# Braemar Seascope Group plc

Annual Report 2006

Company Number 2286034

# Shipping services on a global scale

## United Kingdom

### Braemar Seascope Limited

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**Container Chartering**
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Fax: 020 7535 2601

**Offshore – London**
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**Offshore – Aberdeen**
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Fax: 01224 621 444

**Crude Tanker Chartering**
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Fax: 020 7535 2627

**Large Product Chartering**
Tel: 020 7535 2630
Fax: 020 7535 2627

**Small Product Chartering**
Tel: 020 7535 2662
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**Chemical Chartering**
Tel: 020 7535 2656
Fax: 020 7535 2646

**Gas Chartering**
Tel: 020 7535 2616
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Research Tel: 020 7535 2699 Fax: 020 7535 2601

## Overseas

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### Melbourne

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### Braemar Seascope India PVT Limited

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### Braemar Quincannon Shanghai

Tel: 00 86 21 6329 0939
Fax: 00 86 21 6321 2244

### Braemar Quincannon Singapore

Tel: 00 65 6533 0069
Fax: 00 65 6536 3459

## Agency, Forwarding and Logistics

### Cory Brothers Shipping Agency Limited

Cory House, 21 Berth
Tilbury Dock
Essex RM18 5JT
Tel: 01375 843 461
Fax: 01375 840 743

### Cory Logistics and ShipTrak

PD House, Parker Avenue
Felixstowe
Suffolk IP11 4RP
Tel: 01394 674 822
Fax: 01394 673 740
www.cory.co.uk

Cory also has offices at Bristol, Hull, Ipswich, Invergordon, Liverpool, Leith, Milford Haven, Newcastle, Newport, Rugby, Southampton, Sheerness and Tees.

## Pollution Response Services

### DV Howells Limited

The MPSC
Milford Haven
Pembrokeshire
SA73 3QA
Tel: 01646 366 340
Fax: 01646 696 343

## Technical Support Services

### Wavespec Limited

Wavespec House
17-19 Market Hill
Maldon
Essex CM9 4PZ
Tel: 01621 840 447
Fax: 01621 840 457
www.wavespec.com

**www.braemarseascope.com**
Braemar Seascope Group plc company number: 2286034

# Financial Highlights Results for the year ended 28 February 2006

- Revenue up to £68.5m (2005: £45.2m)
- Pre-tax profit up 27% to £10.3m (2005: £8.1m)
- Basic EPS up 26% to 37.03p (2005: 29.50p)
- Operating cash flow up 25% to £10.7m (2005: £8.6m)
- Final dividend 11.5p per share, full year 18.0p (2005: 16.00p) up 12.5%
- DV Howells acquired in March 2006, extending our service range

## Contents

**Braemar Seascope** is a leading integrated provider of broking and consultancy services to the shipping industry. Headquartered in London, it also has offices in Australia, China, India and Singapore.

**Cory Brothers** is a leading UK shipping agent and is actively building a freight forwarding and logistics business.

**Wavespec** is a worldwide market leader in the marine technical supervision of LNG and other vessel construction.

**DV Howells** is a leading pollution response service provider with seven offices around the UK.

**Braemar Seascope Group plc provides specialist shipbroking, ship agency, marine technical consultancy services and pollution response services to international ship owners and charterers and other clients.**

## Group activities

### Vessel types

**DRY CARGO**

- Bulkcarriers
- Multi-purpose vessels

**OFFSHORE**

- Supply vessels
- Rig support vessels

### Group activities

- Chartering
- Sale and purchase including newbuilding, second hand and demolition
- Special projects
- Valuations
- Research
- Technical services (Wavespec)
- UK Port agency (Cory)
- Pollution response (DV Howells)

- UK Liner Agency (Cory)
- Freight forwarding/logistics

### Vessel types

**TANKERS**

- Crude oil
- Large and small products
- Chemicals
- Gas
- LNG

**CONTAINERS**

# Chairman's Statement

## "THE GROUP PRODUCED another year of record profits."

I am delighted to report another year of record profits for the Group and on behalf of the Board I would like to thank the staff throughout the Group for their hard work and commitment during the year. Their effort and skill has contributed greatly to these results.

Revenue for the year increased to £68.5m (2005: £45.2m) and profit before tax was £10.3m compared with £8.1m in the prior year. Earnings per share grew by 26% to 37.03 pence (2005: 29.50 pence). The good performance was also reflected in the net cash generated from operating activities which increased to £10.7m (2005: £8.6m) contributing to the improvement in net funds which ended the year at £13.6m (2005: £6.5m).

Shipbroking has continued to flourish in favourable markets and our business has benefited from high freight rates and vessel values as well as increased transaction volumes. Our new Australian business has integrated well within the Group and we have used this as a platform to set up a new bunker trading operation during the year.

We are encouraged by the growth we are seeing in certain of our broking and shipping service areas which we have worked hard to develop in recent years. We believe this growth will stand the Group in good stead in the future. The non-broking segments of the Group have begun to show they are capable of a meaningful financial contribution to the Group's overall result. Cory Brothers improved its performance significantly in the UK ship agency, forwarding and logistics market and has made two acquisitions in the year to expand its operations. Wavespec is now seeing the benefit of its market leading position in technical design and supervisory work for LNG vessel construction.

In March 2006 we added a new services arm to the Group through the acquisition of D V Howells, the UK based pollution response business. We expect that its marine business will be capable of significant growth within the Group. The acquisition is another step in our overall strategy of building a broadly-based shipping services Group.

Iain Shaw will be retiring from the Company at the forthcoming AGM having been a director since the company's inception. He has made an outstanding contribution to the Group over the years for which the Board wish to record their deep appreciation.

The Board is recommending a final dividend of 11.5 pence per ordinary share, which together with the 6.5 pence interim dividend takes the total dividend for the year to 18.0 pence (2005: 16.0 pence), a rise of 12.5%.

## Outlook

The demand for seaborne trade continues to grow driven by the demand for the long-range transportation of raw materials, oil, gas and manufactured products. The Group is well-placed to benefit from the increased activity in all sectors. We also expect the contribution from our non-broking businesses to increase in the coming year.

The new financial year has started well with a good level of business concluded already, both for this year and future years.

**Sir Graham Hearne**, Chairman
3 May 2006

# Chief Executive's Operational & Financial Review

## "WE ARE EXPANDING our business geographically and in the services we can provide for our clients."

The size and scope of our business has increased significantly over the last few years. An overview of the operations and composition of the Group by business segment is shown in the table below:

| Segment | Trading names | Number of employees | Business Locations |
|---|---|---|---|
| Shipbroking | Braemar Seascope | 189 | UK head office in London and an office in Aberdeen; Shanghai and Beijing; Melbourne, Perth and Sydney; Singapore; Delhi and Mumbai (joint venture offices). |
| Ship agency, forwarding and Logistics | Cory Brothers, Morrisons, Planetwide | 120 | 16 offices in the UK, mainly in ports of which Tilbury, Felixstowe and Southampton are the main offices. |
| Technical shipping support | Wavespec | 17 | Office in Malden, Essex. Site offices in the major shipyards in Korea and Japan |
| Bunker trading | Braemar Seascope | 2 | Melbourne, Australia |
| Pollution response services | D V Howells (acquired March 2006) | 27 | 7 offices in the UK. |

The segments form a complementary grouping of businesses operating separately within the shipping industry. Together they extend the range of advice and services we are able to provide for our clients and increasingly we are able to act in a wide-ranging consulting capacity because of the breadth of our services. We believe this is an important feature of the future of the business and we will continue to seek opportunities to add value in related areas where we can.

The new financial year has begun well with significant business concluded already. We currently have in excess of US$30 million of shipbroking revenues deliverable within the current year.

A segmental commentary on the operating activities during the year is set out below.

### Shipbroking

Shipbroking activities are undertaken by Braemar Seascope with revenues in 2005/6 increasing to £39.7m (2005: £32.4m) and operating profits of £9.0m (2005: £8.9m).

The tanker freight market began the financial year in a relatively benign state, however the second half of the year was significantly influenced by the after effects of the hurricane season in the United States. The initial impact on U.S. refining capacity resulted in a surge of demand for imported products, especially gasoline. The damage to offshore crude oil production facilities in the Gulf of Mexico has still not been fully repaired, and less than half of the sub-sea pipeline system has so far been restored. The consequent demand for crude oil, imported from more geographically remote supply sources, supported a strong tanker market throughout the winter months. In spite of high oil prices, and a steady increase in the cost of bunker fuel, shipowners enjoyed healthy earnings. Modern Very Large Crude Carriers averaged around $90,000 per day over the 4th quarter of 2005 and 1st quarter of 2006, and over the same period a medium size products carrier averaged around $25,000 per day.

Looking ahead over 2006, oil prices are at record levels and are likely to remain high, as long as tension exists over Iran's nuclear ambitions. Problems with supplies from Nigeria, due to local insurrection, and growing antipathy between the governments of the USA and Venezuela, which accounts for some 15 per cent of American crude oil imports, suggest that the United States will continue to rely on long haul crude oil imports. In spite of the 'wake up call' to the US refining sector, there are no plans for early expansion of capacity there. Although the tanker market is currently experiencing a predictable seasonal lull, there is every reason to believe that owners of all types of tanker can look forward to healthy returns.

Specialised products chartering, comprising chemicals, gas, small tankers and vegetable oils, enjoyed a year of high activity and good growth. The gas and chemicals businesses are based on contracts with major charterers. Shipment volumes and freight rates have increased year-on-year and the signs are that the upward trend will continue in the coming year. Changes in regulations and controls within the chemicals and vegetable oils sectors can only further tighten available tonnage.

The Dry bulk market was volatile over the course of the financial year. The benchmark Baltic Dry Index (BDI) was 4,663 on 1 March 2005 falling to a low of 1,747 on 3 August 2005 and recovering to 2,680 at 28 February 2006, overall averaging 3,020 (2004/5: 4,396). It currently stands at 2,378. At the start of the year demand for iron ore was high though this fell off through the first half and freight rates reduced as the fleet grew with increases in the supply of tonnage and port congestion eased. The addition of our Australian offices has greatly increased our Dry market coverage and during the year we opened a new Dry Bulk office in Singapore as some operators have relocated to benefit from the local tax environment for shipping. Over the coming year demand is expected to increase – Chinese GDP is expected to grow by at least 8 per cent during 2006 – though this may be offset by an increase in the supply of vessels, particularly in the Capesize fleet where tonnage is expected to grow by some 12 per cent in deadweight terms over 2006. However scrapping of older vessels in next few years is likely and may serve to restore a balance to the fleet.

Our sale and purchase team is engaged in second hand, demolition and newbuilding business. Second hand activity prospered in markets which have seen sustained investment activity for more than two years. The business has grown year-on-year benefiting from the continuing high volume of transactions and a shift in the mix towards higher value transactions. Substantial capital was raised in the public markets for investment in shipping and we were involved in a number of large vessel purchases for newly quoted clients. Activity levels across most types and sizes of ship have remained high even though vessel prices have come down in some sectors since the highs at the beginning of the financial year. Newbuilding income increased over the year – it is recognised in line with the contractual phasing of payments by the ship owner to the shipyard, and therefore mainly reflects the activity of previous years. The addition of new contracted business during the year maintained the forward order book with the benefit to earnings accruing over the next four years.

There has been a high level of activity in the offshore market this year both in the North Sea and worldwide, with exploration activity increasing due to the outlook for oil prices. Charter rates firmed over the year and are expected to remain high for the foreseeable future. Transaction volumes improved year-on-year and the forward book of business has also been built significantly.

## "PRE-TAX PROFITS increased by 27% and the Group ended the year with £13.6 million of net cash."

Container market rates began the year strongly but weakened sharply in the latter half of 2005, finding a level of stability in the first quarter of 2006. Global container volume growth was in the region of 10% in 2005 driven by strong global economic growth. However, newbuilding tonnage under construction will represent a high proportion of the existing fleet size and will continue to be so for the next few years. Our team, held through a joint venture, performed well in both chartering and sale and purchase in this volatile market.

### Ship agency, forwarding and logistics

Ship agency, forwarding and logistics is undertaken by Cory Brothers. Revenues increased to £15.9m (2005: £8.5m) and operating profits were £0.6m (2005: £(1.2)m loss).

A much stronger performance from shipping service provider, Cory Brothers, has been achieved through growth in all sectors. The new income streams identified in 2005 in Logistics performed very strongly whilst there was continued significant growth in both General Forwarding, Project Forwarding and Liner services. Performance in Ship Agency was also higher due to increased port calls which is a key driver of revenue.

In July 2005 Cory acquired the business of Geo Morrison & Co (Leith) Limited which trades as Morrison Shipping and Morrison Tours for a cash consideration of up to £525,000. Morrison is based in Leith, Scotland and acts as Ship's Agent, Project Forwarder and provides shore excursions for Cruise operators. These long-term business relationships with the Cruise operators complement those of Cory Brothers which should enable further development elsewhere in the UK. In November 2005 Cory acquired Planetwide Group Limited for a cash consideration of up to £766,000. Planetwide is a Freight Forwarding business with strong relationships in the Australia, New Zealand and Nigerian markets. Its business involves warehousing, European trailer transport, air freight, containerisation to deep-sea destinations and undertakes packing and all export and import documentation as per its clients' needs. This expertise combines well with the growing Cory Brothers Forwarding and Logistics business centred in Felixstowe.

Subsequent to the end of the financial year Cory Brothers formed Gorman Cory Shipping Agency Limited, in which it has a 41% interest, with Gorman Shipping, a Mersey based company providing ship agency services and handling more than 750 vessel calls per year. The three transactions are natural additions to Cory Brothers' existing business and build on the client base and range of services the company can offer.

### Technical shipping support

Wavespec's revenues increased to £5.2m (2005: £4.3m) and operating profits were £0.3m (2005: £0.1m).

Wavespec consolidated its position as the pre-eminent LNG carrier design and construction specialists having been awarded contracts to act as Charterers' Representatives in projects for Qatar and Sakhalin. The Qatari contract involves overseeing the design review and construction of, potentially, up to 100 LNG Carriers in three yards in Korea. For the most part these vessels represent the cutting edge of LNG carrier design taking vessels up to 250,000 cubic metres in size. Previously, LNG carriers had not exceeded 155,000 cubic metres. These vessels are also the first LNG carriers to be fitted with slow speed diesel propulsion and LNG gas reliquefaction plants. The Sakhalin vessels are the first generation of ice-class LNG carriers and are to carry LNG from Sakhalin Island to Japan. The company is also involved in new business connected with the development of vessels to carry Compressed Natural Gas (CNG) and in the offshore sector. As a result of these developments, and ongoing projects, Wavespec has a strong order book going forward into 2006-7.

## Bunker trading

Revenues in this new segment were £7.7m (2005: £Nil) and operating profits were £30,000 (2005: Nil) after four months of operation.

We opened a bunker trading business which is operating successfully in the Australian and Far East markets. This activity involves the purchase of bunkers from oil companies against matched sales to ship owners or operators. We expect revenues and profits from this segment to be significantly increased in the next financial year.

## Financial

Profit before tax increased to £10.3m compared with the IFRS restated figure of £8.1m in 2005 on revenues of £68.5m (2005: £45.2m). The operating profit margin of 14.4% in 2006 compared with 17.2% in 2005. The reduction mainly reflects the inclusion of the new bunker trading business in Australia which acts as a principal for the purchase and resale of bunkers and has an inherently lower margin than the other segments together with the increased relative importance of the lower margin, but less volatile, forwarding and logistics business and higher staff and premises costs in shipbroking.

The majority of the Company's shipbroking, technical services and bunker trading income is US dollar denominated and the average rate of exchange for conversion of US dollar income in the year was $1.80/£ (2005: $1.82/£) and at the year ended 28 February 2006 the rate was $1.75/£. At present the Group has cover for the 2006/7 year through forward foreign exchange contracts totalling US$21m at a blended rate of $1.76/£ plus the right to sell US$12m at $1.80/£ over the next 6 months.

The tax rate on profits was 30.3% (2005: 33.2%). The tax charge in the year benefited from the tax deductibility of share option exercises based on the market value at the point of exercise.

Operating cash flow of £10.7m (2005: £8.6m), calculated after corporation tax payments, increased in line with profits. The net cash balance increased over the year by £7.1m to £13.6m (2005: £6.5m).

Cash expenditure for acquisitions (net of cash acquired) totalled £0.5m in respect of Morrisons and Planetwide and an estimated additional £0.5m is payable dependent on profits. In March 2006 the Group acquired the pollution response specialist, D V Howells, for a cash consideration of £550,000.

The directors are proposing for approval at the AGM a final dividend of 11.5 pence per ordinary share, at a cost of £2.2m (not recognised as a liability at 28 February 2006), to be paid on 27 July 2006 to shareholders on the register at the close of business on 30 June 2006 (the ex-dividend date will be 28 June 2006). Together with the 6.5p interim dividend the Company's dividend for the year is 18.0 pence (2005: 16.0 pence) at a cost of £3.6m. The dividend is covered 2.0 times by earnings.

**Alan Marsh** Chief Executive
3 May 2006

# Report of the Directors for the year ended 28 February 2006

The Directors submit their report and the audited accounts for the year ended 28 February 2006.

### Principal activities and review of business
The Company operates through a number of subsidiaries and joint ventures. Their principal activities are the provision of specialised broking and other support services primarily to the shipowning, shipbuilding and oil, gas and raw materials indusries. A review of the Group's activities and future prospects is contained in the Chairman's statement on page 4 and in the Chief Executive's Operating and Financial Review on pages 6-9.

