

## BRAEMAR SHIPPING SERVICES PLC

**14 May 2013**

**Preliminary results for the year ended 28 February 2013**

Braemar Shipping Services plc (“Braemar”, “the Company” or “the Group”), a leading international provider of broking, consultancy, technical and other services to the shipping and energy industries, today announces full year results for the year ended 28 February 2013.

##### FINANCIAL HIGHLIGHTS

* Revenue up 7.7% to £143.8m (2012: £133.5m)
* Pre-tax profit down 5.0% to £9.3m (2012: £9.8m)
* Basic EPS of 32.8p (2012: 33.8p)
* Cash at 28 February 2013: £23.3m (29 Feb 2012: £17.5m)
* Final dividend maintained at 17.0p per share, full year 26.0p (2012: 26.0p), covered 1.5 times by earnings before acquisition related amortisation

**OPERATIONAL HIGHLIGHTS**

* Good performance in Shipbroking in a challenging market
* The Technical, Logistics and Environmental divisions now account for over 60% of divisional operating profit (2012: 44%)
* 88% growth in divisional operating profit from Braemar Technical Services driven by a strong performance in Braemar Offshore
* Improved operating profit in the Logistics division with excellent progress in the Ship Agency business
* Significant role played by the Environmental division concluding the work on the stricken *RENA* in New Zealand

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

“We have reported a robust group performance, in extremely challenging shipping markets, thanks to our progressive diversification into a broad range of maritime services. The momentum in Braemar Technical Services and the Logistics divisions will help in the year ahead and our Shipbroking business is well placed to benefit from a recovery in shipping markets in the medium term.”

“This year’s performance shows that the strategy to develop a more broadly-based business has reduced volatility of the Group’s results and the exposure to the shipping cycle. There is potential to develop all our existing divisions through organic growth, business improvement and further acquisitions where the quality of earnings can be maintained.”

**ENDS**

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**Notes to editors**

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

**Principal businesses:**

**Shipbroking**

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

[www.braemarseascope.com](http://www.braemarseascope.com)

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**Technical**

Braemar’s Technical division provides a range of specialist marine services to the maritime sector. The business operates under the brand name Braemar Technical Services and the activities of the division are as follows:

* Braemar Adjusting provides specialist loss adjusting and other expert services to the energy (oil and gas), marine, power and other related industrial sectors. It has offices in London, Houston, Singapore, Calgary, and Rio de Janeiro.
* Braemar Offshore provides specialised marine and offshore services mainly performing pre-risk marine warranty surveys. It has offices in the UK, Australia, China, India, Indonesia, Malaysia, Singapore, Thailand and Vietnam.
* Braemar incorporating The Salvage Association (Braemar SA) provides marine consultancy and surveying services to the shipping, energy, offshore and insurance industries. It has a network of offices in Asia, Europe and the US that undertake marine damage surveys for the insurance industry.
* Braemar Engineering provides consultant marine engineering and naval architecture services to the shipping and offshore markets from offices throughout the Far East and London. Braemar Casbarian provides consulting engineering services mainly to the offshore industry in the Gulf of Mexico from offices in New Orleans, Houston and Trinidad.

www.braemar.com

**Logistics**

Cory Brothers Shipping Agency provides ship agency, freight forwarding and logistics services within the UK and Singapore.

www.cory.co.uk

**Environmental**

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

www.braemarhowells.com

**PRELIMINARY ANNOUNCEMENT – YEAR ENDED 28 FEBRUARY 2013**

**CHAIRMAN’S STATEMENT**

**Overview**

The strategy adopted by your Board of progressive diversification into maritime services has created valuable stability in challenging times. There has been no respite from the downturn in the shipping markets in 2012/13 and although this has had a direct effect on Shipbroking, the division performed well in a challenging market and we feel confident that it is in a strong position to benefit from the recovery when it comes. Many of our other businesses are driven by the volume of shipping and energy-related activity and not by the value of that activity. As a result our Technical, Logistics and Environmental divisions have had a strong year, with increased operating profit from all three divisions. We see further growth and opportunity in the years ahead.

**Results**

I am pleased to report a robust performance despite the difficult shipping markets. Group revenues grew by 7.7% to £143.8 million (2012: £133.5 million); pre-tax profits were £9.3 million compared with £9.8 million in 2011/12 and basic earnings per share (EPS) were 32.8 pence (2012: 33.8 pence), down 3% on the prior year. The decline in shipbroking profitability has been offset by the growth in other shipping services. The strong balance sheet, with a cash position of £23.3 million (2012: £17.5 million), puts the Group in a good position to deliver on its strategic objectives.

**Board and management**

2012 was a year marked by significant changes in the Board and management team at Braemar.

Alan Marsh and Quentin Soanes retired from the Board after many years of outstanding service. They were both founder members of Braemar and have been the architects of its success over the past 10 years, Alan as Chief Executive and Quentin as the inspiration behind the development of our shipping services businesses. I am pleased to say that although no longer members of the Board, they remain actively involved with the Group. On behalf of the Board I would like to pay tribute to them for their outstanding contributions over many years.

James Kidwell, who has been Finance Director for the past ten years, was appointed as Chief Executive to succeed Alan Marsh in June 2012. The Board is confident he will provide the Group with the leadership it needs in these challenging times. He will be assisted by Martin Beer who joined the Group as Finance Director in October 2012, after ten years as finance director of Uniq Plc. Denis Petropoulos who has played a significant role in our Shipbroking business for many years continues as an Executive Director, primarily responsible for the development of our growing businesses in Singapore, China and South East Asia. Sebastian Davenport-Thomas has assumed overall responsibility for all our Shipbroking companies and Quentin Soanes continues, as a consultant, to play an active role in our shipping services businesses. The Board believes this team is well placed to deliver shareholder value in the years ahead.

