a binomial pricing model. The fair value per option granted and the assumptions used in the calculation at the date of grant were as follows:

	SAYE 2019	SAYE 2017	SAYE 2015
Grant date	5 Jul 2019	15 Jun 2017	1 Aug 2015
Share price at grant date	199.67p	262.00p	461.95p
Exercise price	160.0p	245.04p	402.67p
Number of employees	164	204	239
Shares under option	656,070	523,737	353,254
Vesting period (years)	3.0	3.0	3.0
Expected volatility	30.49%	35.60%	42.90%
Option life (years)	3.5	3.5	3.5
Risk-free rate	0.35%	0.38%	1.90%
Expected dividends expressed as a dividend yield	7.51%	5.30%	5.00%
Possibility of ceasing employment before vesting	9.62%	8.00%	5.00%
Expectation of meeting performance criteria	100.00%	100.00%	100.00%
Fair value per option	33.62p	47.30p	118.90p

27 Share capital continued

The expected volatility is based on historical volatility of the Company's shares as traded on the London Stock Exchange. The risk-free rate of return is based on LIBOR.

No options were exercised in the current year or the prior year. The weighted average share price for share options exercised in 2017 was 385.07 pence.

ii. Deferred Bonus Plan

In 2005, the Company put in place a Deferred Bonus Plan (the "Plan") whereby part of the annual performance-related bonus is delivered in shares, on a discretionary basis, to staff including Executive Directors. Under the Plan the shares are bought and held in an employee trust ("ESOP") until vesting, which will normally occur after three years from the date of grant, subject to the employee beneficiary remaining in employment with the Group, at which time the award will be settled by the transfer of shares to the beneficiary. Shares are valued at fair value at the date of grant. The Company adopted a new Deferred Bonus Plan in May 2020 (the "New DBP"), pursuant to which future discretionary bonus awards will be granted to staff including Executive Directors. Awards under the New DBP may be linked to an option granted under the new Braemar Company Share Option Plan 2020, which was also adopted by the Company in May 2020 (the "New CSOP"). Where an employee receives a linked award under the New DBP, where the Company's share price rises over the vesting period, the New CSOP award can be exercised with the value of shares delivered on the vesting of the New DBP award being reduced by the exercise gain on the New CSOP award. Awards under the New DBP and the New CSOP will continue to be settled via the transfer of shares from the ESOP and not through new issue.

Details of the share awards in issue and the movements in the year are given below:

Share scheme	Number at 1 March 2019	Granted	Exercised	Lapsed	**Number at 29 February 2020**	Exercise price (pence)	Exercisable between
Deferred Bonus Plan	1,488,803	2,219,117	(565,667)	(112,580)	**3,029,673**	nil	2020–2023

The weighted average exercise price for awards exercised during the year was £nil (2019: £nil).

The Company also grants certain awards under the Deferred Bonus Plan to attract and retain key staff hires. No options were granted in the financial year.

iii. Restricted Share Plan

During the year ended 28 February 2015, the Company established a Restricted Share Plan ("RSP"). This scheme was set up and awarded to employees to retain key staff following the merger between Braemar Shipping Services Plc and ACM Shipping plc, but it can also be used where the Remuneration Committee considers it necessary to secure the recruitment of a particular individual. Executive Directors of the Company are not eligible to participate in the RSP. RSP awards are made in the form of a nil cost option and there are no performance criteria other than continued employment.

During the year ended 28 February 2015 the Company issued 1,409,000 RSP awards, of which 50% will vest after three years and 25% after each of the fourth and fifth years provided the individuals remain employed by the Group.

During the year ended 29 February 2016 a further 315,000 RSP awards were granted, of which 50% will vest after three years and 25% after each of the fourth and fifth years provided the individuals remain employed by the Group.

During the year ended 28 February 2018 a further 77,120 RSP awards were granted, of which 50% will vest after three years and 25% after each of the fourth and fifth years provided the individuals remain employed by the Group.

