



COD OTOLITH

Otoliths are found in the heads of fish and provide scientists with important data about age and growth.

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Making space for judgement

At Insinger de Beaufort we recognise that we are operating in an uncertain world. Uncertainty deserves our attention, because managing risk is our business. We succeed by applying our knowledge and testing our beliefs in real world conditions.

And uncertainty is all there is. You don't have to study at the feet of a Zen master to realise that truth is always relative.

For this year's annual review we looked at the Icelandic fishing industry. We spent time with the men and women whose research is enhancing knowledge about the industry. Their work and the latest technologies simplify the fishermen's task. Still, there are no guarantees. Risk comes with the territory for anyone who makes a living from the sea.

Financial markets are no different. The analysts are out there: generating reams of numbers, spotting winners and predicting performance. Their financial data uncovers vital truths – it would be irresponsible to ignore it. At the same time, the huge volume of data they generate can conceal what's really important – it is foolish to rely solely upon it.

You have to make space for judgement.



IAN KANTOR
CHIEF EXECUTIVE OFFICER
5 APRIL 2006



JOHANNA GISLADOTTIR

JÓHANNA
GÍSLADÓTTIR

NAUTICAL
MEASUREMENTS

The Jóhanna Gísladóttir is a longline fishing vessel that is bristling with the latest technologies. Its captain has been a full-time sailor for more than half a century. Its crew is known as being among the best in the fleet. Week in, week out, no matter what the conditions, it sets sail for Icelandic fishing banks.

This is the story of one of those trips.

Longline fishing vessel carrying 38 lines, each with 1,280 hooks

Built 1969, lengthened 1974, refurbished 2005

14 CREW:
captain, first officer, engineer, standby engineer, ship's cook, two bosuns, seven deckhands

CARRIES PER TRIP:
*35 tonnes of fresh water
8 tonnes of diesel
40 tonnes of oil (used mostly as ballast)*

CATCH CAPACITY:
*380 containers
(310kg per container)
ie c.118 tonnes
Average catch 80 tonnes*

*One tonne = 1,000 kilograms
One nautical mile (one knot)
= 1.86 kilometres
One fathom = 1.83 metres*



SAFER WATERS

The Icelandic Maritime Administration has created a 1:60 scale model of Grindavik harbour to help them understand the behaviour of ships and waves.

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Catch 1

‘I always like to start our trips with a good cod catch: it makes the crew feel better. On our way back yesterday we came through here and I saw a lot of fish on the sonar. Also, I want to set out the line overnight so this is a good time to begin. That’s how it works. Many things come together to make the decision.’

BEGAN
19:29, 23rd Feb 2006

ENDED
22:40, 24th Feb 2006

POSITION
*64°12.2111N /
023°15.7031W*

DEPTH
58 fathoms

HOOKS
46,414

CATCH
*9,087 fish
26.14 tonnes*

CONTAINERS
*large cod, 28
small cod, 23
haddock, 24
tusk, 3
ling, 2
cod roe, 3*



SAFER WATERS

In days gone by, fishermen would rely on their instincts to ‘read’ the sea and anticipate the movement of fish shoals. Today, they depend on real-time wave and current forecasts, as well as ice warnings. Much of this information is provided by the Icelandic Maritime Administration (IMA) which is responsible for many aspects of marine safety.

One of the IMA’s main areas of research is in wave refraction and currents. The shallow waters and high waves of Grindavik Harbour make it one of the most difficult navigational challenges in Icelandic waters. As part of the initiative to bring about a safer shipping route into the harbour, the IMA has created a 1:60 scale model that replicates the movement of both waves and ships, allowing them to test the efficacy of proposed harbour walls or artificial channels.

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CATCH 1

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Haddi (Haraldur) Einarsson, first officer, has control of the bridge. He brings the Jóhanna Gísladóttir around, positioning it for the first catch of the trip. The bosun throws out a buoy and the crew begins to set out the line.

18-year old Kiddi (Kristinn) Hjálmtýsson, the youngest crewman, is feeding squid into the machine which baits the hooks as they exit the ship at a rate of 150 per minute. This is Kiddi’s second voyage. Last time out the weather was ferocious and he was very ill. Today it is calm. He is feeling better.

It’s a 38-mile longline and there are 46,000 hooks to bait. The job takes several hours.

The ship is heading due east. In a few miles it will change course. The plan is to lay out the line in a wide S-shape, finishing close to the first buoy. That way the line covers the fishing bank. It will save sailing time later.

Below deck, the crew prepare the factory floor and arrange containers in the cargo hold. Once the fish start landing there will be no time to waste. They need to be ready.

‘Our work is about reducing uncertainty. You need to understand risk and uncertainty to manage and maintain fish stocks in the long term.’





‘We don’t really listen to the weather reports. It doesn’t matter to us. We go out in all weathers.’

The Jóhanna makes it back to the start of the line by 1:30am. The post-midnight shift is on duty. They’re expectant. The first catch can set the tone for the whole trip.

The captain gives the order to haul in.

He plots his course to keep the ship directly above the line as it is pulled up from the seabed. This is never easy with a fishing bank as shallow as this one. He uses GPS readings to trace the route. He steers by watching the line, constantly altering speed and course to keep it vertical.

The fish are coming in thick and fast. Most are cod; many of them sizeable specimens. The men on the factory floor are in a good mood – everyone’s pay depends on the size of the catch and cod is the most lucrative.

Týri (Hjálmtýr) leans out of a door in the hull, spearing each fish with his gaff hook to bring it in safely. He is the eldest of three Hjálmtýsson brothers amongst the 14-man crew. It used to be thought bad luck in Iceland for more than one family member to fish from the same ship. Times have changed – the job is safer now.

As the fish are landed they are separated from their hooks. The longline is returned to its storage area. There, Esra has the job of replacing lost hooks and bending damaged ones back into shape. With 40 hooks coming in every minute, he needs nimble fingers and has to work fast. The crew swap tasks every hour to relieve the monotony, but fixing the hooks is the least popular job.

As fishing vessels move across the ocean, soundings and data are collected. This enables the captain to see in real time the ship’s position above the seabed, which is shown as a 3-D image. Fishermen can follow shoals of fish and know exactly how much wire to release, making better use of lines and nets.

A ground discrimination system tells the captain whether the seabed is soft or hard, stony or sandy. The captain will then decide where the fish are most likely to be; for example, cod usually swim around the top of hills, while haddock prefer the crevices below.

Autopilot systems are connected to the boat’s gyrosphere. These are self-tuning devices that adapt both to the ship’s movement and to the weather in order to optimise fuel usage. A course is set, together with rudder angles, steering modes and speed in knots.

Vessel monitoring systems provide the ship’s owner on land with a view of the location of his vessels and details of their catches. He can also check how much oil has been used and decide on the most cost-effective course the vessel should take.

There is no time to talk. It takes all their energies to process the fish. This is one of the best crews in Iceland. Everyone knows what to do; they all work quickly. But there are just too many fish. The backlog is growing. The team needs help. They rouse Óli from his berth.

These fishermen work at a relentless pace during their shifts. It's non-stop, 24 hours a day, six hours on, six hours off for the entire trip.

Hauling in the first line has taken most of the day. When the final hook is back on board, the captain pronounces himself well satisfied. They have 26 tonnes of fish; most of it cod. Everyone agrees the first catch has been a great success.

Now they have to do it all over again.

‘If the sea is heavy or if there’s an air bubble under the transmitter it can give completely the wrong information. Lots of things can go wrong.’

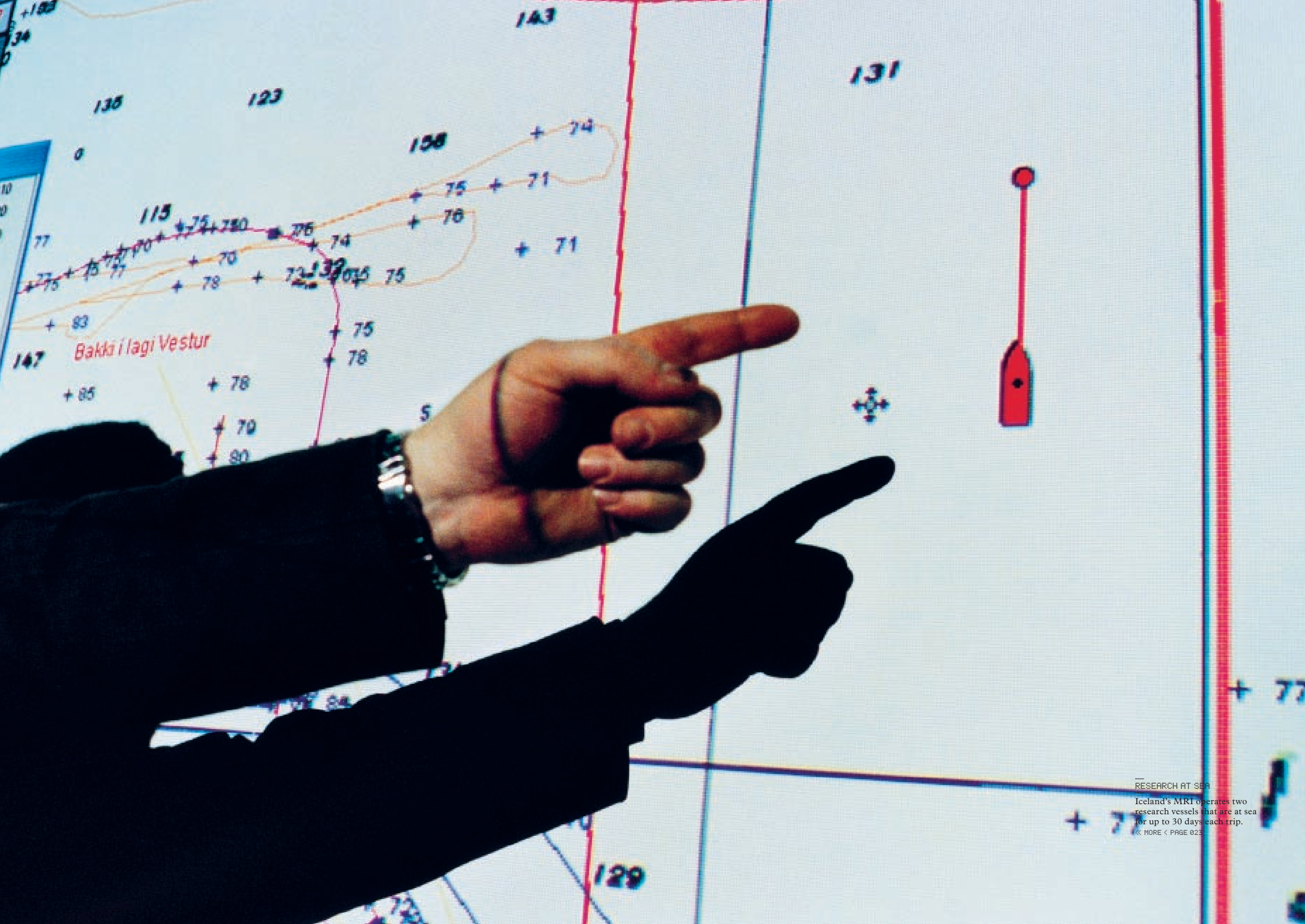
RESEARCH AT SEA ÁRNI FRÍÐRIKSSON RE-200

The Árni Friðriksson RE-200 is one of two vessels operated by the Marine Research Institute (MRI). A purpose-built research ship, it is used for conducting oceanographic research, particularly into deep-water and offshore fish, seabed mapping and benthic communities.

Echosounders (single and multibeam) send out beams at different frequencies to depths of 100 to 3,000 metres. This technology detects different sizes and types of fish, and is also used for three-dimensional mapping of the sea bed and identifying the substrates of the ocean floor. Cameras on fibre optic cables can be sent two kilometres down to photograph fish in their natural environment, fishing gear in operation and structures of the seabed. Should bad weather occur, echosounder transducers are attached to the keel and lowered to depths where they will not be affected by wave action.

The ship is fully equipped for sophisticated data processing, and contains wet and dry laboratories and a fish processing room. It carries up to 16 scientists and 16 crew members. Trips last up to 30 days, incurring running costs of around 1.2m Icelandic krona per day. Marine research is an expensive business.

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Bakki í lagi Vestur

RESEARCH AT SEA

Iceland's MRI operates two research vessels that are at sea for up to 30 days each trip.

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The environment

The end of disinflation



For several years, the recognition that we were operating in a disinflationary environment was axiomatic to our investment strategy. Now our view has shifted. We believe that era is over and we expect inflationary pressures to return.

The factors propelling disinflation have become less significant. Deregulation and market liberalisation have already opened markets. Future efficiency gains from automation are more likely to be incremental than transformative. Manufacturers have already pared back their labour costs by outsourcing production. As a result, the developed economies of the West have limited further scope for rapid productivity gains.



Throughout the disinflationary period we never saw equivalent price reductions in the service sector. No hairdresser ever became cheaper. We have seen rapid growth in the value of service. Ours is a time-poor society: people are demanding more service and greater choice. We are no longer satisfied merely with coffee; we seek out specific varieties from particular producers. We want espresso, black, ristretto, cappuccino, latte macchiato or café américain, and we are prepared to pay for their preparation.

There is an insatiable demand for better education, for more security and healthcare. Yet fewer people are available to provide these enhanced services. Their main consumers are baby boomers and the elderly: they are richer, more numerous and surviving longer than ever before. The laws of supply and demand imply that service costs will inevitably increase.

Commodity prices and developing economies



In developing countries, growth is running at record levels. Vast swathes of their populations are becoming economically enfranchised. They are demanding their share of global resources. This is fuelling commodity price increases.

In our view the upturn in commodity prices has much more to do with China, India and the emerging markets than commodities per se.

Buying companies that are leveraged to rising commodity prices remains risky and we prefer safer investments. Consequently, we look at companies that benefit from economic growth in China, India and emerging markets, irrespective of commodity price movements. ABB, a global market leader with exposure to emerging markets, is one such company.



Japan has benefited significantly from the rise in Asian economies. Following a painful, 15-year process of unwinding the excesses of the 1980s, balance sheets and personal incomes are back to far more normal levels, as is financial instrument pricing. There are still problems, particularly in the banking and long-term savings institutions, but the country has weathered the worst and remains a supplier and financier of choice, particularly in the Far East.

The limits to growth



Productivity has gone global. For many activities, the internet has rendered location irrelevant. Technologies and production techniques are swiftly exported.

The rapid economic growth we are seeing in China and India is not a function of a poor people who work harder or are better educated. Rather, it is a function of the rate at which rural populations are being brought into the global economy through urbanisation.

Japan, Europe and the US, however, have falling birth rates and greying populations; they will not be able to rely on productivity gains for future growth. That leaves just one solution: large-scale immigration. The riots in Paris last year, as well as the tensions surrounding migrants that we have witnessed in Europe and in the US, provide clear evidence that this issue will top the global agenda in the future.

The risk of risk aversion



The ability of Europe to absorb rising energy costs provided vivid evidence of the transformation in its economies. Many expected traumatic effects from the oil price hike. These have not yet materialised.

This demonstrates that service-based economies operate according to a different economic dynamic. The service sector does not have the same capital requirements as manufacturing. That makes it more flexible and responsive to changing economic conditions, which promotes a more stable economic environment.

As underlying stability has increased, western economies have become more risk-averse. As we grow less accustomed to systemic shocks we become less able to deal with uncertainty.



Society is demanding more protection from its regulatory agencies. Environmental considerations are introducing taxation and regulation into the system. There is a risk that excessive regulation and the fear of litigation will act as a brake on action, hamper entrepreneurship and constrain economic growth.

Often, the actual risks we face are unchanged, but our ability, as societies and as individuals, to accept these risks has declined. In financial terms, that leaves us vulnerable to the opportunity cost that stems from that reluctance. By acting en masse in a risk-averse way investors may, ironically, actually take on more risk.

Growing stability and perceived lower levels of risk



The greater economic stability afforded by the swing away from capital-intensive to service-based economies has led to commensurate stability in financial markets. This has been exacerbated by greater transparency in the financial system, particularly amongst central banks. This increased stability has led to a perception of lower levels of risk, which has encouraged greater leverage in the financial system.

Banks are subject to severe competition. They are earning less from clients and are trading more actively on their own accounts, especially in derivative markets where they are taking on more debt and lending more readily. Hedge and private equity funds are attracting multiples of their own invested capital from the banking sector.



As always, financial markets are taking advantage of the lower levels of risk to increase lending. These activities will increase leverage and ultimately cause risk levels to rise until they trigger the inevitable shocks.

Central banks are well aware of this. They understand that higher interest rates may spark a liquidity crisis and will do almost anything to avoid that happening. In the near term this allows us to anticipate that any intervention will be carefully considered. Interest rate increases are therefore likely to be gradual and measured.



In summary, large issues are at play but the system is in balance. There are bound to be unforeseen shocks along the way, but the global economy has demonstrated its ability to adapt. Over the next term we foresee relatively stable economic conditions, with unspectacular rates of growth and modest reflation. In the longer term the issues we have discussed, we believe, will loom larger, with increasing levels of tension in the financial system.

Q-Ray

Q-Ray is Insinger de Beaufort's proprietary statistical investment tool. It is used to identify top performing commercial companies and for fund manager search and selection.

Q-Ray uses quantitative methods to assess the risk-adjusted performance of a target company relative to its peers. An underlying model evaluates expected performance according to weightings – based on historic econometric regressions – for macroeconomic, microeconomic and firm-specific variables.

For each analysed company the model computes a score. High scores signal a significant future stock price move. This triggers further research based on qualitative methods.

Catch 2

‘I’m going to fish this bank one more time. If we start straightaway we’ll be hauling in by early morning.’

Cod are like people, they like a good breakfast.’

BEGAN
22:45, 24th Feb 2006

ENDED
02:00, 26th Feb 2006

POSITION
64°09.4359N /
023°24.2725W

DEPTH
61 fathoms

HOOKS
46,000

CATCH
7,258 fish
20.54 tonnes

CONTAINERS
large cod, 22
small cod, 14
haddock, 21
tusk, 3
saithe, 1
ling, 2
redfish, 1
cod roe, 2





READING FISH

Dissecting fish gives vital information about their diet, sex and age.

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To ascertain the distribution of fish by size, sex and stage of maturation, samples are taken by the research vessels and analysed on board or at the Marine Research Institute (MRI). Researchers can determine a fish's age by counting the number of circles on the scales or on its otolith (bones that are found in a fish's head, helping it to maintain balance). The age bands are not unlike those found on tree trunks and have different colours: a white band appears in summer when the fish grows; a thinner, darker band develops during the winter months when the fish is not growing.

By comparing the size and age of the fish, the MRI can ascertain their health and condition. Stomach contents – such as plankton, fish remains and even otoliths from other fish species – are analysed to understand their diet. The colour and texture of the reproductive organs reveal their stage of maturity.

“Money, money!” exclaims Stebbi (Stefán) Rúnarsson, brandishing a large cod.

The crew like catching cod. It's their highest value fish and the easiest to work with. They've caught 15 tonnes here already. As far as Stebbi is concerned this is a good place to fish. He is happy to see the line going straight back out again.

Longline fishing is an extremely time-critical operation. Captain Pálmason has to get his ship back to port as quickly as possible with a hold full of high-value cargo.

The ship counts its effort by the number of hooks fished. To set out one full-length line takes five hours. It takes another 20 hours to haul it in. And that assumes no delays.

Every hour the ship sails is an hour less to fish. With a top speed of around 10 knots the captain has to weigh up the likely catch at his current location against the time it takes to travel to a bank with better prospects.

‘There’s always the possibility you will not get the observations you need. You have to watch very carefully and use what you can get.’

‘If we don’t have the right measurements in place, we never issue quotas, it’s too high risk. We don’t risk the wellbeing of the species.’

When the seabed is rocky the line sometimes gets caught. Usually, the crew can work it free. If not it has to be cut. They hardly ever lose a line completely, but every break adds two or three hours to the trip. It’s time the fishermen can ill afford.

The Jóhanna is a company-owned ship, but its crew aren’t on salaries. Their earnings depend on the catch. The company pays a defined amount depending on the type, size and quantity of fish landed.

70% of the value of each catch is allocated to running the ship. A third of that goes to the crew. Ordinary crewmen get a single share each. The captain gets double. Allocations for bosuns, the cook, engineer and first officer fall somewhere in between.

It has to be that way. Nobody does this job for fun. The sailors need to be motivated. But it is getting harder to attract good men.

Recently the crew’s pay has been hit by the strength of the Icelandic krone against the dollar. Most fish are priced in dollars. The krone’s recent doubling in value has cut their earnings in half.

Oddur Hjálmtýsson has decided that the next tour will be his last. He misses seeing his girlfriend. He is going to look for a job on land.

Unexpected, non-forecasted weather is one of the greatest dangers facing any fishing trip. At the Icelandic Meteorological Office (IMO) six duty forecasters are on a 24-hour watch to provide land, sea and air traffic with regular forecasts.

The IMO broadcasts shipping forecasts for 17 areas around Iceland via radio, the web, TV and the NAVTEX system six times during each 24-hour period. In addition to broadcasting wind directions and speed, the IMO warns of any conditions that will reduce visibility and could endanger vessels. This includes strong winds, movements of ice and icebergs, and volcanic activity above or below sea level.

Forecasting information is collected from stations situated around the coastline and inland, as well as from buoys, ships and radar. Satellites have made a vital contribution to accurate forecasting and are able to cover vast areas of the North Atlantic that would otherwise remain unmonitored. Able to observe almost any parameter within the atmosphere, satellites report on cloud cover indicating areas of low pressure, temperature and humidity, trace gases (eg ozone), the speed and direction of wind, and even large scale sea ice.

» PAGE 044/045



SIGNIFICANT WEATHER

Weather forecasting information is collected from stations on land as well as at sea by six duty meteorologists who keep a 24-hour watch.

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‘The ships help
each other out.
If you don’t
it comes back
at you later.’

Conditions on board are tough. Unlike trawlers, longline ships go fishing whatever the weather. And in winter, 20-metre waves are the norm.

Only a month ago, Oddur was bringing in fish at the hull door when the ship was hit by a huge wave. Much to his brother’s amusement he was completely submerged – until the water drained out through the ship’s sluices.

Oddur was harnessed: he was never in danger. Safety standards are higher than ever before, but his bosun, Baldur Magnússon, understands that the risks are still real. In his 12 years at sea, he has seen three crewmen perish. One, a close friend, was caught up in a net and dragged overboard, another was hit on the head, a third took his own life.

The wind has changed direction now: it’s coming from the South East. That makes hauling in much more difficult. The line breaks. Twice.

They are losing precious hours. Each time there’s a break they have to sail to the next buoy to recover the catch. When the line snaps a third time, with only 200 metres to go, the captain opts to abandon it. Recovering those last few fish would take too long.

Despite the setbacks, 20 tonnes have been landed, over half of that being cod. Another successful day.

ATLANTIC COD GADUS MORHUA

Cod is by far the most economically important fish stock in Iceland, accounting for about 40% of total seafood export revenue.

It is caught all around Iceland throughout the year, with the best fishing in summer and late winter. Spawning takes place in winter off the south-west coast.

Atlantic cod eat a wide variety of prey, ranging from other fish (up to the size of herring) to worms, crabs and prawns. The main feeding grounds are off the north-west coast of Iceland, where the warm Gulf Stream of the Atlantic meets the cold polar currents, and along the northern and eastern coasts.

Cod is mainly caught at depths of 100-250m and ocean temperatures of 4-7°C. The most common age of the landed catch is 4-7 years, weighing 2-5kg, but larger fish are also caught.

Currently, cod caught in Icelandic waters is one of the few cod stocks regarded as being fished sustainably. Cod stock in the North Sea, fished primarily by European Union member states and Norway, has fallen to historically low levels.



Investment framework

Framework



Fund managers react to changing circumstances. The Group benefits from applying consistent investment policy and processes. It makes sense to delineate these roles.

The investment committee consists of long-standing members. A disciplined process determines the policy of the Group. This provides a coherent framework, which gives our fund managers a clear focus and the freedom of manoeuvre to act on an informed basis.

Investment disciplines



We do not believe that there is a single, golden formula for investment success. We try to fathom what is important by addressing the future from many different perspectives. We subject our assumptions to rigorous testing and try to hold fast to those few things that remain robust.

Our approach is a simple one: it does not change that much from year to year. Our investment process is founded on four core disciplines.

The macro view



Articulating a view about economic conditions is our first core discipline.

We cannot affect world events. What we can do is position ourselves to benefit from positive conditions and limit the damage when times are tough. Translating that macro view into asset allocation is the most important contributor to portfolio performance.

Managing risk



Some say that, since risk and reward are interconnected, the only way to generate better returns is to take on additional risk. This makes little sense to us.

We believe in delivering enhanced returns for our clients, but we achieve that by reducing the risk of their investments. That we can do by increasing our knowledge. We do not merely focus on the risk. We work to understand it. In detail.

Managing risk is our second core discipline.

Investing for returns



Our third core discipline is to invest for returns.

We do not buy assets for short-term gain. Instead, we view capital as a resource, which, like any other, merits a return. We seek to maximise that return through careful stock selection.