**Dividend**

The directors are recommending for approval, at the Annual General Meeting on 19 June 2013, an unchanged final dividend of 17 pence per ordinary share, to be paid on 24 July 2013 to shareholders on the register at the close of business on 28 June 2013. Together with the 9 pence interim dividend, the Company’s dividend for the year will be 26 pence (2012: 26 pence). The dividend is covered 1.5 times by earnings before amortisation of acquisition related intangibles.

**Colleagues**

On behalf of the Board I would like to pass on my thanks to all those who have worked diligently for Braemar to produce these results. It is the professionalism of the Braemar team around the world that makes a difference for our clients.

**Sir Graham Hearne CBE**

Chairman

13 May 2013

**CHIEF EXECUTIVE’S REVIEW OF THE BUSINESS**

**Trading performance**

The Group overall has done well to increase revenues by 7.7% in one of the toughest shipping markets for decades. It is important to understand how that performance breaks down by division.

The Shipbroking division, Braemar Seascope, increased its level of activity during the year achieving more transactions than in the prior year. The value of each transaction is down significantly due to lower ship values, lower freight rates and a smaller proportion of revenue coming from the forward order book. The net result is that Shipbroking revenue fell 6.9% to £46.4 million (2012: £49.8 million). Despite this £3.4 million fall in revenue, we have continued to invest in people and information technology to strengthen the business for the long term, and as a result of a close control of costs we have been able to limit the fall in divisional operating profit\* to £1.8 million.

The Technical division, Braemar Technical Services, has had an excellent year increasing revenues by 15.1% to £36.8 million (2012: £32.0 million) and delivering an increased divisional operating profit of £3.4 million (2012: £1.8 million). This improvement in operating profit of 88% has been delivered across all areas of the division but most notably by Braemar Offshore in Asia.

In the Logistics division, Cory Brothers, ship agency revenues grew significantly but were offset by lower project forwarding activity, leaving the overall revenues broadly unchanged at £37.5 million (2012: £37.6 million). The improvement in ship agency revenues has helped deliver an increased divisional operating profit of £2.0 million, £0.1 million ahead of the 2011/12 performance.

The revenue of the Environmental division, Braemar Howells, was £23.4 million (2012: £14.5 million), including £18.9 million (2012: £9.0 million) relating to the *RENA* project. The divisional operating profit was £2.7 million (2012: £1.9 million).

\* Divisional operating profit is defined as operating profit before amortisation of other intangible assets and non-recurring items

**Strategic development**

It is apparent from the results of 2013 that the strategy to develop a more broadly based business has reduced the volatility of the Group’s results and the exposure to the shipping cycle. There is potential to develop all our existing divisions through organic growth, business improvement and further acquisitions where the quality of earnings can be maintained.

We have continued to improve the infrastructure to support our global Shipbroking division. We now have 289 staff engaged in shipbroking activity and its support, of which 59% are in the UK with the rest in Singapore, China, Australia, India, USA and Norway. This global coverage is now supported by a single IT infrastructure that is being upgraded in 2013 enabling value-adding information exchange. We also increased our presence in the Far East and have an excellent platform on which to build a larger scale business. Since the end of the financial year we have expanded our geographic reach, acquiring teams in Houston and Oslo.

The recent success of Braemar Technical Services has resulted from the management of each of the individual business units taking advantage of the growth opportunities in the markets in which they operate. The division now employs 351 staff, of which 48% are based in the fast growing Asia-Pacific region. While there remains significant growth potential for the individual businesses within Technical, we also believe that the division can be further enhanced by increased collaboration and by efficiencies gained through the integration of certain functions.

The marketplace for Cory Brothers now has a number of global players but also has a significant number of smaller local players. This provides opportunity to build our global presence particularly by expanding the service we offer to our customers with an international spread of businesses. The division employs 228 staff in the UK and Singapore.

The Environmental division has earned a well-deserved reputation for safely dealing with marine catastrophe as well as advising on preventative measures. This is the foundation for establishing Braemar Howells as an international provider of environmental crisis management services.

**REVIEW OF OPERATIONS**

**Shipbroking – Braemar Seascope**

Braemar Seascope has performed well in a challenging marketplace. Revenue fell by £3.4 million to £46.4 million, which reflects a £6 million lower forward order book brought forward into 2012/13 compared with that brought in to 2011/12, together with lower rates, offset by significantly increased spot activity and a 2.5% average strengthening of the US dollar. The shipping market continues to be affected by over-capacity, with deliveries of new ships still out-stripping the scrapping of old tonnage. Over the year, surplus capacity has increased and freight rates have weakened further in the major tanker and dry bulk markets.

The over-supply will correct in time due to a reduced propensity to order new ships and an increase in scrapping. This is a trend which is accentuated by the shortage of available bank finance.

As we come in to 2013/14 we estimate the forward order book deliverable over the next twelve months to be £11 million, compared with £19 million last year. This reflects the weakness of the newbuilding market and the relatively low volume of new time-charter business. As a result there is significantly increased activity in the spot market where we have strong teams.