Details of the share awards in issue and the movements in the year are given below:

Share scheme	Number at 1 March 2019	Granted	Exercised	Lapsed	**Number at 29 February 2020**	Exercise price (pence)	Exercisable between
Restricted Share Plan	377,120	105,320	(284,810)	–	**197,630**	nil	2020–2023

The weighted average exercise price for awards exercised during the year was £nil (2018: £nil).

iv. Long-Term Incentive Plan ("LTIP")

The Company also has LTIP awards, which allow for the form of a conditional right to receive shares at nil cost. The awards normally vest over three years and are subject to a performance condition based on earnings per share ("EPS").

In 2014, the performance criteria of the LTIP is that awards vest over a three-year period based on growth in EPS.

In June 2015, awards over 143,157 shares were made to two Executive Directors and one senior member of management.

In June 2016, awards over 263,007 shares were made to two Executive Directors and three senior members of management.

In June 2018, awards of 527,464 shares were made to one Executive Director and three senior members of management.

In June 2019, awards of 394,735 shares were made to one Executive Director and three senior members of management.

28 Shares to be issued

Group and Company	£'000
At 28 February 2018	2,701
Gift of funds to ESOP for the acquisition of shares	1,712
ESOP shares allocated	(967)
At 28 February 2019	3,446
Gift of funds to ESOP for the acquisition of shares	–
ESOP shares allocated	(948)
At 29 February 2020	**2,498**

The net cost of the shares purchased for the shares to be issued in respect of the ESOP are a deduction from shareholders' funds and represent a reduction in distributable reserves.

An Employee Share Ownership Plan ("ESOP") was established on 23 January 1995. The ESOP has been set up to purchase shares in the Company. These shares, once purchased, are held in trust by the Trustee of the ESOP, SG Kleinwort Hambros Trust Company (CI) Limited, for the benefit of the employees. As at 29 February 2020, the ESOP held 348,400 (2019: 706,701) ordinary shares of 10 pence each. The funding of the purchase has been provided by the Company in the form of a gift and the Trustees have contracted with the Company to waive the ESOP's right to receive dividends. The fees charged by the Trustees for the operation of the ESOP are paid by the Company and charged to the Income Statement as they fall due.

As part of the acquisition of ACM Shipping Group plc in July 2014, the Company issued 125,621 shares into an Employee Trust ("EBT") previously run by ACM Shipping Group plc. As at 29 February 2020, the EBT held 62,290 (2019: 62,290) ordinary shares of 10 pence.

The total cost to the Company of shares and cash held in the ESOP and EBT at 29 February 2020 was £2,498,000 (2019: £3,446,000) including stamp duty associated with the purchase. The shares owned by the ESOP and EBT had a market value at 29 February 2020 of £620,142 (2019: £1,364,959). The distribution of these shares is determined by the Remuneration Committee.

358,301 shares (2019: 382,347) have been released to employees during the year.

29 Other reserves

Group	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Hedging reserve £'000	Total £'000
At 28 February 2018	396	21,346	4,217	126	26,085
Cash flow hedges					
– Transfer to net profit	–	–	–	(158)	(158)
– Fair value losses in the period	–	–	–	(49)	(49)
Exchange differences	–	–	(2,999)	–	(2,999)
Deferred tax on items taken to equity	–	–	–	(22)	(22)
At 28 February 2019	396	21,346	1,218	(103)	22,857
Cash flow hedges					
– Transfer to net profit	–	–	–	638	638
– Fair value losses in the period	–	–	–	(1,466)	(1,466)
Exchange differences	–	–	167	–	167
Deferred tax on items taken to equity	–	–	–	83	83
At 29 February 2020	**396**	**21,346**	**1,385**	**(848)**	**22,279**

Company	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Total £'000
At 1 March 2018, 28 February 2019, 29 February 2020	396	21,346	–	21,742

The capital redemption reserve arose on previous share buy-backs by the Company.

The merger reserve arose principally in 2001 in relation to the acquisitions of Braemar Shipbrokers Limited and Braemar Tankers Limited.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred of £437,000 liability (2019: £49,000). A deferred tax liability of £83,000 (2018: £22,000) is attributable to these transactions.