When we are assessing a company we ask basic questions. Is this business paying a decent dividend? Is it operating in a viable industry? Can it reasonably sustain its dividend? And we assess the management team. Are these smart people? Do they have integrity? Can they look beyond today?

Our investment decisions are founded on detailed, qualitative analysis; informed by quantitative data, but never replaced by it.

Selecting third party fund managers



We cannot hope to have outstanding expertise in every financial sector. No single institution or individual can. However we do aim to deliver an exceptional, global service to our clients. We can do this by working with carefully selected partners.

This, then, is our fourth core discipline: identifying the world's top fund managers.



For any mandate, a few managers consistently outperform the rest. We make it our business to find out about these people. We use extensive proprietary and advanced quantitative techniques, which measure not just performance but risk-adjusted performance. Intensive due diligence provides insight into their philosophies, levels of consistency, discipline, decision-making processes and the quality of their control and risk management capabilities. Finally, we assess in great depth the quality of the senior people using a structured approach which focuses on character and intellect, as well as aspects such as humility, drive, determination, speed, flexibility and so on.



Over several years we get to know these people very well. Invariably, strength of character marks out the very best. Markets always find out weakness over time and it is the people with integrity, those not swayed by fashion, who are best suited to delivering sustained success.

Savile Row[®] mortgages

In March 2006 Insinger de Beaufort entered the private mortgage market. A far cry from off-the-peg mortgages, our new Savile Row[®] product has been developed to offer existing clients a completely tailored solution. Selected partners with whom we have existing relationships through our asset management business bring their expertise to the table. External funders provide the loans and carry the risk.

Expansion into this new product area will further strengthen our client relationships. Those taking up mortgages may be able to fix interest over longer periods of time and will almost certainly benefit from optimised asset management as they seek advice and services from a single provider.

Catch 3

‘I don’t like this wind,
I think it will make
the line break again.
I want to try a bank I know
out to the West – it’s one
of those places that
sometimes works out and
sometimes doesn’t.
We’ll see.’

BEGAN
06:00, 26th Feb 2006

ENDED
03:45, 27th Feb 2006

POSITION
*64°02.7178N /
025°01.8311W*

DEPTH
115 fathoms

HOOKS
38,970

CATCH
*6,122 fish
20.54 tonnes*

CONTAINERS
*large cod, 4
small cod, 7
haddock, 20
tusk, 3
ling, 5
spotted catfish, 1
redfish, 3
saithe, 2*



THE BUSINESS OF QUOTAS

Like all commodities, fish are a finite resource that require careful management. Ensuring long-term sustainability is an onerous responsibility; one that is shared by Iceland's Marine Research Institute (MRI).

The quota system was established in 1984. Allocations were initially based on the stock caught by each boat over its previous three years of operation. Each fishing company is given a pre-set limit and none can hold more than 12% of the total national quota.

Quotas are highly valuable commodities: 80 – 90% have been traded between fishing companies since the early days of the system. The result has been a 'rationalisation' of the industry brought about by a number of mergers and acquisitions. Larger companies have got bigger. Some of the smaller operators, unable to afford the quotas, have been squeezed out of the frame altogether.

Today, more than 50% of the pelagic quota (capelin, herring and blue whiting) is in the hands of three companies. Half of Iceland's national cod quota is owned by seven companies.

CATCH 3 »

Captain Pálmason sets the autopilot on a westward course, heading towards a fishing bank 30 miles away. Full speed ahead.

He checks the computerised map and zooms in on his destination. It's criss-crossed with lines tracing previous catches. He has location information for every line he has laid out during the past three years.

He clicks on one of them for summary details. It shows when the fishing happened, and how many of which kinds of fish were caught.

It tells him what he already knew. This is not a popular area for cod. Other fish – ling, tusk, redfish – are more prevalent.

But, he figures, the ship has enough cod already from its first two catches. The company has fixed his cod quota this year at 42% of his total catch. With four months to go his ratio so far has been 58% cod. That needs to change.

Besides, he prefers it further out to sea. The smaller ships don't get this far. There is no risk of tangling with their lines. And the water is deeper, which makes it easier to hold course while the line is hauled up.

‘There are scientists who believe that the sustainability of fish stocks relies entirely on plankton and that this is the most important element of the chain.’





Captain Pálmason likes the early morning shift. He enjoys the silence before the sun comes up. There are so many rules now. It used to be so much freer. More fun.

An alarm sounds. Every hour the coastguard sends out a signal to check ships' locations. He has to respond within a couple of minutes or they'll chase him up on the radio.

In the old days steering the ship could be physically draining, but technology has changed all that. The Jóhanna does still have a steering wheel, but it's only there as a back-up. The captain and first officer now use a GPS-linked digital dial to steer. Their job is about continually altering and checking instruments – they do lots of little things all the time.

There are six computer systems running concurrently on the bridge. Just a few years ago there were none. They have satellite tracking, 3D sonar, AES, line monitoring, online global positioning, mapping applications, remote engine monitoring and automated catch archiving.

The captain has high resolution CCTV showing all parts of the ship simultaneously. When the weather is bad he doesn't even look out of the window, he uses the TV monitor to steer.

The lines are stronger, the bait works better and the hooks last longer. Ships used to travel at five or six knots, now they do eight or nine. Previously they could haul in the line at 35 hooks per minute – now it's over 40. There's progress on every front.

TIME = MONEY

Theoretical performance:

*maximum set-out speed = 150 hpm
maximum haul-in speed = 40 hpm
maximum line length = 48,640 hooks
maximum speed = 10 knots*

Actual performance:

*average set-out speed = 138 hpm
average haul-in speed = 37 hpm
average line length = 40,373 hooks
average speed = 9.1 knots*

*Total time at sea = 136' 20"
fishing time = 115' 25"
sailing time = 20' 55"
hooks fished = 201,867
distance sailed = 190 miles*

(hpm – hooks per minute)

‘Some stocks are over-exploited, but they are still there and we are making a profit.’

For millennia, warm currents from the south of the island have met cold currents from the north. Pelagic and demersal fish swim against the current and usually like temperatures of 6-7°. When a cold front comes in from the north, the fish go south. Global warming is changing these conditions. Some fish are now swimming to the northernmost part of the southern limit, looking for suitable water.

To build on its understanding of the physical, chemical and biological oceanography of Icelandic waters, the Marine Research Institute has been taking observations since the 1950s. Readings for temperature, salinity, nutrients (nitrate, silicate, phosphate), carbon dioxide, radioactivity, sediment flux and phyto- and zooplankton are constantly taken at around 100 fixed stations on the Icelandic shelf.

There are literally hundreds of species of zooplankton. Biologists examine 400-500 individuals from selected samples of the key species to determine where they are in their life cycle and to understand productivity, biomass and distribution changes over time. This information is linked to studies on spawning of exploited fish stocks and contributes to understanding the complex interactions between zooplankton, fish larvae, fish juveniles and eventual fish recruitment.

» PAGE 074/075

‘I use the computer for direction and my eyes for speed.’

The Jóhanna has just had a location management system installed. Longline ships and trawlers need to keep their distance so that the nets and lines don't get entangled. They used to rely on radar to show where ships were, but for identification they had to hail them on radio. The new system identifies the ship in question automatically. It's another small step forward.

Undeniably, computers have made the job easier. But some of the old wisdom has been lost.

Fishermen used to work out the depth of the water from the way waves were behaving, now they rely on sonar. They had no computers, but they could reckon it in the dark. They could tell from the swell and the way the ship moved.

In the afternoon, some Liverpool fans from the morning shift settle down to watch a premiership match on satellite TV. Their team scrapes a win.

By the evening it's clear that the day's catch has not gone so well. They caught enough fish, just not the right ones. The going rate for haddock is only around ISK70/kg: 20 crates are not going to make anyone rich.

Captain Pálmason is philosophical. "Line fishing's like soccer," he says. "You can have the best team, the best conditions – sometimes you still lose."





A relevant approach



At Insinger de Beaufort, we do not pursue difference for its own sake: we aim to be relevant. We believe that we are often most effective when we make a distinct contribution. We seek, therefore, to provide services that are not just better, but also unique. In this way, across the organisation, we can add real value for our clients, our employees, our shareholders and other stakeholders.



Financial markets are extremely efficient. As the market focuses on a particular asset category, its price incorporates whatever surplus value may have existed. When that happens, the attractions that brought new entrants into the sector evaporate. Ultimately, the value in that sector becomes commoditised and only those participants who gain economies of scale through sheer purchasing power will derive any benefit.

This creates a tyranny, the tyranny of the winners. Early entrants into any market will not wish to share their successes. They know that if they do so their profits will disappear.

Hence our quest for relevance.

Identifying value



We seek to identify value in financial markets. This may be transient. So it is vital not just to be prepared to go where no one else is going, but to retain the flexibility to switch perspective when necessary.

For instance, we anticipated the value early on in the small and ultra-small caps markets. We recognised that this market was under-researched.

Investing in these businesses might be regarded as a risky activity. There is less comparative data available and these kinds of assets are usually less liquid.



However, we take a fundamental approach. We are not tied just to quantitative techniques, because we research each individual investment in considerable depth. Our qualitative analysis seeks to understand the long-term performance of an individual asset. That allows us to develop independent, informed judgements.

We are now seeing a general shift into this area, away from the major markets. Equity market investors with an appetite for growth have turned to small caps and ultra-small caps. This switch in emphasis has radically reduced the risk premium available for these smaller, high-growth businesses. But at the same time it has left the major indices with very high equity risk premiums. That area may not be fashionable today but it certainly offers value.

Long-term value



There are armies of people with PhDs assessing short-term corporate performance. Nine times out of ten they use quarterly results and other market-sensitive data to predict next year's results. In our view many analysts place undue emphasis on current economic conditions and under-emphasise long-term fundamentals.

When it comes to long-term performance other aspects, which are harder to express numerically, become important. We try to look for assets that have long-term value. That often means going where the analysts are not.

Adding value



In bond markets many of the standard indicators are as positive as they've been for many decades. Volatility is at an historic low. The credit spreads on emerging markets bond issues stand at less than 2%; this is almost unprecedented. Yet many leading equities have dividend yields of 4% or more. Risk-averse investors, it seems, are shying away from equities and buying bonds.

The equity market is paying a premium for long-term risk. Markets perceive the long term as inherently riskier, but actually there is far more risk, far more noise, in the shorter term. We believe this presents cautious thinking investors with an opportunity.

It is by focusing on areas of the market and risk/reward relationships that are not generally recognised that we are able to add value for our clients.

Pure Performance[®] absolute return

Commitment to 'absolute return' for our customers is the cornerstone of Insinger de Beaufort's investment approach.

Our Pure Performance[®] product is based on an approach that aims to deliver just what its name suggests. By focusing on avoiding major fluctuations in value and realising positive returns independent of the stock exchange climate, it allows both for limited fluctuation within a well-defined risk profile and for a stable return profile.

The result is maximum flexibility – not to enable more changes to be made to the portfolio, but to ensure that market developments can be quickly anticipated.

Catch 4

‘I’m going to sail to a different bank. I’ll use our sonar equipment to locate a deep underwater valley there. Ling like to swim in the valley areas so I’ll set our line along one of those. We should do well.’

BEGAN

04:56, 27th Feb 2006

ENDED

02:36, 28th Feb 2006

POSITION

*64°01.9482N /
025°46.6553W*

DEPTH

121 fathoms

HOOKS

38,922 hooks

CATCH

*6,112 fish
19.74 tonnes*

CONTAINERS

*large cod, 5
small cod, 3
haddock, 19
tusk, 8
ling, 20
redfish, 2
saithe, 4
blue ling, 1*



PROFITABLE FISHING

Fishing trips are costly exercises that have to maximise the value of the catch. Species are caught selectively, according to quotas and their market value. Oil savings are key.

According to Icelandic regulations, only fish that have reached a certain size can be caught; for example, cod needs to be 50cms in length. Unlike EU regulations, which allow fishermen to throw small fish back into the sea, Icelandic regulations allow up to five per cent of the catch to fall outside the prescribed limits but insist that fishermen bring their entire catch back to shore.

CATCH 4 >>

‘Now we have the computers, we’ve lost the wisdom.’

The Jóhanna Gísladóttir sails another 20 miles west. It’s now 95 miles away from its homeport of Grindavik.

The captain has been emailing daily catch statistics to Visir, the ship’s owners. Today he hears back from the company. They want him to bring the ship back to Grindavik in two days’ time.

This is welcome news for the crew. Until this moment they hadn’t known when or where they would be disembarking. They could have been told to dock at Visir’s northern port. If that had happened there would have been just a six-hour turnaround.

But now they know they will have a day of shore leave. Most will see their families. Not Marek Mazurek. He has to wait a while longer. His wife and children are in his native Poland. He plans to spend two more years as a fisherman. Until then, he will only see them for a few weeks each summer.

There was a time when the captains called all the shots, but the quota system and the need to maximise profitability have changed that. The company equips and maintains its ships. It sets annual quota targets and schedules arrival and departure times at the four ports around Iceland where it has processing facilities.





ASSESSING RISK

Through the systematic analysis of age, sex and biomass distribution, the Marine Research Institute (MRI) can predict the likely availability of long-life fish stocks for up to three years, depending on the species. Allocating stocks of short-life species is a different matter; this requires scientists to go into the field where they base quotas on current stock levels.

To help fishing authorities act more responsibly, the MRI provides probability profiles for some of the most important fish stocks. These balance stock and quota levels with risk. For example, if the current harvest control rule for cod is followed, there is a 40% probability that the spawning stock in 2009 will be below the current estimate. This falls to a 20% probability if the harvest ratio is reduced to 22%, and a negligible probability if the ratio is 20% or less.

Visir is a family-owned business. The founder is, himself, a former trawler captain. He understands the need for a strong ship culture. He tries to keep most decision-making in the hands of the individual captains.

For instance, Visir buys the bait, but it is the captain who decides what he wants to use. The choice of bait is a key decision; the fish won't take just anything. On this trip Pálmason has opted mainly for saury. It seems to have worked well so far.

The captain wants to make time for one more catch before their return. He has told the crew to set a shorter line today.

They start hauling it in. There are very few ling. Perhaps the line wasn't left on the seabed for long enough? The fish can smell the bait from a mile away, but in deeper waters it can take them longer to find it. Could this explain the limited yield?

This theory looks less plausible as more of the line gets hauled in. Ling just don't seem to be in this part of the sea.

It looks like Pálmason has got it wrong this time; the ling aren't here. As he says himself, "the fish never tell us what they're thinking".

Then the line moves onto higher ground and the yield starts to increase: suddenly there are plenty of ling, big ones too. This is turning out to be a good catch after all. The crew begin to relax.

‘Ships need to know about ice because whatever you see above the surface, you can be sure that there will be around nine times as much below.’

This weather is the calmest Haddi (Haraldur) can remember in February. He points at the long, languorous waves that are gently rocking the ship. “See those big waves, how far apart they are. They must have begun as a huge storm, maybe a thousand miles away.” Here though, we are right in the middle of a high-pressure area.

When the weather is like this everyone feels better. Crewmen sit in the changing room, smoking and joking.

Baldur the bosun appears on deck, wielding a shotgun. He fires off a couple of cartridges at the accompanying hordes of seagulls. One falls out of the sky, the rest retreat.

While the line is being set out the birds can be a nuisance – they take the bait. Right now they aren’t a problem, but the bosun likes to keep his eye in.

Ship’s engineer, Kristján Sigurðsson, is testing the lifting gear. He hoists the inflatable dinghy over the side. Baldur takes it for a spin.

In the summer, crewmen sometimes travel by dinghy to visit neighbouring ships. They meet for coffee and share supplies. Fishing vessels compete over dwindling stocks, but they also depend on each other. That builds a strong bond.

Downstairs Sævar, the ship’s cook, has been getting the six o’clock meal ready. The choice on today’s menu: cod or smoked pony. Sævar (the name means sea) has sailed with this captain for 23 years. They are in the galley playing cards with a very old deck.

‘Of course these models are uncertain, as is the data. Everything has its limits. You can never be 100% sure.’

FISH TAGGING

Used for over 100 years, fish tagging has traditionally involved the simple process of catching a fish, attaching a tag to it, releasing it back into the sea and then recording where and when it is caught. This has provided basic data about the movement of different types of fish over specific periods of time.

Today, far more sophisticated forms of fish tagging involving micro processors are being used to provide data that will improve the assessment, accessibility, availability and management of stocks. Normally used for research into deep water fish, such as redfish, tags of various sizes can now be attached to fish that swim at depths of up to 1,000 metres. Each tag can store up to 260,000 measurements. It records the fish’s daily movements for up to two years: seasonal migration patterns and tilt (pitch and roll), plus water temperature, salinity, depth and pressure. Tags contain real-time clocks. They are controlled by an ultra-low power consumption micro-processor for long battery life. And a compass and GPS/acoustic sound receiver allows researchers to monitor the geographical distribution of fish in time and space across great distances.

Big rewards are offered for the return of these ultra high-tech tags. Of the 752 redfish that were tagged in 2003/04, 3.9% have been recaptured. Around 30% of those attached to cod are returned.

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If found please call FWC's
Marine Mammal Program
Phone: (727) 896-8626

中国水产科学研究院
南海水产研究所
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FISH TAGGING

Today's fish tags can store 260,000 measurements. They contain real-time clocks, a compass and a GPS/acoustic sound receiver.

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Performance



Insinger de Beaufort is an independent financial institution that is owned, managed and controlled by its employees. We offer our clients, whether private or institutional, innovative solutions and sustainable returns on their investments. We also provide them with high quality, targeted advice.

We focus on, and have been able to attract and retain, high calibre personnel. It remains our objective to develop and retain top quality staff within an increasingly effective organisation. This is an environment in which integrity, transparency, and a willingness to listen, learn and trust each other are highly prized.

Our performance during the year under review exceeded expectations. Our ability to coalesce specific pieces of knowledge and to distribute and share these across the organisation has been, and remains, central to that success.

Developing nexus



We work hard at building a strong culture. It adds coherence to our individual activities. We are seeing the value of that coherence in the nexus between different areas.

With more people who have been together for a long time things happen in a far more fluid way and decisions evolve more smoothly. Increasingly, people know who is good at something and are able to get swift, accurate advice from the best-qualified person in the organisation.

One key decision in the past year was to outsource our back-office function. This has freed up considerable resources internally. It allows our people to focus on doing what they are best at, creating value from distinctive activities. It has also increased the stability of the business. We are less reliant on deal flow and that allows us to serve our clients more effectively.

Business units



Asset Management's success this year arises out of the commitment of key members of the team, and its adherence to our core disciplines. It performed well in its specialist sectors. Its ability to pick top performing third-party managers continues to develop. It has pursued a number of distinctive investment opportunities such as non-researched European stocks, which have generated good value for its clients.

Private Banking continues to evolve well. By emphasising Insinger de Beaufort qualities in its client relationships it has been able to focus on delivering extremely high and sustained levels of service to its clients. This approach has created a profitable and coherent business.



The Institutional & Corporate business is built on existing strengths. Much of the work is fee driven and knowledge based. For instance, we are developing a useful niche role advising pension funds, insurance companies and other large-scale investors on the best managers and mandates for their portfolios.

This work arises naturally from our expertise in identifying top performing fund managers. We anticipate that in a few years' time it will be a major contributor to our earnings.

Insinger de Beaufort's London branch is already successful, but there is still significant potential for growing its contribution to the Group. There are no short cuts here. Culture cannot be grafted on. It takes time for it to become embedded.



Meanwhile, the bank remains alert to opportunities. It recently acquired Monument, the UK-based securities house. Monument's particular expertise in derivatives markets makes it a very good fit with Insinger de Beaufort's existing London business and we look forward to strengthening these operations as a result of this acquisition.

There is a tangible and continuing improvement in communication between the various business units. This is evident in the way that knowledge, understanding and competencies are being shared. We are clear about our values and how they can be put into practice for the benefit of the Group as a whole.

Alternative investments

Our alternative investments philosophy is to provide stable and superior returns through specialist investment strategies and a clear focus on downside protection.

Our specialist knowledge of Continental European companies, together with cash flow models for company analysis and proprietary hedging strategies – all managed by an experienced alternative investment team – give Insinger de Beaufort Alternative Investments the edge in a highly competitive market.

Focusing on low correlated investment opportunities in the European markets, we offer an extensive range of investment funds and strategies.

Catch 5

‘We have to be back by 8am tomorrow so we’ll start setting out the line right here. I’m going to keep it shorter in case it breaks.

We can’t afford to miss that deadline.’

BEGAN
02:54, 28th Feb 2006

ENDED
20:28, 28th Feb 2006

POSITION
*63°56.3588N /
025°50.3907W*

DEPTH
124 fathoms

HOOKS
31,561 hooks

CATCH
*4,462 fish
17.99 tonnes*

CONTAINERS
*large cod, 3
small cod, 4
haddock, 21
tusk, 7
ling, 13
spotted catfish, 2
redfish, 1
saithe, 1
halibut, 1
blue ling, 2*





TWO-WAY RELATIONSHIP

Whatever the ambitions of the research community to turn fishing into a precise science, it never underestimates the value of knowledge, experience and sheer gut instinct.

Fishermen are as important to the research process as research is to the fishing industry. Good communications and trust between the two groups are essential to the future of Icelandic fishing. Task forces of fishermen and researchers are frequently set up. The Marine Research Institute draws on valuable data from captains' catch diaries.

The knowledge of the older, retired fishermen is particularly valued. Modern stern trawlers have been fishing in current habitats since the 1970s and more experienced fishermen are able to provide scientists with historical information that allows them to make comparisons over time.

Empirically based knowledge cannot always be fed into a database. But both parties understand its worth.

CATCH 5 >>

At 6am, the captain is patrolling the cabins to wake the morning shift. There is a lot still to do. They have to haul in and process the final catch. Then, in the 10-hour journey back to port, the ship must be made ready for its next journey the following day.

The men are laughing and thinking of home. Gotti (Gottskálk) looks forward to kissing his wife. Haddi wants to swim in an open-air pool. Benni is planning to get a tattoo.

But first they have a job to do on the factory floor.

There's a practised fluency to the crew's routine. They carry out tasks in their various zones. Men whistle or signal to call for assistance.

As fish are landed, they are expertly killed and tossed in a holding tank. From here, they go by conveyor belt to the gutting zone, where crewmen, standing at tables, remove their innards.

Cod roes are saved – they make poor man's caviar – and cod livers are kept to be processed as oil. What isn't needed is flushed overboard. It is food for the birds and other sea creatures.

‘The old guys used to be able to work out the depth and the type of seabed from the amount of sand in the waves. People can't believe that now.’

‘Line fishing’s like soccer. You can have the best team, the best conditions – sometimes you still lose.’

The newly gutted fish are thrown in a tank, which washes off the remaining blood. When this fills up they move onto a conveyor belt, which leads to the cargo area below. There a crewman sorts them into containers by size and by type. As the containers fill, they are sprayed with a liquid ice, which is made on board. This takes a few minutes to form before it cools the fish to the required temperature almost instantly.

The occasional fish is tossed back in the water. A few are uneconomic. Others are unusable, eaten by the sea lice which populate the ocean floor.

But it doesn’t happen that often. Very little is wasted in the longline process. It’s more controllable than fishing with trawlers. The ships can select their catches by the hooks and the bait that they use.

It’s also far more energy efficient. It takes a colossal amount of diesel to drag a net full of fish up out of the sea. With a line, it’s just the section from ship to seabed that has to be lifted. It needs a smaller engine and far less fuel.

Fish caught by line are the freshest and best quality. Trawlers are only able to fish when the weather is calm. They can be out at sea for as long as a month. Longliners fish in all weathers. They rarely make trips lasting more than five days.

It’s 20:30. The fishing is over. The Jóhanna Gísladóttir now has 100 tonnes on board. It is time to return to port.

The Marine Research Institute has undertaken a major project involving the creation of high resolution, topographical seabed maps of selected areas within Iceland’s 200-mile ocean boundary. Multibeam echosounders reach depths of 2,500 metres and send back images that can be used to build maps of the seabed that are every bit as detailed as those above sea level.

In addition to ascertaining important topographical and geological detail, researchers use this technology to detect seabed activity such as underwater volcanoes. Benthic communities, such as coral reefs, can also be identified and put out of bounds to fishing vessels if necessary; fragile in nature and attracting large numbers of fish, some of the reefs have already been destroyed by fishing gear and will take millions of years to reform.



JÓHANNA GÍSLADÓTTIR



Ship to shore communications have developed considerably over the past few years. Previously, ships' crews could expect to have no communications whatsoever with their families for the entire duration of the fishing trip. Today they can stay in touch through email and telephone systems.

As the ship moves further out to sea, different telephone systems are brought into use. GSM telephones can be used around the coastline. NMT technology then takes over. Once the ship is 40-50 miles out to sea, it relies on satellite phones.

Email has been used for some time and the gradual introduction of broadband to vessels is expected to improve communications dramatically.

‘Fishing plays a very large part in Icelandic life. Relationships are dependent on it. Sacrifices have to be made – because we are so dependent on this resource.’

Fishing is the first stage of the food chain, so it's very important to keep the boat clean. They use fresh water and high-pressure hoses and spend the next 10 hours scrubbing down the entire ship. Everything is stowed, ready for the next trip.

A ship is a self-sustaining system. It has to be equipped to handle whatever comes along. That becomes part of a good crew's mindset. They become attuned to uncertainty, because they deal with it all the time. Sailors are immensely practical people.