***Dry Bulk***

Growth in dry bulk seaborne trade continues its slow but steady recovery. For the calendar year 2012 it increased by 4.4% compared with 4.3% in 2011; we expect this improving trend will continue into 2013. The rate of growth is affected by the pace of industrialisation and urbanisation of the emerging economies and the price of global commodities, which have both acted to maintain the rate of growth in the past few years. However, the total amount of trade is still smaller than anticipated before the recession, while bulk carriers that were ordered to meet those higher anticipated levels of demand continue to be delivered. In the year to December 2012 the bulk carrier fleet grew by 10%, after 13% growth in 2011 and is expected to reduce to 8% in 2013.

This overcapacity in the fleet has driven down freight rates. Against this backdrop our offices in Asia and Australia performed well, benefiting from a greater focus on the shift of trade to the East.

***Deep Sea Tankers***

The freight market for crude tankers is at its lowest point and the product tanker market is fluctuating around break-even levels. Spot market rates, as measured by the Baltic Dirty and Clean Indices, displayed their usual seasonality with a weak second and third quarter followed by a fourth quarter rally. This rally was lower than anticipated and insufficient in 2012 for many owners to cover their costs for the year. The pattern of trade is changing with increased energy self-sufficiency of the US and rising consumption of crude oil in the Far East, which is increasingly being served by new refineries in the region resulting in an increase in seaborne distribution of refined products. The market remains over-supplied and this is now being added to by selective ordering of new technology tankers, which will be more economical to run and have reduced environmental impact.

The majority of business is being concluded on a spot basis, where we have increased our volumes and are well placed to continue servicing this market place.

***Specialised Tankers***

We are represented in Chemicals, Petrochemicals, LPG and LNG. These markets require specialist skills and knowledge at all levels. There is enthusiasm for the longer term potential for these markets which has created a certain amount of over-supply in a number of niches. As with other markets we have seen an increasing tendency to more spot transactions, although we have recently signed up two longer term deals in areas of changing vessel technology requirements. We have recently arranged 15 year shipping coverage for a number of gas carriers, which are designed and built specifically for the carriage of ethane from the US to Europe, a direct result of the US shale gas development. We have also concluded long term time charters for two specially built dual-fuel vessels that will comply with the new emission requirements for European waters.

***Offshore***

As exploration and production in the offshore sector continues to grow both through greater recovery procedures from existing wells and deeper water drilling, the demand for supply vessels has been strong. We have expanded our coverage in this area over recent years and while the North Sea market remains prolific, we have also concluded significant business in Latin America, Asia and East Africa.

Our offshore desks in the UK and Asia have performed well and with the continued growth in offshore exploration and production this strong performance should be maintained. We continue to look for opportunities to expand our presence in this growing and important sector.

***Containers***

The globalisation of trade has meant that seaborne container trade has historically increased at a little over twice the rate of global GDP growth. This relationship has recently been tested and in 2012 the growth in container trade was only equivalent to global GDP growth. As a result, the long-term growth in container trade has been more than covered by the long-term growth of the container fleet. We estimate that at the end of calendar year 2012 there was 36% overcapacity, up from 34% in 2011, and as a result average time charter rates fell significantly year on year.

Looking forward annualised world GDP growth is expected to remain steady at 3.5% and with the balance of orders and scrappings difficult to predict we anticipate any recovery in the container market being more than 12 months away. We added to our team during the year and now have a strong team across London and Singapore.

***Sale and Purchase***

We successfully delivered all the deals in our newbuilding forward order book for the year but new ordering during the year in general has been thin. There has been activity in the newbuilding market but due to the already over ordered market the number of transactions has been limited. The new year has started positively with a number of transactions already concluded.

The second-hand market for both bulkers and tankers has been very challenging, with prices continuing to fall and availability of finance tending to limit the size of deal. Against this background we have performed well, increasing the number of transactions during the year by more than two thirds on the prior year. However, the commissions achieved reflected the lower prices and the smaller average tonnage of transactions.

Not surprisingly demolition of older tonnage is growing and our Demolition team sent 80% more ships for demolition this year as compared with last year. It is worth noting that the average age of vessels being demolished is getting slightly younger which will hopefully contribute to improved market conditions.

**Technical – Braemar Technical Services**

Braemar Technical Services has had an excellent year with sales growing by 15%. Approximately one fifth of this growth is the full year impact of the acquisition of Braemar SA and Braemar Casbarian, with the majority of the rest of the growth coming from Braemar Offshore. This growth combined with a focus on cost-control across all the businesses, has resulted in a near doubling of divisional operating profit to £3.4 million. The cross-fertilisation between businesses has started to bear fruit. This year we have seen co-operation on project bidding and delivery, passing on of work and internal subcontracting of resource. We expect this co-operation to increase over the coming years and to also gain benefit from greater back-office synergies.

***Braemar Offshore***

Braemar Offshore has won a number of contracts to provide marine warranty surveys for long-term offshore energy contracts in the Asia Pacific region. These combined with the on-going vibrancy of the sector have helped deliver an 18% growth in revenue. With the opening of an office in Thailand, the business now has a presence in eight Asia-Pacific countries. Staff numbers grew by 13% during the year to 140, mostly through growth in Indonesia, Malaysia, China and the new office in Thailand. The market for Offshore engineering support continues to be strong and we are well placed to grow our share of that market.