30 Contingent liabilities

The Group has contingent liabilities in respect of guarantees entered into in the normal course of business given as follows:

	Group	
	2020 £'000	2019 £'000
Bank guarantees given to:		
HM Revenue and Customs	**1,410**	1,410
Third parties (cash-collateralised)	**–**	113
Third parties (non-cash-collateralised)	**678**	831
Total	**2,088**	2,354

There are no bank guarantees issued by the Company.

In addition, the Company and certain of its subsidiaries have provided cross guarantees and fixed and floating rate charges over their assets to secure their borrowing facilities and other financial instruments (see Note 21).

Under the Merger Agreement dated 7 March 2001 between the Company and Braemar Shipbrokers Ltd, the vendors gave a joint and several indemnity to the Company for any warranty and tax indemnity claims up to an aggregate of £10 million. The former Chief Executive, Alan Marsh, and a former Director of the Company, Quentin Soanes, were Braemar Shipbrokers vendors and remain shareholders in the Company. During the year ended 28 February 2006, the Company received an assessment for corporation tax and interest totalling £2.2 million which was recoverable under the above indemnity in relation to gifts to the Braemar Shipbrokers Ltd Employee Benefit Trust, held in Gibraltar. This matter was disclosed as a contingent liability in the prior year, however it was settled with HMRC in December 2019 and the Company did not incur any cost in respect of the assessment or these contingent liabilities.

From time to time the Group may be engaged in litigation in the ordinary course of business. The Group carries professional indemnity insurance. There are currently no liabilities expected to have a material adverse financial impact on the Group's consolidated results or net assets.

31 Related party transactions

During the period the Group entered into the following transactions with joint ventures and investments:

	2020			2019		
Group	**Recharges to/(from) £'000**	**Dividends £'000**	**Balance due from £'000**	Recharges to/(from) £'000	Dividends £'000	Balance due from £'000
London Tanker Broker Panel	**310**	**–**	**–**	330	–	–
AqualisBraemar	**669**	**–**	**175**	–	–	–

Recharges to AqualisBraemar consist primarily of rent, IT services and HR services in accordance with a transitional services agreement. Included in the net recharge to AqualisBraemar ASA is a fee payable to the Group's Executive Chairman of £15,000.

The balance due from AqualisBraemar is unsecured, interest free and immediately repayable.

All recharges to related parties are carried out on an arm's-length basis.

Key management compensation is disclosed in Note 4.

Risorto GmbH are controlled by the management of Braemar Naves Corporate Finance GmbH. The amount charged by Risorto GmbH in the year to the Group was €1.1 million (2019: €0.6 million) and the amount charged to Risorto GmbH in the year was less than €0.1 million (2019: less than €0.1 million). The balance owing to Risorto GmbH as at 29 February 2020 was €nil (2019: €nil).

The Company has applied the disclosure exemption of FRS 101 in respect of transactions with wholly owned subsidiaries. The amount charged to AqualisBraemar by the Company was £275,000 (2019: nil) and the balance due from AqualisBraemar to the Company at 29 February 2020 was £146,000 (2019: nil).

A list of the Group's subsidiary undertakings is on pages 117 and 118. Unless otherwise indicated, all shareholdings owned directly or indirectly by the Company represent 100% of the issued share capital of the subsidiary and the share capital is comprised of ordinary shares. All entities primarily operate in their country of incorporation.

Subsidiaries

Direct holdings of the Company as at 29 February 2020:

Incorporated in the UK One Strand, Trafalgar Square, London WC2N 5HR	Principal activity	Registration number
Braemar ACM Group Limited*	Holding company	05990315
Braemar Atlantic Securities Holdings Limited	Holding company	10010995
Braemar Financial Holdings Limited	Holding company	10917096
Braemar Shipbrokers Limited*	Shipbroking	01674710
Cory Brothers Shipping Agency Limited	Ship agents/logistics	04717201
Seascope Capital Services Limited*	Dormant	03592796
GFL (UK) Limited*	Dormant	02360525
Braemar Developments Limited*	Dormant	02186790
Braemar Tankers Limited*	Dormant	02001027