By 6.30am on Wednesday they are back in the harbour. The crewmen have showered, cleared their cabins and left their workclothes in their lockers. They are dressed for shore leave. They jump down and tie up the moorings.

A team of dockers boards the Jóhanna and starts offloading the cargo. The crewmen head off into the murky Icelandic morning. Tomorrow they'll be here to start all over again.



Sustainability



As a market-sensitive organisation, Insinger de Beaufort is certain to encounter difficult as well as good times. Therefore it is very important for us to develop a sustainable business. Our mettle was tested in the harsh conditions that prevailed a few years ago. Many of those working in the bank today shared these experiences. With the benefit of hindsight we can see how this has strengthened the business and made it more resilient.

Our people have shown they have the capacity to adapt to changing circumstances. But demonstrating resilience, though welcome, does not in itself guarantee sustainability. Long-term profitability is what really counts.



As the business has matured, the synergies between our different activities have become more apparent. Each of our key business units is self-supporting and they are highly complementary. As the business develops further, this strength in depth is becoming increasingly evident. We seek to be active only in those markets that we understand and can relate to. We place the emphasis on owner-managed, private companies and small-to-medium-sized listed companies. We serve the client and his family, the companies themselves and their pension funds. Our services are aimed at wealthy private individuals and institutional and corporate clients.

Independent thinking



Our clients value our independence and the committed, high-calibre people who work here. We gain a lot from being open with them and listening carefully to what they have to say.

Much of the work we do is unique, arising out of particular insights and attitudes. We try to foster ever-closer client relationships by consistently delivering value and innovation. This promotes the sustainability of the business.

Clients entrust us with their capital and we take that responsibility extremely seriously. We look very carefully at the proper governance of that capital. We promote transparency in all our client dealings to ensure that we have the clearest possible understanding of their priorities.

Setting standards



Formal corporate governance requirements impose an important discipline on the organisation, which we welcome. For us, pursuit of the highest ethical standards is not just a moral requirement, it is a commercial imperative.

No organisation can escape scrutiny forever, nor should it. But we need to go further than meeting today's regulatory framework. Our current actions will be judged by the ethics that prevail in a decade from now.



Integrity may be affected by culture, but it is rooted in the individual. The long-term success of the bank comes down to the personal qualities of the people who work here.

Fundamentally, Insinger de Beaufort is just a group of individuals with complementary skills who come together to share knowledge and solve problems. Participating in this process requires individuals who can form robust opinions, articulate them and face unpalatable truths head-on. Insinger de Beaufort people are smart and highly capable. Their strength of character sustains our business.

Results

Supervisory Board Report

The Supervisory Board has reviewed the Annual Report of Bank Insinger de Beaufort N.V. (the “Company”) for the year 2005, as prepared by the Board of Directors and included in this Annual Report. PricewaterhouseCoopers has duly examined the Company’s financial statements, and their Independent Auditors’ Report is included in the Annual Report. The Board of Directors of the Company is responsible for the management of the Company. It is the task of the Supervisory Board to supervise the policies of the Board of Directors and the general course of affairs in the Company. In addition, the Supervisory Board supports the Board of Directors with its advice.

Developments

In the year 2005 the Company enjoyed considerable growth. Keeping the focus on the core financial services businesses of Private Banking, Asset Management and Institutional & Corporate products and services is showing results. In particular the growth in assets under management and recurring income is an important development. It demonstrates the success of the Company in providing quality solutions to its clients and provides a sound base for the future. Insinger de Beaufort has a policy of being risk averse and maintaining a sound financial position. The policy is to have only a minimal exposure to market and credit risks and to focus on providing services to clients.

Supervisory Board meetings

In 2005, the Supervisory Board met six times. No single member has been frequently absent from the meetings. The regular meetings included a review of the operations through presentations by management on business developments, including financial developments, compliance related items and the status of the investments in non-consolidated entities. In every meeting an update from the Audit Committee was discussed. During one meeting that was held in London in April, more detailed presentations and discussions were held on the UK operations and the macro economic view of the investment committee. In the June meeting management made a presentation on the group senior management conference where the units’ business strategies and plans had been discussed. In the August meeting the outsourcing project of back office support and IT support was discussed and approved, together with the sale of the subsidiary in Jersey. The acquisition of Monument Securities Ltd was discussed and approved in the October meeting. In December, the budget for 2006 and the business strategy was presented by and discussed with management. Part of the December meeting was also used by the Supervisory Board to meet without the presence of management and to evaluate their own functioning and the functioning of management individually and as a management board.

Audit Committee meetings

The Audit Committee met six times in 2005. The Group’s risk management and control systems were reviewed by the Audit Committee. As part of the ongoing monitoring of the proper functioning of the risk management and control systems, in all the meetings the internal audit plan and progress were discussed, together with internal audit staffing. In addition, the Audit Committee discussed the quarterly report on the results of the risk monitoring programme and the regular updates on regulatory items and pending litigation. In February 2005, the financial results for 2004 were discussed and the external auditors presented their findings on the audit of the 2004 financial statements.

In every meeting the developments with regard to the project on the outsourcing of the back office operations and IT support to a professional service provider were discussed. In the August meeting the signing of the contract was approved.

As a result of a thorough evaluation of service proposals made by several major external audit firms, PricewaterhouseCoopers Accountants was appointed as external auditor for 2005. In the August meeting the external auditors presented their audit plan for 2005. The findings of the external auditor on their interim audit was discussed in the December meeting. Furthermore, the internal audit plan for 2006 was reviewed and discussed.

The current members of the Audit Committee are Mr P. Wennink (Chairman), Mr R. Mooij, Mr D. Howard, Mr S. Witjes, Mr M. Baltus and Mr F. Pickott.

Corporate governance

Having a proper corporate governance structure in a financial services organisation is essential. The Supervisory Board assists and supports the Board of Directors in its continuing efforts to ensure that the Company’s practices and procedures reflect good corporate governance and comply with the relevant standards and associated best practices. Specific rules and procedures have been laid down in rules of procedure of the Supervisory Board, Audit Committee and the Board of Directors respectively. The compliance with these rules and procedures is monitored on a regular basis.

Board composition

On 27 July 2005 Mr R. Jeens was appointed as member of the Supervisory Board and on 31 December 2005 Mr T. Melville-Ross stepped down as member and chairman of the Supervisory Board. The shareholder of the Company is in the process of selecting a new member of the Supervisory Board who will act as new chairman. Mr J. Jaakke is acting as interim chairman for the intervening period. The appointment of Mr Jeens brings important experience in the UK financial markets and the financial industry as a whole to the Supervisory Board. Mr Melville-Ross has always demonstrated a high commitment to the Company and through his extensive knowledge and experience has made an important contribution to the development of the Company. The Supervisory Board and the Management Board thank Mr Melville-Ross for this valuable contribution.

Supervisory Board Report

The personal data of the members of the Supervisory Board are presented below:

J.C. (John) Jaakke
Gender : male
Age : 51

Profession : former Chairman and attorney of Van Doorne, lawyers, civil-law notaries and tax consultants, partner Boer & Croon process managers

Principal position : Partner Boer & Croon process managers

Nationality : Dutch

Other relevant positions : Chairman of the Board of Supervisory Directors of AFC Ajax N.V.

Date of initial appointment : 19-10-1999

Current term until : 31-12-2009

R.C.H. (Robert) Jeens
Gender : male
Age : 52

Profession : former Chief Financial Officer of Kleinwort Benson Group Plc and Woolwich Plc

Principal position : Chairman of m.a.partners, management consultants

Nationality : British

Other relevant positions : Non-executive Director of Insinger de Beaufort (UK) Limited, The Royal London Mutual Insurance Society Limited, Dialight plc and TR European Growth Trust plc

Date of initial appointment : 27-07-2005

Current term until : 30-06-2009

P.H.A.M. (Paul) Verhaegen
Gender: male
Age : 55

Profession : Dean International Affairs, Erasmus University Rotterdam and Professor Corporate Finance Rotterdam School of Management, former Director Economic Affairs of the Confederation of Netherlands Industry and Employers (VNO-NCW)

Principal position : Dean International Affairs, Erasmus University Rotterdam and Professor Corporate Finance Rotterdam School of Management

Nationality : Dutch

Other relevant positions : member of the Supervisory Board of Esso Nederland B.V. and Noordhollandsche van 1816 Groep, Director of BT (Netherlands) Holdings B.V.

Date of initial appointment : 19-10-1999

Current term until : 31-12-2006

P.T.F.M. (Peter) Wennink
Gender : male
Age : 48

Profession : Chief Financial Officer ASML Holding N.V., former Partner of Deloitte & Touche

Principal position : Executive Vice President and Chief Financial Officer ASML Holding N.V.

Nationality : Dutch

Date of initial appointment : 26-05-2003

Current term until : 31-12-2007

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined by the shareholder of the Company. The remuneration of the members of the Supervisory Board is not dependent on the financial results of the Company.

Independence

The Supervisory Board's rules of procedure contain criteria on the basis of which members of the Supervisory Board are considered independent. The Supervisory Board considers all current members of the Company's Supervisory Board to be independent in accordance with the rules of procedure of the Supervisory Board.

Conflicts of interest

The Supervisory Board's rules of procedure contain procedures to deal with conflicts of interest of members of the Supervisory Board and the external auditor. During the financial year 2005, no such conflicts of interests have occurred.

Gratitude to staff

The Supervisory Board acknowledges the contributions to the successful development of the Company made by everyone associated with the Company, and in particular, we thank all board members, management and staff of Insinger de Beaufort.

The Supervisory Board
Amsterdam
15 March 2006

Senior Executives

BANK INSINGER DE BEAUFORT N.V.

Management Board

Kantor, Ian (CEO)
Human, Kobus (Asset Management)
Mooij, Rob (CFO)
Peijster, Frans (Private Banking)
Sieradzki, Peter (COO)
White, Piers (United Kingdom)

Group

Finance, Operations and Support
Baltus, Marc

Secretary
Staring, Mike

Marketing and Communications
Bongers, Han

Internal Audit
Pickcott, Francis

United Kingdom

Finance, Operations and Support
Howard, David

Private Banking

Europe
Beaufort, Rijnhard de
Beffort, Claude
Boot, Jeroen
Donotano, Vito
Kreder, Robert
Kun, Eduard van der
Reijns, loek
Schepen, Arjen
Snijders, Jeroen
Tilman, Frans
Vink, Jan de
Vismans, Herman
Wijburg, Nico

United Kingdom
Berkowitz, Trevor
Gillow, Charles
Marlow, Edward
Mun-Gavin, David
Schewitz, Kelvan

Institutional and Corporate Products and Services

United Kingdom

Bond Broking
Blackwell, Andrew
Bruell, Nick
Reynolds, Mark
Syriopolous, Dionissis

Equity Broking
Dunnoos, Elie
Graft, Russell
Frank, Martin
Olstead, Simon
Peskin, Andrew
Shaw, Elliott
Simon, John

Corporate Finance/Broking
Allen, Jasper
Castro, Louis
Fox, Simon
Gothschalk, Stephen
Lawman, David
Ward, Peter

Europe

Equity Trading
Leur, Patrick van
Monnik, Frank
Scheper, Harry
Sweers, Rob

Corporate Finance
Pluijgers, Hans
Reitsma, Krijn

Asset Management

Europe and South Africa

Dugmore, Ina
Ester, Guy
Fitzgerald, Peter
Martens, Eelco
Williams, David
Yeo, Peter

Treasury and Credit
Speld, Alexander van der
Witjes, Sjarrel

Salient Features

	2005 Euro	2004 Euro	Change %
Results			
Gross income (million)	82.0	76.5	7
Operating profit (million)	4.2	3.6	17
Net profit (million)	5.9	2.8	111
Balance sheet			
Total assets (million)	432.5	401.9	8
Shareholders' equity (million)	51.1	74.8	(32)
Other			
Assets under management (excluding fiduciary assets) (billion)	5.3	4.9	8
Number of staff employed at year-end	340	436	(22)

Report of the Board of Managing Directors

2005 Review

We look back on a year in which we made good progress. Concentrated focus on the development of our core activities in Private Banking, Asset Management and Institutional & Corporate products and services continues to show results in an atmosphere where professional quality is central to our service to clients. We cherish our independence and the entrepreneurial approach that is embedded in our culture. These elements remain key ingredients for our future success and we will continue to develop the organisation based on these foundations.

This review first looks at our strategy and then outlines the development of our business activities.

Strategy

We continue to focus on providing financial services to private clients, professional intermediaries and corporate and institutional clients. Our basis for success is to be highly professional in what we do and find creative solutions for our clients. In current financial markets this is particularly relevant to achieving consistently good risk adjusted investment returns.

We operate as a professional banking partnership. This is reflected in meaningful ownership by management and staff, and the commensurate independence and culture. This creates an entrepreneurial environment that attracts highly qualified staff and produces high calibre professional services. This concept remains an important part of our positioning and branding. It enables us to differentiate ourselves through our products and services, and in the way we deliver them. Our aim is to create long lasting relationships.

The growth of assets under management remains a key element of our business objectives. The level of net inflow of assets under management is an indicator of the success of our services, our future growth and the longer term economic value of the Group. It creates a valuable base of recurring income that together with other types of annuity income sources counters our more volatile transaction-based income. In our current mix of income we continue to aim to increase the proportion of our annuity-based income for the longer term.

We seek to improve our operational leverage by simplifying our processes where possible and using our organisational infrastructure more efficiently without compromising on the specific service requirements of our clients. We aim to bring our cost-to-income ratio down further over the coming years.

In Private Banking we continue to grow the business by producing quality services to clients supported by an investment process that combines traditional and alternative asset classes in order to deliver consistent investment returns within the specific risk parameters of our clients. The attraction and retention of high quality personnel is an important objective. We support this by creating the right environment for these professionals to work in. This creates a stable servicing base that enables us to understand fully the client's requirements through a longer term relationship. We continue to use our open architecture approach in selecting the best available solution for our clients, and are seeking to expand our private banking services in the UK domestic market on the back of our current private banking infrastructure.

In the Asset Management unit we continue to pursue our thorough manager selection process as well as managing our direct European equity products. We put great emphasis on maintaining a thorough and consistent investment process in this unit as this forms the basis of achieving sustainable returns on the assets under management. Having the right people, and creating the right environment in which they can exploit their talents fully, remain constant areas of attention. We will continue to expand our range of investment products and widen our investment services to institutional investors. We continue to develop our extensive distribution position in the Dutch intermediary market and seek to further expand this to the UK and South African intermediary markets. This expansion is proving to be successful in both these jurisdictions and is exceeding our expectations. In this unit we expect that both performance fees and the annuity-based income will have the ability to grow considerably over the coming years.

In the Institutional & Corporate products and services units we inherently experience more volatility in income. We seek to mitigate income volatility by having both equity stock broking and bond broking units. In addition to this we have our specialised corporate finance units that have potential spin-off activities for equity stock broking and private banking. Although these services are aimed at professional clients, our specialised services for the owner-manager and his family bring a strong link to private banking. In particular our UK corporate finance team that has specialised in listings on the Alternative Investment Market (AIM) fits very well in this respect. We see increased demand for placings on AIM and look to increase our distribution capacity in this area.

We continue to hold our position in the Dutch equity broking market with a focus on executing a specialised service that revolves around ideas-driven research. The extensive knowledge and experience within our organisation generate insights that are of great benefit to clients in this market. We are looking to expand our Dutch corporate finance advisory work, supported by focused research on small to mid size businesses. Complementary to this, we continue to expand our institutional investment advisory activities aimed to support institutional investors in evaluating the performance of asset managers in terms of both risk and returns.

Report of the Board of Managing Directors

Our three business lines continue to be supported on a decentralised basis from our locally managed Support and Finance & Control units. In addition to the local control functions, we operate a detailed centralised financial control, both of which are supported by a common accounting system. In Amsterdam, a substantial part of the back office operation, including systems development and IT support services, has been outsourced to a professional service provider. This enables us to benefit from scale advantages that would otherwise be impossible to reach on a stand-alone basis and will allow us to develop a single platform for the Group whereby we can achieve greater leverage from our investment and processing capacities.

We continue to pursue growth through the ongoing development of the current core businesses, while retaining a tight control on costs and mitigating risk. Our risk management process is reviewed constantly and tightened where needed. Our policy is to maintain a highly liquid balance sheet. Operating without material proprietary positions also strengthens the independence and transparency inherent in the delivery of our services. This remains an important element of our positioning.

Corporate governance

We believe that having a proper governance structure is particularly important for a financial institution. We regularly ascertain that our practices and procedures reflect this and comply with the relevant standards and associated best practices. Specific rules and procedures have been laid down in charters for the Supervisory Board, Audit Committee and the Board of Managing Directors respectively. The compliance with these rules and procedures is monitored on a regular basis.

An important part of our governance structure is our risk management process. As a financial institution we are constantly evaluating potential risks that underlie our business and how to mitigate these risks. We have a comprehensive process to determine policies on risk tolerance and where we control and monitor risk positions as an integrated set of activities. Members of the executive management are responsible for ensuring that risks and controls are addressed in each of their operations. This process is fundamental to all business units in our organisation.

As a sub-committee of our Board of Managing Directors our Risk Committee governs the risk management process in accordance with the Group Risk Management Policy. Our Credit Committee, Asset & Liability Committee and Operational Risk Committee respectively provide the expertise and independent input for the management of credit risks, market and liquidity risks, operational and compliance risks. Our risk management department provides the operational units with support and tools in order to ensure that the risk management process is adequately executed in a consistent manner throughout the Group.

Overlaying this process our internal audit department independently monitors the ongoing adequacy and execution of this structure. They report their findings to responsible management and directly to the Audit Committee which oversees our risk management and control systems on behalf of the Supervisory Board.

Our policy on risk tolerance is based on an ongoing assessment of the environment that emphasises high liquidity, limited credit, market and foreign currency risk exposures and a healthy capital base. An important element of our risk management is safeguarding us against reputational risk to ensure that our integrity is not compromised. Our compliance monitoring is important for preserving our business ethics and making sure that we operate in line with the applicable rules and regulations.

Consolidated results

The Group's financial statements for the year ended 31 December 2005 will be the first annual financial statements that comply with International Financial Reporting Standards (IFRS). The group has applied IFRS 1 in preparing the consolidated financial statements and the Group's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet as at that date. The Group's IFRS adoption date is 1 January 2005 and the 2004 comparative figures have been adjusted accordingly. Apart from goodwill the impact is limited.

Results

	2005 Euro million	2004 Euro million
Gross income	82.0	76.5
Operational profit before tax	10.7	6.3
Ordinary net profit	4.2	3.6
Net profit	5.9	2.8

Report of the Board of Managing Directors

The reported gross income increased by EUR 5.5 million (7%) to EUR 82.0 million, despite the loss of income attributable to the operations in Jersey which were sold at the end of the third quarter. Adjusting for this, the growth in gross income in the ongoing activities was approximately 9%.

The operational result, which is the profit before tax for the year 2005 excluding non-recurring items as the result on disposals, redundancy expenses and provisions, amounted to EUR 10.7 million, which is an increase of 70% from the comparative profit for 2004 of EUR 6.3 million. The growth in operational profit was attributable to the increase in income combined with the containment of costs in Private Banking and Asset Management.

Extra provisions were made for an unresolved pre-acquisition legal dispute in Italy to the amount of EUR 3.9 million and EUR 2.0 million for rental commitments on the vacated and previously occupied premises in London.

Our net result amounted to EUR 5.9 million compared to EUR 2.8 million for 2004.

The Group continues to maintain a highly liquid balance sheet. Most of the assets are invested in cash or near cash and the loan assets have been collateralised by liquid securities. Capital resources decreased from EUR 74.8 million to EUR 51.1 million, mainly due to a distribution of dividend to the group.

The assets under management as at 31 December 2005 amounted to EUR 5.3 billion (2004: EUR 4.9 billion)*¹. The increase was due to both a net inflow of new assets from clients and market value appreciation. The consequence of the sale of the Jersey asset management business is a reduction in assets under management of EUR 0.5 billion. Adjusted for this, the real growth of assets under management was EUR 0.9 billion (21%) for the year. Of this amount, 9% resulted from a net inflow of new assets from clients.

The number of employees decreased from 436 to 340, mainly due to the outsourcing of our back office and IT departments to an outside service provider and the sale of our Jersey operations.

The Operating Units

Private Banking

Gross income

Gross income increased to EUR 34.0 million from EUR 30.4 million, an increase of 12%. The past year showed an increase in assets under management of EUR 645 million. Of this 22% increase, 16% came from market appreciation and 6% from a net inflow of new assets from clients. This demonstrates our ability in both achieving good investment performance for our clients and attracting new private clients in a continuing competitive market. The total assets under management grew from EUR 2,865 million as at 31 December 2004 to EUR 3,510 million as at 31 December 2005.

Main developments

Our Private Banking activities continued to show a strong growth in income and operational result. As an independent organisation we deliver our services in a transparent open architecture and this, combined with the achievement of consistently good investment returns for our clients, has proved to be a successful formula. We have also been proactive in the construction and successful distribution of structured products for clients. The placing of specially selected real estate partnerships (CVs) continued during the year as part of the range of alternative investment offerings.

Through our London Private Banking unit we provide a specialised service mainly to international clients throughout the world; at the same time we are servicing an increasing UK resident client base. In this unit we have been successful in growing the assets under management considerably, both from new inflow of assets from clients as well as investment performance.

The development of our Private Banking activities in the Italian branch continues to be positive and shows good inflows of new money under management and an increasing income. However, the unit is not yet operating at the desired level.

Our Luxembourg unit performed well during the year and, again, grew in both turnover and contribution in 2005.

Future developments

We continue to focus on the application of a thorough investment process with a disciplined and structured implementation. This enables our private bankers to focus on understanding our clients' needs and providing a bespoke service that is independent and transparent. We will continue with the organisation of specific events aimed at exploring and sharing special items of interest with our clients. Where appropriate, associates provide clients with services that augment our own expertise in asset management and related areas.

We are looking to increase our product offering in the UK domestic market by operating through a branch set up based on our common private banking platform. We continue to strive to improve the servicing of our clients in an independent and transparent manner.

¹) This amount includes reinvestments in own products.

Report of the Board of Managing Directors

Asset Management

Gross income

Gross income grew to EUR 27.4 million from EUR 24.0 million, an increase of 14%. This was achieved despite the loss of income attributable to the operations in Jersey, which were sold at the end of the third quarter. Adjusting for this, the growth in gross income in the ongoing activities was approximately 28%. The past year showed a net inflow of new assets under management of EUR 225 million (16%) reflecting the continued success of our range of funds and programme products. The total assets under management amounted to EUR 1,786 million as at 31 December 2005 compared to EUR 1,438 million as at 31 December 2004 (excluding Jersey assets under management).

Main developments

In our Asset Management division we had another strong year with good net inflows of assets under management, especially in the United Kingdom and South Africa. The very disciplined investment process supporting both our direct European equity products and the manager selection products has underpinned sustainable outperformance, and generated substantial performance fees for the unit during the year.

At the end of the third quarter of 2005 we sold the Jersey asset management operations. After careful consideration we concluded that the further development of the Jersey and Isle of Man based Asset Management activities would benefit more and develop faster being part of a group with larger operations in those jurisdictions.

Our group-wide investment process is led by our Asset Management unit in a well-structured manner and is used as a basis by the other units of the group. This process is of great importance to our group as it is fundamental to the investment performance we achieve for our clients.

Future developments

Because of our good investment process and good track record we see more opportunities to extend our services to institutional investors. We will continue to extend our distribution activities in South Africa and the UK, where we expect that ongoing growth can be achieved. The further development of our own managed funds will continue.

Institutional and Corporate products and services

Gross income

Gross income decreased to EUR 17.2 million from EUR 19.1 million for our Institutional and Corporate products and services units. Our UK Corporate Finance unit showed a considerable increase in income that was offset by decreased income levels from other units.

Main developments

Our UK Corporate Finance unit was successful in obtaining considerably more mandates for listings on the Alternative Investment Market (AIM) and we continue to benefit from our well established position in this market. With our Equity Broking Units we succeeded in maintaining our income at last year's level, while in our Bond Broking Units we experienced lower income levels. Furthermore, the Institutional and Corporate result for 2004 was influenced by a substantial fee earned on one special placing of securities. We continue to look constantly for opportunities in the market for our clients. This is an important factor that differentiates us in a very competitive market and is key to our continued success. The move to new premises in London in January 2005 created a considerable improvement to the working environment.

Future developments

Our Institutional Broking Units remain dependent on market volumes and opportunities available. We will continue to focus our research on finding investment opportunities for our clients with an emphasis on the mid and small cap markets. We expect that our UK Corporate Finance activities remain strong for the coming period and we are looking to expand our capacity to place equity issues to institutional investors who are active in the AIM market. Both in London and Amsterdam we continue to invest in the development of new research and investment advisory products. It is anticipated that the acquisition of Monument Securities at the beginning of 2006 will have a positive impact on the performance of our Institutional Broking business.