***Braemar Adjusting***

Braemar Adjusting provides specialist insurance loss adjusting and consulting services to the upstream energy, downstream energy, power and mining sectors. A total of 47 staff are employed from a series of strategically located offices including: Calgary, Houston, Rio de Janeiro, Singapore and London. Further expansion is planned with the opening of a Dubai office in April 2013, to serve the Middle East and African region. The business has had a year of transition in 2012, which included both the implementation of a new management structure and the sale of non-core Mexican and Latin American operations. Despite these changes the performance of the business was stable and profitability improved. The implemented management changes are already delivering the desired benefits with each of our core offices holding a strong market position and a renewed focus on recruitment, training and succession planning, driving the business forward.

***Braemar (incorporating the Salvage Association) – Braemar SA***

The principal activities of Braemar SA include the provision of hull and machinery damage surveys, loss prevention services and expert marine consultancy services on behalf of underwriters, owners, P&I Clubs and marine lawyers. Braemar SA operates from a network of offices located around the world and coordinated through five regional hub offices. Revenue in the year was 8% up on the previous year reflecting the full year impact of the acquired business in May 2011. Instruction levels for Braemar SA’s core service of hull and machinery damage surveys were below prior year levels reflecting general market trends. However, Braemar SA saw an increase in the level of work undertaken for P&I Clubs and marine lawyers. In addition to making increased use of the resources across the wider Technical division within the year, Braemar SA established new bases in Manila and Seattle and continued a recruitment programme to deliver further growth and succession planning.

***Braemar Engineering***

The core skills of Braemar Engineering are in the design, plan approval and site supervision for ocean going vessels carrying liquids in bulk and the review and assessment of offshore dynamic positioning systems. These skills have been extended to the conceptual design and obtaining of permits for Liquefied Natural Gas (LNG) shore based facilities. In the context of LNG carrier design and construction supervision, Braemar Engineering is a world leader. The LNG and offshore markets are growing and this is presenting more opportunities for independent consultancies to get involved in the process. We have recently won an important new contract that will add significantly to revenue over three years, starting in the second half of 2013/14. The prospects for this business are enhanced by the increasing demand for LNG as a more environmentally friendly and globally recognised energy source.

***Braemar Casbarian***

The business, acquired in July 2011, provides skilled engineering design, modification and certification services to the offshore industry in the Gulf of Mexico from offices in Houston and New Orleans. The flow of work in this area has been below our expectations, partly as a result of the slow pace of recovery after the Deepwater Horizon incident. We are strengthening our business development resources and have reduced the cost base of the business.

**Logistics – Cory Brothers**

Cory Brothers revenue at £37.5 million was in line with the prior year. The efforts of the management in the Ship Agency business have been rewarded with significant growth in revenue but this was offset by the effect of market conditions on Forwarding and Logistics. Operating profit grew by £0.1 million to £2.0 million, thanks to the strong progress in Ship Agency. The progress being made in Ship Agency should continue and we anticipate some recovery in Forwarding and Logistics.

***Ship Agency***

Our Ship Agency business services UK ports, the port of Singapore (covering the Far East region) and some global agency business covering Europe, South America and West Africa. During 2012/13 the business made some significant steps forward; firstly in April 2012, gaining a key contract for Agency work at Grangemouth and Finnart, and secondly in October 2012, starting a Hub Agency contract for a new client servicing ports across Europe. Under this Hub Agency we manage the in-port services and also provide our client with key management information and access to cost savings. Building on this success we anticipate significant growth in ship numbers in the year ahead and further expansion when appropriate. In order to support this staff numbers have grown by 8% to 115.

***Forwarding and Logistics***

The performance in the year was slightly lower (revenue down 3%) when compared with a strong 2011/12, which included a number of large one-off contracts such as the transhipment of a Sheffield steel mill to India. In addition, some of our core business was affected negatively by the Olympics as our customers focused on service provision to the Olympics as opposed to export trade. Aside from these one-off items the underlying business performed well and has started 2013/14 encouragingly.

**Environmental – Braemar Howells**

This is the second year that Braemar has been extensively involved in the location, recovery and safe handling of distressed cargo containers from the *RENA*, which grounded off the North Island of New Zealand in October 2011. As a result of this the Division’s revenue increased for the third year running to £23.4 million (2012: £14.5 million) and likewise operating profit increased to £2.7 million (2012: £1.9 million).

The Division’s core skill is its 24/7 availability to respond to transportation incidents (maritime, aviation, rail and road) that require its specialist skills to coordinate and implement a structured response, in order to minimise the environmental damage in otherwise uncontrolled disaster situations. In the UK the industrial services operations provides innovative tank cleaning and environmental waste reduction measures, alongside its 65 years of incident response provision for clients including Government agencies, UK ports and Network Rail. The consultancy arm of the Division continues to grow overseas, in particular in West and central Africa.

Our work on *RENA* has now been completed successfully. Without such major incidents the revenue of the division will revert to an underlying level of revenue of circa £5 million.

Recognised as being an industry leader in hazardous working environments, Braemar Howells has gained its 10th International safety award. This has been demonstrated by working 330,000 man hours accident free on the *RENA*.

**OUTLOOK**

In the short-term we are unlikely to see a recovery in the shipping markets. As a result the trends established in the last couple of years in our Shipbroking division are likely to continue. However, we remain confident that the Shipbroking division is well positioned to benefit from any recovery in the shipping markets in the medium term. Braemar Technical Services is exposed to growing markets and we expect further significant growth in the year ahead. Continued progress is also expected from Cory Brothers. The *RENA* contract finished in February 2013 and, with the reduced activity, the Environmental division is expected to trade at a much reduced level.