### Results and dividends
The Group's profit before taxation for the year amounted to £10.3m (2005: £8.1m). Details of the results are set out in the consolidated profit and loss account on page 19 and in the related notes. Details of dividends paid during the period are set out in note 8 to the Accounts. The Directors are recommending the payment of a final dividend of 11.5 pence per share on 27 July 2006 to shareholders on the register at the close of business on 30 June 2006.

### Post balance sheet event
Post balance sheet events are set out in note 36 of the accounts.

### Directors
The Directors of the Company at the date of this report and those who served as Directors at any time during the year ended 28 February 2006 are listed below.

### Non-executive Directors
### Sir Graham Hearne (68) Chairman
A qualified solicitor, he was formally chairman of Enterprise Oil plc. He is non-executive chairman of Catlin Group Limited, non-executive deputy Chairman of Gallaher Group PLC and non-executive director of N M Rothschild and Sons Ltd.

### R.D. Agutter (64)
A qualified chartered accountant, he was a senior corporate finance partner in KPMG, a firm of public accountants. He is the senior independent non-executive director.

### J.S. Denholm (49)
A qualified chartered accountant, he is Chairman of J&J Denholm Limited and the Anglo Eastern Management Group Limited. He is a member of the executive committee of the Baltic International Maritime Council, a director of the Chamber of Shipping Limited and a member of the Council of the Institute of Chartered Accountants of Scotland.

### D.G. Moorhouse (58)
He is currently Executive Chairman of Lloyd's Register. Until recently he was an advisor on technology exports to the DTI and deputy chairman of the UK's Foundation for Science and Technology. Formerly he was Chairman and Chief Executive Officer of Kvaerner Process, Chairman and Chief Executive of Trafalgar, John Brown and a director of John Brown Plc.

### Executive Directors
### A.R.W. Marsh (56) Chief Executive
Originally employed by H. Clarkson & Co as a broker in 1968. He was appointed to their board in 1977. He was a founder member of Braemar Shipbrokers Limited in 1983, initially being the Company's managing director and in 1991 he became that company's chairman and appointed Chief Executive of Braemar Seascope Group Plc in March 2001. He is a fellow of the Institute of Chartered Shipbrokers and a director of ITIC Ltd, the professional and indemnity club for ship agents, ship brokers and ship managers.

### J.R.V. Kidwell (44) Finance Director
He joined the Company in July 2002. He qualified as a chartered accountant with Price Waterhouse in 1988, and then worked in a number of financial roles for Carlton Communications PLC between 1989 and 2001, leaving as Group Financial Controller. Finance Director of Boosey and Hawkes Music Publishers Limited until June 2002.

### I.M. Shaw (59)
Was a broker with Galbraith Wrightson Limited from 1967 joining Seascope as a director in 1972. He was appointed to the Board at the time of the management buy-out in 1988. He is also Chairman of the London Tanker Brokers Panel and Chairman of the Worldscale Association (London) Limited. He will be retiring from the Company in June 2006.

### Directors' Interests
The Directors' beneficial interests, including family interests in the shares of the Company at 28 February 2006 were as follows:

| | 28 Feb 2006 | 28 Feb 2005 |
|---|---|---|
| R.D. Agutter | 5,000 | 5,000 |
| J.S. Denholm | 7,000 | 7,000 |
| Sir Graham Hearne | 2,500 | 2,500 |
| J.R.V. Kidwell | 6,000 | 6,000 |
| A.R.W. Marsh | 1,143,502 | 1,088,502 |
| D.G. Moorhouse | – | – |
| I.M. Shaw | 208,760 | 208,760 |

Directors' interests in share options are set out on page 17. The Directors, in common with other employees of the Group also have an interest in 321,495 (2005: 222,500) ordinary 10p shares held by Close Trustees Guernsey Limited on behalf of the Employee Share Ownership Plan. During the year the Board resolved to acquire additional shares in the market to be used for employee share awards. 98,995 shares were acquired at an average price of 360 pence. The Directors held no material interest in any contract of significance entered into by the Company or its subsidiaries during the period. There have been no changes in Directors' interests between 28 February 2006 and 3 May 2006.

### Share Capital
During the year ended 28 February 2006, the Company issued 423,452 new ordinary shares of 10 pence pursuant to the exercise of employee share options.

### Substantial shareholdings
The Directors have been notified or are aware of the following persons who directly or indirectly are interested in 3% or more of the issued ordinary share capital of the Company.

| Directors | % |
|---|---|
| A.R.W. Marsh | 5.75 |

| Others | % |
|---|---|
| Castle Trust and Management Services | 6.79 |
| Q.B. Soanes | 5.72 |
| AXA Framlington | 4.72 |
| Barclays PLC | 4.06 |
| R.L. North | 3.48 |
| Legal & General | 3.35 |

## Authority to allot shares and disapply pre-emption rights

The Directors are authorised in Resolution 9 to allot unissued shares up to a maximum nominal amount of £754,754, representing approximately 38% of the issued share capital of the Company as at 3 May 2006. This authority will expire after five years. The Directors have no present intention of issuing shares except on the exercise of options under the Company's share schemes. The Directors are authorised in Resolution 10 to modify the pre-emption rights of existing shareholders by allowing any arrangements which may be necessary to deal with any legal, regulatory or practical problems arising from a rights issue, for example, by excluding affected shareholders from the rights issue. In addition, this authority also allows the Directors to allot a limited number of shares for cash without first offering them to shareholders. This authority is limited to the issue of equity securities up to a maximum nominal amount of £99,384, representing approximately 5% of the issued share capital of the Company as at 3 May 2006, and will also expire after five years. The Directors have no present intention of issuing shares for cash except on the exercise of options under the Company's share schemes.

## Purchase of Own Ordinary Shares

The Directors are authorised to make market purchases of the Company's Ordinary shares under an authority granted by the Annual General Meeting held on 29 June 2005. No purchases were made under this authority during the year. In accordance with ABI Investor Protection Guidelines, the maximum number of Ordinary Shares which may be acquired is 14.99% or less of the Company's Issued Ordinary shares as at 3 May 2006. The Directors will seek the renewal of this authority at the 2006 Annual General Meeting in Resolution 11 in accordance with the Company's Articles of Association. The Directors have no immediate intention of exercising the authority but they will keep the matter under review. Purchases will only be made if they result in an expected 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 or utilised in connection with the company's share schemes. The total number of options to subscribe for shares that were outstanding as at 3 May 2006 was 921,954, being 4.6% of the issued share capital. If the authority to purchase shares is used in full, the proportion of issued share capital represented by this number of options would amount to 5.2%.

## Employment Policies

The Group seeks to achieve consistency in its employment policies although differences in local conditions and legal requirements can arise due to the international nature of the business. The Group is committed to equal opportunities for all employees. Full and fair consideration is given to applications for employment by those with a disability. Where an employee becomes disabled while in employment of a Group company, every effort is made to find continuing employment where possible. The Group keeps its employees informed of all matters affecting their interests through managerial consultation and internal memoranda. The involvement of employees in the Group's performance is encouraged where appropriate through participation in the annual discretionary bonuses and share options that may be granted under an approved share option scheme.

## The environment

The Group seeks to comply with all applicable regulations and legislation. Certain aspects of the Group's business are directly concerned with the environment: DV Howells provides its clients with pollution response services which include incident clear-up, training staff and assisting in developing response plans; Wavespec is actively involved in environmental considerations through the development of designs for new Liquefied Natural Gas and Compressed Natural Gas carriers.

## Payments to suppliers

Group companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The average number of outstanding days for the Group's trade payables is shown in note 21. The Company has no trade payables.

## Donations

During the period the Group made charitable donations amounting to £26,781 (2005: £27,147) to a range of different charities. No political donations were made during the period.

## Financial Instruments

The Group's financial risk management objectives and policies are set out in Corporate Governance on page 13.

## Statement of Director's Responsibilities in Respect of Financial Statements

Company law requires the Directors to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRS;
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company with their remuneration to be agreed by the Directors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

James Kidwell
3 May 2006

# Corporate Governance for the year ended 28 February 2006

Braemar Seascope Group PLC is committed to ensuring high standards of Corporate Governance. This statement together with the Remuneration Report on pages 14 to 17 describes how the Company has applied the principles of good corporate governance during the year ended 28 February 2006. The Board endorses the main principles and provisions set out in the Combined Code on Corporate Governance of the Financial Reporting Council ("The Code"), which was published on 1 July 2003. The Board believes that the Company has been compliant with the Code throughout the year.

## The Board

The Board is responsible to shareholders for the effective direction and control of the Group and it aims to provide entrepreneurial leadership within a framework of prudent and effective controls enabling risks to be assessed and managed.

The Board met seven times during the year and the attendence by the Directors is set out below. Board meetings include reviews of financial and business performance and the monitoring of business risks and opportunities. In addition, during the year the Group held a strategy meeting, which was attended by all Directors and several senior managers. The following matters are specifically reserved for the Board's consideration and approval:

- Group strategy
- Group Budget approval
- Major expenditure approval
- Choice of key corporate advisors
- Acquisitions and disposals
- Group financial policy including dividends
- Establishing Board Committees and setting their terms of reference
- Internal control arrangements

On a periodic basis the Board will receive a briefing from the senior management of a subsidiary or head of department and also reports on their activities from departmental heads. All directors are provided with appropriate and timely information and are properly briefed on Board matters. In the furtherance of his duties any director may take independent professional advice or receive training, if necessary, at the Company's expense.

The Board comprises four independent non-executive Directors and three executive Directors. None of the non-executive Directors has fulfilled an executive role within the Company. The non-executive Directors are appointed for an initial three-year term serving under letters of engagement, which contain a formal one-month notice period. *Sir Graham Hearne chairs the Board and is not a member* of any of the Board's sub Committees. Richard Agutter is the senior independent non-executive Director and he chairs the Audit Committee; John Denholm chairs the Remuneration Committee and David Moorhouse chairs the Nominations Committee. The non-executive Directors excluding the Chairman serve as the Nominations Committee advising the Board on the appointment of new Directors. The Board believes that its current composition is appropriate having regard to the Company's size and activities.

The executive Directors are engaged under service agreements, each of which can be terminated at 12 month's notice.

During the year the Board and its committees conducted a review of the effectiveness of their operations. The review process entailed individual meetings of the Chairman and each Director and the completion of an assessment questionnaire by each Director for submission to the Company Secretary. Non-executive Directors meet without the presence of executive Directors from time to time.

Under the Company's Articles of Association, Directors should submit themselves for re-election every three years. Therefore, two Directors will submit themselves for re-election at the Company's Annual General meeting, details of which are given in the notice for that meeting included in this Annual Report and Accounts. The Directors retiring by rotation at the Annual General Meeting and offering themselves for re-election are Sir Graham Hearne and James Kidwell. The Nominations Committee and the Board all unanimously support these re-elections. Biographical information on the Directors can be found on page 10 of this Annual Report and Accounts.

## Board Committees

The number of meetings of the Board and its committees and the attendance of those meetings by each member is set out below:

| | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|---|---|---|---|---|
| Number of meetings | 7 | 5 | 4 | 1 |
| **Non-executive Directors** | | | | |
| Sir Graham Hearne (1) | 7/7 | | 1/1 | |
| Richard Agutter | 7/7 | 5/5 | 4/4 | 1/1 |
| John Denholm | 7/7 | 5/5 | 4/4 | 1/1 |
| David Moorhouse | 7/7 | 5/5 | 4/4 | 1/1 |
| **Executive Directors** | | | | |
| Alan Marsh | 7/7 | | | |
| James Kidwell | 7/7 | | | |
| Iain Shaw | 6/7 | | | |

(1) Sir Graham Hearne retired from the Remuneration Committee on 15 March 2005.

Each of the Board committees is comprised solely of non-executive Directors. The composition and responsibilities for the Audit, Remuneration and Nominations Committee are as follows:

## Audit Committee

Non-executive Directors: Richard Agutter (Chairman), John Denholm and David Moorhouse.

Although the Board as a whole has a statutory responsibility for the preparation and publication of the Company's accounts, the Audit Committee reports to the Board and takes responsibility for the following matters:

- Review of the internal control procedures and risk assessment process;
- Planning with the external auditors the half-year review and full-year audit programme including agreement with the external auditors of the nature and scope of the audit, together with the level of the audit fee set in the context of the overall audit plan;
- Reviewing with the external auditors their audit findings and responses to the matters raised, as well as any problems or reservations the auditors may have;
- Reviewing the half-year and annual financial statements before they are submitted to the Board;
- Setting the policy on the appointment of the external auditors for the supply of non-audit services having regard to the level of fees for both audit and non-audit work;
- Reviewing the need for an internal audit department.

The Committee places great emphasis on the cost-effectiveness, independence and objectivity of the audit function. Company policy is that fees paid to auditors for non-audit services do not exceed audit fees unless such non-audit services are reviewed and approved by the Audit Committee.

In addition to the Audit Committee meetings, the Chairman of the Committee has regular meetings with the audit team.

## Remuneration Committee

Non-executive Directors: John Denholm (Chairman), Richard Agutter and David Moorhouse. A report of the Remuneration Committee is set out on pages 14-17.

## Nominations Committee

Non-executive Directors: David Moorhouse (Chairman), Richard Agutter and John Denholm.

The Nominations Committee considers the balance of skills and experience of the Board membership and makes recommendations to the Board on the appointment of new Directors. For each new appointment the Nomination Committee considers, amongst other things, the appropriateness of the qualifications and experience of the candidate for the role to be fulfilled and their availability to devote time to the job. Details of the Directors other professional commitments are set out in the biographical details of page 10.

The Nominations Committee also reviews the appointment of non-executive Directors at the expiration of their three-year service letter of appointment.

## Relations with shareholders

The Board recognises the importance of maintaining good communications with both institutional and private shareholders. For several years the Group has pursued an active investor relations programme conducted primarily through regular meetings of the Chief Executive and Finance Director with existing and potential institutional investors following both the interim and preliminary announcements of the results of the Group. Feedback on shareholder meetings is provided via the Group's stockbroker or public relations advisor. Corporate announcements and other material which the Group publishes is also made available on the Company's website, which can be accessed at: **www.braemarseascope.com**.

The Company encourages attendance at its Annual General Meeting where each resolution is separately put to the meeting and which the Chairman and/or Chief Executive makes a statement on the current year's performance and the near-term financial outlook.

## Accountability and audit

A statement of the Directors' responsibilities for preparing the financial statements is included in the Report of the Directors on page 11.

## Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and Group has adequate resources to continue to trade for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## Risk management and internal control

The Directors acknowledge the requirements of the Combined Code and seek to review all aspects of risk management in relation to each aspect of the business. These risks include, but are not limited to, staff errors and/or omissions, non-compliance with industry standard procedures, loss of broker teams, effectiveness of internal control systems, industry sector consolidation, currency exposure, credit risk and the effectiveness of financial control. Management monitor these risks through internal management meetings, subsidiary board meetings and regular dialogue with departmental heads. A summary of key risks and internal controls is prepared for consideration at the Audit Committee on an annual basis. The Company also holds professional indemnity insurance to an amount considered adequate for its size and potential exposure.

The Directors acknowledge their responsibility for the implementation and effectiveness of the Group's system of internal controls. These are designed to identify and counter the particular risks to which the Group is exposed. By their very nature these controls can only provide reasonable but not absolute assurance against material misstatement or loss. The effectiveness of the system of internal controls has been reviewed by the Audit Committee during the year. Due to its current size and structure, it is not considered necessary to have a dedicated full-time internal audit function, though the need for one is kept under review.

The Company prepares an annual budget, which is approved by the Board. The performance of the Company and the individual operating units is monitored against budget throughout the year and significant variances are investigated. Regular forecasts for the remainder of the financial year are prepared during the year. An internal systems of checks and authorisations is operated and also independent audits are conducted in relation to the ISO 9001:2000 certification which both Braemar Seascope Limited and Cory Brothers Shipping Agency Limited undertake. There is also an internal procedure through which any member of staff may raise in confidence, any concerns they may have about the way the Group is run or business is carried out.

The Group has foreign currency exposure which arises as a result of the majority of its earnings being denominated in US$ while the majority of its costs are denominated in £'s sterling. The Group's policy and objectives in relation to foreign currencies is to limit the exposure to currency risk by covering a proportion of expected foreign currency denominated future income up to two years forward. The Group manages this exposure through the use of treasury instruments; principally forward foreign exchange contracts and currency options. The Board monitors currency hedging through regular reporting by the Finance Director. The Group does not enter into speculative transactions.

The Group manages its exposure to fluctuations in interest rates by pooling its UK bank accounts under an offset arrangement.

# Remuneration Report for the year ended 28 February 2006

The Remuneration Committee comprises the following non-executive Directors:
John Denholm (Chairman), Richard Agutter and David Moorhouse.
The Chairman and Chief Executive attend as required.

The responsibilities of the Committee are:

- To determine on behalf of the Board and shareholders the Company's overall policy for executive remuneration;
- To determine all aspects of the individual remuneration packages for each of the executive Directors of the Company and review the remuneration packages of other senior executives reporting directly to the Chief Executive, including their base salary and all performance-related elements including bonus arrangements, profit share schemes, equity participation schemes, other long-term incentive schemes, pension and other benefits;
- To review the introduction and to determine the terms of all bonus, profit share or equity participation schemes or any other schemes intended to reward and incentivise employees of the Group and to review the participation of the executive Directors and senior executives in such schemes, including the award of any bonuses and the grant of rights or options thereunder;
- To maintain an overview of policy in relation to the remuneration and conditions of service of other senior executives within the Group.

In discharging these responsibilities the Committee takes advice from the Chief Executive, Alan Marsh, and, as appropriate, independent consultants. In the current year the Remuneration Committee took advice from Nabarro Nathanson, who also provided legal services to the Group, in relation to the Long Term Incentive Plan.