Systems development

The outsourcing of our back office processes and IT systems to Ordina in the third quarter of 2005 will result in substantial ongoing cost efficiencies. In addition it will allow us to develop a single platform for the Group whereby we can achieve greater leverage from our investment and processing capacities. The outsourcing arrangement includes the replacement of our back-office systems in Amsterdam, which will have a significant impact on the operations and IT departments in Amsterdam. The new operating environment will be on a substantially 'straight-through' basis and enable us to reduce operational risk.

Outlook

We will continue to pursue growth through the further development of the current core businesses, while retaining a tight control on costs. We guard the current focus in our business for delivering the best possible service for our clients. This, together with our unique position as an independent organisation with significant ownership by management and staff, is essential for our continued success. It provides an environment where our staff can develop and use their talents fully. It creates an entrepreneurial atmosphere where we deliver our services to clients with great energetic involvement. We believe that this type of working environment enables us to attract and retain top professionals. Clearly, this remains a differentiating feature of our organisation and an essential part of our culture and positioning.

With this highly focused and committed approach we aim to continue the further development of our business in a sustainable way and within the limited risk parameters we have established for our organisation. This means, predominantly, growth through our existing businesses, although we do not rule out strategic acquisitions that will both add immediate value and fit with our culture. We therefore expect that together with continued vigilance on costs our profitability should be able to increase further over the coming years. We believe that maintaining long lasting relationships with our clients, staff, suppliers and other stakeholders builds value for the long term.



Ian Kantor
On behalf of the
managing directors
15 March 2006

Financial Statements for the year ended 31 December 2005

Consolidated Balance Sheet

» AS AT 31 DECEMBER > BEFORE RESULT APPROPRIATION

	Notes	2005 Euro thousand	2004 Euro thousand
Assets			
Cash and balances with central banks	16	6,445	9,430
Treasury bills	17	35,896	40,802
Loans and advances to credit institutions	18	147,805	114,184
Loans and advances to customers	19	162,006	132,748
Interest bearing securities	20	11,627	27,276
Shares	20	1,869	3,221
Investments in associates	22	3,917	3,077
Goodwill	21	14,415	20,320
Tangible fixed assets	23	6,627	7,459
Investment property	24	1,458	1,858
Other receivables and accrued income	25	15,722	18,116
Prepayments	26	14,599	10,807
Deferred tax assets	15	10,076	12,573
		432,462	401,871
Liabilities			
Amounts owed to credit institutions	27	9,700	1,967
Amounts owed to customers			
— time deposits	28	79,353	72,754
— other funds entrusted	28	260,093	216,249
		339,446	289,003
Other liabilities	29	20,460	17,173
Accruals and deferred income	30	8,958	9,259
Provisions	31	1,986	—
Current income tax liabilities		853	699
Subordinated liabilities	32	—	9,000
Group equity		50,998	74,673
Minority Interest		61	97
		51,059	74,770
		432,462	401,871
Contingent liabilities	34	9,432	8,148

The notes on pages 147 to 205 are an integral part of these consolidated financial statements

Consolidated Profit & Loss Account

» FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 Euro thousand	2004 Euro thousand
Income			
Interest income		12,671	12,026
Interest expense		5,707	4,814
Net interest income	8	6,964	7,212
Commission income	9	93,503	81,584
Commission expense	9	(29,175)	(24,162)
Gains less losses from investment securities		464	418
Net trading income	10	2,996	2,884
Other operating income	11	7,243	8,593
Gross income		81,995	76,529
Expenses			
Personnel costs	12	(41,304)	(41,361)
Redundancy expenses	13	(624)	(2,715)
Provisions	14	(5,890)	—
Depreciation		(3,722)	(2,880)
Impairment charges to receivables		(435)	(545)
Other general administrative expenses		(25,795)	(25,416)
Operating profit		4,225	3,612
Share in profits from associates		739	134
Profit before taxation		4,964	3,746
Taxation	15	(2,124)	(145)
Profit after taxation		2,840	3,601
Income on sale of subsidiaries		3,056	(825)
Minority interests		3	3
Net profit		5,899	2,779

The notes on pages 147 to 205 are an integral part of these consolidated financial statements

Consolidated and Company Statement of Changes in Equity

» FOR THE YEAR ENDED 31 DECEMBER 2005

	Shares	Share capital	Share premium	Revaluation reserves	Other reserves	Minority interest	Total
	Euro thousand	Euro thousand	Euro thousand	Euro thousand	Euro thousand	Euro thousand	Euro thousand
Balance at 31 December 2003	24,000	545	21,713	(1,048)	49,342	99	70,651
Impact of adoption IFRS					1,075		1,075
Adjusted balance at 1 January 2004	24,000	545	21,713	(1,048)	50,417	99	71,726
Net gains from changes in fair value				267			267
Movement in minority interests					3	(5)	(2)
Net result					2,776	3	2,779
Balance at 1 January 2005	24,000	545	21,713	(781)	53,196	97	74,770
Dividend					(29,500)		(29,500)
Net gains from changes in fair value				162			162
Net (gains) transferred to net profit on disposal and impairment				(236)			(236)
Movement in minority interests					3	(39)	(36)
Net result					5,896	3	5,899
Balance at 31 December 2005	24,000	545	21,713	(855)	29,595	61	51,059

The authorised capital of EUR 1,230,879 is unchanged and consists of 54,250 shares with a nominal value of EUR 22,69. The issued and paid-up capital amounts to EUR 544,536 and consist of 24,000 shares with a nominal value of EUR 22,69.

Consolidated Statement of Cash Flows

» FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005	2004
		Euro thousand	Euro thousand
Cash flows from operating activities			
Net profit		5,899	2,779
Adjustment for:			
Taxation		2,124	145
Profit attributable to minority interest		3	3
Depreciation of tangible fixed assets	23/24	3,722	2,880
Income from associates		(739)	(134)
Provisions	14	5,890	—
Loss sale Bank Insinger de Beaufort Plc		—	825
Profit on sale of subsidiaries in Jersey and Switzerland	7	(3,056)	—
Net cash inflow from operating activities before changes in operating assets and liabilities		13,843	6,498
Decrease/(Increase) in operating assets:			
Loans and advances to credit institutions		(35,713)	(12,342)
Loans and advances to customers		(51,452)	57,396
Purchase of trading securities		(920)	—
Other assets		(3,327)	15,616
(Decrease)/Increase in operating liabilities:			
Amounts owed to credit institutions		7,733	(7,200)
Amounts owed to customers		77,365	(119,098)
Other liabilities		405	(7,670)
Net cash inflow from operating activities before payment of taxation		7,934	(66,800)
Taxation received/(paid)		528	(143)
Net cash inflow from operating activities after payment of taxation		8,462	(66,943)

Notes to the Financial Statements

» FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 Euro thousand	2004 Euro thousand
Cash flows from investing activities			
Purchase of securities		(82,035)	(175,972)
Proceeds from sale and redemptions of securities		104,773	214,502
Purchase of fixed assets		(2,766)	(1,235)
Increase in goodwill		—	(196)
Sale of Bank Insinger de Beaufort Plc		—	14,161
Sale of subsidiaries in Jersey and Switzerland	7	7,391	—
Net cash outflow from investing activities		27,363	51,260
Cash flows from financing activities			
Movement in minority interests		(39)	(5)
Dividends paid		(29,500)	—
Repayment of loans	32	(9,000)	—
Net cash (outflow) from financing activities		(38,539)	(5)
Net (decrease) in cash and cash equivalents		(2,714)	(15,688)
Cash and cash equivalents at beginning of year		9,430	25,223
Net (decrease)/increase in cash and cash equivalents		(2,714)	(15,688)
Exchange differences		(271)	(105)
Cash and cash equivalents at end of year		6,445	9,430
Cash flows from operating activities include:			
— Interest received		11,671	11,024
— Interest paid		(5,707)	(4,814)

1. Nature of business

Together with its subsidiaries, Bank Insinger de Beaufort N.V. (“the consolidated Group” or “the Group”) operates in the fields of private banking, asset management, securities trading and corporate advisory.

2. Group structure

Bank Insinger de Beaufort N.V. (“the Company”) is a wholly owned subsidiary of Insinger de Beaufort Holding B.V., Amsterdam. The ultimate holding company is Insinger de Beaufort Holdings S.A., Luxembourg. The annual accounts of the company are included in the consolidated annual accounts of Insinger de Beaufort Holdings S.A., Luxembourg.

3. Changes in accounting policies

The Group’s financial statements for the year ended 31 December 2005 will be the first annual financial statements that comply with International Financial Reporting Standards (IFRS). The Group has applied IFRS 1 in preparing these consolidated financial statements. The Group’s transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The Group’s IFRS adoption date is 1 January 2005. Apart from goodwill the impact is limited.

4. Summary of significant accounting policies

4.1 General

The Financial Statements of the Group have been prepared in accordance with IFRS. The significant accounting policies applied in the preparation of these Financial Statements are set out below. In 2005, the Group did not early adopt any standard. The following standards, interpretations and amendments to published standards are not yet effective:

- IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures
- IAS 39 Amendment – The Fair Value Option
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts
- IFRS 7 Financial Instruments: Disclosures as at 1 January 2005. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32
- IAS 19 Amendment – Actuarial Gains and Loss, Group plans and Disclosures
- IAS 39 Amendment – Cash flow hedge accounting of forecast intragroup transactions
- IFRIC 4 – Determining whether an arrangement contains a lease.

The Group expects that the above amendments will not have a material impact on the accounting policies.

Other new standards, amendments and interpretations issued are not relevant to Bank Insinger de Beaufort N.V.

4.2 Accounting convention

The Financial Statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value. Income and expenses are allocated to the reporting period to which they relate. Assets and liabilities are stated at face value, unless otherwise indicated.

4.3 Principles of consolidation

The Consolidated Financial Statements comprise Bank Insinger de Beaufort N.V., its subsidiaries and companies over which it has management control. The list of significant subsidiaries and Group companies is disclosed in ‘Other Information’ on page 204. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

4.4 Revenue recognition

In general, revenue is recognised when it is realised or realisable, and earned. This concept is applied to the key revenue generating activities of the Group as follows:

Net interest revenues:

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and interest basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Notes to the Financial Statements

Fees and commissions:

Revenue from the various services the Group performs is recognised when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectability is reasonably assured. Incentive fee revenues from investment advisory services are recognised at the end of the contract period when the incentive contingencies have been resolved.

4.5 Goodwill

Goodwill comprises the difference between the fair value of net assets purchased on the effective date of the transactions determined on the basis of the accounting policies of the Group and the total cost of acquisition. As per 1 January 2004 the Company applies IFRS 3, Business Combinations. This implies that the goodwill is recorded at cost less any accumulated impairment losses. Additional amortisation is booked when the value of the goodwill is considered to be impaired. On disposal of certain cash generating units, the attributable amount of unamortised goodwill is deducted from the result of the sale of these units.

Goodwill is tested annually for impairment, as well as when there are indications of impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

4.6 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

Assets and liabilities of foreign subsidiaries and Group companies are translated into euros at year-end exchange rates and the income and expenditure of foreign subsidiaries are translated at the average rate of exchange for the year. The resulting translation gains and losses are recognised as an adjustment to shareholders' equity.

Transactions arising in foreign currencies are translated into the currency of record at the approximate rate of exchange ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated into the currency of record at the rates of exchange ruling at the balance sheet date. Resulting gains or losses are recognised in the profit and loss account.

When a foreign subsidiary is sold, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation shall be recognised in profit or loss when the gain or loss on disposal is recognised.

4.7 Financial assets

The Group classifies its financial fixed assets in the following categories:

I. Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity. If the Group sells other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale;

II. Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges;

III. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

IV. Available for sale

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchanges rates or equity prices.

Management determines the classification of its securities at initial recognition.

ad. I – Held-to-maturity

Held-to-maturity investments are carried at amortised cost using the effective interest method.

ad. II – Financial assets at fair value through profit or loss

Listed securities held for trading purposes are stated at the market value prevailing at the balance sheet date. Unlisted securities are stated at fair value. When the fair value of unlisted securities cannot be estimated reliably, the securities are measured at cost less any impairment. Resulting gains and losses are recognised net in the profit and loss account.

ad. III – Loans and advances

Loans and advances are stated at amortised cost net of a provision for doubtful debts based on a case-by-case valuation.

ad. IV – Available for sale

This category consists of securities. They are shown at market value. Revaluations are taken to a revaluation reserve in equity. Realised results at disposal are recorded through the profit and loss account.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

4.8 Impairment of financial assets

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of an asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An equity investment or fixed income instrument is impaired if its carrying amount is greater than its estimated recoverable amount. The impairment loss that has been recognised in equity is removed from equity and recognised in the income statement. Impairment loss recognised in the income statement on equity instruments is not reversed through the income statement.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

4.9 Tangible assets

The valuation principles for tangible fixed assets are as follows:

Leasehold improvements

Leasehold improvements are shown at cost net of accumulated depreciation less accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets taking into account estimated residual values.

The following rate is applied:
— Leasehold improvements 10.0 %

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise. Periodically the investment property is valued by an independent valuer. In 2005 no valuation has taken place by an independent valuer.

Other tangible fixed assets

Other tangible fixed assets are shown at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets taking into account estimated residual values.

The following rates are applied:

- Furniture and fixtures 10.0 % – 20.0 %
- Computer equipment 20.0 % – 33.3 %

4.10 Interest in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. Generally this represents a shareholding of between 20% and 50% of the voting rights. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The Group's investment in associates includes goodwill identified on acquisition.

Notes to the Financial Statements

4.11 Taxation

Taxes are calculated on profit before tax in accordance with the ruling tax legislation in the country of incorporation for the various Group companies included in the Consolidated Financial Statements. Where items are subject to withholding tax, tax is accrued to the extent that it is expected to be paid.

4.12 Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The tax effects of income tax losses available for carry forward are only recognised as an asset when it is probable that future taxable profits will be available to compensate for those losses. Deferred income tax is recognised in full.

4.13 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

4.14 Shareholders' equity

a) Share capital

Share capital consists of paid up capital.

b) Share premium

Share premium consists of premium contributions upon issue of shares.

c) Revaluation reserve

The revaluation reserve represents unrealised differences, net of deferred taxation, on the revaluation of available-for-sale assets as at balance sheet date.

d) Other reserves

Other reserves comprise cumulative translation adjustments and retained earnings.

e) Minority interest

Minority interest is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries by the Company. The minority interest is included in equity, but separate from Group equity.

f) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the note dividends.

4.15 Derivative financial instruments

Derivative financial instruments are initially recorded at cost and remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated as an effective fair value hedge are recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that are designated as an effective net investment hedge in a foreign entity are recognised directly in equity.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

4.16 Employee benefits

a) Pension obligations

The Group has only defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions once the contributions have been paid. The contributions are recognised as personnel costs when they are due.

b) Share based payments

The ultimate parent entity issues equity-settled share-based payments to certain employees within the Group. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The equity-settled share-based payments are accounted for in Insinger de Beaufort Holdings SA. Insinger de Beaufort Holdings SA recharged the option premiums to its subsidiaries depending on the category of options granted.

4.17 Cash flow statement

The cash flow statement is based on the indirect method, making a distinction between cash flows from operating, investment and financing activities.

Cash flows in foreign currency are converted at the average exchange rates during the financial year. With regard to cash flow from operations, the net profit is adjusted for income and expenses that did not result in receipts and payments in the same financial year and for changes in provisions and accrued and deferred items (other assets, accrued assets, other debts and accrued liabilities).

Cash and cash equivalents consist of cash, deposits at the Dutch Central Bank and deposits at other banks.

4.18 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.19 Accounting estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow from a loan.

b) Litigation

From time to time the Group is involved in claims and litigations. Management makes estimates as to whether provisions are needed based on a case-by-case basis.

c) Fair value of financial assets and liabilities

Fair value of financial assets and liabilities is determined using quoted market prices. For certain financial assets and liabilities fair value is determined using valuation techniques. Models are subjective in nature and significant judgement is involved in establishing fair values for financial assets and liabilities.

4.20 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, and retirement benefits plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

4.21 Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated. The five operating divisions of the Group are the basis on which the Group reports its primary segment information, the geographical segments the secondary.

5. Transition to IFRS

The Group's financial statements for the year ended 31 December 2005 will be the first annual financial statements that comply with IFRS. The Group has applied IFRS 1 in preparing these consolidated financial statements. The Group's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The Group's IFRS adoption date is 1 January 2005.

5.1 Impact of transition to IFRS

On transition date the Group reclassified certain investments to the appropriate categories according to IAS 32 and IAS 39. The group has applied the business combinations exemption in IFRS 1 and did not restate business combinations that took place prior to 1 January 2004.

5.2 Reconciliations between IFRS and Dutch GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS and details of the impact of the transition on equity as per January 1, 2004, December 31, 2004 and the income over 2004.

Notes to the Financial Statements

5.1.1.1. Reconciliation of equity at 1 January 2004

Assets

	Dutch GAAP Euro thousand	Effect of transition to IFRS Euro thousand	IFRS Euro thousand
Cash and balances with central banks	25,223	—	25,223
Treasury bills* ¹	74,105	274	74,379
Loans and advances to credit institutions	111,134	—	111,134
Loans and advances to customers	228,819	—	228,819
Interest bearing securities	34,385	1	34,386
Shares	3,830	—	3,830
Investments in associates	—	—	—
Goodwill	20,073	—	20,073
Tangible fixed assets	9,233	—	9,233
Investment property	1,858	—	1,858
Other receivables	34,464	—	34,464
Prepayments and accrued income* ²	11,866	(261)	11,605
Deferred tax assets	12,960	—	12,960
	567,950	14	567,964

1) Represents fair value adjustments of the treasury bills

2) Represents reclassification of accrued interest receivable to treasury bills

Liabilities

	Dutch GAAP Euro thousand	Effect of transition to IFRS Euro thousand	IFRS Euro thousand
Banks	9,221	—	9,221
Funds entrusted			
— time deposits	120,087	—	120,087
— other funds entrusted	320,889	—	320,889
	440,976	—	440,976
Other liabilities	27,334	—	27,334
Accruals and deferred income* ³	9,687	(1,061)	8,626
Current income tax liabilities	1,081	—	1,081
Subordinated liabilities	9,000	—	9,000
Group equity	70,552	1,075	71,627
Minority Interest	99	—	99
	70,651	1,075	71,726
	567,950	14	567,964

3) Represents sold bond portfolio in 2002 for which under Dutch GAAP the profit has been deferred over the average remaining life of the sold portfolio

Notes to the Financial Statements

5.1.2. Reconciliation of equity at 31 December 2004

Assets

	Dutch GAAP Euro thousand	Effect of transition to IFRS Euro thousand	IFRS Euro thousand
Cash and balances with central banks	9,430	—	9,430
Treasury bills* ¹	40,739	63	40,802
Loans and advances to credit institutions	114,184	—	114,184
Loans and advances to customers	132,748	—	132,748
Interest bearing securities	27,276	—	27,276
Shares	3,221	—	3,221
Investments in associates	3,077	—	3,077
Goodwill* ²	16,271	4,049	20,320
Tangible fixed assets	7,459	—	7,459
Investment property	1,858	—	1,858
Other receivables and accrued income	18,116	—	18,116
Prepayments* ³	10,858	(51)	10,807
Deferred tax assets	12,573	—	12,573
	397,810	4,061	401,871

1) Represents fair value adjustments of the treasury bills

2) Goodwill amortisation 2004 has been reversed

3) Represents reclassification of accrued interest receivable to treasury bills

Liabilities

	Dutch GAAP Euro thousand	Effect of transition to IFRS Euro thousand	IFRS Euro thousand
Amounts owed to credit institutions	1,967	—	1,967
Amounts owed to customers			
— time deposits	72,754	—	72,754
— other funds entrusted	216,249	—	216,249
	<u>289,003</u>	<u>—</u>	<u>289,003</u>
Other liabilities	17,238	(65)	17,173
Accruals and deferred income* ⁴	9,871	(612)	9,259
Current income tax liabilities	699	—	699
Subordinated liabilities	9,000	—	9,000
Group equity	69,935	4,738	74,673
Minority Interest	97	—	97
	<u>70,032</u>	<u>4,738</u>	<u>74,770</u>
	397,810	4,061	401,871

4) Represents sold bond portfolio in 2002 for which under Dutch GAAP the profit has been deferred over the average remaining life of the sold portfolio

Notes to the Financial Statements

5.1.3. Reconciliation of net income for the year ended 31 December 2004

	Dutch GAAP Euro thousand	Effect of transition to IFRS Euro thousand	IFRS Euro thousand
Interest income	12,026	—	12,026
Interest expense	4,814	—	4,814
Net interest income	7,212	—	7,212
Commission income* ¹	82,035	(451)	81,584
Commission expense	(24,162)	—	(24,162)
Gains less losses from investment securities	418	—	418
Results on financial transactions	2,884	—	2,884
Other operating income	8,593	—	8,593
Gross income	76,980	(451)	76,529
Personnel costs	(41,361)	—	(41,361)
Redundancy expenses	(2,715)	—	(2,715)
Provisions	—	—	—
Depreciation of property and equipment	(2,880)	—	(2,880)
Value adjustments to receivables	(545)	—	(545)
Other administrative expenses	(25,416)	—	(25,416)
Operating profit	4,063	(451)	3,612
Share of profits from associates	134	—	134
Profit before taxation	4,197	(451)	3,746
Taxation on operating result	(145)	—	(145)
Profit after taxation	4,052	(451)	3,601
Income on sale of subsidiaries	(825)	—	(825)
Amortisation of goodwill* ²	(4,114)	4,114	—
Minority interests	3	—	3
Net profit/(loss)	(884)	3,663	2,779

1) Represents elimination of deferred income due to sale bond portfolio in 2002

2) Reversal goodwill amortisation

6. Financial risk management

6.1 General

The risk management process of the Group is fostered through a formal substructure in which executive management is made responsible for ensuring that risks and controls are addressed in each of their operations. Our risk management department provides them with support and tools in order to ensure that the risk management process is adequately executed in a consistent manner throughout the Group.

Specific expertise is provided by our Group Risk Committee, Compliance Department and the Asset & Liability Committee who support executive management with managing, respectively, integrity and credit risks, compliance risks, and market and liquidity risks.

Overlaying this process our internal audit independently monitors the ongoing adequacy and execution of this structure. They report their findings to responsible management and directly to the Audit Committee, which oversees our risk management and control systems on behalf of the Supervisory Board.

Our policy on risk tolerance is based on an ongoing assessment of the environment that emphasises high liquidity, limited credit and foreign currency risk exposures and a healthy capital base.

6.2 Credit risk

The credit policy of the Group is to extend credit on the basis of sufficient liquid collateral. This collateral is mostly comprised of listed securities with sufficient liquidity or mortgages on private residential property. The policy on the level of required collateral coverage is determined by the Risk Committee of the group.

The credit risk policy in relation to professional counter party risk for investment/placing of financial assets is set by the Risk Committee of the Group.

The Group is also engaged in settlement of securities transactions with professional counterparties on a delivery versus payment basis. This can expose the Group to the risk that such a counterparty is not able to fulfill its obligations in relation to the settlement of the securities transaction. The Group may then be exposed to a credit risk on the counterparty for interest claims and potentially adverse market movements in the value of the related securities. The Risk Committee of the Group sets policies on the determination of limits in relation to such counterparty settlement risks.

Insinger de Beaufort in the UK has outsourced the settlement and clearing of security transactions to professional clearing service providers. As a consequence these settlements are not booked through the accounts of the Group. Insinger de Beaufort in the UK has given indemnities to its clearing service providers in respect of customer default in relation to these securities transactions settlements. The amount of open settlements as at 31 December 2005 was GBP 59 million.

Notes to the Financial Statements

From time to time clients of Insinger de Beaufort in the UK enter into Contracts for Difference (CFDs) and Financial Spread Betting Contracts (FSBs) with third party providers. As security for these CFDs and FSBs clients pay in cash collateral with these providers. Insinger de Beaufort in the UK has given an indemnity to the third party providers for customer default in relation to clients introduced by Insinger de Beaufort who fail to perform any of their obligations under the terms of the CFDs and FSBs. For one of the major third party providers this indemnity is limited to a maximum of GBP 3 million per security position per client. As per the end of 2005 the total nominal underlying value of the CFD and FSB positions of clients amounted to GBP 221 million (2004: GBP 263 million).

The loans and advances to credit institutions and customers may be analysed by sector and geographical region as follows:

	2005 Euro thousand	2004 Euro thousand
Financial institutions	186,266	144,330
Other customers	123,545	102,602
	<u>309,811</u>	<u>246,932</u>
European Union	263,645	212,160
Rest of Europe	5,457	16,483
Other	40,709	18,289
	<u>309,811</u>	<u>246,932</u>

	Total assets Euro thousand	Total liabilities Euro thousand	Gross income Euro thousand	Capital expenditure Euro thousand
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6.3 Geographical concentration of assets, liabilities and off-balance sheet items

The following note incorporates credit risk disclosures, geographical concentrations of assets, liabilities and off-balance items disclosure and the Company's secondary segment disclosure.