Overall the year has started well. We have developed four complementary divisions, the blend of which creates stability in turbulent times. This, combined with a robust balance sheet, puts the Group in a strong position to deliver on its strategic objectives.

**James Kidwell**

Chief Executive

13 May 2013

**FINANCIAL REVIEW**

|  |  |  |  |
| --- | --- | --- | --- |
| **Summary Income Statement** | **2013** | 2012 | 2011 |
|  | **£’000** | £’000 | £’000 |
| Revenue | **143,774** | 133,474 | 126,135 |
| Cost of Sales | **(43,867)** | (36,922) | (29,897) |
| Operating costs | **(86,435)** | (83,853) | (79,109) |
| Divisional operating profit | **13,472** | 12,699 | 17,129 |
| Unallocated costs | **(2,951)** | (1,953) | (2,635) |
| Non-recurring items | **-** | 69 | - |
| Amortisation of other intangible assets | **(1,538)** | (1,458) | (1,565 |
| Operating profit | **8,983** | 9,357 | 12,929 |

***Financial highlights***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2013** | 2012 | 2011 |  |  | **2013** | 2012 | 2011 |
| **Shipbroking** | **£’000** | £’000 | £’000 |  | **Technical** | **£’000** | £’000 | £’000 |
| Revenue | **46,362** | 49,813 | 61,646 |  | Revenue | **36,778** | 31,954 | 22,621 |
| Divisional operating profit | **5,348** | 7,121 | 14,309 |  | Divisional operating profit | **3,437** | 1,833 | 1,319 |
| Operating profit margin | **11.5%** | 14.3% | 23.2% |  | Operating profit margin | **9.3%** | 5.7% | 5.8% |
| Employee numbers | **289** | 299 | 288 |  | Employee numbers | **351** | 340 | 222 |
|  |  |  |  |  |  |  |  |  |
| **Logistics** |  |  |  |  | **Environmental** |  |  |  |
| Revenue | **37,495** | 37,630 | 35,119 |  | Revenue | **23,399** | 14,529 | 6,749 |
| Divisional operating profit | **2,006** | 1,888 | 1,230 |  | Divisional operating profit | **2,681** | 1,857 | 271 |
| Operating profit margin | **5.4%** | 5.0% | 3.5% |  | Operating profit margin | **11.5%** | 12.8% | 4.0% |
| Employee numbers | **228** | 228 | 232 |  | Employee numbers | **52** | 52 | 60 |

**Overview**

The operating profit margin in the Shipbroking division has fallen in the last two years as a result of the weaker shipping market which has affected the ship values and freight rates on which we earn our commission. However, the profitability in each of the Technical, Logistics and Environmental divisions has improved over the same period and has helped offset this fall. In 2012/13, these three divisions accounted for 60% of the Group’s divisional operating profit (2012: 44%).

**Direct and operating costs**

Cost of Sales increased by 19% in the year. However, this is attributable to the work carried out by the Environmental division on the *RENA*.

Operating costs excluding amortisation of other intangible assets in 2012/13 have increased by £3.6 million compared with last year. The majority of this increase has arisen in the Technical division which includes a full year’s costs in relation to Braemar Salvage Association (acquired in May 2011) and Braemar Casbarian (acquired in July 2011). We have carefully balanced controlling operating costs in the year with the necessary cost of investing in high quality staff.

A significant proportion of the rise in unallocated costs reflects the board and management changes during the year and these will reduce in 2013/14.

**Balance sheet**

Net assets at 28 February 2013 were £69.8 million (2012: £66.8 million). There has been an improvement in the composition of the balance sheet as a result of trade receivables being converted into cash. Some of this positive effect is as a result of collecting approximately £2.2 million of debtors, which existed at the end of last year when work on the *RENA* was in full flow. Net working capital has reduced from £10.0 million at 29 February 2012 to £8.4 million at 28 February 2013.

The value of intangible assets arising from acquisitions in previous years has now reduced to less than £1.0 million as these assets have been amortised over their estimated useful life. As a result the amortisation charge in respect of these assets will reduce by approximately £1.0 million in 2013/14.

**Cash flow and Treasury management**

The Group continues to be strongly cash positive and at 28 February 2013 had cash of £23.3 million (29 February 2012: £17.5 million) and no debt. We generated £15.0 million cash from operating activities in the year compared to just £5.0 million last year. This positive impact has arisen from a reduction in trade debtors and lower bonus payments.

The increase to the cash balance was generated predominantly in the second half of the year. This follows the normal cycle for the Group because the cash balance at the start of the year will be used in the first half to pay the final dividend to shareholders, as well as staff bonuses for which provision has been made in these financial statements. The Group has incurred £1.3 million on capital expenditure which includes £0.6 million investment in the Group’s IT infrastructure.

**Foreign exchange**

For most of the year the US dollar exchange rate relative to sterling was relatively stable and the average rate of exchange for US dollar-denominated shipbroking earnings was $1.56/£ (2012: $1.60/£). In February 2013 the US dollar to sterling exchange rate moved more significantly to finish the year at a rate of conversion of $1.52/£ (29 February 2012: $1.60/£). At 28 February 2013 the Group held forward currency contracts to sell US$9.0 million at an average rate of $1.54/£.

During the year, the Group updated its hedging policy to reduce its major currency exposure. The Group has forward cover for major currency exposure, based on expected receipts from contracted revenue, which approximates to 50% of the next nine months of revenue and is generally only material for the US Dollar. The new policy will also reduce the translation exposure as significant currency reserves will be converted back to sterling on a regular basis.