## Remuneration policy

The remuneration of the executive Directors is determined after a review of the individual's performance and after taking account of comparative market data from other companies of similar size and activity. The Remuneration Committee believes that the executive Directors should be rewarded fairly, competitively and at a level that will attract, motivate and retain directors of an appropriate calibre. The Committee also believes that the Company's remuneration policy should seek to align, so far as possible, the executive Directors' remuneration with the performance of the Group. No Director is involved in deciding his own remuneration.

The executive Directors' remuneration packages are reviewed on a regular basis and presently comprise:

- A competitive base salary
- Annual bonus based on performance
- Defined contribution scheme pension contributions linked to base salary
- Life and medical insurance and similar benefits, and
- Share options

## Base salary

Each executive Director's base salary is reviewed annually on performance, achievement of objectives and comparative salaries.

## Annual bonus

The Remuneration Committee believes that a significant proportion of the executive Directors overall remuneration package should be an annual bonus based on the performance of the Group in order to provide an incentive to management and to align their interests with those of the shareholders. The bonus policy, which was established last year and refined this year to deal with the new basis of accounting under International Accounting Standards, rewards executives based on achieving earnings per share in excess of a hurdle figure. This excess is then applied to a weighting selected for each participant. The hurdle figure for the year ended 28 February 2006 was 15.9 pence giving an excess of 21 pence. The Committee raised the hurdle by 22.4% over the prior year comprising a 20% target increase plus 2.4% for the growth in RPI.

Where an executive Director had specific responsibilities for a subsidiary company or department the Remuneration Committee believes it appropriate that an element of the executive Director's annual bonus may be determined by reference to that responsibility. In the year to 28 February 2006, the bonus awarded to Alan Marsh and James Kidwell was determined solely by reference to the performance of the Group and a component of the annual bonus award to Iain Shaw was determined with reference to the performance of the Group.

The Group also operates 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 held in an employee trust for three years after which the employee beneficiary will become absolutely entitled to the shares provided they remain in employment with the Group (or have ceased to be employed in certain specified circumstances). In respect of the year to 28 February 2006 awards over 84,250 (2005: 68,000) shares were made at an estimated total cost of £257,000 over four years (2005: £228,000).

The annual bonus is not pensionable. Executive Directors may elect to sacrifice some or all of their bonus entitlement in favour of an equivalent company pension contribution.

## Pensions

The Group's trading subsidiaries operate a number of defined contribution pension schemes or make other similar arrangements for individual members as appropriate. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and the various individual employees' retirement plans.

## Benefits

Benefits provided relate mainly to the provision of medical, life and permanent health insurance.

## Share options

The Company operates a discretionary share option scheme, the Braemar Seascope Group 1997 Executive Share Option Scheme ("The 1997 Scheme"). The 1997 Scheme is open to all employees and executive Directors, and options under the scheme are granted by the Remuneration Committee. The 1997 Scheme has two parts, being an approved and an unapproved section. Enterprise Management Incentive ("EMI") options may also be granted under the 1997 Scheme. Under the 1997 Scheme, no employee or Director can hold, in any ten-year period, options over shares with a total market value (measured at date of grant), which exceeds four times his remuneration (excluding benefits in kind.). The total market value of shares under options granted to any individual under the approved part of the 1997 Scheme must not exceed £30,000. Grants of EMI options worth up to £100,000 (excluding options under the approved part of the 1997 Scheme) can be made to the employees. The number of shares which may be issued or issuable in any ten-year period under the 1997 Scheme or any other Group share schemes cannot exceed 10% of the Company's issued ordinary share capital at the date of grant.

The Company also operates an all-employee Save As You Earn ("SAYE") scheme; first launched in July 2003 with options granted made on 4 August 2003, 10 June 2004 and 21 June 2005. The Directors believe that such a scheme is attractive to members of staff as a tax-effective way of saving and acquiring an equity interest in the Company, thereby helping to align interests of staff and shareholders. Executive Directors are eligible to participate in the Company's SAYE scheme.

A table showing Directors' share incentives is set out on page 17.

## Performance conditions

Share options granted between July 2002 and June 2004 under the 1997 Scheme are subject to a performance condition that the growth in the Company's average adjusted earnings per share (EPS) over a period of no less than three financial years must exceed the growth in the retail prices index (RPI) over the corresponding period by no less than 3% per annum compounded. The performance condition was chosen to test whether or not there had been a sustained and significant improvement in the Group's financial performance over a continuous period. The Remuneration Committee proposes that future grants of share options will retain the same performance criteria as for the new Long Term Incentive Plan (see below). There is no retesting of performance conditions.

The Remuneration Committee determines whether the performance condition has been met using earnings per share information contained in the Company's annual report and accounts, after taking advice as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance condition. The procedure is followed to ensure that no Group employee is in a position to rule on whether the performance conditions applicable to their own share options have been satisfied. During the year the Remuneration Committee determined that the options granted in July 2002 had met the performance condition and had therefore vested.

## Long Term Incentive Plan

As part of its ongoing responsibilities, the Remuneration Committee has reviewed the share incentive arrangements for the executive Directors and other senior managers. The Remuneration Committee considers that it is important both that the interests of the Directors are aligned with shareholders and that the Directors are incentivised to build the value of the Company over the medium to long term. Consequently, it is proposed to seek the approval of shareholders for the adoption of a new long term incentive plan ("LTIP"), participation in which will initially be limited to the executive Directors and other senior managers.

The LTIP will deliver benefits to participants in the form of either an option to subscribe for Ordinary Shares at nominal value or a conditional right to receive Ordinary Shares. The awards will normally vest over a period of three years, provided there has been sustained and significant improvement in the Company's financial performance over the corresponding period. It is proposed that the performance targets which will apply to the initial awards made under the LTIP will be based on earnings per share. A summary of the principal terms of the LTIP, including further information on the performance targets attached to the initial awards, is set out in the Appendix to the notice of the Annual General Meeting.

The performance test to be applied to the initial awards is based on the Group's EPS over a period of three years. The awards will vest as to 50% of the shares if the Group's EPS over the three year period has increased by the growth in RPI plus 4% per annum and will vest as to 100% of the shares if the Group's EPS over the three year period has increased by the growth in RPI plus 10% and will vest as to between 50% and 100% of the shares on a sliding scale if the Group's EPS over the three year period has increased by RPI plus more than 4% but less than 10% per annum. To the extent that the performance test has been met at the end of the three year period, the participant will normally become absolutely entitled to the shares which have vested in three tranches: one third on each of the third, fourth and fifth anniversaries of the date of the award provided he is still employed in the Group on the relevant dates.

Participants in the LTIP will continue to be eligible to participate in the 1997 Scheme although if an award is made to them under the LTIP it is unlikely that they will be granted an option in the same financial year.

# Remuneration Report for the year ended 28 February 2006 continued

## Contracts of Service

The executive Directors have entered into service agreements with the Company and the independent non-executive Directors serve under letters of engagement for an initial three-year term. In the event of early termination of service contracts, each Director is entitled to compensation equal to their basic salary and contractual benefits for the notice period as set out below. The policy on termination payments to Directors is that the Company does not normally make payments beyond its contractual obligations. In exceptional circumstances, an ex-gratia payment may be considered based on the circumstances of the Director's departure and their past contribution.

Details of Directors' service contracts are as follows:

| | Date of Contract | Unexpired term | Notice Period |
|---|---|---|---|
| Alan Marsh | 30 Nov 04 | 12 months | 12 months |
| James Kidwell | 20 Feb 03 | 12 months | 12 months |
| Iain Shaw (1) | 19 Jan 96 | 1 month | 12 months |
| Sir Graham Hearne | 2 May 06 | 36 months | 1 month |
| Richard Agutter | 18 Nov-04 | 18 months | 1 month |
| John Denholm | 7 Dec 05 | 30 months | 1 month |
| David Moorhouse | 19 Jan 05 | 20 months | 1 month |

(1) retires at the forthcoming AGM.

## Non-executive directors

The remuneration of the non-executive Directors is determined by the Board with the assistance of independent advice concerning comparable organisations and appointments.

## The performance graph

Set our below is the Company's total shareholder return performance over the last five years compared with the FT all share index. The index has been chosen as it represents the overall return achieved in the UK equity market and there are also no sectors which could be considered directly comparable.

## Directors' emoluments (audited)

For the year ended 28 February 2006 the individual emoluments by director are as follows:

| | Salary/ fees | Performance-Related Bonus | Benefits | Pension (1) | Year ended 28 Feb 06 | Year ended 28 Feb 05 |
|---|---|---|---|---|---|---|
| Executive directors | | | | | | |
| Alan Marsh | 250,000 | 72,303 | 3,494 | 282,173 | **607,970** | 460,604 |
| James Kidwell | 165,000 | 173,527 | 2,195 | 24,750 | **365,472** | 324,655 |
| Iain Shaw | 135,000 | 100,000 | 2,305 | 20,250 | **257,555** | 212,395 |
| Non-executive directors | | | | | | |
| Sir Graham Hearne (Chairman) | 61,250 | – | – | – | **61,250** | 50,000 |
| Richard Agutter | 35,000 | – | – | – | **35,000** | 25,000 |
| John Denholm | 35,000 | – | – | – | **35,000** | 25,000 |
| David Moorhouse | 35,000 | – | – | – | **35,000** | 2,949 |
| | 716,250 | 345,830 | 7,994 | 327,173 | **1,397,247** | 1,100,603 |

(1) The pension payments for Alan Marsh included an amount of £244,673 which was performance related.

The number of directors accruing benefits under money purchase pension schemes is three (2005: three).

## Directors share incentives (audited)

The numbers of ordinary shares subject to options held by directors and granted under the 1997 Scheme and under the SAYE are set out below:

| | | Date of Grant | Number at 01 Mar 05 | Granted/ (Lapsed) | Number at 28 Feb 06 | Exercise price (pence) | Date options exercisable | Date options expire |
|---|---|---|---|---|---|---|---|---|
| James Kidwell | 1997 ESOS | 5 Aug 03 | 35,000 | – | 35,000 | 181.5 | 5 Aug 06 | 5 Aug 13 |
| | 1997 ESOS | 15 Jun 04 | 35,000 | – | 35,000 | 245 | 15 Jun 07 | 15 Jun 14 |
| | SAYE | 4 Aug 03 | 6,250 | – | 6,250 | 148 | 4 Aug 06 | 4 Feb 07 |
| Alan Marsh | SAYE | 10 Jun 04 | 4,736 | – | 4,736 | 199 | 10 Jun 07 | 10 Dec 07 |

The closing mid-market share price on 28 February 2006 was 399 pence and the range of closing prices during the financial year 2005/6 was 331 pence to 423.5 pence. SAYE options were granted at a 20% discount to the prevailing market price.

No other director who served during the year held any share options. Directors' interests are set out on page 10.

Non-executive Directors are not permitted to participate in the 1997 Scheme or SAYE scheme.

**John Denholm**
3 May 2006

# Independent Auditors' Report to the members of Braemar Seascope Group plc

We have audited the group and parent company financial statements (the "financial statements") of Braemar Seascope Group plc for the year ended 28 February 2006 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cashflow statements, the consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Operating and Financial Review, the unaudited part of the Remuneration Report, the Corporate Governance Statement and the 5 year financial summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 28 February 2006 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, *in accordance with IFRSs as adopted by the European Union as* applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 February 2006 and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
West London
10 May 2006

PricewaterhouseCoopers LLP

# Consolidated Income Statement for the year ended 28 February 2006

| Continuing operations | Notes | Year ended 28 Feb 2006 £'000 | Year ended 28 Feb 2005 £'000 |
|---|---|---|---|
| **Revenue** | 2 | 68,497 | 45,203 |
| Operating costs | | (58,607) | (37,412) |
| Amortisation of other intangibles | 12 | (287) | – |
| Impairment of goodwill | 11 | – | (931) |
| Operating costs excluding amortisation of other intangibles and impairment of goodwill | | (58,320) | (36,481) |
| Operating profit | 2,3 | 9,890 | 7,791 |
| Finance income | 6 | 162 | 28 |
| Finance costs | 6 | (2) | (53) |
| Share of profit from joint ventures and associates | | 243 | 365 |
| **Profit before taxation** | | 10,293 | 8,131 |
| Taxation | 7 | (3,115) | (2,699) |
| **Profit for the period attributable to shareholders** | 28 | 7,178 | 5,432 |
| **Earnings per ordinary share** | | | |
| Basic – pence | 9 | 37.03p | 29.50p |
| Diluted – pence | 9 | 36.18p | 28.59p |

# Statement of Recognised Income and Expenses
for the year ended 28 February 2006

| | Notes | Group Year ended 28 Feb 2006 £'000 | Group Year ended 28 Feb 2005 £'000 | Company Year ended 28 Feb 2006 £'000 | Company Year ended 28 Feb 2005 £'000 |
|---|---|---|---|---|---|
| Profit attributable to shareholders | | 7,178 | 5,432 | 4,532 | 4,916 |
| Foreign exchange differences on retranslation of foreign operations | 27 | 83 | (8) | – | – |
| Tax on items taken directly to or transferred from equity | 27 | 576 | 40 | – | – |
| Cash flow hedges: | | | | | |
| – Transferred to income statement in period | 27 | (1,401) | – | – | – |
| – Losses deferred in equity | 27 | (40) | – | – | – |
| Recognised income and expense for the year | 29 | 6,396 | 5,464 | 4,532 | 4,916 |
| First time adoption of IAS 32 and IAS 39 (net of taxation) | 29 | 1,077 | – | – | – |
| Total recognised income and expense | | 7,473 | 5,464 | 4,532 | 4,916 |

# Balance Sheet as at 28 February 2006

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | As at 28 Feb 06 | As at 28 Feb 05 | As at 28 Feb 06 | As at 28 Feb 05 |
| **Assets** | Notes | £'000 | £'000 | £'000 | £'000 |
| **Non-current assets** | | | | | |
| Goodwill | 11 | **22,480** | 21,652 | **–** | – |
| Other intangible assets | 12 | **462** | 215 | **–** | – |
| Property, plant and equipment | 13 | **5,034** | 4,960 | **–** | – |
| Investments | 14 | **1,611** | 1,555 | **36,560** | 38,474 |
| Deferred tax assets | 7 | **510** | 309 | **–** | 17 |
| Other receivables | 15 | **58** | 95 | **58** | 95 |
| | | **30,155** | 28,786 | **36,618** | 38,586 |
| **Current assets** | | | | | |
| Trade and other receivables | 16 | **17,717** | 11,688 | **4,979** | 12,517 |
| Financial assets | | | | | |
| – Derivative financial instruments | 17 | **12** | – | **–** | – |
| Restricted cash | 18 | **–** | 4,434 | **–** | – |
| Cash and cash equivalents | 19 | **13,567** | 9,606 | **52** | 83 |
| | | **31,296** | 25,728 | **5,031** | 12,600 |
| **Total assets** | | **61,451** | 54,514 | **41,649** | 51,186 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities | | | | | |
| – Short term borrowings | 20 | **–** | 3,067 | **2,073** | 3,067 |
| – Derivative financial instruments | 17 | **99** | – | **–** | – |
| Trade and other payables | 21 | **25,490** | 17,113 | **698** | 11,068 |
| Current tax payable | | **2,224** | 1,556 | **–** | – |
| Finance leases | 22 | **11** | 31 | **–** | – |
| Provisions | 23 | **288** | 41 | **–** | – |
| Client monies held as escrow agent | 18 | **–** | 4,434 | **–** | – |
| | | **28,112** | 26,242 | **2,771** | 14,135 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 7 | **139** | 65 | **–** | – |
| Finance leases | 22 | **–** | 8 | **–** | – |
| Provisions | 23 | **343** | 110 | **–** | – |
| | | **482** | 183 | **–** | – |
| **Total liabilities** | | **28,594** | 26,425 | **2,771** | 14,135 |
| **Total assets less total liabilities** | | **32,857** | 28,089 | **38,878** | 37,051 |
| **Equity** | | | | | |
| Share capital | 24 | **1,988** | 1,945 | **1,988** | 1,945 |
| Capital redemption reserve | 24 | **396** | 396 | **396** | 396 |
| Share premium | 25 | **8,046** | 7,505 | **8,046** | 7,505 |
| Merger reserve | 25 | **21,346** | 21,346 | **21,346** | 21,346 |
| Shares to be issued | 26 | **(997)** | (637) | **(997)** | (637) |
| Other reserves | 27 | **639** | 196 | **401** | 157 |
| Retained earnings | 28 | **1,439** | (2,662) | **7,698** | 6,339 |
| **Total equity** | 29 | **32,857** | 28,089 | **38,878** | 37,051 |

The accounts on pages 19 to 53 were approved by the Board of Directors on 8 May 2006 and were signed on its behalf by:

Sir Graham Hearne, Chairman

J.R.V. Kidwell, Finance Director

The notes on pages 22 to 53 form part of these accounts

# Cash Flow Statement for the year ended 28 February 2006

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | Year ended 28 Feb 06 £'000 | Year ended 28 Feb 05 £'000 | Year ended 28 Feb 06 £'000 | Year ended 28 Feb 05 £'000 |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 30 | 13,769 | 11,044 | 4,068 | 3,953 |
| Interest received | | 156 | 26 | – | – |
| Interest paid | | (1) | (52) | (87) | (130) |
| Tax paid | | (3,210) | (2,448) | – | – |
| **Net cash generated from operating activities** | | 10,714 | 8,570 | 3,981 | 3,823 |
| **Cash flows from investing activities** | | | | | |
| Dividends received from joint ventures | | 239 | – | – | – |
| Acquisition of subsidiaries, net of cash acquired | | (521) | (1,026) | – | – |
| Purchase of property, plant and equipment | | (387) | (175) | – | – |
| Proceeds from sale of property, plant and equipment | | 29 | 11 | – | – |
| Purchase of investments | | (36) | (21) | (36) | (1,613) |
| Proceeds from sale of investment | | – | 386 | – | – |
| Other long term assets | | 37 | 8 | 37 | 8 |
| **Net cash used in investing activities** | | (639) | (817) | 1 | (1,605) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of ordinary shares | | 535 | 1 | 535 | 1 |
| Dividends paid | | (3,194) | (2,597) | (3,194) | (2,597) |
| Purchase of own shares | | (360) | (572) | (360) | (572) |
| Payment of principal under finance leases | | (28) | (2) | – | – |
| Other | | – | (2) | – | – |
| **Net cash used in financing activities** | | (3,047) | (3,172) | (3,019) | (3,168) |
| **Increase/(decrease) in cash and cash equivalents** | | 7,028 | 4,581 | 963 | (950) |
| Cash and cash equivalents at beginning of the period | | 6,539 | 1,958 | (2,984) | (2,034) |
| **Cash and cash equivalents at end of the period** | | 13,567 | 6,539 | (2,021) | (2,984) |
| Balance sheet analysis of cash and cash equivalents | | | | | |
| Cash and cash equivalents | | 13,567 | 9,606 | 52 | 83 |
| Short term borrowings | | – | (3,067) | (2,073) | (3,067) |
| **Cash and cash equivalents at end of the period** | | 13,567 | 6,539 | (2,021) | (2,984) |

# Notes to the Accounts for the year ended 28 February 2006

### General information
The Group and Company financial statements of Braemar Seascope Group plc for the year ended 28 February 2006 were authorised for issue in accordance with a resolution of the Directors on 8 May 2006. Braemar Seascope Group plc is a Public Limited Company incorporated in England and Wales.
The term 'Company' refers to Braemar Seascope Group plc and 'Group' refers to the Company and all its subsidiary undertakings and of the employee share ownership plan trust.
The Group and Company are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

## 1 Accounting policies
### a) Basis of accounting
This is first year the financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The disclosure required by IFRS1 concerning the transition from UK Generally Applied Accounting Principles (UK GAAP) to IFRS is given in notes 37 and 38.