At 31 December 2005				
European Union	364,102	283,270	73,400	4,299
Rest of Europe	7,618	32,455	6,124	51
Other	56,825	65,678	2,471	6
Investments in Associates	3,917			
Unallocated assets/liabilities				
Total	<u>432,462</u>	<u>381,403</u>	<u>81,995</u>	<u>4,356</u>
At 31 December 2004				
European Union	348,658	311,659	65,988	775
Rest of Europe	20,454	15,004	7,766	329
Other	29,682	438	2,775	2,009
Investments in Associates	3,077			
Unallocated assets/liabilities				
Total	<u>401,871</u>	<u>327,101</u>	<u>76,529</u>	<u>3,113</u>

Included under the geographical segments is the category 'other'. This includes, amongst others, the British Virgin Islands, Channel Islands and South Africa.

Notes to the Financial Statements

6.4 Currency risk

The Group has a policy to hedge all foreign currency exposures and not to take trading positions in foreign currencies. Positions are monitored on a continuous daily basis and closed in the market. Bank Insinger de Beaufort has an agreement with its parent company, Insinger de Beaufort Holding S.A., in which all currency differences in relation to the investments in subsidiaries are transferred to the parent company. The parent company has hedged all these foreign currency exposures.

Table: Concentration of assets, liabilities and off-balance sheet items.

	EUR	GBP	USD	CHF	ZAR	Other	Total
At 31 December 2005							
Assets							
Cash and balances with central banks	6,445						6,445
Treasury bills	35,896						35,896
Loans and advances to credit institutions	132,085	27,076	(13,233)	789	2,287	(1,199)	147,805
Loans and advances to customers	106,902	15,197	24,526	1,016	6,847	7,518	162,006
Interest bearing securities							
— issued by public bodies	7,127						7,127
— issued by other borrowers	4,500						4,500
Shares	1,256	14	362		237		1,869
Investments in Associates	3,917						3,917
Goodwill	14,415						14,415
Tangible fixed assets	6,623				4		6,627
Investment property	1,458						1,458
Other assets	(101,797)	(7,708)	138,817	722	287		30,321
Deferred tax assets	10,076						10,076
Total assets	228,903	34,579	150,472	2,527	9,662	6,319	432,462

	EUR	GBP	USD	CHF	ZAR	Other	Total
Liabilities							
Amounts owed to credit institutions	(33,239)	(4,344)	51,518	795	4,056	(9,086)	9,700
Amounts owed to customers	182,172	28,424	106,042	598	6,876	15,334	339,446
Other liabilities	33,721	2,196	(8,537)	1,796	219	23	29,418
Provisions		1,986					1,986
Current income tax liabilities	853						853
Total liabilities	183,507	28,262	149,023	3,189	11,151	6,271	381,403
Net on-balance sheet position	45,396	6,317	1,449	(662)	(1,489)	48	51,059
Off-balance sheet items: contingent assets							
Off-balance sheet items: contingent liabilities	9,293				139		9,432
At 31 December 2004							
Total assets	483,411	20,513	(124,160)	928	4,588	16,591	401,871
Total liabilities	411,842	19,326	(123,882)	(1,336)	3,914	17,237	327,101
Net on-balance sheet position	71,569	1,187	(278)	2,264	674	(646)	74,770
Off-balance sheet items: contingent assets							
Off-balance sheet items: contingent liabilities	7,749	229		24	146		8,148

Notes to the Financial Statements

6.5 Market risk

From time to time equity and bond broking desks may take limited positions to facilitate the broking activity. These positions are controlled through relatively limited intra day and overnight limits set by the Risk Committee of the Group. Our interest rate mismatch is controlled through a relatively limited one-day value at risk (VAR) limit that is monitored daily and adjusted for actual results achieved during the year. The VAR limit may be changed on the basis of an evaluation of our risk tolerance in relation to our net income.

6.6 Liquidity risk

The Group has a policy to have a comfortable surplus in available cash resources for draw-downs on current accounts and maturing deposits. In addition, lending to customers is primarily done on the basis of sufficient collateral in the form of liquid securities. Under the contractual lending arrangements these securities are available to the bank for refinancing.

The following table analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Not allocated	Total
At 31 December 2005							
Assets							
Cash and balances with central banks	6,335	110					6,445
Treasury bills		35,896					35,896
Loans and advances to credit institutions	69,796	78,009					147,805
Loans and advances to customers	131,424	19,039	8,707	2,836			162,006
Interest bearing securities							
— issued by public bodies	57	2,013	5,057				7,127
— issued by other borrowers					4,500		4,500
Shares						1,869	1,869
Investments in Associates						3,917	3,917
Goodwill						14,415	14,415
Tangible fixed assets						6,627	6,627
Investment property						1,458	1,458
Other assets						30,321	30,321
Deferred tax assets						10,076	10,076
Total assets	207,612	135,067	13,764	2,836	4,500	68,683	432,462
Liabilities							
Amounts owed to credit institutions	8,929	771					9,700
Amounts owed to customers	260,093	79,146	207				339,446
Other liabilities						29,418	29,418
Provisions			350	1,373	263		1,986
Current income tax liabilities			853				853
Total liabilities	269,022	79,917	1,410	1,373	263	29,418	381,403
Net liquidity gap	(61,410)	55,150	12,354	1,463	4,237	39,265	51,059
At 31 December 2004							
Total assets	222,896	47,608	26,662	26,155	14,725	63,825	401,871
Total liabilities	206,996	66,887	6,665	573	20,750	25,230	327,101
Net liquidity gap	15,900	(19,279)	19,997	25,582	(6,025)	38,595	74,770

Notes to the Financial Statements

	30 September	2004
	2005	2004
	Euro thousand	Euro thousand
7. Acquisitions and disposals		
Bank Insinger de Beaufort Plc		
As announced on 14 November 2003 the Company sold a 75% controlling interest in one of its UK subsidiaries, Bank Insinger de Beaufort Plc (now named United Trust Bank Plc.) to an investor syndicate led by Mr Graham Davin, Chief Executive of Insinger de Beaufort's UK business and director of the Company until 14 November 2003. The sale was completed on 30 April 2004, with effect from 31 December 2003.		
Insinger de Beaufort International Ltd		
The Company has sold its subsidiary Insinger de Beaufort International Ltd as per 30 September 2005 for a total consideration of GBP 8.7 million. Part of the consideration is dependent on actual commissions earned in the two years following the date of sale. The amount receivable has been estimated. The future actual amount may differ from this amount.		
The net assets of Insinger de Beaufort International Ltd at the date of disposal and at 31 December 2004 were as follows:		
Loans and advances to credit institutions	3,013	4,675
Loans and advances to customers	25,249	11,365
Financial fixed assets	—	(100)
Goodwill	—	750
Tangible fixed assets	146	395
Other assets	1,741	1,658
Amounts owed to customers	(26,877)	(12,561)
Other liabilities	(1,075)	(1,007)
	<u>2,197</u>	<u>5,175</u>
Attributable goodwill	6,013	6,013
Other	1,531	—
Total	<u>9,741</u>	<u>11,188</u>
Gain on sale of Insinger de Beaufort International Ltd	2,913	
Total consideration	<u>12,654</u>	
Cash and cash equivalents in subsidiary sold	—	
Deferred consideration	4,583	
Broking consideration	1,018	
Net cash inflow on sale	<u>7,053</u>	

	2005	2004
	Euro thousand	Euro thousand
Insinger de Beaufort Geneva		
During the year, Insinger de Beaufort International Ltd contributed EUR 1.1 million (2004: EUR 0.6 million) to the Company's net operating cash flow, EUR nil million (2004: EUR nil) to the financing cash flows and EUR 0.7 million (2004: EUR (0.6) million) on the investing cash flows.		
The Company has sold its subsidiary Insinger de Beaufort Geneva as per 7 November 2005 with effect from 31 December 2004 for a total consideration of CHF 0.5 million. The gain on sale of Insinger de Beaufort Geneva amounts to EUR 0.1 million.		
8. Net interest income		
Fixed income securities	1,991	3,116
Other interest and similar income	<u>10,680</u>	<u>8,910</u>
Interest income	12,671	12,026
Interest expense	(5,707)	(4,814)
Net interest income	6,964	7,212
Net interest includes no interest accrued on impaired financial assets.		
9. Net commission income		
This amount comprises fee income and expenses in respect of securities trading and other banking services.		
10. Net trading income		
This item covers mainly realised exchange rate differences arising from foreign exchange dealings.		
11. Other operating income		
Administration fees	1,751	1,575
Advisory fee income	2,442	1,846
Other	<u>3,050</u>	<u>5,172</u>
	<u>7,243</u>	<u>8,593</u>

Notes to the Financial Statements

	2005	2004
	Euro thousand	Euro thousand
12. Personnel costs		
Salaries	27,783	30,176
Social security costs	2,618	4,189
Pension costs	1,767	1,739
Other staff costs (including bonus entitlements)	9,136	5,257
	<u>41,304</u>	<u>41,361</u>
The Group's pension schemes are defined contribution plans.		
13. Redundancy expense		
In 2005 certain employees became redundant. The expense recorded under this item relates to severance pay for these employees.		
14. Provisions and impairment losses on loans and advances		
Onerous contract		
During 2005 the Company provided for the onerous contract representing the future lease payment for the UK office at 44 Worship Street, less an estimate of amounts recoverable under subleases. During 2005 the UK activities moved to a new location at 131 Finsbury Pavement.		
The Company has not recognised an impairment loss on assets related to 44 Worship Street because the fixed assets have a book value of nil.		
The operating lease may be summarised as follows over the periods in which amounts fall due:		
Amounts payable:		
within one year	421	
more than one year and less than five years	1,344	
more than five years	624	
	<u>2,389</u>	
less: estimated recoverable amounts	(403)	
Net provision	<u>1,986</u>	

	2005	2004
	Euro thousand	Euro thousand
Litigation		
NUSA SIM SpA (Nusa), a company acquired by the Group in 2001, has been involved in a court case in Rome in relation to claims made by two clients on losses incurred by them on the purchase of certain securities on which Nusa acted as a broker. In January 2005 Nusa was informed of a court ruling condemning Nusa to unwind the original sale of the securities and to pay EUR 3.2 million plus legal interest and inflation damages.		
Part of the purchase price paid for Nusa has been paid into escrow for potential damages incurred on this case. Including earned interest the amount in escrow is approximately EUR 0.5 million.		
In September 2005 a payment was made of EUR 4.4 mln. The branch filed an appeal with the Court for a second level trial, and subsequently made a provision for the full amount claimed per 31 December 2005.		
The impact of the legal dispute can be summarised as follows:		
Payment made	4,404	
Escrow amount	(500)	
Impairment booked on receivable	<u>3,904</u>	
Impairment losses on loans and advances		
At 1 January	1,591	2,935
Charge for the year	435	545
Disposal of subsidiaries	—	(527)
Used for write-offs	(244)	(1,362)
	<u>1,782</u>	<u>1,591</u>
The impairment losses on loans and advances are recorded under the loans and advances to customers in the balance sheet.		

Notes to the Financial Statements

	Tax rate %	2005 Euro thousand	2004 Euro thousand
15. Taxation			
The charge for the year can be reconciled to the profit as per the income statement as follows:			
Profit before tax		4,964	3,746
Tax calculated at a tax rate of 31,5% (2004: 34,5%)	31.5	(1,564)	(1,293)
Impairment on deferred tax asset due to expected rate adjustment in the Netherlands	22.2	(1,102)	—
Effect of liquidation of company on deferred tax asset	8.6	(428)	—
Tax on non-deductible expenses	9.6	(478)	(115)
Tax on non-taxable income	(18.5)	918	613
Effect of different tax rates in other countries	(10.7)	530	650
Effective tax rate/tax expense for the year	42.8	(2,124)	(145)
The movement in the deferred tax assets is as follows:			
At 1 January		12,573	12,960
Revenue/(charge) for the year		(2,124)	(145)
Reclassify from/ (to) current tax		(373)	(242)
		10,076	12,573
The deferred tax assets for the Group relates to accrued tax on losses carried forward. The fiscal loss can be carried forward indefinitely.			

	2005 Euro thousand	2004 Euro thousand
16. Cash and balances with central banks		
Cash in hand	23	45
Balances with central banks	6,422	9,385
	6,445	9,430
The balances with central banks include demand deposits with De Nederlandsche Bank N.V.		
17. Treasury bills		
This relates to zero coupon short term Dutch Government paper. EUR 11,295,000 (2004: EUR 8,130,000) of treasury bills have been pledged as security for the execution of payments and security settlements. Due to the short remaining life of the treasury bills the fair value does not differ materially from the recorded amount in the balance sheet. Reference is made to note 20 for the classification of the treasury bills.		
18. Loans and advances to credit institutions		
Receivable in relation to settlements of securities transactions	13,785	4,689
Placements with other banks	134,020	109,495
	147,805	114,184
19. Loans and advances to customers		
Receivable in relation to settlements of securities transactions	25,472	11,594
Advances against securities	53,057	39,982
Mortgages	25,226	14,959
Other loans	60,033	67,804
	163,788	134,339
Less: impairment losses on loans and advances	(1,782)	(1,591)
	162,006	132,748
Reference is made to note 36 related party transactions for a specification of the related party receivables included under the loans and advances to customers.		

Notes to the Financial Statements

	2005 Euro thousand			2004 Euro thousand				
	Listed	Unlisted	Total	Listed	Unlisted	Total		
20. Transferable securities								
Transferable securities which are included in the following balance sheet categories may be analysed between listed and unlisted securities, and held-to-maturity, available for sale and trading portfolios as follows:								
Treasury bills	35,896		35,896	40,802		40,802		
Interest bearing securities	7,127	4,500	11,627	17,276	10,000	27,276		
Shares	1,148	721	1,869	1,543	1,678	3,221		
Total	44,171	5,221	49,392	59,621	11,678	71,299		
	Held-to-maturity	Available for sale	Trading	Total	Held-to-maturity	Available for sale	Trading	Total
Treasury bills	35,896			35,896	40,802			40,802
Interest bearing securities	7,127	4,500		11,627	17,276	10,000		27,276
Shares	92	857	920	1,869	95	3,126		3,221
Total	43,115	5,357	920	49,392	58,173	13,126	—	71,299
Of the debt securities EUR 1,052,135 (2004: EUR 1,049,232) of the available for sale portfolio has been pledged as security for execution of payments and security settlement.								
The fair value of the held-to-maturity portfolio does not differ materially from the recorded amount in the balance sheet.								
The movement in transferable securities may be summarised as follows:								
Balance as at 1 January		13,126	58,173	71,299				
Additions		—	81,355	81,355				
Sold during the year		(7,984)	—	(7,984)				
Redemptions		—	(96,636)	(96,636)				
Changes in valuations		(74)	223	149				
Foreign exchange difference		289	—	289				
Balance as at 31 December		5,357	43,115	48,472				

Notes to the Financial Statements

	2005 Euro thousand	2004 Euro thousand
21. Goodwill		
At 1 January	20,320	20,073
Additions arising during the year	—	262
Sale of subsidiaries	(6,013)	—
Foreign exchange translation adjustments	108	(15)
At 31 December	14,415	20,320
22. Investments in Associates		
At 1 January	3,077	247
Acquired during the year	18	2,709
Share in results	739	134
Dividends paid	—	—
Exchange differences	83	(13)
At 31 December	3,917	3,077

	2005 Euro thousand
The Group's interests in its principle Associates, which are unlisted, are as follows:	
	Euro thousand
Country of incorporation	Assets
Country of incorporation	Liabilities
Country of incorporation	Revenues
Country of incorporation	Profit/Loss
Country of incorporation	Interest held %
UTB Partners Ltd	25
B & S Insinger Beheer* ¹	50
Holland Immo Groep Insinger de Beaufort Beheer B.V.* ¹	50
Holland Immo Groep Insinger de Beaufort V B.V.* ¹	50
Holland Immo Groep Insinger de Beaufort VI B.V.* ¹	50
Holland Immo Groep VII / Winkelfonds Zuidplein B.V.* ¹	50
Holland Immo Groep X / Woningfonds B.V.* ¹	50
Holland Immo Groep XI / Retail Residential Fund B.V.* ²	50
Germany Residential Fund Management B.V.* ²	50

¹) Figures are based on annual reports for the year ended 31 December 2004

²) Holland Immo Groep XI / Retail Residential Fund B.V. and Germany Residential Fund Management B.V. have been acquired in 2005. No annual report is available yet

Notes to the Financial Statements

	2005 Euro thousand			
	Leasehold improvements	Computing equipment	Other fixtures, fittings and equipment	Total
23. Tangible fixed assets				
Cost	3,943	12,756	4,663	21,362
Accumulated depreciation	(1,107)	(10,676)	(2,952)	(14,735)
Net book value	2,836	2,080	1,711	6,627
Net book value				
At 1 January 2005	501	3,556	3,402	7,459
Additions	2,807	995	554	4,356
Disposals	(81)	(128)	(1,540)	(1,749)
Impairment	(1)	(330)	(85)	(416)
Impact of sale of consolidated subsidiaries	(23)	(128)	(41)	(192)
Depreciation	(370)	(1,908)	(628)	(2,906)
Foreign exchange translation adjustments and other	3	23	49	75
At 31 December 2005	2,836	2,080	1,711	6,627

The impairment relates to the write down of certain assets in our Italian office. The fair value of the fixed assets is estimated to be in excess of the carrying amounts.

Assets are depreciated using the straight-line method:
Leasehold improvements: 10 years
Computing equipment: 3-5 years
Other: 4-5 years

	2005 Euro thousand	2004 Euro thousand
24. Investment property		
At 1 January	1,858	1,858
Additions	—	—
Fair value adjustments	(400)	—
At 31 December	1,458	1,858

The fair value adjustments relate to Dutch property.

The following amounts have been recognised in the income statement:

Rental income	34	25
Direct operating expense	(53)	(8)

25. Other receivables and accrued income

Trade debtors	2,829	3,977
Staff advances	89	123
Accrued income	12,950	14,427
Other receivables	206	268
	16,074	18,795
Less: impairment charges	(352)	(679)
	15,722	18,116

Included in the other receivables are receivables on the ultimate parent company, Insinger de Beaufort Holdings S.A, and its subsidiaries of EUR 29,428 (2004: EUR nil).

Notes to the Financial Statements

	2005 Euro thousand	2004 Euro thousand
26. Prepayments		
Included in this amount is accrued interest on the interest bearing securities. The ultimate shareholder of the Group, Insinger de Beaufort Holdings S.A., has granted options to staff within the Group. The option premiums are recharged to its subsidiaries depending on the category of options granted. The capitalised amounts are amortised over the exercise period of the options varying from three to six years. Total capitalised expense as of 31 December 2005 amounts to EUR 1,797,186 (2004: EUR 2,866,013).		
27. Amounts owed to credit institutions		
Payable in relation to settlements of securities transactions	3,960	1,764
Other loans	5,740	203
	9,700	1,967
28. Amounts owed to customers		
Payable in relation to settlements of securities transactions	12,306	14,014
Current accounts	247,787	202,235
Time deposits	79,353	72,754
	339,446	289,003
EUR 38,3 million (2004: 18,5 million) of current accounts relates to the ultimate parent company or one of its subsidiaries. These related parties have entered into a compensation agreement without preference.		
29. Other liabilities		
Trade creditors	2,933	1,003
Salaries payable	304	499
Payroll taxes payable	1,300	1,238
VAT payable	630	366
Other accrued expenses	15,293	14,067
	20,460	17,173

30. Accruals and deferred income

This includes accrued interest and deferred income.

31. Provisions

This item relates to the provision for onerous contract. See note 14.

32. Subordinated liabilities

This item relates to a loan from Insinger de Beaufort Holding B.V. in the amount of EUR 9,000,000. As at 28 December 2005 the loan has been repaid in full.

In the financial year EUR 276,208 (2004: EUR 279,584) in interest has been paid on this loan.

33. Minority interest

This includes the share of third parties in the Group funds of the bank.

34. Contingent liabilities

This relates to guarantees and other direct substitutes for credit.

Insinger de Beaufort in the UK (IDBUK) acts as stockbroker to customers, which include institutional counterparties. IDBUK has engaged the services of a Model B Clearing Agent, to which IDBUK acts as introducing broker for clients and executed trades. A technical query has arisen with regard to stamp duty reserve tax (SDRT) and the availability of recognised intermediary relief under the Finance Act 1986 in respect of riskless principal trades executed by IDBUK on behalf of institutional customers and introduced to the Model B Clearing Agent. IDBUK has sought legal advice and does not believe that it carries a liability. However, IDBUK is in discussion with HM Revenue and Customs to resolve this matter. IDBUK currently expects this matter to be resolved within the next three months. The financial effect of this issue is unknown.

Notes to the Financial Statements

	2005	2004
	Euro thousand	Euro thousand
35. Leasehold commitments		
Minimum lease payments under operating leases recognised in income for the year	3,871	4,141
Group commitments due under non-cancellable operating leases may be summarised as follows over the periods in which amounts fall due:		
Amounts payable:		
within one year	3,391	3,938
more than one year and less than five years	11,066	17,785
more than five years	4,459	4,948
	18,916	26,671
Operating leases represent mainly rentals payable by the Group for some of its office properties. The leases have varying terms, escalation clauses and renewal rights.		
At the balance sheet date the future sublease payments to be received under non-cancellable subleases at the balance sheet date may be summarised as follows:		
Amounts receivable:		
within one year	406	—
more than one year and less than five years	1,548	—
more than five years	553	—
	2,507	—
The subleases relate to the office in Amsterdam and the office in Eindhoven. The sublease contracts started in 2005.		
Process outsourcing		
The outsourcing of our back office processes and IT systems to Ordina was completed in the third quarter of 2005. The term of the contract is seven years. The fixed costs of the contract are estimated at EUR 4,5 million a year.		

36. Related party transactions

a. Parent Group companies

Included in the loans and advances to customers is a receivable of EUR 38,461,000 (2004: EUR 17,739,000) from parent Group companies. These companies have entered into a compensation agreement without preference.

Also included in the loans and advances to customers are loans of EUR 5,098,000 (2004: EUR 21,253,000) to participants in the Group's Employee Share Ownership Plan Trust.

On 24 November 2003 a parent Group company issued a compulsory convertible loan note (CCLN2011) of EUR 1,475,000 to part of senior management of the Group. The CCLN2011 will mature in 2011 and will pay 150 interest basis points above the 3-month Euribor and ranks pari passu with all other unsecured obligations of the issuing company. The conversion rate has been set at EUR 5.00, which will lead to an issuance of 295,000 shares in Insinger de Beaufort Holding S.A. in 2011. Bank Insinger de Beaufort N.V. has lent the money to senior management in order to acquire the loan note. The amount receivable as at 31 December 2005 amounts to EUR 1,409,187 (2004: EUR 1,428,511).

On 11 May 2005, a parent Group company issued a compulsory convertible loan note (CCLN2013) of EUR 995.875 to some of the senior management of the Group. The CCLN2013 will mature in 2013 and will pay 150 interest basis points above the three-month Euribor and ranks pari passu with all other unsecured obligations of the issuing company. The conversion rate has been set at EUR 7.75, which will lead to an issuance of 128,500 shares in 2013. Bank Insinger de Beaufort N.V. has lent the money to senior management in order to acquire the loan note. The amount receivable as at 31 December 2005 amounts to EUR 970,278.

Notes to the Financial Statements

	2005	2004
	Euro thousand	Euro thousand
b. UTB Partners Limited		
As part of the sale of Bank Insinger de Beaufort Plc, the Company provided a GBP 2,500,000 floating rate unsecured subordinated loan note to UTB Partners Limited. GBP 400,000 of the loan note should be repaid on or before 31 May, 2010. The remainder should be repaid on or before 31 May 2014. Early redemptions are permitted. Interest is fixed for the term of the loan note at 6.9 % per annum. The loan note is guaranteed by one of the directors of UTB Partners Limited to be repaid in five annual equal installments commencing on 31 May 2006. The guarantee has been capped at a maximum of GBP 2,100,000.		
c. Remuneration of directors		
Each director receives remuneration on a cost-to-company basis. The allocation to pension or other benefit is done on an individual basis. The remuneration of the directors is set out below and includes salaries, pension cost and social cost:		
Supervisory board	118	118
Statutory directors	3,285	1,910
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	3,403	2,028
At 31 December advances made to directors amount to:	1,765	4,856
The advances relate to the employee share ownership plan. The interest rate is 3-months Euribor + 1.5%. EUR 3,091,000 has been repaid during 2005 (2004: nil).		

The Group has issued various call options to the directors and staff. One option gives the right to acquire one share in Insinger de Beaufort Holdings S.A. at the respective exercise price. The number of options at 31 December 2004 has been restated to reflect the effect of an adjustment in the way the Company accounted for the share buy back in 2003, by Insinger de Beaufort Holdings S.A.

As at 31 December 2005 the directors of the Company held 1,368,334 options (2004: 1,010,266) with exercise prices varying between EUR 4.32 and EUR 7.88 (2004: between EUR 2.82 and EUR 7.50) and with exercise period expiring from 26 January 2006 through 21 December 2009. During the year no options (2004: 180,000) were granted and 89,440 options (2004: no options) have been exercised by the directors.

As at 31 December 2005 staff of the Group held 3,194,235 options (2004: 2,865,352) with exercise prices varying between EUR 4.32 and EUR 7.88 (2004: between EUR 2.82 and EUR 6.50) and with exercise period expiring from 25 October 2006 through 9 December 2009. During the year 140,824 options (2004: 342,400) were granted, 274,240 options were cancelled (2004: 157,512) and 1,083,377 options (2004: no options) have been exercised by staff.