Shipbroking revenues, denominated in US$, remain exposed to the US$/£ exchange rate in the long term.

**Taxation**

The Group’s effective tax rate in 2012/13 was 26.3% (2012: 29.5%). The rate is higher than the UK standard rate of corporation tax of 24% mainly due to disallowed expenses. The fall in the effective rate in comparison to last year is a result of the reduction to the UK standard rate of tax from 26% to 24% and the mix of overseas profits. The further reductions from 24% to 23% in 2013/14 together with the two further cuts to 20% by April 2015 that were announced on 20 March 2013 are expected to reduce the rate in future years.

**Martin Beer ACA**

Group Finance Director

13 May 2013

**Braemar Shipping Services PLC**

**Audited Consolidated Income statement** for the year ended 28 February 2013

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **28 Feb 2013** | 29 Feb 2012 |
| Continuing operations | Notes |   |  |  | **£'000** | £'000 |
|  |  |  |  |  |  |  |
| **Revenue** | 3 |  |  |  | **143,774** | 133,474 |
| Cost of sales |  |   |  |  | **(43,867)** | (36,922) |
|  |  |  |  |  | **99,907** | 96,552 |
|  |  |  |  |  |  |  |
| Operating costs |  |  |  |  |  |  |
| Operating costs excluding amortisation of other intangibles |  |   |  |  | **(89,386)** | (85,806) |
| Non-recurring income and expenses | 4 |  |  |  | **-**  | 69 |
| Amortisation of other intangible assets |  |   |  |  | **(1,538)** | (1,458) |
|  |  |  |  |  | **(90,924)** | (87,195) |
|   |  |   |  |  |  |   |
| **Operating profit** | 3 |  |  |  | **8,983** | 9,357 |
|  |  |  |  |  |  |  |
| Finance income |  |  |  |  | **296** | 213 |
| Finance costs |  |  |  |  | **(45)** | (32) |
| Share of profit from joint ventures |  |  |  |  | **62** | 252 |
|   |  |   |  |  |  |   |
| **Profit before taxation** |  |  |  |  | **9,296** | 9,790 |
| Taxation |  |  |  |  | **(2,447)** | (2,888) |
| **Profit for the year** |  |   |  |  | **6,849** | 6,902 |
|  |  |  |  |  |  |  |
| Attributable to: |  |  |  |  |  |  |
| Ordinary shareholders |  |  |  |  | **6,824** | 6,841 |
| Non-controlling interest |  |  |  |  | **25** | 61 |
| **Profit for the year** |  |   |  |  | **6,849** | 6,902 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Earnings per ordinary share** | 6 |  |  |  |  |  |
| Basic - profit for the year |  |  |  |  |  **32.78p** |  33.84p |
| Diluted - profit for the year |  |  |  |  |  **31.72p** |  32.53p |

**Audited Consolidated Statement of comprehensive income**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   |   |  |  | **28 Feb 2013** | 29 Feb 2012 |
|   |  |  |  | **£'000** | £'000 |
|  |   |  |  |   |   |
| **Profit for the year** |   |  |  | **6,849** | 6,902 |
| **Other comprehensive income / (expense)** |   |  |  |  |  |
| Foreign exchange differences on retranslation of foreign operations |  |  | **1,131** | 341 |
| Cash flow hedges - net of tax |   |  |  | **(165)** | (70) |
|   |   |  |  |  |   |
| **Total comprehensive income for the year** |   |  |  | **7,815** | 7,173 |
|   |   |  |  |  |  |
| Attributable to: |   |  |  |  |  |
| Equity holders of the parent |   |  |  | **7,790** | 7,112 |
| Non-controlling interest |   |  |  | **25** | 61 |
| **Total comprehensive income for the year** |   |  |  | **7,815** | 7,173 |

**Braemar Shipping Services PLC**

**Audited Consolidated Balance sheet** as at 28 February 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **As at** | As at |
|  |  | **28 Feb 13** | 29 Feb 12 |
| **Assets** |  | **£'000** | £'000 |
| **Non-current assets** |  |  |  |
| Goodwill |  | **30,547** | 30,416 |
| Intangible assets |  | **1,524** | 2,630 |
| Property, plant and equipment |  | **6,165** | 6,257 |
| Investments |  | **1,796** | 1,895 |
| Deferred tax assets |  | **1,021** | 1,665 |
| Other long-term receivables |  | **261** | 233 |
|  |  | **41,314** | 43,096 |
| **Current assets** |  |  |  |
| Trade and other receivables |  | **44,621** | 46,973 |
| Derivative financial instruments |  | **–** | 136 |
| Restricted cash |  | **339** | 335  |
| Cash and cash equivalents |  | **23,277** | 17,467 |
|  |  | **68,237** | 64,911 |
|  |  |  |  |
| **Total assets** |  | **109,551** | 108,007 |
|  |  |  |  |
| **Liabilities** |  |  |  |
| **Current liabilities** |  |  |  |
| Derivative financial instruments |  | **94** | 7  |
| Trade and other payables |  | **36,249** | 36,953 |
| Current tax payable |  | **1,638** | 1,674 |
| Provisions |  | **413** | 345 |
| Client monies held as escrow agent |  | **339** | 335  |
|  |  | **38,733** | 39,314 |
|  |  |  |  |
| **Non-current liabilities** |  |  |  |
| Deferred tax liabilities |  | **612** | 1,130 |
| Trade and other payables |  | **–** | 400 |
| Provisions |  | **363** | 325 |
|  |  | **975** | 1,855 |
|   |  |  |   |
| **Total liabilities** |  | **39,708** | 41,169 |
|  |  |  |  |
| **Total assets less total liabilities** |  | **69,843** | 66,838 |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital |  | **2,165** | 2,160 |
| Share premium |  | **12,150** | 12,018 |
| Shares to be issued |  | **(3,309)** | (3,695) |
| Other reserves |  | **27,630** | 26,664 |
| Retained earnings |  | **30,962** | 29,471 |
| **Group shareholders' equity** |  | **69,598** | 66,618 |
| **Non-controlling interest** |  | **245** | 220 |
| **Total equity** |  | **69,843** | 66,838 |