The financial statements have been prepared under the historic cost convention except for the derivative financial instruments, which are measured at fair value.

### b) Statement of compliance
The Group and Company financial statements have been prepared in accordance with IFRS adopted by the European Union as they apply to the accounts of the Group and the Company for the year ended 28 February 2006 applied in accordance with the provisions of the Companies Act 1985. No income statement is presented for Braemar Seascope Group plc as provided by Section 230 of the Companies Act 1985.

The Group and Company financial statements for the year ended 28 February 2006 represent the first time adoption of IFRSs. Published accounts to 28 February 2005 had previously been prepared under UK GAAP, but have been fully restated to comply with IFRSs.

The principal accounting policies adopted in the presentation of these financial statements are set out below. These policies have been consistently applied to all years presented and on the preparing an opening IFRS balance sheet at 1 March 2004 for the purposes of the translation to IFRS. IFRS1 'First – time Adoption of International Reporting Standards' allows a number of exceptions to retrospective application of International Accounting Standards. Where Braemar Seascope Group plc has taken advantage of these exemptions it is noted below.

### c) Basis of consolidation
The consolidated financial statements incorporate the accounts of the Group and the Company made up to 28 February each 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.

Investments in joint ventures and associates and where the Group has significant influence are equity accounted and carried in the balance sheet at cost plus post- acquisition changes in the Group's share of net assets of the associate or joint venture, less any impairment in value. The income statement reflects the Group's share of the post tax result of the joint venture or associate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### d) Use of estimates and critical judgements
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. Principal areas where the assumptions and estimates have been used in arriving at the carrying amount of assets and liabilities within the next financial year relate to the review of impairment of goodwill (see note 11) and provisions (see note 23).

### e) Revenue recognition
Revenue of the Group consists of commission arising from tanker and dry cargo charter broking, sale and purchase broking, offshore broking, financial consultancy arrangement fees, fees for the supply of technical and agency services and income for the supply of bunkers. The policies for accounting for revenue are as follows:

i) Shipbroking – income is recognised when the company has a contractual entitlement to commission, normally the point at which there is completion of contractual terms between the principals of a transaction.
ii) Agency, forwarding and logistics – agency income is recognised at the point when the ship sails from the port. Forwarding and logistics income is recognised on a shipment basis. Where the Group acts as a principal rather than as agent, the turnover and costs are shown gross.
iii) Technical services – fee income is recognised as invoiced for work performed and /or in accordance with the agreement.
iv) Bunker trading – revenue is recognised when sales and purchases of bunkers are contracted.

Revenue 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.

## f) Foreign currencies

The functional currency of the Group 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 contacts (see the following page for details of the Group's accounting policies in respect of such derivative financial instruments).

Assets and liabilities of overseas subsidiaries and associates are translated 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, 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 tax currently payable 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 un-remitted overseas earnings is provided for to the extent a tax charge is foreseeable.

## h) Goodwill

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 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. Goodwill written off to reserves prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal. As permitted by IFRS1 goodwill on acquisitions arising prior to 1 March 2004 has been retained at prior amounts and will be tested annually for impairment.

## i) 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 two to five 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 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 |

The Group has chosen not to restate property, plant and equipment to fair value at the date of transition. These are carried at historic cost.

## k) Investments

Investments in associates and joint ventures where the Group has significant influence are accounted for under the equity method of accounting. Investments are carried in the balance sheet at cost plus post acquisition changes in the Group's share in the net assets of associates and joint ventures, less any impairment in value. The income statement reflects the Group's share of the results of the operations of associates and joint ventures.

Investments in associates and joint ventures together with any other unlisted investments where the Group has no significant influence is booked at cost less any impairment in value.

Investments in the Company are shown at cost less impairment.

### 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 each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount is determined based on value in use calculations, 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 and other intangibles 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 and other intangibles is not subsequently reversed.

### m) Derivative financial instruments and hedging – adopted from 1 March 2005
Derivatives are initially recognised at fair value and are subsequently re-measured 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 effective portion of changes in the fair value of these derivatives are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are dealt with in 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. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The fair value of forward foreign exchange contracts, which are traded in active markets, is based on quoted market prices at the balance sheet date.

In accordance with the IFRS transitional provisions, the Group has chosen not to apply IAS 32 and IAS 39 to the comparatives for the year ended 28 February 2005. The Group has applied these standards from 1 March 2005. For the comparative period the Group has continued to account for its foreign exchange contracts under UK GAAP. Accordingly, any hedging gains or losses at 1 March 2004 and 28 February 2005 remain off balance sheet and have not been recognised in the 2005 IFRS comparative balance sheet and income statement. From 1 March 2005 the fair value of the hedging derivatives have been recognised. Details of the restatement required are set out in note 29.

### n) Trade and other receivables
Trade and other receivables are recognised and carried at the lower of their original value and recoverable amount. Provision is made where there is evidence that the balances will not be recovered in full.

### o) Cash and cash equivalents
Cash and short-term deposits included in the balance sheet comprise cash in hand and short-term deposits with an original maturity of three months or less.
Cash and cash equivalents included in the cash flow statement includes cash and short-term deposits, net of bank overdrafts.

### 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 pre-tax interest rate.

### q) Share based payments (including deferred bonus shares)
The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and charged to the income statement on a straight line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. All share-based remuneration is equity settled. The balance sheet entry is included in reserves. Shares issued in respect of the deferred bonus plan are valued at the market value on the date the shares were purchased.

The Company reflects the fair value of the share based payment as an investement in its subsidiaries.

In accordance with the IFRS transitional provisions, IFRS2 has been applied to grants of executive share options issued after 7 November 2002 that had not vested as of 1 January 2005. No charge is recognised for grants or share options vested prior to those respective dates.

### r) Commissions payable
Commissions payable to clients are recognised in trade creditors due within one year on the earlier of the date of invoicing or the date of receipt of cash.

### s) Pension scheme arrangements
The Group operates several defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund.

### t) Leasing
A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at their fair value and depreciated over the shorter of their estimated useful lives and their lease terms. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. All other leases are operating leases, and the rental of these is charged to the income statement as an expense on a straight-line basis over the lease term. Operating lease income is recognised in the income statement as it is earned.

### u) Segmental analysis
The Group's primary segmental analysis is based on its four business segments: Shipbroking; Ship agency, forwarding and logistics; Technical shipping support; and Bunker trading. This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting.

The secondary analysis will be presented according to the geographic markets comprising UK and Australia and the rest of the world. The Group's geographical segments are determined by the location of the Groups assets and operations.
Costs are allocated between segments on an actual basis.

### v) New standards and interpretations not applied
During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the issue of these financial statements:

| International Accounting Standards (IAS/IFRS) | | Effective date |
|---|---|---|
| IFRS 7 | Financial Instruments: Disclosures | 1 January 2007 |
| IAS 1 | Amendment – Presentation of Financial Statements: Capital Disclosures | 1 January 2007 |

| International Financial Reporting Interpretations Committee (IFRIC) | | |
|---|---|---|
| IFRIC 7 | Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies' | 1 March 2006 |
| IFRIC 8 | Scope of IFRS 2 | 1 May 2006 |
| IFRIC 8 | Reassessment of Embedded Derivatives | 1 January 2007 |

## 2 Segmental information
### a) Business segments
For management purposes, the Group is currently organised into four operating divisions – shipbroking, ship agency, forwarding and logistics, technical shipping support and bunker trading. These divisions are the basis on which the Group reports its primary segment information.

| | Revenue | | Profit for the period | |
|---|---|---|---|---|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Shipbroking | 39,745 | 32,420 | 9,003 | 8,864 |
| Ship agency, forwarding & logistics | 15,851 | 8,461 | 568 | (1,213) |
| Technical shipping support | 5,202 | 4,322 | 289 | 140 |
| Bunker trading | 7,699 | – | 30 | – |
| Revenue/operating profit | 68,497 | 45,203 | 9,890 | 7,791 |
| Finance income/(cost) – net | | | 160 | (25) |
| Share of profit from joint ventures and associates | | | 243 | 365 |
| Profit before taxation | | | 10,293 | 8,131 |
| Taxation | | | (3,115) | (2,699) |
| Profit for the period attributable to shareholders | | | 7,178 | 5,432 |

There are no sales between the business segments.

## 2 Segmental information continued

| | Capital additions | | Depreciation and amortisation of intangible assets | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Shipbroking | **242** | 4,515 | **445** | 164 |
| Ship agency, forwarding & logistics | **1,526** | 51 | **175** | 122 |
| Technical shipping support | **5** | 2 | **6** | 11 |
| Bunker trading | **1** | - | **–** | – |
| Operating group | **1,774** | 4,568 | **626** | 297 |

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

| | Pre tax impairment losses recognised in income statement | |
|---|---|---|
| | **2006** | 2005 |
| | **£'000** | £'000 |
| Shipbroking | **–** | – |
| Ship agency, forwarding & logistics (see note 11) | **–** | 931 |
| Technical shipping support | **–** | – |
| Bunker trading | **–** | – |
| Operating group | **–** | 931 |

| | Assets | | Liabilities | | Net assets | |
|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| Shipbroking | **33,703** | 38,093 | **14,348** | 16,496 | **19,355** | 21,597 |
| Ship agency, forwarding & logistics | **6,878** | 3,921 | **7,633** | 5,086 | **(755)** | (1,165) |
| Technical shipping support | **1,867** | 1,030 | **268** | 155 | **1,599** | 875 |
| Bunker trading | **3,315** | – | **3,982** | – | **(667)** | – |
| Operating group | **45,763** | 43,044 | **26,231** | 21,737 | **19,532** | 21,307 |
| Cash and cash equivalents | **13,567** | 9,606 | **–** | – | **13,567** | 9,606 |
| Short term borrowings | **–** | – | **–** | 3,067 | **–** | (3,067) |
| Taxation | **510** | 309 | **2,363** | 1,621 | **(1,853)** | (1,312) |
| Share of joint ventures and associates | **828** | 772 | **–** | – | **828** | 772 |
| Other investments | **783** | 783 | **–** | – | **783** | 783 |
| Group | **61,451** | 54,514 | **28,594** | 26,425 | **32,857** | 28,089 |

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

### b) Geographical segment – by origin

The Group manages its business segments on a global basis. The operations are based in two main geographical areas being the UK and Australia. The UK is the home country of the parent.

| | Revenue | | Capital additions | | Assets | |
|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| United Kingdom | **56,441** | 44,575 | **1,727** | 170 | **41,453** | 42,029 |
| Australia | **10,963** | 36 | **45** | 4,394 | **4,290** | 987 |
| Rest of World | **1,093** | 592 | **2** | 4 | **20** | 28 |
| Operating group | **68,497** | 45,203 | **1,774** | 4,568 | **45,763** | 43,044 |

### c) Revenue analysis

All revenue arises from the rendering of services and the provision of goods in respect of bunker trading.

## 3 Operating profit

Operating profits from continuing operations represent the results from operations before share of profits of joint ventures and associates, finance income, finance costs and taxation.

This is stated after charging/ (crediting):

| | Notes | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| Staff costs | 4 | 26,558 | 21,958 |
| Depreciation on tangible fixed assets: | 13 | | |
| – Owned assets | | 337 | 297 |
| – Leased assets | | 2 | – |
| Amortisation of other intangible assets | 12 | 287 | – |
| Impairment of goodwill | 11 | – | 931 |
| Operating lease rentals: | | | |
| – Land and buildings | | 346 | 229 |
| – Other | | 11 | 98 |
| Profit on sale of investment | | – | (123) |
| Movements in bad debt provisions | | 139 | 24 |
| Auditors' remuneration | 5 | 263 | 193 |
| Freight and haulage | | 9,548 | 3,884 |
| Bunker payments | | 7,516 | – |
| Payments to sub contractors | | 4,207 | 3,558 |
| Other operating costs | | 9,393 | 6,363 |
| Net foreign exchange gains | | (1,009) | (530) |

The profit on sale of an investment relates to the sale of the Group's 16.7% interest in Lone Star (see note 14).

## 4 Staff costs

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

| | Notes | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| Salaries and wages | | 22,243 | 17,866 |
| Other pension costs | 32 | 1,699 | 1,891 |
| Social security costs | | 2,372 | 2,066 |
| Share based payments | | 244 | 135 |
| | | 26,558 | 21,958 |

No staff costs were incurred by the Company.
The numbers above include remuneration and pension entitlements for each Director. Details are included in the Remuneration Report on page 17.

### b) Average number of full time employees

| | 2006 No. | 2005 No. |
|---|---|---|
| Shipbroking | 189 | 141 |
| Ship agency, forwarding & logistics | 120 | 106 |
| Technical shipping support | 17 | 17 |
| Bunker trading | 2 | – |
| | 328 | 264 |

The Company had no employees.

## 4 Staff costs continued

### c) Key management compensation (including Directors)

The remuneration of key management including the seven Directors of the Group, is set out below. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on page 17.

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Salaries and short-term employee benefits | 2,894 | 3,012 |
| Post- employment benefits | 515 | 373 |
| Share based payments | 19 | 19 |
| | 3,428 | 3,404 |
| Number of key management employees | 10 | 10 |

## 5 Auditors' remuneration

A more detailed analysis of auditors' services is given below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Audit services | | | | |
| – Statutory audit | 125 | 105 | 5 | 5 |
| – Further assurance services | 45 | – | – | – |
| Tax services | | | | |
| – Compliance services | 93 | 88 | – | – |
| | 263 | 193 | 5 | 5 |

In addition, during the year ended 28 February 2005, due diligence fees amounting to £34,000 were paid to the auditors and were capitalised as part of the costs of the acquisition of Braemar Seascope Pty Limited (see note 31).

## 6 Finance income/(costs) – net

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Finance income: | | |
| – Interest on bank deposits | 162 | 28 |
| Total finance income | 162 | 28 |
| Finance costs: | | |
| – Interest payable on bank loans and other loans | – | (53) |
| – On finance leases | (2) | – |
| Total finance costs | (2) | (53) |
| Finance income/(costs) – net | 160 | (25) |

## 7 Taxation

### a) Analysis of charge in period

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Current tax | | |
| UK Corporation tax charged to the income statement | 3,148 | 2,537 |
| UK Adjustment in respect of previous years | 16 | 117 |
| Overseas tax on profits in the year | 124 | – |
| Total current tax | 3,288 | 2,654 |
| Deferred tax | | |
| UK current year origination and reversal of timing differences | (215) | 50 |
| UK adjustment in respect of previous years | 17 | (5) |
| Overseas current year origination and reversal of timing differences | 12 | – |
| Overseas adjustment in respect of prior years | 13 | – |
| Total deferred tax | (173) | 45 |
| Taxation | 3,115 | 2,699 |

| Tax on items charged to equity | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Deferred tax credit on stock options | (144) | (40) |
| Deferred tax credit on cash flow hedges | (432) | – |
| Tax credit in the statement of recognised income and expense | (576) | (40) |

| Reconciliation between expected and actual tax charge | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Profit before tax | 10,293 | 8,131 |
| Profit before tax at standard rate of UK corporation tax of 30% (2005: 30%) | 3,088 | 2,439 |
| Expenses not deductible for tax purposes | 299 | 258 |
| Temporary differences | (245) | – |
| Joint venture income not subject to UK tax | (73) | (110) |
| Prior year adjustments | 46 | 112 |
| Total tax charge for the year | 3,115 | 2,699 |

### b) Deferred tax asset

| Analysis of the deferred tax asset | As at 28 Feb 2006 £'000 | As at 28 Feb 2005 £'000 |
|---|---|---|
| Accelerated capital allowances (includes £64,000 (2005 : £nil) of overseas accelerated capital allowances) | 184 | 161 |
| Short term timing differences | 326 | 148 |
| | 510 | 309 |

| The movement in the deferred tax asset | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Balance at beginning of year | 309 | 229 |
| Acquisition (see note 31) | – | 85 |
| Movement to income statement | 45 | (45) |
| Movement to reserves | 156 | 40 |
| Balance at end of year | 510 | 309 |

The closing deferred tax asset includes £199,000 (2005: £nil) expected to reverse within 12 months of the balance sheet date.