Indirect holdings of the Company as at 29 February 2020:

Incorporated in the UK One Strand, Trafalgar Square, London WC2N 5HR	Principal activity	Registration number
Braemar ACM Shipbroking Group Limited*	Holding company	01611096
Braemar ACM Shipbroking Limited	Shipbroking	01020997
Braemar ACM Shipbroking (Dry Cargo) Limited*	Shipbroking	07223509
ACM Shipping USA Limited*	Shipbroking	08391132
Braemar ACM Valuations Limited*	Valuations	03439765
Braemar Atlantic Securities Limited	Futures broker	07899358
Braemar Naves Corporate Finance Limited	Corporate finance	02710842
Fred Olsen Freight Limited	Ship agents/logistics	01868225
Braemar Wavespec Limited*	Energy consultants	02767739
Constantine & Company (Exports) Limited (50% owned)	Ship agents/logistics	01140583
Cory Navarm Logistics Limited* (60% owned)	Dormant	05055105
Cagnoil Limited*	Dormant	05696624
Orca Shipping Limited*	Dormant	07067104
ACM Shipping EBT Limited*	Dormant	05747447
ACM Shipping CIS Limited*	Dormant	06934055
Braemar Maritime Limited*	Dormant	03321899
Braemar Burness Maritime Limited*	Dormant	03674230
Burness Marine (Gas) Limited*	Dormant	01081837
Burness Marine (Tankers) Limited*	Dormant	02367038
Braemar Chartering Limited*	Dormant	01912501
Braemar Pension Trustees Limited*	Dormant	05502209
Braemar Logistics Limited*	Dormant	07273762
CB (Newcastle) Limited*	Dormant	00415497
Cory Logistics Limited*	Dormant	05105859
Morrison Tours Logistics Limited*	Dormant	05908053
Red Dragon Line Limited*	Dormant	04717197

Merseywhalf Business Park Unit 2 Main Office, 2nd Floor, Dock Road South, Bromborough, Wirral, CH62 4SU	Principal activity	Registration number
Vertom Shipping UK Limited (49% owned)	Ship agents/logistics	02031926

Incorporated in Germany Domstrasse 17, 20095 Hamburg, Germany	Principal activity	Registration number
Braemar Naves Corporate Finance GmbH	Corporate finance	HRB 114161
Braemar Financial Holdings Germany GmbH	Holding company	HRB 146 089

Incorporated in Gibraltar Suite 1&2, Newton House, 5 Kings Yard Lane, Gibraltar	Principal activity	Registration number
Cory-Wave Shipping Limited (50% owned)	Ship agents/logistics	113828

15th Floor Sheikh Rashid Tower, Dubai World Trade Centre, Sheikh Zayed Road, PO Box 128913, Dubai, United Arab Emirates	Principal activity	Registration number
Braemar ACM Shipbroking FZE	Shipbroking	0073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

31 Related party transactions continued

Incorporated in the US

2800 North Loop West, Suite 900, Houston, Texas 77092, USA	Principal activity	Registration number
Braemar Holdings (USA) Inc	Holding company	FEIN 81-1568938
Braemar ACM Shipbroking (USA) Inc	Shipbroking	46-2641490
Braemar Technical Services (USA) Inc	Energy loss adjuster	76-0036958
Braemar Wavespec Inc	Energy consultants	27-0329442
Cory Brothers (USA) Inc	Ship agents/logistics	46-5405234

Incorporated in Singapore

80 Robinson Rd, #24-01/02, Singapore 068898	Principal activity	Registration number
Braemar ACM Shipbroking Pte Limited	Shipbroking	200602547M
Cory Brothers Shipping Agencies (S) Pte Limited	Ship agents/logistics	201224119W
ACM Shipping Asia Pte Limited	Shipbroking	200502889E
ACM Shipping Dry Cargo Asia Pte Limited	Shipbroking	201118978D
Braemar Naves Pte Limited	Corporate finance	201834760K