**Braemar Shipping Services PLC**

**Audited Consolidated Cash flow statement** for the year ended 28 February 2013

|  |  |  |  |
| --- | --- | --- | --- |
|   |   | **28 Feb 2013** | 29 Feb 2012 |
|   | Notes | **£'000** | £'000 |
| **Cash flows from operating activities** |  |  |   |
| Cash generated from operations | 7 | **14,996** | 5,034 |
| Interest received |  | **296** | 213 |
| Interest paid |  | **(45)** | (32) |
| Tax paid |  | **(3,625)** | (3,858) |
| **Net cash generated from operating activities** |  | **11,622** | 1,357 |
|   |  |  |  |
| **Cash flows from investing activities** |  |  |  |
| Dividends from joint ventures |  | **189** | 74  |
| Acquisition of subsidiaries, net of cash acquired |  | **(279)** | (3,106) |
| Purchase of property, plant and equipment and computer software |  | **(1,253)** | (1,050) |
| Proceeds from sale of property, plant and equipment | **83** | - |
| Other long term assets |   | **(28)** | 5 |
| **Net cash used in investing activities** |   | **(1,288)** | (4,077) |
|   |   |  |  |
| **Cash flows from financing activities** |   |  |  |
| Proceeds from issue of ordinary shares |   | **137** | 991 |
| Dividends paid |  | **(5,412)** | (5,233) |
| Purchase of own shares |   | **(148)** | (1,222) |
| **Net cash used in financing activities** |   | **(5,423)** | (5,464) |
|   |   |  |  |
| **Increase / (decrease) in cash and cash equivalents** | **4,911** | (8,184) |
| Cash and cash equivalents at beginning of the period | **17,467** | 25,634 |
| Foreign exchange differences |   | **899** | 17 |
| **Cash and cash equivalents at end of the period** |   | **23,277** | 17,467 |

**Braemar Shipping Services PLC**

**Audited Consolidated Statement of Changes in Total Equity** for the year ended 28 February 2013

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | Share capital | Share premium | Shares to be issued | Other reserves | Retained earnings | Total | Non controlling interest | Total equity |
| **Group** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 March 2011 | 2,110 | 11,077 | (3,275) | 26,323 | 28,424 | 64,659 | 159 | 64,818 |
| Profit for the year | -  | -  | -  | -  | 6,841 | 6,841 | 61 | 6,902 |
| Foreign exchange differences | -  | -  | -  | 411 | (70)  | 341 | -  | 341 |
| Cash flow hedges net of tax | -  | -  | -  | (70) | -  | (70) | -  | (70) |
| Total recognised income in the year | -  | -  | -  | 341 | 6,771 | 7,112 | 61 | 7,173 |
| Dividends paid | -  | -  | -  | -  | (5,233) | (5,233) | -  | (5,233) |
| Issue of shares | 50 | 941 | -  | -  | -  | 991 | -  | 991 |
| Purchase of own shares | -  | -  | (1,222) | -  | -  | (1,222) | -  | (1,222) |
| ESOP shares allocated | -  | -  | 802 | -  | (802) | -  | -  | -  |
| Credit in respect of share option schemes | -  | -  | -  | -  | 513 | 513 | -  | 513 |
| Deferred tax on items taken to equity | -  | -  | -  | - | (202) | (202) | -  | (202) |
| At 29 February 2012 | 2,160 | 12,018 | (3,695) | 26,664 | 29,471 | 66,618 | 220 | 66,838 |
| Profit for the year | -  | -  | -  | -  | 6,824 | 6,824 | 25 | 6,849 |
| Foreign exchange differences | -  | -  | -  | 1,131 | -  | 1,131 | -  | 1,131 |
| Cash flow hedges net of tax | -  | -  | -  | (165) | -  | (165) | -  | (165) |
| Total recognised income in the year | -  | -  | -  | 966 | 6,824 | 7,790 | 25 | 7,815 |
| Dividends paid | -  | -  | -  | -  | (5,412) | (5,412) | -  | (5,412) |
| Issue of shares | 5 | 132 | -  | -  | -  | 137 | -  | 137 |
| Purchase of own shares | -  | -  | (148) | -  | -  | (148) | -  | (148) |
| ESOP shares allocated | -  | -  | 534 | -  | (534) | -  | -  | -  |
| Credit in respect of share option schemes | -  | -  | -  | -  | 678 | 678 | -  | 678 |
| Deferred tax on items taken to equity | -  | -  | -  | - | (65) | (65) | -  | (65) |
| **At 28 February 2013** | **2,165** | **12,150** | **(3,309)** | **27,630** | **30,962** | **69,598** | **245** | **69,843** |

**Braemar Shipping Services PLC**

**Notes to the financial statements**

**Note 1 – General Information**

The financial information set out above does not constitute the company's statutory accounts for the years ended 28 February 2013 or 29 February 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

**Note 2 - Accounting policies**

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union, this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to distribute full accounts that comply with IFRSs as adopted by the EU on 24 May 2013.