# Notes to the Accounts for the year ended 28 February 2006 continued

## 7 Taxation continued

### c) Deferred tax liabilities

| Analysis of the deferred tax liability | As at 28 Feb 2006 £'000 | As at 28 Feb 2005 £'000 |
|---|---|---|
| Short term timing differences | (139) | (65) |
| | (139) | (65) |

| The movement in the deferred tax liability | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Balance at beginning of year | (65) | – |
| IAS 32 and IAS 39 restatement | (461) | – |
| Balance at 1 March 2005 | (526) | – |
| Acquisition in the period (see note 31) | (161) | (65) |
| Movement to reserves | 420 | – |
| Movement to income statement | 128 | – |
| Balance at end of year | (139) | (65) |

The closing deferred tax liability includes £31,000 (2005: £61,000) expected to reverse within 12 months of the balance sheet date.

There is no unprovided deferred tax (2005: £nil).

## 8 Dividends

Amounts recognised as distributions to equity holders in the year:

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Ordinary shares of 10 pence each | | |
| Final of 10.0 pence per share (2004: 8.0 pence per share) | 1,902 | 1,491 |
| Interim of 6.5 pence per share paid (2005: 6.0 pence per share) | 1,271 | 1,134 |
| | 3,173 | 2,625 |

In addition, the Directors are proposing a final dividend in respect of the financial year ended 28 February 2006 of 11.5 pence per share which will absorb an estimated £2.2 million of shareholders' funds. It will be paid on 27 July 2006 to shareholders who are on the register of members on 30 June 2006. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The right to receive dividends on the shares held in the ESOP has been waived (see note 26). The dividend saving through the waiver is £53,000 (2005: £31,000).

## 9 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 321,495 ordinary shares held by the employee share trust (2005:222,500) which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive ordinary shares. The Group has one class of potential dilutive ordinary shares being those granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

## 9 Earnings per share continued

| | 2006 Earnings £'000s | 2006 Weighted average number of shares | 2006 Per share amount pence | 2005 Earnings £'000s | 2005 Weighted average number of shares | 2005 Per share amount pence |
|---|---|---|---|---|---|---|
| From continuing operations | | | | | | |
| Profit for the period attributable to shareholders | 7,178 | 19,385,615 | 37.03 | 5,432 | 18,412,881 | 29.50 |
| Effect of dilutive share options | – | 452,339 | (0.85) | – | 585,077 | (0.91) |
| Fully diluted earnings per share | 7,178 | 19,837,954 | 36.18 | 5,432 | 18,997,958 | 28.59 |

## 10 Profit for the financial year

In accordance with the exemptions allowed by section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. Of the results for the year to 28 February 2006 a profit of £4,532,000 (2005: profit of £4,916,000) has been dealt with in the accounts of the Company.

## 11 Goodwill

| Group | £'000 |
|---|---|
| Cost | |
| At 1 March 2004 | 24,176 |
| Additions (see note 31) | 4,049 |
| At 28 February 2005 | 28,225 |
| Additions (see note 31) | 828 |
| **At 28 February 2006** | **29,053** |
| Accumulated depreciation and aggregate impairment | |
| At 1 March 2004 | 5,642 |
| Movement in year | 931 |
| At 28 February 2005 | 6,573 |
| Movement in year | – |
| **At 28 February 2006** | **6,573** |
| **Net book value at 28 February 2006** | **22,480** |
| Net book value at 28 February 2005 | 21,652 |

During the year ended 28 February 2005, an impairment charge of £0.9 million in respect of Cory was charged to the income statement. The impairment resulted from the shipping agency activities of the company performing below expectations at acquisition. The recoverable amount for the cash generating unit was measured based on a value in use calculation. A pre-tax discount rate of 7.0% was used in the value in use calculation.

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

| | £'000 |
|---|---|
| Braemar Seascope Limited | 17,399 |
| Braemar Seascope Pty Limited | 4,049 |
| Wavespec Limited | 204 |
| Geo A Morrisons & Co (Leith) Limited | 351 |
| Planetwide Group Limited | 477 |
| | 22,480 |

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

All recoverable amounts were measured based on value in use. The forecast cash flows were based on the approved annual budget for the next financial year and management projections for the following 9 years which are based on estimated growth rates for revenue and costs. Management believe any improvements in the cash flow are achievable. Cash flows have been used over a period of ten years as management believes this reflects a reasonable time horizon for management to monitor the trends in the business. The cash flows were discounted using a pre-tax discount rate of 7% which is a project rate utilised by the Group.

The Company has no goodwill.

## 12 Other intangible assets

| Group | £'000 |
|---|---|
| Cost | |
| At 1 March 2004 | – |
| Additions – acquired on acquisition of subsidiary (see note 31) | 215 |
| At 28 February 2005 | 215 |
| Additions – acquired on acquisition of subsidiaries (see note 31) | 534 |
| **At 28 February 2006** | **749** |
| Amortisation | |
| At 1 March 2004 | – |
| Charge for the year | – |
| At 28 February 2005 | – |
| Charge for the year | 287 |
| **At 28 February 2006** | **287** |
| **Net book value at 28 February 2006** | **462** |
| Net book value at 28 February 2005 | 215 |

During the year ended 28 February 2006, the Group capitalised the value of the customer relationships following the acquisition of Geo A Morrisons & Co (Leith) Limited (£160,000) and Planetwide Group Limited (£332,000). Amortisation of these assets is charged to the income statement on a straight-line basis over five years. A further £42,000 has been capitalised for the forward order book for Geo A Morrisons & Co (Leith) Limited. This was fully amortised by 28 February 2006.

During the year ended 28 February 2005, the Group capitalised the value of the forward order book following the acquisition of Braemar Seascope Pty Limited (formerly Seawise Australia Pty Limited). Amortisation of this asset is charged to the income statement in line with expected income over a period of two years.

The Company has no intangible assets.

## 13 Property, plant and equipment

| Group | Motor vehicles £'000 | Computers £'000 | Fixtures & equipment £'000 | Long leasehold £'000 | Short leasehold £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Cost or fair value | | | | | | |
| At 1 March 2004 | – | 456 | 640 | 4,508 | 271 | 5,875 |
| Additions at cost | – | 82 | 69 | 24 | – | 175 |
| Acquisitions (see note 31) | 9 | 45 | 75 | – | – | 129 |
| Disposals | – | – | (17) | – | – | (17) |
| Exchange differences | – | (1) | (1) | – | – | (2) |
| At 28 February 2005 | 9 | 582 | 766 | 4,532 | 271 | 6,160 |
| Additions at cost | – | 111 | 190 | 86 | – | 387 |
| Acquisitions (see note 31) | – | – | 25 | – | – | 25 |
| Disposals | – | – | (48) | – | – | (48) |
| Exchange differences | 1 | 10 | 22 | – | – | 33 |
| **At 28 February 2006** | **10** | **703** | **955** | **4,618** | **271** | **6,557** |

## 13 Property, plant and equipment continued

| Group | Motor vehicles £'000 | Computers £'000 | Fixtures & equipment £'000 | Long leasehold £'000 | Short leasehold £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| At 1 March 2004 | – | 289 | 316 | 290 | 17 | 912 |
| Charge for the year | – | 80 | 137 | 60 | 20 | 297 |
| Disposals | – | – | (9) | – | – | (9) |
| At 28 February 2005 | – | 369 | 444 | 350 | 37 | 1,200 |
| Charge for the year | 2 | 54 | 203 | 70 | 10 | 339 |
| Disposals | – | – | (36) | – | – | (36) |
| Exchange differences | – | 3 | 17 | – | – | 20 |
| **At 28 February 2006** | **2** | **426** | **628** | **420** | **47** | **1,523** |
| **Net book value at 28 February 2006** | **8** | **277** | **327** | **4,198** | **224** | **5,034** |
| Net book value at 28 February 2005 | 9 | 213 | 322 | 4,182 | 234 | 4,960 |

The net book value of property, plant and equipment includes and amount of £9,000 (2005: £10,000) in respect of assets held under finance leases.

At 28 February 2006, Group entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2005: £nil).

The Company has no tangible fixed assets.

## 14 Investments

| Group | Joint ventures £'000 | Associate undertakings £'000 | Unlisted investments £'000 | Total £'000 |
|---|---|---|---|---|
| Goodwill | – | 322 | – | 322 |
| Share of net assets/cost | 29 | 51 | 1,028 | 1,108 |
| At 1 March 2004 | 29 | 373 | 1,028 | 1,430 |
| Purchase of investments | | | | |
| – Share of net assets | 5 | – | 18 | 23 |
| Disposals | – | – | (263) | (263) |
| Share of joint venture/associate profits retained | 349 | 16 | – | 365 |
| Goodwill | – | 322 | – | 322 |
| Share of net assets/cost | 383 | 67 | 783 | 1,233 |
| At 28 February 2005 | 383 | 389 | 783 | 1,555 |
| Purchase of investments | | | | |
| – Share of net assets | 18 | – | – | 18 |
| – Goodwill | 18 | – | – | 18 |
| Reclassifications | | | | |
| – Share of net assets | 67 | (67) | – | – |
| – Goodwill | 322 | (322) | – | – |
| Share of joint venture profits retained | 243 | – | – | 243 |
| Exchange differences | 16 | – | – | 16 |
| Dividends received | (239) | – | – | (239) |
| Goodwill | 340 | – | – | 340 |
| Share of net assets/cost | 488 | – | 783 | 1,271 |
| **At 28 February 2006** | **828** | **–** | **783** | **1,611** |

During the year ended 28 February 2005, £5,000 was invested to fund 50% of Braemar Quincannon Pte Limited. The Group also disposed of its investment (9,892 shares; 16.7%) in Lone Star R.S. Platou & Braemar Inc on 23 December 2004 for cash proceeds of £386,000.

On 28 April 2005 the Group and the Company invested a further £36,000 for an additional 10% interest in Braemar Quincannon Pte Limited.

## 14 Investments continued

| Company | Subsidiaries £'000 | Associate/joint venture undertakings £'000 | Unlisted investments £'000 | Total £'000 |
|---|---|---|---|---|
| Cost | | | | |
| At 1 March 2004 | 33,469 | 376 | 641 | 34,486 |
| Additions | 4,875 | – | – | 4,875 |
| At 28 February 2005 | 38,344 | 376 | 641 | 39,361 |
| Additions | 244 | 36 | – | 280 |
| Consideration adjustment (see note 35) | (2,194) | – | – | (2,194) |
| **At 28 February 2006** | **36,394** | **412** | **641** | **37,447** |
| Impairment | | | | |
| At 1 March 2004 | – | – | – | – |
| Write down of investment in Cory | 887 | – | – | 887 |
| **At 28 February 2005 and 28 February 2006** | **887** | **–** | **–** | **887** |
| **Net book value at 28 February 2006** | **35,507** | **412** | **641** | **36,560** |
| Net book value at 28 February 2005 | 37,457 | 376 | 641 | 38,474 |

All Company investments are accounted for at cost less impairments.

The Company invested £244,000 (2005 : £135,000) in the subsidiaries of the Group in respect of share based payment charges incurred in the year (see note 24). In addition, during the year ended 28 February 2005 the Company purchased Seawise Australia Pty Ltd (see note 31).

A list of principal operating subsidiary and joint venture undertakings is as follows:

### a) Subsidiaries

Particulars of subsidiary undertakings are as follows:

| Name of company | Country | Principal activity | Percentage of ordinary shares directly owned | Percentage of ordinary shares indirectly owned |
|---|---|---|---|---|
| Braemar Seascope Limited | England & Wales | Shipbroking | | 100% |
| Braemar Seascope Valuation Limited | England & Wales | Valuations | | 100% |
| Cory Brothers Shipping Agency Limited | England & Wales | Ship agents | 100% | |
| Braemar Seascope Pty Limited (formerly Seawise Australia Pty Ltd) | Australia | Shipbroking | 100% | |
| Wavespec Limited | England & Wales | Marine consultants | 100% | |
| Planetwide Limited | England & Wales | Logistics | | 100% |
| Geo A Morrisons & Co (Leith) Limited | England & Wales | Ship agents | | 100% |

All subsidiaries have been owned as at 28 February 2005 and 2006 respectively with the exception of Planetwide Limited and Geo A Morrisons & Co (Leith) Limited which were acquired during the year ended 28 February 2006.

## 14 Investments continued

### b) Joint ventures

Particulars of the joint venture companies which have been equity accounted are as follows:

| Name of company | Country | Principal activity | Percentage of ordinary shares owned 2006 | Percentage of ordinary shares owned 2005 |
|---|---|---|---|---|
| Braemar Container Shipping & Chartering Limited | England & Wales | Shipbroking | 50% | 50% |
| Braemar Quincannon Ltd | England & Wales | Shipbroking | 50% | 50% |
| Braemar Seascope India (Private) Limited | India | Shipbroking | 50% | 50% |
| Braemar Quincannon Pte Limited (formerly SBQ Pte Ltd) | Singapore | Shipbroking | 50% | 40% |

Braemar Quincannon Pte Limited became a joint venture when the Group acquired a further 10% interest on 28 April 2005.

The share capital of Braemar Quincannon Pte Limited is owned by the Company. All other Joint ventures are indirectly owned by the Group.

All joint venture companies prepare their statutory accounts as at 28 February with the exception of Braemar Seascope India (Private) Limited (31 March) and Braemar Quincannon Pte Limited (31 December).

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Current assets | 669 | 843 |
| Non-current assets | 37 | 27 |
| Current liabilities | (213) | (484) |
| Non-current liabilities | (5) | (3) |
| | 488 | 383 |
| Income | 1,622 | 1,206 |
| Expenses | (1,309) | (734) |
| | 313 | 472 |
| Taxation | (70) | (107) |
| Share of post tax results | 243 | 365 |

Braemar Quincannon Pte Limited has not been included in the comparative balance sheet information as it was accounted for as an associate during 2005.
The joint ventures have no significant contingent liabilities to which the Group is exposed.

### c) Unlisted investments

The Group's unlisted shares principally include 1,200 (20%) ordinary £1 shares in London Tankers Brokers Panel and 7,500 (25%) ordinary £1 shares London Ship Valuation Panel. These have been treated as investments and not equity accounted as the Company does not have significant influence. The Company does not have significant influence as all investors in these companies have equivalent proportional influence.

The unlisted investments are shown at cost because their fair value cannot be measured reliably.

## 15 Other receivables

Other receivables comprises non-interest bearing loans to 18 (2005: 20) employees of Braemar Seascope Limited repayable over three years.

## 16 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Trade receivables | **15,449** | 10,443 | **–** | – |
| Amounts due from subsidiary undertakings | **–** | – | **4,342** | 12,517 |
| Other receivables | **1,033** | 528 | **637** | – |
| Prepayments and accrued income | **1,235** | 717 | **–** | – |
| | **17,717** | 11,688 | **4,979** | 12,517 |

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, 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.

Included in the trade receivables balance is £10.0 million (2005: £6.1 million) denominated in US dollars.

The Directors consider that the carrying amount of trade receivables approximate their fair value.

## 17 Derivative and other financial instruments

### a) Currency risk

The Group's currency risk exposure arises as a result of the majority of its earnings being denominated in US dollars while the majority of its costs are denominated in pounds sterling. The Group manages the exposure to currency variations by spot and forward currency sales and other derivative currency contracts. The Group's accounting policy relating to accounting for derivative financial instruments from 1 March 2005 is included in the accounting policies note. Prior to this date, the fair value of the derivative financial instruments were not carried on the balance sheet.

At 28 February 2006 the Group had entered into forward contracts in the ordinary course of business for the sale of US dollars amounting to US $14.5 million (28 February 2005: US $19.25 million), expected to mature between April 2006 and December 2006.

The Group had also entered into a variable forward window agreement to sell US$12.0 million in US$ 1.0 million tranches between 31 March 2005 and 2 March 2006. In the event that the spot rate of exchange is above $1.90, but if it is below $1.7595 the Group must sell its US $1.0 million tranche at $1.90.

During the year ended 28 February 2005, the Group also had the right to sell US $400,000 for Australian $'s at a rate of US $0.73=AU$1, in each of the months March through to June.

The fair value/ carrying value of the derivative financial instruments of the Group are as follows:

| | **2006** | | 2005 | |
|---|---|---|---|---|
| | **Book value** | **Fair value** | Book value | Fair value |
| Financial instruments | **£'000** | **£'000** | £'000 | £'000 |
| Assets | **12** | **12** | – | 1,401 |
| Liabilities | **(52)** | **(52)** | – | – |
| Currency options | | | | |
| (Liabilities)/assets | **(47)** | **(47)** | – | 137 |

The net fair value of forward currency contracts that are designated and effective as cash flow hedges amount to a £40,000 liability (as at 1 March 2005: £1.4 million asset) which has been deferred in equity.

Amounts of £1.4 million (2005: £nil) have been charged to the income statement in respect of forward contracts which have matured during the period.

Amounts of £62, 000 (2005: £nil) have been charged to the income statement in respect of currency options that have matured during the period.

Changes in the fair value of currency options amounting to £122,000 have been charged to the income statement in the year (2005: £nil).

The fair value of financial instruments is based on quoted market prices at the balance sheet date.