37. Segmental analysis

For management purposes, the Group is currently organised into five operating divisions – Private Banking, Asset Management, Institutional and Corporate products and services, Ops & Support and Group. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Private Banking – Wide range of services on behalf of individuals
- Asset Management – Activities that offer individuals and institutions a comprehensive choice of funds and investment programmes
- Institutional and Corporate products and Services – Wide range of financial products and services aimed at institutions and corporate clients
- Ops & Support – Operations & Support areas within the Group
- Group – All Group activities such as legal, head office and financing activities.

Notes to the Financial Statements

						2005
						Euro thousand
	Private Banking	Asset Management	Institutional	Ops & Support	Group	Total
At 31 December 2005						
Gross income	34,005	27,419	17,220	(5)	3,356	81,995
Provisions				(1,987)	(3,903)	(5,890)
Operating profit	2,888	10,289	108	(5,354)	(3,706)	4,225
Share of results of Associates	—	—	—	—	739	739
Profit before tax	2,888	10,289	108	(5,354)	(2,967)	4,964
Income tax expense						(2,124)
Income on sale of subsidiaries						3,056
Result attributable to minority interest						3
Net profit						5,899
Segment assets	101,190	12,078	5,711	82,860	226,706	428,545
Associates	282				3,635	3,917
Unallocated assets						
Total assets	101,472	12,078	5,711	82,860	230,341	432,462
Segment liabilities	216,348	77,554	5,323	30,068	52,110	381,403
Unallocated liabilities						
Total liabilities	216,348	77,554	5,323	30,068	52,110	381,403
Other segment items						
Capital expenditure	11	57	—	4,288	—	4,356
Depreciation	(665)	(109)		(2,948)		(3,722)

						2004
						Euro thousand
	Private Banking	Asset Management	Institutional	Ops & Support	Group	Total
At 31 December 2004						
Gross income	30,403	23,952	19,089	(346)	3,431	76,529
Operating profit	726	6,195	918	(3,829)	(398)	3,612
Share of results of Associates	—	—	—	—	134	134
Profit before tax	726	6,195	918	(3,829)	(264)	3,746
Income tax expense						(145)
Income on sale of subsidiaries						(825)
Result attributable to minority interest						3
Net profit						2,779
Segment assets	75,750	32,429	2,639	26,276	261,699	398,793
Associates	275				2,803	3,078
Unallocated assets						
Total assets	76,025	32,429	2,639	26,276	264,502	401,871
Segment liabilities	198,696	62,388	3,562	13,442	49,078	327,166
Unallocated liabilities						
Total liabilities	198,696	62,388	3,562	13,442	49,078	327,166
Other segment items						
Capital expenditure	203	313	43	576	1,978	3,113
Depreciation	(390)	(139)		(2,351)		(2,880)

Company Financial Statements

Employees

The average number of employees was:

	2005 Individuals	2004 Individuals
Private banking	146	143
Asset Management	58	85
Institutional	63	71
Ops & Support	111	127
Group	12	12
	<hr/> 390	<hr/> 438

Company Balance Sheet

» AS AT 31 DECEMBER » BEFORE RESULT APPROPRIATION

	Notes	2005 Euro thousand	2004 Euro thousand
Assets			
Cash and balances with central banks	2	6,440	9,424
Treasury bills	3	35,896	40,802
Loans and advances to credit institutions	4	142,025	104,612
Loans and advances to customers	5	123,506	103,930
Interest bearing securities	6	11,627	17,276
Shares	6	533	1,102
Investment in subsidiaries and receivable from Group companies	7	109,307	120,858
Goodwill	8	9,849	15,026
Tangible fixed assets	9	2,358	4,652
Other receivables and accrued income	10	5,850	6,373
Prepayments	11	9,742	5,624
Related parties receivables		38,427	17,739
Deferred tax assets	12	12,846	17,662
		508,406	465,080

	Notes	2005 Euro thousand	2004 Euro thousand
Liabilities			
Amounts owed to credit institutions	13	9,653	1,764
Amounts owed to customers			
— time deposits	14	79,353	72,754
— other funds entrusted	14	221,722	185,511
		301,075	258,265
Liabilities to Group companies		98,806	91,827
Related parties payables		39,186	18,687
Other liabilities	15	6,098	9,764
Accruals and deferred income	16	2,590	1,100
Subordinated liabilities	17	—	9,000
		146,680	130,378
Share capital		545	545
Share premium		21,713	21,713
Revaluation reserves		(855)	(781)
Other reserves		23,696	50,417
Result for the year		5,899	2,779
Shareholders' equity		50,998	74,673
		508,406	465,080
Contingent liabilities		9,432	8,124

Company Profit & Loss Account

	2005 Euro thousand	2004 Euro thousand
Share in result of Group companies after taxation	8,919	6,694
Other result after taxation	(3,020)	(3,915)
Net profit	5,899	2,779

Notes to the Company Financial Statements

1. Summary of significant accounting policies

1.1 General

The principal accounting policies applied in the preparation of the Company annual accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The annual accounts have been prepared in accordance with the legal requirements for annual accounts contained in Title 9, Book 2, of the Netherlands Civil Code. The Company applies the provisions in Section 362, paragraph 8, Book 2, of the Netherlands Civil Code, that make it possible to prepare the Company annual accounts in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its consolidated annual accounts. The euro is the functional and presentation currency of the Company.

The accounting policies applied for the Company annual accounts are the same as those for the consolidated annual accounts. Reference is made to the accounting policies as stated in the consolidated annual accounts when no further accounting policies are stated.

1.2 Changes in accounting policies

As from financial year 2005 the Company prepares its consolidated annual accounts in accordance with IFRS. The first time adoption of IFRS has led to changes in the applied accounting policies. These adjustments are applied retrospectively in the comparative information for 2004.

The Company has decided to prepare the Company annual accounts for 2005 in accordance with the accounting policies used in its consolidated annual accounts. This change improves the information provided by the Company annual accounts. In principle, the reported figures for equity and net income in the consolidated annual accounts are equal to the concerned figures reported in the Company annual accounts, which is generally accepted in the Netherlands.

As compared to the annual accounts 2004, this has led to:

- a change in equity as per 1 January 2004 and 31 December 2004;
- a change in net income for 2004.

The impact of the changes in accounting policies on equity and net income is equal to the information provided in note 5 Transition to IFRS.

Notes to the Company Financial Statements

	2005	2004
	Euro thousand	Euro thousand
1.3 Investments in subsidiaries		
Subsidiaries are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the consolidated annual accounts. In determining the net asset value the transitional provisions for recognition and measurement and the accounting policies for first time adoption of IFRS in the consolidated annual accounts have been applied.		
2. Cash and balances with central banks		
Cash in hand	17	39
Balances with central banks	6,423	9,385
	<u>6,440</u>	<u>9,424</u>
3. Treasury bills		
Reference is made to note 17 of the consolidated financial statements.		
4. Loans and advances to credit institutions		
Receivable in relation to settlements of securities transactions	13,785	4,689
Placements with other banks	128,240	99,923
	<u>142,025</u>	<u>104,612</u>

	2005	2004
	Euro thousand	Euro thousand
5. Loans and advances to customers		
Receivable in relation to settlements of securities transactions	25,472	8,065
Advances against securities	53,057	39,982
Mortgages	25,226	14,959
Other loans	21,533	42,515
	<u>125,288</u>	<u>105,521</u>
Less: impairment losses on loans and advances	(1,782)	(1,591)
	<u>123,506</u>	<u>103,930</u>
Included in the other loans are loans of EUR 5,098,000 (2004: EUR 21,253,000) to participants in the Group's Employee Share Ownership Plan Trust.		

Notes to the Company Financial Statements

	2005 Euro thousand			2004 Euro thousand				
	Listed	Unlisted	Total	Listed	Unlisted	Total		
6. Transferable securities								
Transferable securities, which are included in the following balance sheet categories, may be analysed between listed and unlisted securities, and investment and trading portfolios as follows:								
Treasury bills	35,896		35,896	40,802		40,802		
Interest bearing securities	7,127	4,500	11,627	17,276		17,276		
Shares	120	413	533		1,102	1,102		
Total	43,143	4,913	48,056	58,078	1,102	59,180		
	Held-to-maturity	Available for sale	Trading	Total	Held-to-maturity	Available for sale	Trading	Total
Treasury bills	35,896			35,896	40,802			40,802
Interest bearing securities	7,127	4,500		11,627	17,276			17,276
Shares	92	403	38	533	95	1,007		1,102
Total	43,115	4,903	38	48,056	58,173	1,007	—	59,180
On the debt securities EUR 1,052,135 (2004: EUR 1,049,232) of the available for sale portfolio has been pledged as security for execution of payments and security settlement.								
The movement in transferable securities may be summarised as follows:								
Balance as at 1 January		1,007	58,173					59,180
Additions		4,500	81,355					85,855
Sold during the year		(612)	—					(612)
Redemptions		—	(96,636)					(96,636)
Changes in valuations		8	223					231
Foreign exchange difference		—	—					—
Balance as at 31 December		4,903	43,115					48,018

Notes to the Company Financial Statements

	2005 Euro thousand	2004 Euro thousand
7. Investments in subsidiaries and receivable from Group companies		
Net asset value of Group companies	60,106	67,853
Amounts receivable from participating interests	49,201	53,005
	109,307	120,858
The changes in the net asset value of Group companies are as follows:		
Balance as at 1 January	67,853	51,894
Share in net profit of participating interests	8,919	6,694
Acquired during the year	(97)	—
Sale of subsidiary in Jersey	(2,388)	—
Currency translation adjustment	252	(30)
Dividends received	(14,352)	—
Other movements*1	(81)	9,295
Balance as at 31 December	60,106	67,853
8. Goodwill		
The movement during the year is as follows:		
Balance as at 1 January	15,026	15,026
Sale of subsidiary in Jersey	(5,177)	—
Balance as at 31 December	9,849	15,026

1) In 2004 this relates to valuation adjustments and the establishment of Bank Insinger de Beaufort Italy branch

	2005 Euro thousand
9. Tangible fixed assets	
Cost	14,450
Accumulated depreciation	(12,092)
Net book value	2,358
Net book value	
At 1 January 2005	4,652
Additions	154
Transfer	—
Disposals	(123)
Impairment	(416)
Depreciation	(1,909)
Foreign exchange translation adjustments and other	—
At 31 December 2005	2,358

The fair value of the fixed assets is estimated to be in excess of the carrying amounts.

Assets are depreciated using the straight-line method:
Leasehold improvements: 10 years
Computing equipment: 3-5 years
Other: 4-5 years

Notes to the Company Financial Statements

	2005	2004
	Euro thousand	Euro thousand
10. Other receivables and accrued income		
Trade debtors	732	1,039
Staff advances	89	72
Accrued income	5,069	5,363
	<u>5,890</u>	<u>6,474</u>
Less: impairment charges	(40)	(101)
	<u>5,850</u>	<u>6,373</u>

11. Prepayments

Included in this amount is accrued interest on the interest bearing securities. The ultimate shareholder of the Group, Insinger de Beaufort Holdings S.A., has granted options to staff within the Group. The option premiums are recharged to its subsidiaries depending on the category of options granted. The capitalised amounts are amortised over the exercise period of the options varying from three to six years. Total capitalised expense as of 31 December 2005 amounts to EUR 1,419,000 (2004: EUR 1,868,000).

12. Deferred tax assets

The movement in the deferred tax assets is as follows:

At 1 January	17,662	15,920
Revenue for the year	244	1,963
Transfer deferred tax asset balances from Group companies	(5,264)	—
Reclassify from/ (to) current tax	204	(221)
	<u>12,846</u>	<u>17,662</u>

The deferred tax assets for the Company relates to accrued tax on losses carried forward. The fiscal loss can be carried forward indefinitely.

	2005	2004
	Euro thousand	Euro thousand
13. Amounts owed to credit institutions		
Payable in relation to settlements of securities transactions	3,960	—
Other loans	5,693	1,764
	<u>9,653</u>	<u>1,764</u>
14. Amounts owed to customers		
Payable in relation to settlements of securities transactions	12,306	4,308
Current accounts	209,416	181,203
Time deposits	79,353	72,754
	<u>301,075</u>	<u>258,265</u>
15. Other liabilities		
Trade creditors	2,263	654
Salaries payable	77	357
Payroll taxes payable	793	725
VAT payable	185	137
Other accrued expenses	2,780	7,891
	<u>6,098</u>	<u>9,764</u>

16. Accruals and deferred income

This includes accrued interest and deferred income.

17. Subordinated liabilities

This item relates to a loan from Insinger de Beaufort Holding B.V. with the amount of EUR 9,000,000. As at 28 December 2005 the loan has been repaid in full.

In the financial year EUR 276,208 (2004: EUR 279,584) in interest has been paid on this loan.

Post Balance Sheet Date Events

	2005 Euro thousand	2004 Euro thousand
18. Leasehold commitments		
Minimum lease payments under operating leases recognised in income for the year	2,642	2,892
Group commitments due under non-cancellable operating leases may be summarised as follows over the periods in which amounts fall due:		
Amounts payable:		
within one year	2,556	2,321
more than one year and less than five years	8,317	12,205
more than five years	2,734	9
	<u>13,607</u>	<u>14,535</u>
Operating leases represent mainly rentals payable by the Group for certain of its office properties. The leases have varying terms, escalation clauses and renewal rights.		
At the balance sheet date the future sublease payments to be received under non-cancellable subleases at the balance sheet date may be summarised as follows:		
Amounts receivable:		
within one year	406	—
more than one year and less than five years	1,548	—
more than five years	553	—
	<u>2,507</u>	<u>—</u>
The subleases relate to the office in Amsterdam and the office in Eindhoven. The sublease contracts started in 2005.		

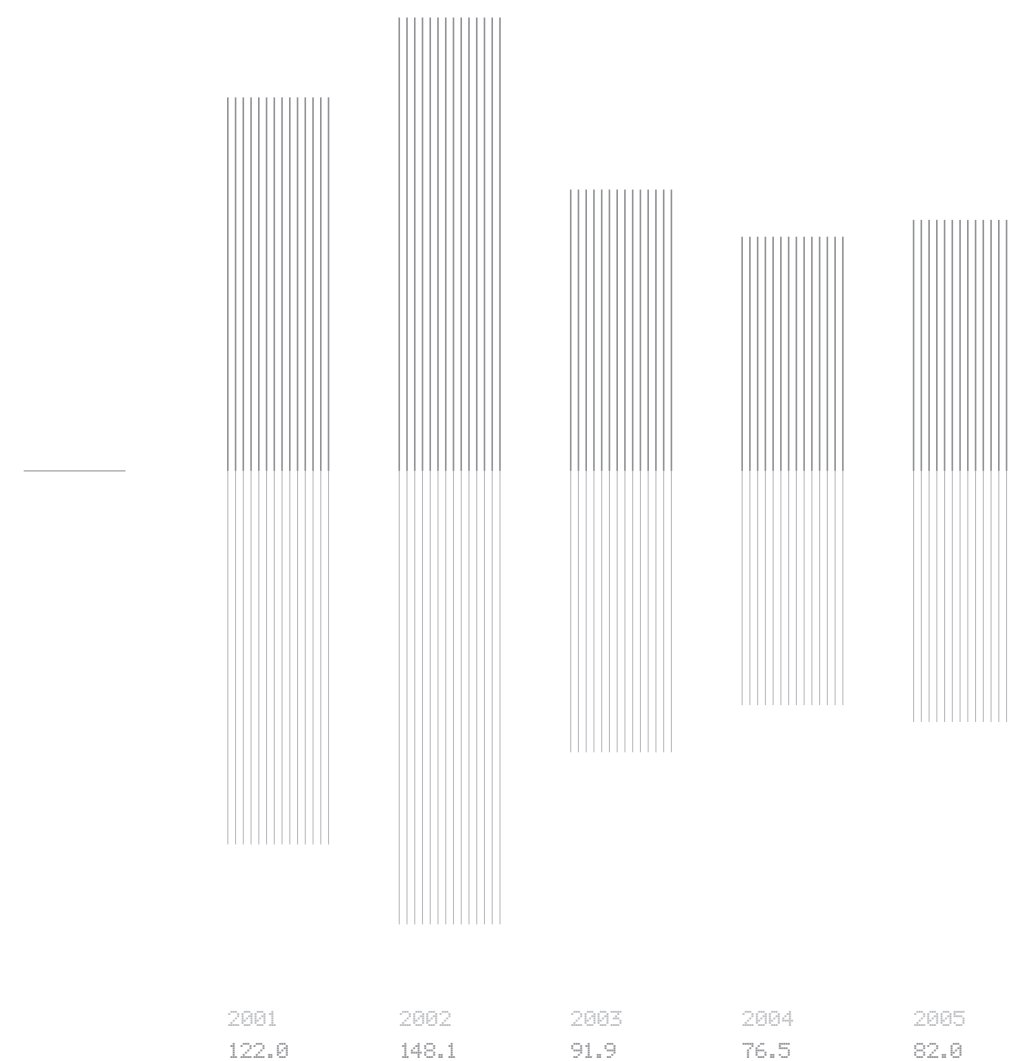
	2005 Euro thousand
Acquisition of Monument Securities Ltd	
On 21 October 2005 Insinger de Beaufort entered into a conditional contract with Monument Securities Ltd; conditional inter alia on regulatory approval by the Dutch Central Bank and the Financial Services Authority (FSA). Formal approval was received from the FSA on 28 November 2005 and the Dutch Central Bank on 28 December 2005. The transaction was fully completed on 4 January 2006.	
Consideration totalled £16.45 million of which an element was payable immediately in cash, £3 million conditional upon future performance and payable on anniversary of year 1, 2 and 3 and the third part of consideration payable in year 3, based on future performance.	
A post-acquisition dividend was declared and paid by Monument Securities on 26 January 2006 of £8.5 million paid by £6.5 million cash and £2.0 million intercompany account between Insinger de Beaufort (UK) Limited and Monument Securities Ltd.	
Monument Securities Ltd specialises in equity and derivative products and complements the existing UK operations of Insinger de Beaufort. Monument Securities will be a wholly owned subsidiary of Insinger de Beaufort (UK) Limited.	
The following financials are extracted from the Annual Report 2005 of Monument Securities Ltd:	
Gross income	7,898
Net result	570
Total assets	19,178
Net asset value	17,470
Sale of investment in UTB Partners Limited and repayment of subordinated loan	
On 27 February 2006 the Company signed an agreement on the early redemption of the subordinated loan by UTB Partners Limited in the amount of GBP 2,500,000. On 15 March 2006 the Company received formal notice of repayment on 24 March 2006.	
On 27 February 2006 the Company signed an agreement on the sale of the 25% shareholding in UTB Partners Limited for a consideration of GBP 2,500,000 with an ultimate day of completion of 26 April 2006.	

Five-year Summary

Gross Income

	IFRS 2005 Euro	IFRS 2004 Euro	Dutch GAAP 2003 Euro	Dutch GAAP 2002 Euro	Dutch GAAP 2001 Euro
Results					
Gross income (million)	82.0	76.5	91.9	148.1	122.0
Operating profit/(loss) (million)					
— before amortisation of goodwill	4.2	3.6	4.6	0.2	4.4
— after amortisation of goodwill	4.2	3.6	(17.8)	(15.1)	(6.2)
Net profit/(loss) (million)					
— before amortisation of goodwill	5.9	2.8	98.7	3.1	5.0
— after amortisation of goodwill	5.9	2.8	76.3	(12.2)	(5.6)
Balance sheet					
Total assets (million)	432.5	401.9	566.9	627.6	634.9
Shareholders' equity (million)	51.1	74.8	70.6	109.1	116.1
Other					
Assets under management (excluding fiduciary assets) (billion)	5.3	4.9	4.4	4.6	5.2
Number of staff employed at year end	340	436	434	1,078	1,203

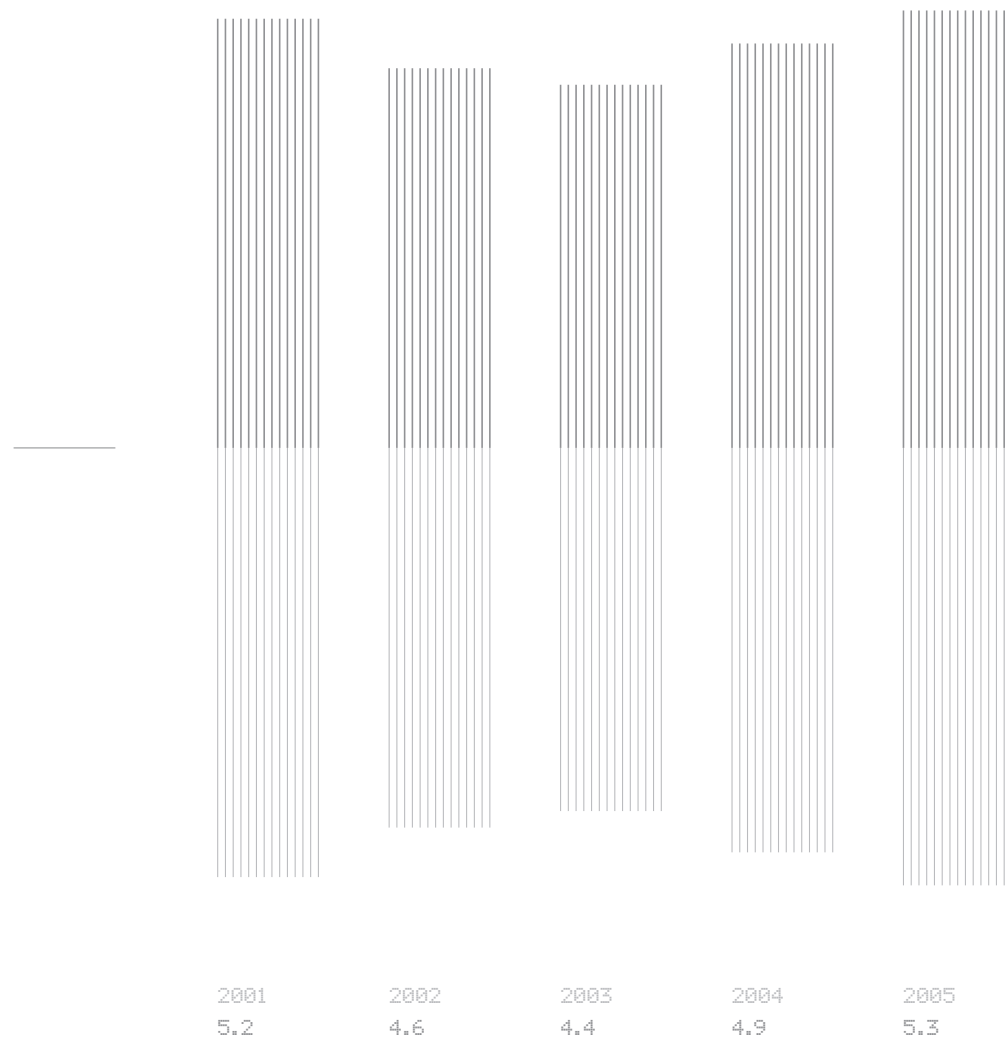
Scale/ 150
Euro million



Assets Under Management

» EXCLUDING FIDUCIARY ASSETS

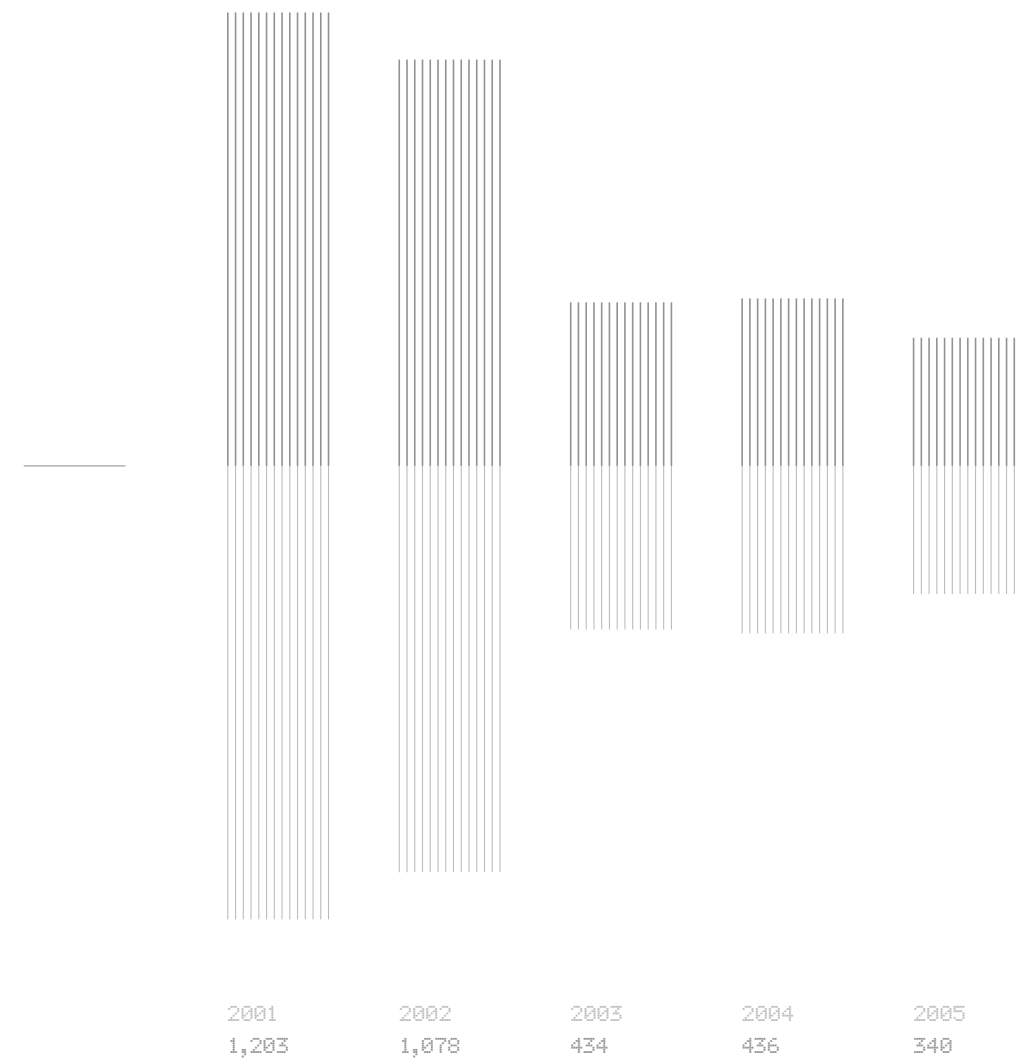
Scale/ 6.0
Euro billion



Number of Staff Employed

» AT YEAR END

Scale/ 1250
Individuals



Other Information

List of significant investments

Name	Registered office	Issued equity held %
Bank Insinger de Beaufort Safe Custody N.V.	Amsterdam, the Netherlands	100%*1
Insinger de Beaufort	London, United Kingdom	100%
Insinger Asset Management AG	Zug, Switzerland	50%
Insinger de Beaufort Asset Management N.V.	Amsterdam, the Netherlands	100%
Insinger de Beaufort (Luxembourg) S.A.	Luxembourg, Grand-Duchy of Luxembourg	100%
Insinger de Beaufort (UK) Limited	London, United Kingdom	100%
Reitsma & Wertheim & Partners B.V.	Amsterdam, the Netherlands	100%
Insinger Trust (Genève) S.A.	Geneva, Switzerland	100%
Insinger de Beaufort Investments (S.A.) (Proprietary) Limited	Claremont, South Africa	100%
Insinger de Beaufort Associates B.V.	Eindhoven, Netherlands	100%
Associates		
UTB Partners Limited	London, United Kingdom	25%

1) depository receipts of shares

Statement of the CEO and CFO

The directors are responsible for the preparation and reviewing the reliability of the financial statements, the underlying accounting policies and the integrity of all information included in this report. The independent auditor is required to confirm that the financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and that the Company financial statements are prepared in accordance with Dutch Civil Law, Book 2, Title 9, Section 14 that make it possible to prepare the Company annual accounts in accordance with the accounting policies used in its consolidated annual accounts and in accordance with the recommendations of De Nederlandsche Bank N.V.