##### Note 3 – Segmental results

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Shipbroking** | **Technical** | **Logistics** | **Environmental** | **Inter-division** | **Total** |
| **2013** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Revenue** | 46,362 | 36,778 | 37,495 | 23,399 | (260) | **143,774** |
|  |   |   |   |   |   |   |
| Divisional operating profit | 5,348 | 3,437 | 2,006 | 2,681 | - | **13,472** |
| Amortisation of other intangible assets | (709) | (684) | (145) | - | - | **(1,538)** |
| Segment result | 4,639 | 2,753 | 1,861 | 2,681 | - | **11,934** |
| Unallocated other costs |  |  |  |  |  | **(2,951)** |
| Operating profit |  |  |   |   |   | **8,983** |
| Finance income – net |  |  |   |   |   | **251** |
| Share of profit from joint ventures |   |   |  **62** |
| Profit before taxation |  |  |  |   |   | **9,296** |
| Taxation |  |  |  |   |   | **(2,447)** |
| Profit for the period attributable to shareholders from continuing operations |   |   |   |   |   | **6,849** |
|  |  |  |  |  |  |  |
| **2012** |  |  |   |   |  |   |
| **Revenue** | **49,813** | **31,954** | **37,630** | **14,529** | **(452)** | **133,474** |
|  |  |  |  |  |  |  |
| Divisional operating profit | 7,121 | 1,833 | 1,888 | 1,857 | - | **12,699** |
| Amortisation of other intangible assets | (531) | (838) | (87) | (2) | - | **(1,458)** |
| Non-recurring income and expenses | (354) | 423 | - | - | - | **69** |
| **Segment result** | 6,236 | 1,418 | 1,801 | 1,855 | - | **11,310** |
| Unallocated other costs |  |  |   |   |  | **(1,953)** |
| Operating profit |  |  |  |  |  | **9,357** |
| Finance income/(cost)- net |  |  |  |  |  | **181** |
| Share of profit from joint ventures |   |  | **252** |
| Profit before taxation |  |  |  |  |  | **9,790** |
| Taxation |  |  |  |  |  | **(2,888)** |
| Profit for the year attributable to shareholders from continuing operations |   |   |   |   |  | **6,902** |

**Braemar Shipping Services PLC**

**Notes to the financial statements**

**Note 4 – Non-recurring income and expenses**

There were no non-recurring items charged or credited to the income statement in the year ended 28 February 2013.

During the year ended 29 February 2012, the Group incurred incurred net £69,000 non-recurring income relating to acquisitions of BMT Marine and Offshore Services Limited (£856,000 credit) and Braemar Casbarian Inc (£108,000 debit), together with costs associated with closing the business of Braemar Futures Limited (£354,000 debit) and disposing of Braemar Steege de Mexico (£325,000 debit).

**Note 5 – Dividend**

The proposed final dividend of 17.0 pence per share (2012: final 17.0 pence) takes the total dividend for the year to 26.0 pence (2012: 26.0 pence). The cost of the final dividend will be £3.6m (2012: £3.5m) based on 20.9m shares (which excludes shares held in the ESOP for which the dividend has been waived).

**Note 6 – Earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding 764,626 ordinary shares held by the employee share trust (2012: 877,709) 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.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2013** | 2012 |
|   |   | **£'000** | £'000 |
| Profit for the year attributable to shareholders |   |  **6,824**  |  6,841  |
|  |  |  |  |
|   |   |  **pence**  |  pence  |
| Basic earnings per share |  | **32.78**  | 33.84  |
| Effect of dilutive share options |  | **(1.06)** | (1.31) |
| Diluted earnings per share |   | **31.72**  | 32.53  |
|  |  |  |  |
|   |   |  **Shares**  |  Shares  |
| Weighted average number of ordinary shares |  | **20,815,282** | 20,214,713 |
| Effect of dilutive share options |  | **695,456** | 817,611 |
| Diluted weighted average number of ordinary shares |   | **21,510,738**  | 21,032,324  |

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

|  |  |  |
| --- | --- | --- |
|  | **2013** | 2012 |
|   | **£'000** | £'000 |
| Profit before tax for the year from continuing operations | **9,296** | 9,790 |
| Adjustments for: |  |  |
| - Depreciation of property, plant and equipment | **1,051** | 990 |
| - Amortisation of computer software | **187** | 259 |
| - Amortisation of other intangible assets | **1,538** | 1,458 |
| - Loss/(profit) on sale of property plant and equipment | **(37)** | 118 |
| - Non-recurring income and expenses | **-**  | (423) |
| - Finance income | **(296)** | (213) |
| - Finance expense | **45** | 32 |
| - Share of profit of joint ventures | **(62)** | (252) |
| - Share based payments | **679** | 513 |
| - Net foreign exchange gains and financial instruments | **(185)** | (120) |
| Changes in working capital: |  |  |
| - Trade and other receivables | **3,458** | (3,305) |
| - Trade and other payables | **(769)** | (3,985) |
| - Provisions | **91** | 172 |
| Cash generated from operations | **14,996** | 5,034 |