## 17 Derivative and other financial instruments continued

### b) Interest rate risk

The Group minimises its exposure to interest rate risk by pooling sterling cash balances across the Group (see note 20).
The following table sets out the carrying amount, by maturity, of the Group's financial assets and liabilities which are exposed to interest rate risk

| Group | 2006 Within one year £'000 | Within one year £'000 | One to two years £'000 | 2005 Total £'000 |
|---|---|---|---|---|
| Fixed Rate: | | | | |
| Finance Leases (see note 22) | (11) | (31) | (8) | (39) |
| Floating rate: | | | | |
| Cash and cash equivalents (see note 19) | 13,567 | 9,606 | – | 9,606 |
| Short term borrowings (see note 20) | – | (3,067) | – | (3,067) |
| | 13,556 | 6,508 | (8) | 6,500 |

| Company | 2006 Within one year £'000 | Within one year £'000 | One to two years £'000 | 2005 Total £'000 |
|---|---|---|---|---|
| Floating rate: | | | | |
| Cash and cash equivalents (see note 19) | 52 | 83 | – | 83 |
| Short term borrowings (see note 20) | (2,073) | (3,067) | – | (3,067) |
| | (2,021) | (2,984) | – | (2,984) |

Cash balances are held on overnight deposits at floating rates depending on the prevailing market rates for the amount of funds deposited.

The other financial instruments of the Group are non-interest bearing.

### c) Banking Facilities

The Group has a banking facility for up to £4.0 million (2005: £4.0 million) of which £3.0 million (2005: £3.0 million) is capable of being drawn as a loan, which if drawn would be repayable by 7 February 2009. At 28 February 2006 none of the facility had been drawn as a loan (2005: £nil). The Company and its subsidiaries have provided cross guarantees and fixed and floating rate charges over their assets to secure the above banking facility.

### d) Credit risk

There are no significant concentrations within the Group or Company (see note 20 for details of bank offset arrangements).

### e) Fair value of financial assets and liabilities

| Group | 2006 Book Value £'000 | 2006 Fair Value £'000 | 2005 Book Value £'000 | 2005 Fair Value £'000 |
|---|---|---|---|---|
| Investments – unlisted shares | 783 | 783 | 783 | 783 |
| Other receivables | 58 | 58 | 95 | 95 |
| Cash and cash equivalents | 13,567 | 13,567 | 9,606 | 9,606 |
| Short term borrowings | – | – | (3,067) | (3,067) |
| Finance leases | | | | |
| – Current | (11) | (11) | (31) | (31) |
| – Non-current | – | – | (8) | (8) |
| Provisions | | | | |
| – Current | (288) | (288) | (41) | (41) |
| – Non-current | (343) | (343) | (110) | (110) |
| Forward exchange contracts | | | | |
| – Assets | 12 | 12 | – | 1,537 |
| – Liabilities | (99) | (99) | – | – |

## 17 Derivative and other financial instruments continued

| Company | 2006 Book Value £'000 | 2006 Fair Value £'000 | 2005 Book Value £'000 | 2005 Fair Value £'000 |
|---|---|---|---|---|
| Investments – unlisted shares | 641 | 641 | 641 | 641 |
| Other receivables | 58 | 58 | 95 | 95 |
| Cash and cash equivalents | 52 | 52 | 83 | 83 |
| Short term borrowings | (2,073) | (2,073) | (3,067) | (3,067) |

Current receivables and payables whose carrying amount is a reasonable approximation to the fair value have been excluded from the tables above.

Fair value has been determined by reference to the market value at the balance sheet date or by discounting the relevant future cash flows using current interest rates for similar instruments.

The fair value of provisions has been assessed by the Directors not to be materially different from the current book value taking into account current market conditions.

As discussed in note 14 the fair value of the financial assets has been assessed by the Directors with reference to the current prospects of the investments and risks associated with those prospects.

## 18 Restricted cash

Restricted cash comprises cash balances totalling £nil (2005: £4.4 million), where the Group is holding cash as escrow agent for certain clients, pending completion of transactions in which the Group acted as broker. The amounts are held in designated accounts and any interest is due to the clients. Restricted cash is denominated in US dollars.
The Company had no restricted cash at either year end.

## 19 Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group and Company. Cash balances are held on overnight deposits at floating rates depending on the prevailing market rates for the amount of future funds deposited.

The analysis of cash and cash equivalents by currency is as follows:

| Group | Total £'000 | £ £'000 | US$ £'000 | NKr £'000 | € £'000 | A$ £'000 |
|---|---|---|---|---|---|---|
| 2006 | 13,567 | 11,116 | 1,162 | 65 | 347 | 877 |
| 2005 | 9,606 | 3,037 | 5,527 | 27 | 286 | 729 |

The weighted average interest rates received were as follows:

| Group | 2006 % | 2005 % |
|---|---|---|
| Cash and cash equivalents | 4.44 | 4.21 |

The cash and cash equivalents in the Company was £52,000 (2005: £83,000).
The carrying amount of these assets approximates their fair value.

## 20 Short term borrowings

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| Short term borrowings | – | 3,067 | 2,073 | 3,067 |

Short term borrowings for the Group comprises the net bank overdraft facility repayable on demand or within 12 months. The Group operates a pooled banking facility for all sterling current account balances across the Group and has a legal right of offset. The Company's short term borrowings reflect the Company's contribution to the pooling arrangement. The bank overdraft bears interest based on LIBOR.

The weighted average interest rates paid were as follows:

| Group and Company | 2006 % | 2005 % |
|---|---|---|
| Bank overdrafts | n/a | 5.50 |

The Directors consider the carrying amount approximates the fair value of these liabilities.

## 21 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade payables | 12,842 | 7,673 | – | – |
| Amounts owed from subsidiary undertakings | – | – | 685 | 10,965 |
| Other taxation and social security | 1,707 | 1,611 | – | – |
| Deferred consideration | 531 | – | – | – |
| Other payables | 567 | 98 | 13 | 51 |
| Other accruals and deferred income | 9,843 | 7,710 | – | 31 |
| Dividends payable | – | 21 | – | 21 |
| | 25,490 | 17,113 | 698 | 11,068 |

The average credit period taken for trade payables is 22 days (2005: 13) days. The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 22 Finance leases

The future minimum lease payments under finance leases, together with the present value of minimum lease payments are as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Group | £'000 | £'000 | £'000 | £'000 |
| Within one year | 11 | 33 | 11 | 31 |
| Between one and two years | – | 8 | – | 8 |
| | 11 | 41 | 11 | 39 |
| Future finance charges on finance leases | – | (2) | – | – |
| Present value of finance lease liabilities | 11 | 39 | 11 | 39 |

The weighted average lease term is 6 months (2005: 16 months). Interest rates are fixed at the contract date. The weighted average effective borrowing rate for the year ended 28 February 2006 was 8.25% (2005: 8.25%).
The Groups obligations under finance leases are secured by the lessors' charges over the leased assets.
The fair value of the Group's leased obligations approximates their carrying value.
The Company has no finance lease obligations.

## 23 Provisions

| | Onerous lease | Employee entitlements | Total |
|---|---|---|---|
| Group | £'000 | £'000 | £'000 |
| At 1 March 2005 | 102 | 49 | 151 |
| Foreign exchange | – | 5 | 5 |
| Charged in the year | 530 | – | 530 |
| Utilised in the year | (55) | – | (55) |
| **At 28 February 2006** | **577** | **54** | **631** |

The onerous lease provision is principally in respect of the shortfall in rent until the lease expires in connection with one property and is expected to be utilised over the next two and a half years.
Employee entitlements relate to statutory long service leave in Australia.

The maturity profile of the provisions is as follows:

| | 2006 | 2005 |
|---|---|---|
| | £'000 | £'000 |
| Within one year | 288 | 41 |
| Current liabilities | 288 | 41 |
| Between one and two years | 176 | 38 |
| Between two and five years | 167 | 72 |
| Non-current liabilities | 343 | 110 |
| Total provisions | 631 | 151 |

The Company has no provisions.

## 24 Share Capital

| Group and Company | 2006 number | 2005 number | 2006 £'000 | 2005 £'000 |
|---|---|---|---|---|
| **a) Authorised** | | | | |
| Ordinary shares of 10 pence each | **34,903,000** | 34,903,000 | **3,490** | 3,490 |

| | 2006 number | 2005 number | 2006 £'000 | 2005 £'000 |
|---|---|---|---|---|
| **b) Allotted and Issued** | | | | |
| Fully paid ordinary shares of 10 pence each | | | | |
| As at beginning of year | **19,453,316** | 18,618,946 | **1,945** | 1,862 |
| Shares issued and fully paid | **388,452** | 834,370 | **39** | 83 |
| Shares issued and unpaid | **35,000** | – | **4** | – |
| As at end of year | **19,876,768** | 19,453,316 | **1,988** | 1,945 |

During the year ended 28 February 2006 423,000 shares were issued at 137.5 pence as part of the 1997 Executive Scheme. Of the 423,000, 35,000 shares remained unpaid at 28 February 2006. Payment was received after the balance sheet date. A further 452 shares were issued at 199.0 pence as part of the Save as You Earn Scheme.

During the year ended 28 February 2005 833,898 shares were issued at the prevailing market value of 375 pence in connection with the purchase of 100% of Braemar Seascope Australian Pty Limited (see note 31). A further 472 shares were issued at 147.6 pence as part of the Save as You Earn Scheme.

The Company has one class of ordinary shares which carry no right to fixed income.

| Group and Company | 2006 £'000 | 2005 £'000 |
|---|---|---|
| **c) Capital redemption reserve** | | |
| Beginning and end of year | **396** | 396 |

The capital redemption reserve arose on previous share buy-backs by Braemar Seascope Group plc.

**d) Share based payments**

i. Share options

The Company operates a discretionary share option scheme, the Braemar Seascope Group 1997 Executive Option Scheme ("The 1997 Executive Scheme") under which options are granted by the Remuneration Committee. The scheme is open to all UK employees and Executive Directors and the exercise price of the options granted were at the market price at date of grant.

The Company also operates a Save As You Earn Scheme ("SAYE").The scheme is open all UK employees and executive Directors and options were granted at 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 2005 | Granted | Exercised | Lapsed | Number at 28 February 2006 | Exercise price (pence) | Exercisable between |
|---|---|---|---|---|---|---|---|---|
| 1997 Executive Scheme | | | | | | | | |
| | 2002 | 612,500 | – | (423,000) | – | **189,500** | 137.5 | 2005-2012 |
| | 2003 | 117,500 | – | – | – | **117,500** | 181.5 | 2006-2013 |
| | 2004 | 218,000 | – | – | – | **218,000** | 245.0 | 2007-2014 |
| | | 948,000 | – | (423,000) | – | **525,000** | | |
| SAYE | | | | | | | | |
| | 2003 | 206,375 | – | – | – | **206,375** | 148.0 | 2006-2007 |
| | 2004 | 133,524 | – | (452) | (1,442) | **131,630** | 199.0 | 2007-2008 |
| | 2005 | – | 59,849 | – | – | **59,849** | 314.0 | 2008-2009 |
| | | 339,899 | 59,849 | (452) | (1,442) | **397,854** | | |
| | | 1,287,899 | 59,849 | (423,452) | (1,442) | **922,854** | | |

## 24 Share Capital continued

Share options granted in 2002 under the 1997 Executive Scheme are subject to a performance condition that the growth in the Company's average adjusted earnings per share (EPS) over a period of no less than three financial years must exceed the growth in the retail price index (RPI) over the corresponding period by no less than 3% per annum compounded. If the performance condition is not satisfied at this point, retesting of the performance condition is permitted in subsequent financial years until the option lapses. The options granted in 2003 and 2004 retain the same performance criteria, with no re-testing. The base measurement period for the remaining options will be the average of the EPS (as published in the Group's annual report and accounts) for the three financial years immediately preceding the grant of the relevant option. Exercise of an option is subject to continued employment.

Options are valued using a binomial pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

| | SAYE | 1997 Executive scheme | SAYE |
|---|---|---|---|
| Grant date | 21 Jun 05 | 14 Jun 04 | 14 Jun 04 |
| Share price at grant date | 380-0p | 240.00p | 243.80p |
| Exercise price | 314.00p | 245.00p | 199.00p |
| Number of employees | 49 | 25 | 79 |
| Shares under option | 59,849 | 218,000 | 133,524 |
| Vesting period (years) | 3.0 | 3.0 | 3.0 |
| Expected volatility | 30.4% | 25.40% | 25.40% |
| Option life (years) | 3.5 | 10.0 | 3.5 |
| Risk free rate | 4.24% | 4.50% | 4.50% |
| Expected dividends expressed as a dividend yield | 4.00% | 4.00% | 4.00% |
| Possibility of ceasing employment before vesting | 5.00% | 5.00% | 5.00% |
| Expectation of meeting performance criteria | 100.00% | 100.00% | 100.00% |
| Fair value per option | 102.40p | 52.62p | 61.20p |

The expected volatility is based on historical volatility over the last 4 years for the SAYE options issued 21 June 2005. The expected volatility for the remaining options issued is based on historical volatility over 2 years. The risk free rate of return is based on LIBOR for the SAYE options issued 21 June 2005 and the Bank of England base rate for all other options issued.

A reconciliation of option movements during the year is shown below:

| | 2006 number | 2006 Weighted average exercise price | 2005 number | 2005 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at 1 March | **1,287,899** | **167.77p** | 942,625 | 145.47p |
| Granted | **59,849** | **314.00p** | 351,524 | 227.53p |
| Exercised | **(423,452)** | **137.57p** | – | – |
| Lapsed | **(1,442)** | **199.00p** | (6,250) | 165.42p |
| Outstanding at 28 February | **922,854** | **191.06p** | 1,287,899 | 167.77p |
| Exercisable at 28 February | **189,500** | **137.50p** | – | – |

| | 2006 Contractual | 2005 Contractual |
|---|---|---|
| Weighted average remaining life (years) | 4.7 | 6.2 |

### ii. Deferred bonus plan

During 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 held in an employee trust for three years after which the employee beneficiary will become absolutely entitled to the shares provided they remain in employment. Shares are valued at the share price at the date of grant. As at 28 February 2006 152,250 shares had been granted to employees (2005: 68,000). No options have lapsed during the year.

The total charge for the year relating to all employee share based payment plans was £244,000 (2005: £135,000), all of which related to *equity-settled share based payment transactions (see note 27).*

## 25 Share premium and merger reserve

| Group and Company | Share premium £'000 | Merger reserve £'000 |
|---|---|---|
| At 1 March 2004 | 7,505 | 18,302 |
| Premium on shares issued in the year | – | 3,044 |
| At 28 February 2005 | 7,505 | 21,346 |
| Premium on shares issued in the year | 541 | – |
| **At 28 February 2006** | **8,046** | **21,346** |

## 26 Shares to be issued

| Group and Company | £'000 |
|---|---|
| At 1 March 2004 | 65 |
| Share capital acquired in the year | 572 |
| At 28 February 2005 | 637 |
| Share capital acquired in the year | 360 |
| **At 28 February 2006** | **997** |

Shares to be issued 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 on trust by the Trustee of the ESOP, Close Trustees Guernsey Limited, for the benefit of the employees. As at 28 February 2006, the ESOP had purchased 321,495 (2005: 222,500) ordinary shares of 10p each at a total cost of £997,000 (2005: £637,000) including stamp duty associated with the purchase. The funding of the purchase has been provided by the Company in the form of an interest-free loan 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. The shares owned by the ESOP had a market value at 28 February 2006 of £1,282,765 (2005: £848,000). The distribution of these shares is determined by the Remuneration Committee and 152,250 shares had been allocated at 28 February 2006 (2005: 68,000).

## 27 Other reserves

| Group | Hedging reserve £'000 | Translation reserve £'000 | Share based payments £'000 | Total other reserves £'000 |
|---|---|---|---|---|
| At 1 March 2004 | – | – | 29 | 29 |
| Foreign exchange differences on translation of foreign operations | – | (8) | – | (8) |
| Credit in respect of share option schemes | – | – | 135 | 135 |
| Deferred tax on share options schemes taken to equity | – | – | 40 | 40 |
| At 28 February 2005 | – | (8) | 204 | 196 |
| First time adoption of IAS 32 and IAS 39 (net of taxation) | 981 | – | – | 981 |
| Balance at 1 March 2005 (restated) | 981 | (8) | 204 | 1,177 |
| Cash flow hedges | | | | |
| – Transfer to income statement | (1,401) | – | – | (1,401) |
| – Fair value losses in the period | (40) | – | – | (40) |
| Foreign exchange differences on translation of foreign operations | – | 83 | – | 83 |
| Credit in respect of share option schemes | – | – | 244 | 244 |
| Deferred tax on items taken to equity | 432 | – | 144 | 576 |
| **At 28 February 2006** | **(28)** | **75** | **592** | **639** |

## 27 Other reserves continued

| Company | Share based payments £'000 | Total other reserves £'000 |
|---|---|---|
| At 1 March 2004 | 22 | 22 |
| Credit in respect of share option schemes | 135 | 135 |
| At 28 February 2005 | 157 | 157 |
| Credit in respect of share option schemes | 244 | 244 |
| **At 28 February 2006** | **401** | **401** |

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 £40,000 liability (at 1 March 2005: £1.4 million asset) net of deferred tax asset of £12,000 (at 1 March 2005: £420,000 liability).

The translation reserve contains all foreign exchange differences arising from the translation of the Group's net investment in overseas subsidiaries and joint ventures.

The share based payments reserve contains the cumulative charge of £401,000 (2005: £157,000) through the income statement relating to share based payments (see note 24) plus the related deferred tax charge taken to equity of £191,000 (2005: £47,000).