The controls throughout the Group concentrate on focused critical risk areas. These areas are identified by operational management, confirmed by Group management, monitored by directors and reviewed annually by the external auditors. The directors report that the Group's internal controls are designed to:

- provide reasonable assurance as to the integrity and reliability of the financial statements
- adequately safeguard, verify and maintain accountability of assets
- prevent and detect fraudulent financial reporting.

Such controls are based on established policies, and procedures are reinforced by appropriate risk management forums and processes. Internal controls are developed to ensure that their cost does not exceed their benefit. The controls are implemented by suitably qualified personnel with appropriate segregation of duties and are monitored throughout the Group. Processes are in place to monitor the effectiveness of internal controls to identify material breakdowns and to ensure that corrective action is taken. The directors are not aware of indications that the internal risk and control systems are not adequate or not effective.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Company will not continue as a going concern until the next reporting date. The financial statements have been prepared by the Board of Managing Directors. The financial statements, which appear on pages 147 to 205, were signed by the directors and the Supervisory Board on 15 March 2006,



Ian Kantor
Chief Executive Officer



Rob Mooij
Chief Financial Officer

Auditors' Report

» TO THE BOARD OF MANAGEMENT, SUPERVISORY BOARD AND SHAREHOLDER OF BANK INSINGER DE BEAUFORT NV

Introduction

In accordance with your assignment we have audited the financial statements of Bank Insinger de Beaufort N.V., Amsterdam, for the year 2005. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable. Furthermore, we have to the extent of our competence, established that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles as generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, we have to the extent of our competence, established that the annual report is consistent with the company financial statements.



Amsterdam, 15 March 2006
PricewaterhouseCoopers Accountants N.V.
R.E.H.M. van Adrichem RA

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Nederlands

Ruimte houden voor inzicht

Bij Insinger de Beaufort zijn we ons ervan bewust dat we in een onzekere wereld werken. Die onzekerheid hebben we nodig. We koesteren haar, omdat ons werk het omgaan met risico's is. Onze successen danken we aan het toepassen van onze kennis en het toetsen van onze aannames in de echte wereld.

En onzekerheid is alles wat er is. Je hoeft niet bij een zenmeester in de leer te gaan om te beseffen dat waarheid altijd relatief is.

Voor dit jaarverslag zijn we bij de IJslandse visserij gaan kijken. We hebben tijd doorgebracht met de mannen en vrouwen die het onderzoek doen dat de kennis van die sector vermeerdert. Hun werk en de nieuwste technologieën maken het werk van de vissers eenvoudiger. Maar er zijn nog steeds geen garanties. Risico hoort erbij voor wie voor zijn levensonderhoud afhankelijk is van de zee.

Voor financiële markten is het niet anders.

De analisten zijn er: ze verzamelen cijfers, spotten winnaars en voorspellen performances. Hun financiële gegevens leggen waarheden bloot die we onder ogen moeten zien. Maar tegelijkertijd kan wat werkelijk belangrijk is onder de massa gegevens verborgen blijven. Het is fout om alleen op die gegevens vertrouwen.

Je moet diep graven voor een beter inzicht.



IAN KANTOR
CHIEF EXECUTIVE OFFICER
5 APRIL 2006

Het Klimaat

Het einde van de deflatie

Enige jaren lang is het besef dat we in een deflatoire omgeving werken een vast gegeven geweest voor onze beleggingsstrategie. Onze zienswijze is nu veranderd. Wij zijn ervan overtuigd dat dit tijdperk ten einde is en verwachten de terugkeer van de inflatiedruk.

De factoren die tot deflatie leidden zijn minder belangrijk geworden. Deregulering en markt-liberalisering hebben al markten geopend. Wat er in de toekomst nog aan efficiency is te winnen door automatisering zal eerder gradueel dan principieel zijn. De industrie heeft zijn arbeidskosten al teruggebracht door productie uit te besteden. De ontwikkelde economieën in het Westen hebben daardoor weinig extra armsgslag voor snelle productiviteitswinst.

Tijdens de periode van deflatie hebben we nooit soortgelijke prijsreducties in de dienstensector gezien. Geen kapper werd goedkoper. Wel zagen we een snelle groei in de waarde van diensten. Onze maatschappij heeft tijd tekort, en daarom verlangen we meer service en meer keus. Een kop koffie is niet meer genoeg. We kiezen specifieke variëteiten van onze favoriete leveranciers – espresso, zwart, ristretto, cappuccino, latte machiato of café américain – en we zijn bereid daarvoor te betalen.

Er is een onverzadigbare behoefte aan beter onderwijs, meer veiligheid en uitgebreidere gezondheidszorg. Maar er zijn minder mensen beschikbaar om deze diensten te verlenen. Hun belangrijkste klanten zijn babyboomers en ouderen: deze zijn rijker, talrijker en vitaler dan ooit. Volgens de wet van vraag en aanbod is een stijging van de kosten voor diensten onvermijdelijk.

Grondstofprijzen en ontwikkelende economieën

In de ontwikkelingslanden breekt de groei records. Hele bevolkingsgroepen tegelijk maken kennis met economische vrijheid. Zij eisen hun deel op van de natuurlijke hulpbronnen. Dat drijft de grondstofprijzen op. Wij menen dat de verhoging van de grondstofprijzen veel meer te maken heeft met China, India en de opkomende markten dan met de grondstoffen zelf.

Bedrijven kopen die leverage krijgen door hogere grondstoffenprijzen blijft riskant. Wij prefereren veiligere beleggingen. Logischerwijs kijken we dan naar bedrijven die profiteren van economische groei in China, India en de opkomende markten, los van de grondstofprijsniveaus. ABB, een wereldwijd marktleider die actief is in de opkomende markten, is zo'n bedrijf. Japan heeft geprofiteerd van de opkomst van de Aziatische economieën. Na een pijnlijk, vijftien jaar durend proces van terugkeer na de excessen van de jaren '80 zijn de balansen en de privé-inkomens weer op veel normalere niveaus; zo ook de prijzen van financiële instrumenten. Er zijn nog problemen, vooral bij banken en andere spaarinstellingen, maar het land heeft het ergste achter de rug en blijft een gewilde leverancier en financier, vooral in het Verre Oosten.

Grenzen aan de groei

Productiviteit is een wereldzaak geworden. Voor veel activiteiten is dankzij internet de locatie irrelevant. Technologieën en productie-technieken worden snel geëxporteerd.

De snelle economische groei die we in China en India zien, is niet het gevolg van arme mensen die harder werken of beter geschoold worden, maar veeleer van de snelheid waarmee de plattelandsbevolking door de urbanisatie is gaan deelnemen aan de wereldeconomie.

Japan, Europa en de VS hebben daarentegen dalende geboortecijfers en vergrijzende bevolkingen. Zij mogen voor verdere groei niet rekenen op een hogere productiviteit. Er rest slechts één oplossing: immigratie op grote schaal. De rellen van het afgelopen jaar in Parijs en de spanningen rond migranten die we overal in Europa en de VS hebben gezien, zijn het bewijs dat dit probleem de komende tijd wereldwijd boven aan de agenda zal staan.

Het risico van risico's mijden

Het vermogen van Europa om hogere energiekosten op te vangen onderstreepte de fundamentele veranderingen in haar economieën. Velen verwachtten traumatische effecten van de stijging van de olieprijs. Wij hebben die nog niet gezien.

Dit toont aan dat op diensten steunende economieën volgens een andere economische dynamiek functioneren. De dienstensector heeft niet dezelfde kapitaalbehoeften als de industrie. Daardoor is zij flexibeler en ontvanke-lijker voor veranderende economische omstandigheden. Dit is goed voor een stabiel economisch klimaat.

Met de grotere fundamentele stabiliteit zijn de Westerse economieën banger geworden voor risico's. Doordat we minder gewend zijn geraakt aan schokken, kunnen we minder goed omgaan met onzekerheid.

De maatschappij vraagt om meer bescherming door toezichhoudende instellingen. Zorg om het milieu brengt nieuwe belastingen en regelgeving in het systeem. Het risico bestaat dat excessieve regulering en de angst voor juridische procedures remmend werken op het handelen, de ondernemerszin ondermijnen en de economische groei beperken.

De werkelijke risico's blijven vaak ongewijzigd, maar onze bereidheid om persoonlijk en als samenleving deze risico's te accepteren is verminderd. In financiële termen maakt dit ons kwetsbaar voor de kosten van gemiste kansen, die het gevolg zijn van deze weerstand. Door allemaal samen risico's te mijden, kunnen beleggers ironisch genoeg juist risicovoller handelen.

Groeiende stabiliteit en vermeende lagere risiconiveaus

De grotere economische stabiliteit die mogelijk werd door de overgang van kapitaalintensieve-naar diensteneconomieën heeft een navenante stabiliteit op de financiële markten veroorzaakt. Deze is in de hand gewerkt door grotere transparantie in het financiële systeem, vooral bij de centrale banken. Deze grotere stabiliteit heeft geleid tot een perceptie van lagere risiconiveaus, die een grotere leverage in het financiële systeem in de hand heeft gewerkt.

Banken hebben met hevige concurrentie te kampen. Zij verdienen minder aan hun cliënten en handelen actiever voor eigen rekening, vooral op de derivatenmarkten, accepteren hogere schulden en geven makkelijker krediet. Hedge- en private equity-fondsen trekken vele malen hun eigen geïnvesteerde kapitaal aan van de banksector.

Zoals gewoonlijk profiteren de financiële markten van de lagere risiconiveaus door meer krediet te verstrekken. Deze activiteiten zullen de leverage verhogen en uiteindelijk de risiconiveaus zodanig verhogen dat deze de onontkoombare schokken in gang zullen zetten.

Centrale banken weten dit heel goed. Zij begrijpen dat hogere renten kunnen leiden tot een liquiditeitscrisis en zullen vrijwel alles in het werk stellen om dat te vermijden. Voor de korte termijn mogen we daarom verwachten dat een eventuele interventie altijd zorgvuldig overwogen zal worden. Rentestijgingen zullen dan ook gradueel en beperkt zijn.

Kortom: er spelen grote problemen, maar het systeem is in evenwicht. Er zullen ongetwijfeld onvoorziene schokken komen, maar de mondiale economie heeft bewezen zich te kunnen aanpassen. Voor de komende tijd voorzien we relatief stabiele economische voorwaarden, met weinig spectaculaire groeiselheden en een bescheiden inflatie. Op langere termijn spelen de problemen die we hierboven bespraken naar onze mening sterker, en zullen grotere spanningen in het financiële systeem aan de dag treden.

Beleggings– achtergronden

Kader

Fondsbeheerders reageren op veranderende omstandigheden. De Groep profiteert van een consistent beleggingsbeleid en consistente processen. Het is zinvol de rol van beide uit te werken.

De leden van het beleggingscomité hebben een lang track-record. Het beleid van de Groep wordt vervolgens in een gedisciplineerd proces vastgelegd. Hiermee bieden we een coherent kader dat onze fondsbeheerders een duidelijke richting én vrijheid van handelen op basis van informatie geeft.

Beleggingsdisciplines

Wij geloven niet in een enkele, gouden formule voor succesvol beleggen. We proberen in te schatten wat er van belang is door de toekomst vanuit uiteenlopende perspectieven te benaderen. We toetsen onze aannames streng en proberen ons te blijven baseren op de weinige dingen die we als zeker mogen beschouwen.

Onze benadering is eenvoudig en verandert over de jaren weinig. Ons beleggingsbeleid is gebaseerd op vier kerndisciplines.

De macro-visie

Onze eerste kerndiscipline is het formuleren van een visie met betrekking tot de economische omstandigheden.

We hebben geen invloed op wat er in de wereld gebeurt. Wel kunnen we ons in een positie brengen om te profiteren van positieve omstandigheden en de schade beperken wanneer het moeilijk gaat. Het vertalen van die macro-economische visie in het selecteren van beleggingen is de belangrijkste factor voor de performance van onze portefeuilles.

Risicobeheer

Er wordt wel gezegd dat, aangezien risico en beloning met elkaar verbonden zijn, de enige manier om tot een beter rendement te komen het nemen van grotere risico's is. Wij zien dat niet zo.

Wij geloven in het leveren van betere rendementen aan onze cliënten, maar bereiken dat door het risico van hun beleggingen te verkleinen. Dat kunnen we doen door onze kennis te vergroten. We kijken niet alleen naar het risico. We stellen alles in het werk om het ook te begrijpen. In detail.

Risicobeheer is onze tweede kerndiscipline.

Beleggen voor rendement

Onze derde kerndiscipline is beleggen voor rendement.

We kopen niet om snel met winst te verkopen. We beschouwen vermogen als een bron, die net als andere bronnen een rendement hoort te geven. We proberen dit rendement te optimaliseren door een zorgvuldige aandelenselectie.

Wanneer we een bedrijf beoordelen, stellen we eenvoudige vragen. Betaalt dit bedrijf een redelijk dividend? Werkt het in een levensvatbare sector? Kan het zijn dividend redelijkerwijs handhaven? En we beoordelen het management. Zijn het verstandige mensen? Zijn ze integer? Kijken ze verder dan hun neus lang is?

We informeren onszelf met kwantitatieve gegevens, maar we nemen onze beleggingsbeslissingen op basis van gedetailleerde, kwalitatieve analyses.

Selectie van externe fondsbeheerders

We kunnen geen diepgaande kennis van alle financiële sectoren hebben. Geen enkele organisatie of persoon heeft die. Maar we willen onze cliënten wel een uitzonderlijke, wereldwijd georiënteerde dienstverlening bieden. Dat kunnen we door met zorgvuldig geselecteerde partners te werken.

Daarom is onze vierde kerndiscipline: het vinden van de beste fondsbeheerders ter wereld.

Voor elk mandaat zijn er enkele beheerders die het consequent beter doen dan de rest. Wij hebben de taak opgevat deze mensen te leren kennen. We gebruiken door onszelf ontwikkelde geavanceerde kwantitatieve technieken, die niet alleen de performance meten, maar ook de naar het risico gecorrigeerde performance. Intensieve due diligence biedt inzicht in hun filosofie, consistentie, discipline, besluitvorming en de kwaliteit van hun controle en hun risicobeheer. Tenslotte analyseren we de kwaliteit van de seniors diepgaand en gestructureerd, waarbij we speciaal kijken naar karakter en intelligentie, maar ook naar aspecten als bescheidenheid, motivatie, vasthoudendheid, snelheid en flexibiliteit.

Door ze jaren te volgen leren we deze mensen goed kennen. En karakter is altijd wat de besten onderscheidt. Gaat er genoeg tijd voorbij, dan leggen de markten zwaktes genadeloos bloot en zijn het degenen met integriteit, die zich niet door de mode laten meeslepen, die duurzaam succes kunnen bieden.

Een Relevante Benadering

Waarde

We zijn bij Insinger de Beaufort niet anders om het anders zijn. We willen relevant zijn. We denken dat we het effectiefst kunnen zijn als we een onderscheidende bijdrage leveren. Daarom proberen we diensten te verlenen die niet alleen beter zijn, maar ook uniek. Zo kunnen we met de hele organisatie daadwerkelijk waarde toevoegen voor onze cliënten, onze medewerkers, onze aandeelhouders en alle andere belanghebbenden.

Financiële markten zijn zeer efficiënt. Wanneer de markt een bepaalde vermogenscategorie ontdekt, wordt de prijs onmiddellijk aangepast aan de overwaarde die deze categorie mogelijk had. Gebeurt dat, dan verdwijnt de aantrekkelijkheid die de nieuwe beleggers naar de sector bracht. Uiteindelijk wordt de waarde in de sector een gegeven en kunnen alleen de deelnemers die door pure koopkracht economies of scale kunnen bewerkstelligen er nog aan verdienen.

Zo ontstaat een tirannie - de tirannie van de winnaars. Wie vroeg op een markt komt zal zijn successen niet willen delen. Ze weten dat hun winsten verdwijnen zodra ze dat doen.

Daarom zoeken wij naar relevantie.

We willen op financiële markten altijd de waarde vaststellen. Deze kan vluchtig zijn. Het is daarom essentieel om wegen in te slaan die niemand anders inslaat, maar flexibel te blijven en van perspectief te wisselen wanneer dat nodig is.

Zo anticepeerden wij al vroeg op de waarde in de small en ultra-small caps-markten. We zagen dat er te weinig research naar deze markten was gedaan.

Investeren in zulke bedrijven zou als riskant kunnen worden beschouwd. Er zijn minder vergelijkende gegevens beschikbaar en de betreffende soorten kapitaal zijn doorgaans minder liquide. Maar we kiezen voor een fundamentele benadering. We hoeven niet alleen af te gaan op kwantitatieve gegevens, omdat we elke afzonderlijke investering diepgaand bestuderen. Met onze kwalitatieve analyse willen we de langetermijn-performance van een individuele belegging begrijpen. Zo kunnen we onafhankelijke, goed gefundeerde beslissingen nemen.

We zien nu een algemene verschuiving naar dit gebied, weg van de hoofdmarkten. Beleggers in aandelen die van groei houden, hebben de small-caps en ultra-small-caps ontdekt. Deze overschakeling heeft de risicopremie voor deze kleinere, snel groeiende bedrijven scherp verminderd. Maar de grote indices hebben intussen zeer hoge aandelenrisicopremies. Dat gebied mag dan nu niet in de mode zijn, maar het biedt wel waarde.

Langetermijnwaarde toevoegen

Er zijn massa's economen die de performance van bedrijven op de korte termijn beoordelen. Negen van de tien keer gebruiken zij kwartaalresultaten en andere marktgevoelige gegevens om de resultaten van volgend jaar te voorspellen. Wat ons betreft benadrukken veel analisten ten onrechte de huidige economische omstandigheden, terwijl ze het belang van fundamentele analyse voor de lange termijn bagatelliseren.

Als het aankomt op langetermijn-performance worden andere, moeilijker in getallen uit te drukken, aspecten belangrijk. Wij proberen te zoeken naar beleggingen die langetermijnwaarde hebben. Dat betekent vaak dat we andere wegen inslaan dan de analisten.

Op de obligatiemarkten zijn de meeste standaard-indicatoren al tientallen jaren even positief. De volatiliteit is historisch laag. De kredietspreads op obligatie-emissies in opkomende markten – bedragen minder dan 2% – wat ook vrijwel nooit eerder voorkwam. Toch hebben veel toonaangevende aandelen een dividendrendement van 4% of meer. Risicomijdende beleggers lijken geen aandelen te willen, en obligaties te kopen.

De aandelenmarkt betaalt een premie voor langetermijnrisico's. Markten beschouwen de lange termijn als inherent riskanter, maar er is veel meer risico, veel meer "ruis" op de kortere termijn. Wij menen dat hier kansen liggen voor voorzichtige denkende beleggers.

Door ons te richten op delen van de markt en risico-beloningrelaties die niet algemeen begrepen worden, kunnen we waarde toevoegen voor onze cliënten.

Performance

Insinger de Beaufort is een onafhankelijk financiële instelling die het eigendom is van haar medewerkers en door hen wordt geleid en gecontroleerd. Wij bieden onze particuliere en onze institutionele cliënten innovatieve oplossingen en duurzame rendementen op hun beleggingen. Bovendien geven wij hun gedegen, concrete adviezen.

Samenhang ontwikkelen

Wij werken hard aan het bouwen van een sterke cultuur. Dit brengt coherentie in onze individuele activiteiten. We zien de waarde van die coherentie in wat de verschillende gebieden gemeen hebben.

Als meer mensen lange tijd samenwerken, gaan dingen meer als vanzelf en worden beslissingen soepeler genomen. We weten steeds beter van elkaar wie waar goed in is, en hoe we snel het beste advies kunnen krijgen van de meest gekwalificeerde persoon binnen de organisatie.

Een van de belangrijkste beslissingen in het afgelopen jaar was het uitbesteden van onze back-officefunctie. Dit heeft intern belangrijke capaciteit vrijgemaakt. Onze mensen kunnen zich concentreren op waar ze het beste in zijn en met specifieke activiteiten waarde creëren. Het is ook de stabiliteit van de bedrijfsvoering ten goede gekomen. We zijn minder afhankelijk van de deal flow, waardoor we onze cliënten effectievere service kunnen verlenen.

Business-units

Het succes dat Asset Management dit jaar kende, is een direct gevolg van de inzet van de leden van het team, en van het feit dat het team zich aan onze kerndisciplines hield. Het deed het goed in zijn gespecialiseerde onderdelen. Het vermogen om de best presterende externe managers te vinden blijft beter worden. Het team volgde een aantal bijzondere beleggingsmogelijkheden, zoals niet-onderzochte Europese aandelen, die goede waarde genereerden voor onze cliënten.

Private Banking blijft zich goed ontwikkelen. Door in de cliëntrelaties de Insinger de Beaufort kwaliteiten te benadrukken heeft de unit zich kunnen concentreren op extreem hoge serviceniveaus. Deze benaderingswijze maakte de activiteiten winstgevend en coherent.

Onafhankelijk denken

Onze cliënten waarderen onze onafhankelijkheid en onze goede en gemotiveerde mensen. We winnen veel door open met hen te zijn en goed te luisteren naar wat ze zeggen.

Veel van het werk dat we doen is uniek en vloeit voort uit specifieke inzichten en visies. We koesteren de hechte relaties met onze cliënten door altijd waarde en innovatie te bieden. Zo maken we ons bedrijf nog duurzamer.

Cliënten vertrouwen ons hun vermogen toe. Wij nemen onze verantwoordelijkheid zeer serieus. We zien toe op het correcte beheer van dit vermogen. We streven in alle communicatie met onze cliënten transparantie na om ons ervan te verzekeren dat we hun prioriteiten zo duidelijk mogelijk voor ogen hebben.

Insinger de Beaufort is in essentie niet meer dan een groep mensen met vaardigheden die bij elkaar passen, die samen kennis delen en problemen oplossen. Deelname aan dit proces is weggelegd voor mensen die doordachte meningen kunnen vormen, deze kunnen uitdragen en onaangename waarheden kunnen accepteren. De mensen van Insinger de Beaufort zijn intelligent en goed in hun vak. Hun karaktersterkte draagt ons bedrijf.

De bank blijft alert op kansen. Wij verwierven recentelijk Monument, een effectenhuis in het Verenigd Koninkrijk. Door de specifieke expertise van Monument in derivatenmarkten past dit huis uitstekend bij de Londense activiteiten van Insinger de Beaufort, en we zien er dan ook naar uit deze activiteit door de acquisitie te versterken.