Incorporated in Australia

Level 5, 432 St Kilda Road, Melbourne, Victoria 3004, Australia	Principal activity	Registration number
Braemar ACM Shipbroking Pty Limited	Shipbroking	ACN 000862 993 ABN 35 000 862 993
ACM Shipping Endeavour Holdings Pty Limited	Shipbroking	82 144 748 818
ACM Shipping Endeavour Pty Limited	Shipbroking	144 748 818

Incorporated in other overseas countries

Piazza 2 Giugno No 14, 54033 Carrara, Italy	Principal activity	Registration number
Braemar Seascope Italia SRL	Shipbroking	01268770458

Fosfaatweg 48, Amsterdam, 1013 BM, the Netherlands	Principal activity	Registration number
Cory Brothers (The Netherlands) B.V.	Ship agents/logistics	33232646

Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands	Principal activity	Registration number
Braemar LNG BV	Engineering consultants	61835862

Strawinskylaan 31278e verdiepin, Amsterdam, 1077 ZX, the Netherlands	Principal activity	Registration number
FSP LNG B.V. (33% owned)	Engineering consultants	61861456

24 Grassy Plain Street – Ste 4, Bethel, CT 06801-1700 USA	Principal activity	Registration number
Braemar ACM Shipbroking LLP	Shipbroking	1099337

One JLT 06-55 One JLT, Plot No. Dmcc-Ez1-1ab, Jumeirah Lakes Towers, Dubai, UAE	Principal activity	Registration number
Braemar ACM Shipbroking DMCC	Shipbroking	DMCC-749556

Suite 2009, Building C Luneng International Center, No.211, GuoYoa Road, Pudong District, Shanghai, 200126	Principal activity	Registration number
Braemar Seascope (Shanghai) Limited	Shipbroking	913100005588064761

2nd Floor, Building No. 22, Pushp Vihar, Commercial Complex, Madangir, New Delhi – 110 062	Principal activity	Registration number
Braemar ACM Shipbroking India Private Limited (50% owned)	Shipbroking	U63090DL2003PTC120247

Office No. 1004, 10th Floor, Dalamal House, 206-Jamanalal Bajaj Road, Nariman Point, Mumbai-400021, India	Principal activity	Registration number
ACM Shipping India Limited	Shipbroking	U93090MH2006FLC164019

Subsidiaries marked with an asterisk (*) have been given a guarantee from the Company under s479C of the Companies Act 2006 to exempt them from the requirement for an audit for the years ended 29 February 2020 and 28 February 2019.

32 Events after the reporting date

On 11 March 2020, the World Health Organization declared COVID-19 a pandemic. The Group has considered the impact of this on the financial statements at 29 February 2020 and has concluded this is a non-adjusting event after the reporting period.

The Group has monitored trading up to the date of authorising and issuing the financial statements. Despite the ongoing uncertainty, the financial year commencing 1 March 2020 has started in line with budget. On the assumption that world trade slowly returns to a degree of normality over the next three months and there is no widespread second wave COVID-19 lockdown, the Group does not estimate that COVID-19 will have any permanent significant financial effect.

On 28 May 2020, AqualisBraemar ASA released Q1 results to 31 March 2020. The fair value of the warrants at 31 March 2020 was reduced to £0.1 million.

FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

Continuing operations	**12 months to 29 February 2020 £'000**	12 months to 28 February 2019 £'000	12 months to 28 February 2018 £'000	12 months to 28 February 2017 £'000	12 months to 29 February 2016 £'000
Group revenue	**120,794**	117,853	103,043	135,935	159,125
Other operating expenses	**(111,175)**	(108,787)	(95,721)	(131,708)	(145,367)
Specific items (net)	**(3,344)**	(11,719)	(9,067)	(3,713)	(3,445)
Total operating expenses	**(114,519)**	(120,506)	(104,788)	(135,421)	(148,812)
Operating profit/(loss)	**6,275**	(2,653)	(1,745)	514	10,313
Gain on revaluation of investment	**–**	500	–	–	–
Interest (expenses)/income (net)	**(1,853)**	(987)	(643)	(303)	(387)
Share of associate profit for the period	**436**	–	–	–	–
Profit before taxation	**4,858**	(3,140)	(2,388)	211	9,926
Taxation	**50**	(1,525)	(474)	(20)	(2,826)
Loss for the year from discontinued operations	**(892)**	(22,700)	(32)	–	–
Profit/(loss) after taxation	**4,016**	(27,365)	(2,894)	191	7,100
Dividends					
Interim	**1,564**	1,501	1,501	2,838	2,659
Final proposed	**–**	2,951	2,951	1,476	4,990
	1,564	4,452	4,452	4,314	7,649
Earnings per ordinary share – pence					
Basic – underlying	**22.94p**	23.32p	19.57p	10.72p	34.70p
Diluted – underlying	**20.54p**	21.36p	18.06p	9.70p	31.53p

Note: The years ended 28 February 2017 and 29 February 2016 have not been restated for the reclassifications of discontinued operations.

FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

CONSOLIDATED BALANCE SHEET

	As at 29 February 2020 £'000	As at 28 February 2019 restated £'000	As at 28 February 2018 restated £'000	As at 28 February 2017 £'000	As at 29 February 2016 £'000
Assets					
Goodwill	**83,812**	83,812	88,961	77,806	76,912
Other intangible assets	**2,411**	2,226	3,393	2,215	2,684
Property, plant and equipment	**11,928**	1,978	3,322	4,561	5,104
Other investments	**1,962**	1,773	1,356	1,356	1,537
Investment in associate	**7,315**	–	–	–	–
Financial assets	**1,184**	–	–	–	–
Deferred tax assets	**3,620**	1,640	3,120	3,584	2,177
Other long-term receivables	**2,467**	264	300	385	355
	114,699	91,693	100,452	89,907	88,769
Current assets					
Trade and other receivables	**39,541**	37,128	52,605	57,199	58,135
Derivative financial instruments	**–**	–	159	–	–
Assets held for sale	**–**	10,611	2,865	–	–
Cash and cash equivalents	**28,749**	24,111	10,437	7,674	11,497
	68,290	71,850	66,066	64,873	69,632
Total assets	**182,989**	163,543	166,518	154,780	158,401
Liabilities					
Current liabilities					
Derivative financial instruments	**527**	49	–	–	–
Trade and other payables	**48,031**	44,887	41,462	46,707	44,253
Short-term borrowings	**48,758**	35,844	12,886	622	1,800
Current tax payable	**1,334**	1,408	1,858	996	1,640
Provisions	**201**	90	320	854	729
Convertible loan notes	**4,340**	6,339	–	–	–
Deferred consideration	**600**	600	366	–	–
Liabilities held for sale	**–**	2,797	766	–	–
	103,791	92,014	57,658	49,179	48,422
Non-current liabilities					
Long-term borrowings	**10,943**	–	–	–	500
Deferred tax liabilities	**903**	930	999	836	430
Provisions	**765**	324	424	288	533
Convertible loan notes	**2,398**	4,579	7,364	–	–
Deferred consideration	**3,031**	5,357	2,977	–	–
Pension deficit	**3,672**	1,986	3,437	4,305	1,211
	21,712	13,176	15,201	5,429	2,674
Total liabilities	**125,503**	105,190	72,859	54,608	51,096
Total assets less total liabilities	**57,486**	58,353	93,659	100,172	107,305
Equity					
Share capital	**3,167**	3,144	3,144	3,018	3,011
Share premium	**55,805**	55,805	55,805	52,510	52,314
Shares to be issued	**(2,498)**	(3,446)	(2,701)	(2,962)	(3,439)
Other reserves	**22,279**	22,857	26,085	28,951	26,474
Retained earnings	**(21,267)**	(20,007)	11,326	18,655	28,945
Total equity	**57,486**	58,353	93,659	100,172	107,305

Note: The years ended 28 February 2017 and 29 February 2016 have not been restated for the grossing up of cash and overdrafts.

SHAREHOLDER INFORMATION

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