## 28 Retained earnings

| | Group £'000 | Company £'000 |
|---|---|---|
| At 1 March 2004 | (5,469) | 4,048 |
| Profit attributable to equity shareholders for the year | 5,432 | 4,916 |
| Dividends paid | (2,625) | (2,625) |
| At 28 February 2005 | (2,662) | 6,339 |
| First time adoption of IAS 32 and IAS 39 (net of taxation) | 96 | - |
| Balance at 1 March 2005 (restated) | (2,566) | 6,339 |
| Profit attributable to equity shareholders for the year | 7,178 | 4,532 |
| Dividends paid | (3,173) | (3,173) |
| **At 28 February 2006** | **1,439** | **7,698** |

## 29 Statement of changes in total equity

| Group | Share capital £'000 | Capital redemption reserve £'000 | Share premium £'000 | Merger reserve £'000 | Shares to be issued £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 March 2004 | 1,862 | 396 | 7,505 | 18,302 | (65) | 29 | (5,469) | 22,560 |
| Recognised income and expense for the year | – | – | – | – | – | 32 | 5,432 | 5,464 |
| Dividends paid | – | – | – | – | – | – | (2,625) | (2,625) |
| Issue of shares | 83 | – | – | 3,044 | – | – | – | 3,127 |
| Purchase of shares to be issued | – | – | – | – | (572) | – | – | (572) |
| Credit in respect of share option schemes | – | – | – | – | – | 135 | – | 135 |
| At 28 February 2005 | 1,945 | 396 | 7,505 | 21,346 | (637) | 196 | (2,662) | 28,089 |
| First time adoption of IAS 32 and IAS 39 (net of taxation) | – | – | – | – | – | 981 | 96 | 1,077 |
| At 1 March 2005 | 1,945 | 396 | 7,505 | 21,346 | (637) | 1,177 | (2,566) | 29,166 |
| Recognised income and expense for the year | – | – | – | – | – | (782) | 7,178 | 6,396 |
| Dividends paid | – | – | – | – | – | – | (3,173) | (3,173) |
| Issue of shares | 43 | – | 541 | – | – | – | – | 584 |
| Purchase of shares to be issued | – | – | – | – | (360) | – | – | (360) |
| Cash flow hedges | | | | | | | | |
| Credit in respect of share option schemes | – | – | – | – | – | 244 | – | 244 |
| At 28 February 2006 | **1,988** | **396** | **8,046** | **21,346** | **(997)** | **639** | **1,439** | **32,857** |

## 29 Statement of changes in total equity continued

| Company | Share capital £'000 | Capital redemption reserve £'000 | Share premium £'000 | Merger reserve £'000 | Shares to be issued £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 March 2004 | 1,862 | 396 | 7,505 | 18,302 | (65) | 22 | 4,048 | 32,070 |
| Recognised income and expense for the year | – | – | – | – | – | – | 4,916 | 4,916 |
| Dividends paid | – | – | – | – | – | – | (2,625) | (2,625) |
| Issue of shares | 83 | – | – | 3,044 | – | – | – | 3,127 |
| Purchase of shares to be issued | – | – | – | – | (572) | – | – | (572) |
| Credit in respect of share option schemes | – | – | – | – | – | 135 | – | 135 |
| At 28 February 2005 | 1,945 | 396 | 7,505 | 21,346 | (637) | 157 | 6,339 | 37,051 |
| Recognised income and expense for the year | – | – | – | – | – | – | 4,532 | 4,532 |
| Dividends paid | – | – | – | – | – | – | (3,173) | (3,173) |
| Issue of shares | 43 | – | 541 | – | – | – | – | 584 |
| Purchase of shares to be issued | – | – | – | – | (360) | – | – | (360) |
| Credit in respect of share option schemes | – | – | – | – | – | 244 | – | 244 |
| At 28 February 2006 | 1,988 | 396 | 8,046 | 21,346 | (997) | 401 | 7,698 | 38,878 |

## 30 Cash generated from operations

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| Profit for the period attributable to shareholders | **7,178** | 5,432 | **4,532** | 4,916 |
| Adjustments for: | | | | |
| Taxation | **3,115** | 2,699 | **(13)** | (59) |
| Depreciation | **339** | 297 | **–** | – |
| Profit on sale of investment | **–** | (123) | **–** | – |
| Profit on sale of property, plant and equipment | **(17)** | – | **–** | – |
| Impairment of goodwill | **–** | 931 | **–** | 887 |
| Amortisation of intangibles | **287** | – | **–** | – |
| Share based payments | **244** | 135 | **–** | – |
| Finance income | **(162)** | (28) | **–** | – |
| Finance costs | **2** | 53 | **87** | 129 |
| Share of profit from joint ventures and associates | **(243)** | (365) | **–** | – |
| Changes in working capital (excluding effects of acquisitions of subsidiaries) | | | | |
| (Increase)/decrease in trade and other receivables | **(129)** | (1,416) | **9,811** | (5,783) |
| Increase/(decrease) in trade and other payables | **2,913** | 3,658 | **(10,349)** | 3,863 |
| Increase/(decrease) in provisions | **242** | (229) | **–** | – |
| Cash generated from operations | **13,769** | 11,044 | **4,068** | 3,953 |

## 31 Business combinations

The following acquisitions have taken place during the period.

### a) Geo A Morrisons & Co (Leith) Limited

On 30 June 2005 the Group acquired the trade and assets of Geo A Morrisons & Co (Leith) Limited for a consideration of £0.4 million. The provisional fair value of the assets acquired was:

| | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Plant, equipment and machinery | 13 | – | 13 |
| Other intangible assets | – | 202 | 202 |
| Trade and other receivables | 404 | – | 404 |
| Trade and other payables | (511) | (61) | (572) |
| Cash | 37 | – | 37 |
| Net assets | (57) | 141 | 84 |
| Goodwill | | | 351 |
| | | | 435 |
| Consideration | | | |
| Cash consideration | | | 243 |
| Deferred consideration | | | 181 |
| Transaction costs | | | 11 |
| Total consideration | | | 435 |

In line with IAS 38 – Intangible Assets – the Group has capitalised customer relationships at a value of £160,000. The expected life of the asset is up to five years. In addition a further £42,000 of the forward order book was recognised which was amortised in full by 28 February 2006. The Group has also recognised the related deferred tax liability.

The total consideration includes an element of deferred consideration which is subject to post acquisition performance criteria and therefore cannot be finalised until the post acquisition period has been completed.

Included in the goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These include the brand and the workforce.

The results of operations as if the acquisition had been made at the beginning of the period is as follows:

| | Post-acquisition From 30 June 2005 to 28 February 2006 £'000 | Pre-acquisition From 1 March 2005 to 29 June 2005 £'000 | From 1 March 2005 to 28 February 2006 £'000 | Pre-acquisition From 1 March 2004 to 21 February 2005 £'000 |
|---|---|---|---|---|
| Revenue | 721 | 157 | **878** | 659 |
| Operating loss | (10) | (15) | **(25)** | (33) |
| Loss before taxation | (6) | (17) | **(23)** | (34) |
| Loss after taxation | (3) | (14) | **(17)** | (28) |

The results for the pre acquisition period to 29 June 2005 are based on management accounts, which have not been audited. Geo A Morrisons & Co (Leith) Limited had no other recognised income and expenses in the period.

## 31 Business combinations continued

### b) Planetwide Group Limited

On 2 November 2005 the Group acquired 100% of the ordinary share capital of Planetwide Group Limited for a consideration of £0.8 million. The provisional fair value of the assets acquired was:

| | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Plant, equipment and machinery | 12 | – | 12 |
| Other intangible assets | – | 332 | 332 |
| Trade and other receivables | 268 | – | 268 |
| Trade and other payables | (335) | (100) | (435) |
| Cash | 134 | – | 134 |
| Net assets | 79 | 232 | 311 |
| Goodwill | | | 477 |
| | | | 788 |
| Consideration | | | |
| Cash consideration | | | 417 |
| Deferred consideration | | | 350 |
| Transaction costs | | | 21 |
| Total consideration | | | 788 |

In line with IAS 38 – Intangible Assets – the Group has capitalised the customer relationships at a value of £332,000. The expected life of this asset is up to five years. The Group has also recognised the related deferred tax liability.

The total consideration includes an element of deferred consideration which is subject to post acquisition performance criteria and therefore cannot be finalised until the post acquisition period has been completed.

Included in the goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These include brand and business knowledge.

The results of operations as if the acquisition had been made at the beginning of the period is as follows:

| | Post-acquisition From 2 November 2005 to 28 February 2006 £'000 | Pre-acquisition From 1 March 2005 to 1 November 2005 £'000 | **From 1 March 2005 to 28 February 2006 £'000** | Pre-acquisition From 1 March 2004 to 28 February 2005 £'000 |
|---|---|---|---|---|
| Revenue | 829 | 1,510 | **2,339** | 2,244 |
| Operating profit | 28 | 86 | **114** | 108 |
| Profit before taxation | 29 | 88 | **117** | 112 |
| Profit after taxation | 17 | 72 | **89** | 91 |

The results for the pre acquisition period to 1 November 2005 are based on management accounts which have not been audited. Planetwide Group Limited had no other recognised income and expenses in the period.

## 31 Business combinations continued

### c) Braemar Seascope Pty Limited (formerly Seawise Australia pty Ltd)

On 21 February 2005 the Group acquired 100% of the ordinary share capital of Seawise Australia Pty Ltd for a consideration of £4.7million. During the year ended 28 February 2005 the name of the company was changed to Braemar Seascope Pty Limited.

The fair value of the assets acquired was:

| | Book value £'000 | Accounting policy adjustments £'000 | IFRS adjustments £'000 | Fair value £'000 |
|---|---|---|---|---|
| Plant, equipment and machinery | 129 | – | – | 129 |
| Other intangible assets | – | – | 215 | 215 |
| Trade and other receivables | 797 | – | – | 797 |
| Trade and other payables | (929) | (43) | (65) | (1,037) |
| Cash | 587 | – | – | 587 |
| Net assets | 584 | (43) | 150 | 691 |
| Goodwill | | | | 4,049 |
| | | | | 4,740 |
| Consideration | | | | |
| Cash consideration | | | | 1,448 |
| Transaction costs | | | | 165 |
| Share capital issued (see note 24) | | | | 3,127 |
| Total consideration | | | | 4,740 |

Accounting policy adjustments relate to the valuation of long- term service awards for Australian employees.
In line with IAS 38 – Intangible Assets – the Group has capitalised the forward order book at a value of £215,000. The expected life of the forward order book is up to two years. The Group has also recognised the related deferred tax liability.

Included in the goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These include business knowledge and work force.

The results of operations as if the acquisition had been made at the beginning of the period is as follows:

| | **Post-acquisition From 28 February 2005 to 28 February 2006 £'000** | Pre-acquisition From 1 March 2004 to 20 February 2005 £'000 | Post-acquisition From 21 February 2005 to 28 February 2005 £'000 | From 1 March 2004 to 28 February 2005 £'000 |
|---|---|---|---|---|
| Revenue | **10,963** | 3,977 | 36 | 4,013 |
| Operating profit/(loss) | **365** | 817 | (33) | 784 |
| Profit before taxation | **369** | 835 | 9 | 844 |
| Profit/(loss) after taxation | **248** | 596 | (24) | 572 |

The results for the pre acquisition period to 20 February 2005 are based on management accounts which have not been audited. Braemar Seascope Pty Ltd had no other recognised income and expenses in the period.

## 32 Pensions

The Group participates in a number of defined contribution schemes. Contributions of £1,699,000 (2005: £1,891,000) were paid in the year and contributions of £nil were due to these schemes at 28 February 2006 (2005: £nil).

## 33 Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 28 February are as follows:

| 2006 | Lease minimum payments £'000 | Sub lease income £'000 | Land and buildings Net minimum lease repayments £'000 | Other £'000 |
|---|---|---|---|---|
| Within one year | 534 | (160) | 374 | 79 |
| Between two and five years | 654 | (53) | 601 | 72 |
| Over five years | 578 | – | 578 | – |
| | 1,766 | (213) | 1,553 | 151 |

| 2005 | Lease minimum payments £'000 | Sub lease income £'000 | Land and buildings Net minimum lease repayments £'000 | Other £'000 |
|---|---|---|---|---|
| Within one year | 518 | (160) | 358 | 98 |
| Between two and five years | 958 | (213) | 745 | 49 |
| Over five years | 733 | – | 733 | – |
| | 2,209 | (373) | 1,836 | 147 |

The Group leases various offices and a warehouse under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.
The group also leases plant and machinery under non-cancellable operating lease agreements.
There were no commitments under operating leases in the Company.

## 34 Contingent liabilities

The Company has given a guarantee to HM Customs and Excise in respect of duty deferment in the amount of £2.7 million (2005: £1.3 million).

## 35 Related party transactions

During the period the Group entered into the following transactions with joint ventures and associates:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| Group | Recharges to £'000 | Balance due to/(from) £'000 | Recharges to £'000 | Balance due to/(from) £'000 |
| Braemar Container Shipping & Chartering Limited | 1,602 | 196 | 931 | 19 |
| Braemar Quincannon Limited | 90 | (67) | 59 | (29) |
| Braemar Seascope India (Private) Limited | 32 | – | – | (10) |
| Braemar Quincannon Pte Limited (formerly SBQ Pte Ltd) | – | – | – | (11) |
| London Tankers Broker Panel | 196 | – | 204 | – |
| London Central Cruise Moorings | 63 | – | – | – |
| London Ship Valuation Panel | 8 | – | – | – |

All companies are joint ventures except where stated. The nature of all recharges to related parties are carried out on an arms length basis.

Under the Merger Agreement dated 7 March 2001 between the Company and Braemar Shipbrokers Ltd ("Braemar"), 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.

During the year the Company received an assessment for corporation tax and interest totalling £2.2 million which is recoverable under the indemnity and which is currently being appealed. Following receipt of the assessment the company received funds of £1.6 million from the vendors which was paid to the Inland Revenue in order to prevent interest accruing. Such funds would become repayable to the vendors in the event that the appeal is successful. £0.6 million remains outstanding pending the appeal result. The Company does not expect to incur any cost in respect of this assessment or these contingent liabilities.

The Chief Executive and certain key managers are Braemar Shipbrokers vendors and a party to transactions referred to above.

## 35 Related party transactions continued

During the year the Company entered into the following transactions with subsidiaries and joint ventures:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| Company | Dividends received £'000 | Balance due to/(from) £'000 | Dividends received £'000 | Balance due to/(from) £'000 |
| **Subsidiaries** | | | | |
| Braemar Shipbrokers Limited | 3,800 | (3,479) | 5,900 | (12,500) |
| Braemar Seascope Limited | – | (251) | – | 10,353 |
| Braemar Seascope Pty Limited | 220 | – | – | – |
| Wavespec Limited | 600 | (612) | – | (17) |
| Cory Brothers Shipping Agency Limited | – | 160 | – | 87 |
| Portabella Limited | – | 525 | – | 525 |

## 36 Post balance sheet event

On 22 March 2006 the Group acquired the business and significant assets of DV Howells Limited for a cash consideration of £560,000. Estimated net assets acquired excluding intangibles amounted to £350,000.

On 1 March 2006 Cory Brothers Shipping Agency Limited formed Gorman Cory Shipping Agency Limited with Gorman Shipping Limited, in which it has a 41% initial interest. The transaction involved the purchase of the business and assets of Gorman Shipping for £218,000.

## 37 Reconciliation of net assets and profit under UK GAAP to IFRS

Braemar Seascope Group plc previously reported under UK GAAP in its previously published financial statements for the year ended 28 February 2005. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 28 February 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Company being 1 March 2004.

| | Notes | Group Year ended 28 Feb 2005 £'000 | Company Year ended 28 Feb 2005 £'000 |
|---|---|---|---|
| Operating profit reported under UK GAAP | | 6,566 | 4,986 |
| Goodwill amortisation | (a) | 1,034 | – |
| Share options | (b) | (78) | – |
| Foreign Exchange | (c) | 146 | – |
| Reclassification | (d) | 123 | – |
| Operating profit reported under IFRS | | 7,791 | 4,986 |

| | Notes | Group Year ended 28 Feb 2005 £'000 | Company Year ended 28 Feb 2005 £'000 |
|---|---|---|---|
| Profit on ordinary activities after taxation reported under UK GAAP | | 4,358 | 4,916 |
| Goodwill amortisation | (a) | 1,050 | – |
| Share options | (b) | (78) | – |
| Foreign Exchange | (c) | 102 | – |
| Profit for the period attributable to shareholders reported under IFRS | | 5,432 | 4,916 |

## 37 Reconciliation of net assets and profit under UK GAAP to IFRS continued

Reconciliation of equity at 1 March 2004

| | | | | Group | | | Company |
|---|---|---|---|---|---|---|---|
| | | UK GAAP | IFRS ADJ | IFRS | UK GAAP | IFRS ADJ | IFRS |
| **Assets** | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Non-current assets** | | | | | | | |
| Goodwill | | 18,534 | – | 18,534 | – | – | – |
| Property, plant and equipment | | 4,963 | – | 4,963 | – | – | – |
| Investments | (b),(i) | 1,430 | – | 1,430 | 16,162 | 18,324 | 34,486 |
| Deferred tax assets | (b),(d) | – | 229 | 229 | – | – | – |
| Other receivables | (d) | – | 103 | 103 | 103 | – | 103 |
| | | 24,927 | 332 | 25,259 | 16,265 | 18,324 | 34,589 |
| **Current assets** | | | | | | | |
| Trade and other receivables | (c),(d) | 9,775 | (427) | 9,348 | 6,693 | – | 6,693 |
| Restricted cash | | – | – | – | – | – | – |
| Cash and cash equivalents | | 4,071 | – | 4,071 | 24 | – | 24 |
| | | 13,846 | (427) | 13,419 | 6,717 | – | 6,717 |
| Total assets | | 38,773 | (95) | 38,678 | 22,982 | 18,324 | 41,306 |
| **Liabilities** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Financial liabilities | | | | | | | |
| – Short term borrowings | | 2,113 | – | 2,113 | 2,058 | – | 2,058 |
| Trade and other payables | (g) | 14,212 | (1,491) | 12,721 | 8,669 | (1,491) | 7,178 |
| Current tax payable | | 954 | – | 954 | – | – | – |
| | | 17,279 | (1,491) | 15,788 | 10,727 | (1,491) | 9,236 |
| **Non-current liabilities** | | | | | | | |
| Provisions | | 330 | – | 330 | – | – | – |
| | | 330 | – | 330 | – | – | – |
| **Total liabilities** | | 17,609 | (1,491) | 16,118 | 10,727 | (1,491) | 9,236 |
| **Total assets less total liabilities** | | 21,164 | 1,396 | 22,560 | 12,255 | 19,815 | 32,070 |
| **Equity** | | | | | | | |
| Share capital | | 1,862 | – | 1,862 | 1,862 | – | 1,862 |
| Capital redemption reserve | | 396 | – | 396 | 396 | – | 396 |
| Share premium | | 7,505 | – | 7,505 | 7,505 | – | 7,505 |
| Merger reserve | (i) | 18,302 | – | 18,302 | – | 18,302 | 18,302 |
| Shares to be issued | | (65) | – | (65) | (65) | – | (65) |
| Other reserves | (b) | – | 29 | 29 | – | 22 | 22 |
| Retained earnings | (c),(b),(g) | (6,836) | 1,367 | (5,469) | 2,557 | 1,491 | 4,048 |
| **Total equity** | | 21,164 | 1,396 | 22,560 | 12,255 | 19,815 | 32,070 |

## 37 Reconciliation of net assets and profit under UK GAAP to IFRS continued

Reconciliation of equity at 28 February 2005

| | | | | Group | | | Company |
|---|---|---|---|---|---|---|---|
| | | UK GAAP | IFRS ADJ | IFRS | UK GAAP | IFRS ADJ | IFRS |
| **Assets** | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Non-current assets** | | | | | | | |
| Goodwill | (a),(h) | 20,768 | 884 | 21,652 | – | – | – |
| Other intangible assets | (h) | – | 215 | 215 | – | – | – |
| Property, plant and equipment | | 4,960 | – | 4,960 | – | – | – |
| Investments | (a),(b),(i) | 1,539 | 16 | 1,555 | 16,971 | 21,503 | 38,474 |
| Deferred tax assets | (b),(d) | – | 309 | 309 | 17 | – | 17 |
| Other receivables | (d) | – | 95 | 95 | 95 | – | 95 |
| | | 27,267 | 1,519 | 28,786 | 17,083 | 21,503 | 38,586 |
| **Current assets** | | | | | | | |
| Trade and other receivables | (d) | 12,045 | (357) | 11,688 | 12,517 | – | 12,517 |
| Restricted cash | | 4,434 | – | 4,434 | – | – | – |
| Cash and cash equivalents | | 9,606 | – | 9,606 | 83 | – | 83 |
| | | 26,085 | (357) | 25,728 | 12,600 | – | 12,600 |
| **Total assets** | | 53,352 | 1,162 | 54,514 | 29,683 | 21,503 | 51,186 |
| **Liabilities** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Financial liabilities | | | | | | | |
| – Short term borrowings | | 3,067 | – | 3,067 | 3,067 | – | 3,067 |
| Trade and other payables | (g) | 19,093 | (1,980) | 17,113 | 12,991 | (1,923) | 11,068 |
| Current tax payable | | 1,556 | – | 1,556 | – | – | – |
| Finance leases | | 31 | – | 31 | – | – | – |
| Provisions | (d) | – | 41 | 41 | – | – | – |
| Client monies held as escrow agent | | 4,434 | – | 4,434 | – | – | – |
| | | 28,181 | (1,939) | 26,242 | 16,058 | (1,923) | 14,135 |
| **Non-current liabilities** | | | | | | | |
| Deferred tax | (h) | – | 65 | 65 | – | – | – |
| Finance leases | | 8 | – | 8 | – | – | – |
| Provisions | (d) | 151 | (41) | 110 | – | – | – |
| | | 159 | 24 | 183 | – | – | – |
| **Total liabilities** | | 28,340 | (1,915) | 26,425 | 16,058 | (1,923) | 14,135 |
| **Total assets less total liabilities** | | 25,012 | 3,077 | 28,089 | 13,625 | 23,426 | 37,051 |
| **Equity** | | | | | | | |
| Share capital | | 1,945 | – | 1,945 | 1,945 | – | 1,945 |
| Capital redemption reserve | | 396 | – | 396 | 396 | – | 396 |
| Share premium | | 7,505 | – | 7,505 | 7,505 | – | 7,505 |
| Merger reserve | (i) | 21,346 | – | 21,346 | – | 21,346 | 21,346 |
| Shares to be issued | | (637) | – | (637) | (637) | – | (637) |
| Other reserves | (b),(c) | – | 196 | 196 | – | 157 | 157 |
| Retained earnings | (a),(b),(c),(g) | (5,543) | 2,881 | (2,662) | 4,416 | 1,923 | 6,339 |
| **Total equity** | | 25,012 | 3,077 | 28,089 | 13,625 | 23,426 | 37,051 |

## 37 Reconciliation of net assets and profit under UK GAAP to IFRS continued

**(a) Goodwill and business combinations**

Under UK GAAP goodwill was capitalised and amortised over 20 years. The Group has taken the exemption under IFRS 1 for Business Combinations. As a result the net book value of goodwill under UK GAAP has been used as the deemed cost at the date of transition. Under IFRS 3 goodwill is no longer amortised but is subject to an annual impairment review. The impact on the Group's financial statements of this policy is that all goodwill previously amortised in the year ended 28 February 2005 has been written back to the balance sheet and income statement.

**(b) Share-based payments**

IFRS 2 – Share-Based Payments - requires that the Group calculate the fair value at the date of grant of awards of share options made to Directors and employees. The fair value is then amortised in the income statement over the vesting period of the options with a corresponding credit to equity. In applying the provisions of IFRS 2 - Share based payments, the Group has adopted the exemption to apply this standard only to awards granted after 7 November 2002 and vesting after 28 February 2004. No charge is recognised in respect of awards granted prior to that date. Deferred taxation is provided in respect of the charge.

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

**(c) Foreign exchange**

Under IAS 21 – the effects of changes in foreign exchange rates - trade debtors are translated at the prevailing rate of exchange at the balance sheet date. Under SSAP 20 trade debtors were permitted to be translated at the contract rate to the extent that they were covered by forward foreign exchange contracts. The adjustment to revalue the trade debtor under IFRS is reflected in income within the income statement.

Under IFRS, a foreign currency translation reserve in respect of the conversion of foreign currency denominated investments is required to be separately measured and included in foreign currency translation differences in the equity and reserves section of the balance sheet. Therefore there is an adjustment to reclassify these translation differences out of the profit and loss reserve.

**(d) Reclassifications**

– Income Statement

Under UK GAAP, the profit on sale of investments is shown as an exceptional item below operating profit whereas under IFRS this is reflected as an other gain within operating profit.

Under UK GAAP, the Group's share of profits of associates and joint ventures for the year to 28 February 2005 is shown before tax of £107,000 which is included in the taxation charge. Under IFRS, the Group's share of profits is reported after tax with no amount in the taxation charge.

– Balance sheet

Under UK GAAP certain assets, which are expected to be recovered after more than one year, and other non-current assets were shown as part of current assets and shown separately as to their long term nature in a note to the accounts. Under IFRS these are reflected within non-current assets.

Similarly certain provisions due to be settled or released within one year have been reclassified to current liabilities.

**(e) Financial Instruments**

Under UK GAAP the mark-to-market value of outstanding derivative contracts was not recognised in the balance sheet. Under IAS 39 – Financial Instruments: recognition and measurement - the mark-to-market value of derivative contracts is recognised in the balance sheet as an asset or liability. Where it can be demonstrated that a derivative is an effective hedge the value is recognised within a hedging reserve or, if ineffective, within the income statement. Deferred tax is provided in respect of the gain or loss.

**(f) Taxation**

UK GAAP required deferred taxation to be recognised on timing differences whereas IFRS requires that deferred taxation is provided on all temporary differences including the revaluation of non-monetary assets and on un-remitted overseas earnings to the extent that a tax charge is foreseeable. Under UK GAAP, deferred tax assets and liabilities were shown on a net basis. IFRS requires separate disclosure of deferred tax assets and liabilities. Deferred tax assets are reclassified as long-term assets to the extent they are recoverable after more than one year.

**(g) Dividend recognition**

Under IAS10 – Events After the Balance Sheet Date - dividends are not recognised until they are approved. The final and interim dividends approved after the end of the relevant accounting period have therefore been reversed, resulting in an increase in net assets at the end of each accounting period. Dividends will no longer be shown as appropriations on the face of the income statement but instead will be shown within the analysis of movements on reserves.

## 37 Reconciliation of net assets and profit under UK GAAP to IFRS continued

**(h) Other intangible assets**

From 1 March 2004, business acquisitions have been accounted for in accordance with IFRS 3 – Business Combinations – which requires the acquirer to allocate the purchase price across the identifiable assets and liabilities. As a result an intangible asset has been recognised on the acquisition of Braemar Seascope Pty Limited (formerly Seawise Australia Pty Limited). Under IAS 38 – Intangible Assets – the Group is required to capitalise the fair value of the forward order book and to amortise it over its estimated useful life. In respect of the purchase Braemar Seascope Pty Limited the Group has capitalised the forward order book at a value of £215,000 and the related deferred tax liability with a resulting reduction in the value of goodwill. The expected life of the forward order book is up to two years.

**(i) Fair value of investments**

IAS 27, 'Consolidated and separate financial statements', requires that an entity's investment in a subsidiary must be recorded either at cost or in accordance with IAS 39, 'Financial instruments: Recognition and measurement'. Consequently the Company is unable to take advantage of the permission in s133 of the Company's Act to record the transaction at nominal value and a merger reserve has been recognised to record the investment at fair value.

## 38 IFRS 1 exemptions

Braemar Seascope Group plc has taken the following exemptions, as permitted by IFRS 1, in the transition to IFRS:

**(a) Business combinations**

The accounting for acquisitions that occurred prior to the transition date of 1 March 2004 has not been restated.

**(b) Tangible fixed assets**

The Group has chosen not to restate property, plant and equipment to fair value at the date of transition. These are carried at historic cost which has been taken as the effective cost for IFRS purposes.

**(c) Share based payments**

The Group has elected to apply the exemption whereby IFRS 2 only applies to share options granted after 7 November 2002 but that have not vested by 1 March 2005.

**(d) Financial Instruments**

The Group has taken advantage of the exemption under IAS 32 & 39 that enables the Group to only apply these standards from 1 March 2005. Accordingly, any hedging gains or losses at 1 March 2004 and 28 February 2005 remain off balance sheet.

# Five Year Financial Summary Consolidated income statement

| | 14 Months to Feb 2002 (1) £'000 | 12 Months to Feb 2003 (1) £'000 | 12 Months to Feb 2004 (1) £'000 | 12 Months to Feb 2005 (2) £'000 | 12 Months to Feb 2006 (2) £'000 |
|---|---|---|---|---|---|
| Group revenue including share of joint venture | 25,430 | 26,919 | 30,794 | 45,203 | 68,497 |
| Less share of joint venture | – | (157) | (452) | – | – |
| Group revenue | 25,430 | 26,762 | 30,342 | 45,203 | 68,497 |
| Total operating expenses | (28,432) | (22,957) | (25,877) | (37,412) | (58,607) |
| Goodwill amortisation | (996) | (1,034) | (1,065) | – | – |
| Goodwill impairment | – | – | – | (931) | – |
| Amortisation of intangibles | – | – | – | – | (287) |
| Exceptional items | (5,717) | 479 | – | – | – |
| Other operating expenses | (21,719) | (22,402) | (24,812) | (36,481) | (58,320) |
| Operating (loss)/profit | (3,002) | 3,805 | 4,465 | 7,791 | 9,890 |
| Finance (cost)/income-net | (324) | (348) | (356) | (25) | 160 |
| Share of profit from joint ventures and associates (3) | – | 18 | 13 | 365 | 243 |
| (Loss)/profit before taxation | (3,326) | 3,475 | 4,122 | 8,131 | 10,293 |
| Taxation | (429) | (1,702) | (1,723) | (2,699) | (3,115) |
| (Loss)/profit after taxation | (3,755) | 1,773 | 2,399 | 5,432 | 7,178 |
| Dividends | | | | | |
| Interim | 679 | 856 | 856 | 1,134 | 1,271 |
| Final proposed (4) | 1,046 | 1,198 | 1,491 | 1,902 | 2,249 |
| | 1,725 | 2,054 | 2,347 | 3,036 | 3,520 |
| Earnings per ordinary share – pence | (5) | | | | |
| Basic | ( 27.45) p | 10.36p | 13.96p | 29.50p | 37.03p |
| Diluted | (27.45)p | 10.34p | 13.63p | 28.59p | 36.18p |

(1) Prepared under UK GAAP
(2) Prepared under IFRS
(3) Share of profit from joint ventures and associates shown net of tax from 2005 onward
(4) Proposed dividend not booked in accounts until paid from 2005 onwards
(5) 14 months

| | 14 Months to Feb 2002 (1),(3) £'000 | 12 Months to Feb 2003 (1),(3) £'000 | 12 Months to Feb 2004 (2) £'000 | 12 Months to Feb 2005 (2) £'000 | 12 Months to Feb 2006 (2) £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | 19,668 | 18,634 | 18,534 | 21,652 | 22,480 |
| Other intangible assets | – | – | – | 215 | 462 |
| Property, plant and equipment | 4,666 | 4,514 | 4,963 | 4,960 | 5,034 |
| Investments | 1,022 | 1,019 | 1,430 | 1,555 | 1,611 |
| Deferred tax assets | 346 | 213 | 229 | 309 | 510 |
| Other receivables | 87 | 70 | 103 | 95 | 58 |
| | 25,789 | 24,450 | 25,259 | 28,786 | 30,155 |
| **Current assets** | | | | | |
| Trade and other receivables | 5,247 | 4,424 | 9,348 | 11,688 | 17,717 |
| Financial assets | | | | | |
| – Derivative financial instruments | – | – | – | – | 12 |
| Restricted cash | – | – | – | 4,434 | – |
| Cash and cash equivalents | 3,241 | 3,255 | 4,071 | 9,606 | 13,567 |
| | 8,488 | 7,679 | 13,419 | 25,728 | 31,296 |
| Total assets | 34,277 | 32,129 | 38,678 | 54,514 | 61,451 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities | | | | | |
| – Short term borrowings | 2,450 | 2,500 | 2,113 | 3,067 | – |
| – Derivative financial instruments | – | – | – | – | 99 |
| Loan stock | 563 | 187 | – | – | – |
| Trade and other payables | 7,164 | 5,873 | 12,728 | 17,092 | 25,490 |
| Current tax payable | 267 | 785 | 954 | 1,556 | 2,224 |
| Dividends payable | 1,046 | 1,199 | (7) | 21 | – |
| Finance leases | 88 | 24 | – | 31 | 11 |
| Provisions | – | – | – | 41 | 288 |
| Client monies held as escrow agent | – | – | – | 4,434 | – |
| | 11,578 | 10,568 | 15,788 | 26,242 | 28,112 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | – | – | – | 65 | 139 |
| Loan stock (including convertible loan stock) | 3,187 | 3,000 | – | – | – |
| Other payables | 83 | – | – | – | – |
| Finance leases | 13 | – | – | 8 | – |
| Provisions | 1,400 | 826 | 330 | 110 | 343 |
| | 4,683 | 3,826 | 330 | 183 | 482 |
| **Total liabilities** | 16,261 | 14,394 | 16,118 | 26,425 | 28,594 |
| **Total assets less total liabilities** | 18,016 | 17,735 | 22,560 | 28,089 | 32,857 |
| **Equity** | | | | | |
| Share capital | 1,719 | 1,719 | 1,862 | 1,945 | 1,988 |
| Capital redemption reserve | 396 | 396 | 396 | 396 | 396 |
| Share premium | 4,271 | 4,271 | 7,505 | 7,505 | 8,046 |
| Merger reserve | 18,302 | 18,302 | 18,302 | 21,346 | 21,346 |
| Shares to be issued | (65) | (65) | (65) | (637) | (997) |
| Other reserves | – | – | 29 | 196 | 639 |
| Retained earnings | (6,607) | (6,888) | (5,469) | (2,662) | 1,439 |
| **Total equity** | 18,016 | 17,735 | 22,560 | 28,089 | 32,857 |

The amounts disclosed for 2003 and earlier are stated on the basis of UK GAAP because it is not practicable to restate amounts for the periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS are explained in note 37 to the financial statements.

(1) Prepared under UK GAAP restated to reflect own shares purchased as part of reserves rather than included in the investment carrying value.
(2) Prepared under IFRS
(3) Prepared under UK GAAP restated to reflect non-current debtors.

# Shareholder Information

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### Bankers
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### Independent auditors
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### Timetable

| | |
|---|---|
| AGM: | 21 June 2006 |
| Ex dividend date for 2005/6 final dividend: | 28 June 2006 |
| 2005/6 Final Dividend record date: | 30 June 2006 |
| 2005/6 Final Dividend payment date: | 27 July 2006 |
| 2006/7 Interim Results announcement: | November 2006 |