Er is een voelbare en voortgaande verbetering in de communicatie tussen de verschillende business units. Dit blijkt uit de manier waarop kennis, informatie en vaardigheden worden uitgewisseld. We zijn duidelijk over onze waarden en hoe deze kunnen worden geconcretiseerd ten bate van de hele Groep.

Duurzaamheid

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Normen stellen

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Q-Ray

Q-Ray is een door Insinger de Beaufort ontwikkeld statistisch programma. Het wordt gebruikt voor het selecteren van bedrijven met de beste performance en voor het zoeken en selecteren van fondsbeheerders.

Q-Ray gebruikt kwantitatieve methoden voor het beoordelen van de, voor het risico gecorrigeerde, performance van een bepaald bedrijf in vergelijking met die van soortgelijke bedrijven. Een onderliggend model evalueert de verwachte performance op basis van wegingen – gebaseerd op historische econometrische regressies – voor macro-economische, micro-economische en bedrijfsspecifieke variabelen.

Voor ieder geanalyseerd bedrijf berekent het model een score. Hoge scores wijzen op een significante toekomstige koersbeweging. Dit leidt tot verder onderzoek op basis van kwalitatieve methoden.

Savile Row®

Hypotheken

In maart 2006 heeft Insinger de Beaufort zich op de markt voor particuliere hypotheken begeven. Het product is gericht op onze bestaande cliënten en is ontwikkeld met zorgvuldig geselecteerde partners met wie wij reeds relaties hebben via onze vermogensbeheeractiviteiten. Externe financiers verstrekken de leningen en dragen het risico.

Door uit te breiden met dit nieuwe product zullen de relaties met onze cliënten verder versterkt worden. De hypotheeknemers kunnen hun rente voor langere periodes vastzetten, en zullen ongetwijfeld kunnen profiteren van geoptimaliseerd vermogensbeheer door advies en dienstverlening van dezelfde aanbieder. Volledig op de huid van de cliënt gesneden; Savile Row, de beroemde kleermakersstraat in Londen.

Pure performance

Ons houden aan ‘absolute return’ voor onze klanten is de hoeksteen van de beleggingsvisie van Insinger de Beaufort. Wij noemen dat pure performance.

Deze visie is gericht op het vermijden van grote waardeschommelingen en het realiseren van positieve rendementen, onafhankelijk van het beursklimaat. Er is zowel ruimte voor een beperkte fluctuatie binnen een nauw omschreven risicoprofiel, als voor een stabiel rendementsprofiel. Hierdoor wordt de flexibiliteit maximaal: niet om meer wijzigingen in de portefeuille te kunnen doorvoeren, maar om er zeker van de zijn dat er snel op marktontwikkelingen geanticipeerd kan worden.

Alternative Investments

Onze alternatieve-beleggingenfilosofie is het behalen van stabiele en superieure rendementen door specialistische beleggingsstrategieën en een nadruk op bescherming tegen verliezen.

Dankzij onze specialistische kennis van Europese bedrijven, samen met de cashflowmodellen voor bedrijfsanalyse en eigen hedgingstrategieën – alle beheerd door een ervaren team – loopt Insinger de Beaufort Alternative Investments voorop in een zeer sterk veld.

Door te focussen op laaggecorreleerde beleggingsmogelijkheden op de Europese markten kunnen we een groot aantal beleggingsfondsen en -strategieën aanbieden.

Vangst 1

‘Het is altijd prettig als een tocht begint met een goede vangst kabeljauw: het geeft de bemanning een goed gevoel. Op de terugweg gisteren kwamen we hierlangs en ik zag veel vis op de sonar. Ik wil bovendien een lijn uitzetten voor vannacht, dus dit is een goed moment om te beginnen. Zo werkt het. Er spelen veel factoren mee bij de beslissing.’



‘We luisteren eigenlijk niet echt naar het weerbericht. Het maakt niets uit voor ons. We vissen onder alle omstandigheden.’



‘Bij zware zeeën of wanneer een luchtbel onder de zender zit kan deze totaal verkeerde informatie geven. Er kunnen veel dingen misgaan.’

Haddi (Haraldur) Einarsson, eerste stuurman, is de baas op de brug. Hij brengt de Jóhanna Gísladóttir in positie voor de eerste vangst van de tocht. De bootsman gooit een boei uit en de bemanning begint met het uitzetten van de lijn.

Kiddi (Kristinn) Hjálmtýsson, met 18 jaar de benjamin van het team, vult de machine die het aas aan de haken bevestigt terwijl de haken met een snelheid van 150 per minuut het schip verlaten. Dit is Kiddi's tweede tocht. Vorige keer was het verschrikkelijk weer en werd hij erg ziek. Vandaag is de zee kalm. Hij voelt zich beter.

De boot vaart in oostelijke richting. Over een paar mijl zal de koers worden verlegd. Het plan is om de lijn uit te zetten in een wijde S-vorm en dicht bij de eerste boei te eindigen. Op die manier bestrijkt de lijn de hele visgrond en wordt later vaartijd bespaard.

De lijn is 38 mijl lang en heeft meer dan 46.000 haken die van aas moeten worden voorzien. Het uitzetten duurt enkele uren.

Benedendeks brengt de bemanning de verwerkingsruimte in gereedheid en worden de kratten in het laadruim klaargezet. Zodra de vis binnenkomt is er geen tijd te verliezen. De bemanning moet klaarstaan.

De Jóhanna is om 01:30 terug bij het begin van de lijn. De nachtploeg is paraat. Er hangt een verwachtingsvolle spanning. De eerste vangst kan de toon zetten voor de hele tocht.

De kapitein geeft de order om de lijn binnen te halen.

Hij zet zijn koers zo uit dat de boot recht boven de lijn vaart wanneer deze vanaf de zeebodem omhoog wordt getrokken. Geen eenvoudige taak bij een visgrond die zo ondiep is als deze. De kapitein maakt gebruik van GPS-informatie om de route te volgen. Hij stuurt door op de lijn te letten en varieert voortdurend de snelheid en de koers om deze verticaal te houden.

De vis komt in grote hoeveelheden binnen. Het is voornamelijk kabeljauw, veelal grote exemplaren. De stemming in de verwerkingsruimte is uitstekend – het loon van de mannen is afhankelijk van de vangst en kabeljauw levert het meeste op.

Týri (Hjálmtýr) hangt uit een deur in de romp en prikt elke vis aan zijn hijshaak om deze veilig binnen te brengen. Hij is de oudste van de drie Hjálmtýsson-broers onder de 14-koppige bemanning. Vroeger dacht men op IJsland dat het ongeluk bracht als meerdere mannen uit één familie op een schip voeren. Maar de tijden zijn veranderd, het werk is nu veiliger.

Zodra de vissen binnen zijn, worden ze van de haken gehaald. De lijn wordt teruggeplaatst in de opbergruimte. Daar heeft Esra tot taak om verloren haken te vervangen en verbogen exemplaren weer in de juiste vorm te brengen. De haken komen binnen met veertig stuks per minuut, dus hij moet soepele vingers hebben en snel werken. De teamleden wisselen elk uur van taak om de monotonie te doorbreken, maar het herstellen van de haken is de minst populaire bezigheid.

Er is geen tijd om te praten. Alle energie is nodig voor het verwerken van de vis. Dit is een van de beste teams van IJsland. Iedereen weet wat er moet gebeuren, en iedereen werkt snel. Maar er is gewoonweg teveel vis. De achterstand groeit. Het team heeft hulp nodig. Ze roepen Óli uit zijn kooi.

Deze vissers werken tijdens hun diensten in een meedogenloos tempo. Het is non-stop, 24 uur per etmaal, zes uur op, zes uur af, gedurende de volledige tocht.

Het binnenhalen van de eerste lijn heeft het grootste deel van deze dag in beslag genomen. Als de laatste haak terug is aan boord, toont de kapitein zich zeer tevreden. Ze hebben 26 ton vis gevangen, voornamelijk kabeljauw. Iedereen is het erover eens dat de eerste vangst een groot succes is geweest.

En nu moeten ze het allemaal opnieuw doen.

VEILIGERE WATEREN
PAGINA 008/009

In vroeger tijden vertrouwden vissers op hun intuïtie om de zee te 'lezen' en de bewegingen van visscholen te voorspellen. Tegenwoordig zijn ze afhankelijk van real-time golf- en stroomvoorspellingen en ijswaarschuwingen. Veel van deze informatie is afkomstig van de Icelandic Maritime Administration (IMA) die verantwoordelijk is voor veel aspecten van maritieme veiligheid.

Een van de belangrijkste onderzoeksgebieden van de IMA is golf- en stroombewegingen. De ondiepten en hoge golven bij de haven van Grindavík maken deze tot een van de moeilijkst benaderbare havens van IJsland. Als onderdeel van een initiatief om een veiligere aanvaarroute te creëren heeft de IMA een schaalmodel van 1:60 gemaakt waarmee de bewegingen van golven en schepen kunnen worden nagebootst, zodat de effectiviteit van eventuele havenmuren of kanalen kan worden getest.

EÉN STAP
VOORUIT

Terwijl vissersboten over de oceaan varen, verzamelen ze voortdurend echogegevens. Hiermee kan de kapitein in real-time zien wat de positie van het schip is ten opzichte van de zeebodem, die wordt weergegeven als 3D-afbeelding. Vissers kunnen visscholen volgen en nauwkeurig bepalen hoeveel lijn moet worden uitgezet, waardoor beter gebruik wordt gemaakt van lijnen en netten.

Een bodemherkenningsstelsel vertelt de kapitein of de zeebodem zacht of hard, rotsachtig of zandig is. De kapitein kan dan bepalen waar de vis zich waarschijnlijk bevindt – kabeljauw zwemt bijvoorbeeld meestal rond de top van heuvels, terwijl schelvis de voorkeur geeft aan de dalen.

Autopilotsystemen zijn verbonden met de gyrostaat van het schip. Dit zijn zelfstellende inrichtingen die zich aanpassen aan de bewegingen van het schip en de weersomstandigheden en zorgen voor een optimale brandstofzuinigheid. Er wordt een koers uitgezet, compleet met roeruitslagen, besturingsmodi en de snelheid in knopen.

Vaartuigbeheersystemen bieden scheepseigenaars informatie over de locatie van schepen en het vangstresultaat. De eigenaars kunnen tevens nagaan hoeveel olie is verbruikt en de meest efficiënte route bepalen.

ONDERZOEK OP ZEE
PAGINA 024/025

De Árni Fridriksson RE-200 is een van twee boten die worden gebruikt door het Marine Research Institute. Het speciaal gebouwde onderzoeksschip wordt gebruikt voor het in kaart brengen van de zeebodem en oceanografisch onderzoek, met name naar diepwater- en kustvissen en benthale populaties.

Echoloden (singlebeam en multibeam) zenden stralen met verschillende frequenties uit naar diepten van 100 tot 3000 meter. Met deze technologie kunnen vissen van verschillende soorten en afmetingen worden gedetecteerd, driedimensionale bodemkaarten worden gemaakt en de substraten van de zeebodem worden geïdentificeerd. Met camera's aan glasvezelkabels kunnen tot op een diepte van twee kilometer foto's worden gemaakt van vissen in hun natuurlijke omgeving, de werking van visuitrustingen en de structuren van de zeebodem. Bij slecht weer kunnen echoloodontvangers onder de kiel op een diepte worden gebracht waarop er geen invloed van de deining meer is.

Het schip is compleet uitgerust voor geavanceerde gegevensverwerking, bevat droge en natte laboratoria en een visverwerkingsruimte. Het biedt plaats aan 16 wetenschappers en 16 bemanningsleden. Tochten kunnen tot 30 dagen duren en kosten zo'n 1,2 miljoen IJslandse kroon per dag. Maritiem onderzoek is een kostbare aangelegenheid.



‘Als we niet over de juiste cijfers beschikken stellen we geen quota vast, het risico is te groot. We brengen het welzijn van de soort niet in gevaar.’

Vangst 2



VIS LEZEN
PAGINA 038/039

Om de spreiding van vis op basis van formaat, geslacht en ontwikkeling te onderzoeken nemen de onderzoeksschepen monsters die vervolgens aan boord of bij het Marine Research Institute (MRI) worden geanalyseerd. Onderzoekers kunnen de leeftijd van een vis bepalen door het aantal ringen op de schubben of de otolieten (beentjes in de kop die vissen helpen bij het bewaren van hun evenwicht) te tellen. De leeftijdsbanden zijn vergelijkbaar met de ringen in boomstammen en variëren in kleur: in de zomer, wanneer een vis groeit, ontstaat een witte band, terwijl in de winter, wanneer de vis niet groeit, donkerdere banden worden gevormd.

Door de afmetingen af te zetten tegen de leeftijd van een vis kan het MRI de gezondheid en conditie ervan vaststellen. De maaginhoud – zoals plankton, visresten en zelfs otolieten van andere vissen – wordt geanalyseerd om het dieet van de vissen te leren kennen. Uit de kleur en textuur van de geslachtsorganen kan de ontwikkelingsfase van de vis worden afgeleid.

HET BELANG VAN HET WEER
PAGINA 044/055

Onverwacht, niet voorspeld weer vormt een van de grootste gevaren bij elke vistocht. Bij het Icelandic Meteorological Office (IMO) voorzien zes meteorologen het land-, zee- en luchtverkeer 24 uur per dag van regelmatige voorspellingen.

Het IMO geeft elk etmaal zes keer een weersvoorspelling af voor 17 gebieden rond IJsland via de radio, het internet, de televisie en het NAVTEX-systeem. Naast windvoorspellingen biedt het IMO waarschuwingen voor omstandigheden die het zicht kunnen beperken en gevaar kunnen opleveren voor de scheepvaart. Hierbij kan worden gedacht aan stormwinden, drijfijss en ijsbergen en vulkanische activiteit boven of onder de zeespiegel.

De informatie voor de voorspellingen wordt verzameld via stations langs de kust en landinwaarts en via boeien, schepen en radarsystemen. Satellieten leveren een belangrijke bijdrage aan de nauwkeurigheid van de voorspellingen en kunnen grote delen van de noordelijke Atlantische Oceaan in beeld brengen die anders onzichtbaar zouden blijven. Ze kunnen vrijwel elke atmosferische parameter waarnemen, waaronder wolken die duiden op een lagedrukgebied, temperatuur, vochtigheid, gassen (bijv. ozon), de snelheid en richting van de wind en zelfs grote pakketten drijfijss.

KABELJAUW
GADUS MORHUA

Kabeljauw is goed voor ongeveer 40% van de totale IJslandse visexport en is daarmee met afstand de economisch belangrijkste vissoort voor het land.

De vis wordt rond IJsland het hele jaar door gevangen. De zomer en het einde van de winter geven de beste opbrengsten. Het paaien vindt plaats in de winter, uit de zuidwestkust.

Kabeljauwen eten de meest uiteenlopende prooidieren, van andere vissen (tot de grootte van haring) tot wormen, krabben en garnalen. De belangrijkste voedselgronden liggen uit de IJslandse noordwestkust, waar de warme golfstroom uit de Atlantische Oceaan in contact komt met de polaire stromen, en langs de noordelijke en oostelijke kusten.

Kabeljauw wordt hoofdzakelijk gevangen op diepten van 100-250 m, waar een watertemperatuur van 4-7°C heerst. De aan land gebrachte vangst is meestal 4-7 jaar oud en weegt gemiddeld 2,5 kg, al worden ook grotere vissen gevangen.

Op het moment wordt de kabeljauw rond IJsland gezien als een van de weinige duurzaam bevisbare populaties. De populatie in de Noordzee, waarop voornamelijk wordt gevist door landen van de Europese Unie en Noorwegen, is tot een historisch dieptepunt gedaald.

“Ik ga nog een keer vissen op deze plek. Als we meteen beginnen, kunnen we de vangst morgenochtend vroeg binnenhalen. Kabeljauwen zijn net mensen, ze houden van een goed ontbijt.”

—
“Geld, geld!” roept Stebbi (Stefán) Rúnarsson terwijl hij een grote kabeljauw omhooghoudt.

Het team vangt graag kabeljauw. Kabeljauw biedt de grootste opbrengst en is het makkelijkst te verwerken. Ze hebben hier al 15 ton gevangen. Wat Stebbi betreft is dit een goede plek om te vissen. Hij vindt het prima dat de lijn meteen weer wordt uitgezet.

Bij langelijnvissen is tijd een essentiële factor. De kapitein moet zijn schip zo snel mogelijk terugbrengen naar de haven met een ruim vol kostbare lading.

De inspanning van de vissers wordt gemeten via het aantal gebruikte haken. Het uitzetten van één volledige lijn neemt vijf uur in beslag. Het binnenhalen duurt nog eens 20 uur, als zich tenminste geen vertragingen voordoen.

Elk uur dat de boot meer vaart is een uur minder vistijd. Met een topsnelheid van ca. 10 knopen moet de kapitein de verwachte vangst bij zijn huidige locatie afzetten tegen de tijd die nodig is om naar een visgrond met betere vangstkansen te varen.

Als de zeebodem rotsachtig is, kan de lijn vast blijven zitten. Meestal kan de lijn weer worden losgemaakt, maar als dat niet lukt moet deze worden doorsneden. Er gaat vrijwel nooit een volledige lijn verloren, maar elke onderbreking maakt de tocht twee tot drie uur langer. Dat is kostbare tijd voor de vissers.

De Jóhanna is eigendom van een bedrijf, maar de bemanning krijgt geen vast salaris. Hun beloning hangt af van de vangst. Het bedrijf betaalt een vooraf vastgesteld bedrag afhankelijk van de soort, de afmetingen en de hoeveelheid van de gevangen vis.

70% van de opbrengst van elke vangst wordt gebruikt voor de exploitatie van de boot. 30% gaat naar de bemanning. Gewone bemanningsleden krijgen elk een enkel aandeel. De kapitein krijgt het dubbele. Het loon van de bootsmannen, de kok, de machinist en de eerste stuurman valt ergens daartussenin.

Er is geen andere manier. Niemand doet dit werk voor zijn plezier. Het team moet worden gemotiveerd. Maar het wordt steeds moeilijker om goede mensen te vinden.

Kort geleden is de beloning van de bemanning onder druk komen te staan door de sterkte van de IJslandse kroon tegenover de dollar. De meeste vissen worden geprijsd in dollars. De kroon is in waarde verduubeld, waardoor de beloning is gehalveerd.

Oddur Hjálmtýsson heeft besloten dat de volgende tocht zijn laatste zal zijn. Hij mist zijn vriendin. Hij gaat een baan aan de wal zoeken.

De omstandigheden aan boord zijn zwaar. Anders dan trawlers vissen langelijvisboten bij elk weertype, en in de winter zijn golven van 20 meter heel normaal.

Nog maar een maand geleden stond Oddur vis binnen te halen bij de rompdeur toen de boot werd getroffen door een enorme golf. Tot vermaak van zijn broer werd hij volledig overspoeld – totdat het water wegliep door de afwateringsopeningen in de romp.

Oddur droeg een veiligheidsharnas: hij was geen moment in gevaar. De veiligheidsnormen zijn strenger dan ooit, maar de bootsman, Baldur Magnússon, weet dat de risico's groot blijven. In zijn twaalf jaar op zee heeft hij drie bemanningsleden verloren. Een, een goede vriend, raakte beklemd in een net en werd overboord gesleurd, een tweede kreeg een klap op zijn hoofd en de derde pleegde zelfmoord.

De wind is inmiddels van richting veranderd: hij komt nu uit het zuidwesten. Dat maakt het binnenhalen veel moeilijker. De lijn breekt. Twee keer.

Er gaan kostbare uren verloren. Na elke breuk moet het team naar de volgende boei varen om de vangst veilig te stellen. Als de lijn opnieuw breekt met nog slechts 200 meter te gaan, besluit de kapitein deze achter te laten. Het binnenhalen van deze laatste vissen zou teveel tijd in beslag nemen.

Ondanks de tegenslagen is 20 ton vis binnengehaald, waarvan meer dan de helft kabeljauw. Opnieuw een geslaagde dag.



‘Het kan gebeuren dat je niet de waarnemingen doet die je nodig hebt. Je moet heel nauwkeurig kijken en gebruiken wat je kunt vinden.’

Vangst 3

‘Lijnvissen is net voetbal. “Je kunt het beste team hebben, de beste omstandigheden – maar soms verlies je toch.”’



DE WERELD VAN DE QUOTA

Zoals alle natuurproducten is vis een uitputtelijke hulpbron die een zorgvuldig beheer vereist. Het waarborgen van duurzame visstanden is een zware verantwoordelijkheid die wordt gedeeld met het IJslandse Marine Research Institute (MRI).

Het quotasysteem werd geïntroduceerd in 1984. De toewijzingen waren aanvankelijk gebaseerd op de vangsten van elke boot in de voorgaande drie jaar. Aan elk visserijbedrijf wordt een vooraf bepaalde limiet opgelegd en niemand kan meer dan 12% van de totale nationale quota bezitten.

Quota zijn een waardevol bezit: Sinds de eerste dagen van het systeem is 80–90% verhandeld tussen de visserijbedrijven. Het gevolg hiervan was een ‘rationalisatie’ van de sector door een aantal fusies en overnames. Grote bedrijven zijn groter geworden. Sommige kleinere spelers, voor wie de quota te duur waren, zijn geheel uit de markt gedrukt.

Vandaag is meer dan 50% van de quota voor diepzeervis (lodde, haring en blauwe wijting) in handen van drie bedrijven. De helft van de kabeljauwquota van IJsland is het eigendom van zeven bedrijven.

TIJD = GELD

*Maximale uitzetsnelheid = 150 hpm
Maximale inhaalsnelheid = 40 hpm
Maximum aantal haken per lijn = 48.640 haken
Maximumsnelheid = 10 knopen*

*Prestaties
Totale tijd op zee = 136’ 20”
Vaartijd = 20’ 55”
Afgelegde afstand = 190 mijl
Gemiddelde snelheid = 9,1 knopen*

*Vistijd = 115’ 25”
Gebruikte haken = 201.867
Gemiddelde lijnlengte = 40.373 haken
Gemiddelde uitzetsnelheid = 138 hpm
Gemiddelde inhaalsnelheid = 37 hpm*

(hpm – haken per minuut)

ZORG VOOR HET MILIEU

Al duizenden jaren ontmoeten warme stromen langs het zuiden van het eiland koude stromen uit het noorden. Diepzee- en bodemvissen zwemmen tegen de stroom in en houden van temperaturen van 6-7°: wanneer een koufront uit het noorden komt, gaan de vissen naar het zuiden. Door de opwarming van de aarde veranderen deze omstandigheden. Sommige vissen zwemmen nu naar het meest noordelijke deel van de zuidelijke grens, op zoek naar geschikte wateren.

Het Marine Research Institute doet al sinds de jaren vijftig van de vorige eeuw onderzoek om zijn kennis van de fysische, chemische en biologische oceanografie van de IJslandse wateren te vergroten. Ca. 100 vaste stations op het IJslandse rif meten voortdurend de temperatuur, het gehalte aan zout, voedingsstoffen (nitraat, silicaat, fosfaat), kooldioxide, fyto- en zoöplankton en de radioactiviteit en sedimentbewegingen in het zeewater.

Er zijn letterlijk honderden soorten zoöplankton. Biologen onderzoeken 400-500 exemplaren uit geselecteerde monsters van de belangrijkste soorten om te bepalen waar in hun levenscyclus ze zich bevinden en om veranderingen in de productiviteit, biomassa en spreiding te begrijpen. Deze informatie wordt gekoppeld aan onderzoeken naar de voortplanting van geëxploiteerde vissoorten en draagt bij aan een beter begrip van de complexe interacties tussen zoöplankton, vislarven, jonge vissen en de uiteindelijke vervangingscijfers.

“Ik verwacht problemen met de wind, ik denk dat de lijn opnieuw zal breken. Ik wil een visgrond in het westen proberen – het is zo’n plek die soms succes oplevert en soms niet. We zullen zien.”

—

Kapitein Palmason stelt de autopilot in op een westelijke koers naar een visgrond 30 mijl verderop. Volle kracht vooruit.

Hij kijkt op de computerkaart en zoomt in op zijn bestemming. Over het beeld lopen talloze lijnen van eerdere vangsten. De kapitein beschikt over locatie-informatie van elke lijn die hij in de afgelopen drie jaar heeft uitgezet.

Hij klikt op een van de lijnen voor uitgebreide informatie. Hij kan nu zien wanneer de vangst plaatsvond en hoeveel vissen van welke soort destijds werden gevangen.

Hij ziet wat hij eigenlijk al weet. Dit is geen goed gebied voor kabeljauw. Andere vissen – leng, lom, zalm – komen hier meer voor.

Maar hij vindt dat er al genoeg kabeljauw is binnengehaald bij de eerste twee vangsten. Het bedrijf heeft zijn quotum voor kabeljauw voor dit jaar vastgesteld op 42% van de totale vangst. Het jaar duurt nog maar vier maanden en de verhouding is nu 58% kabeljauw. Dat moet veranderen.

Daarnaast vist hij graag verder uit de kust. De kleinere boten komen hier niet meer. Er is geen risico op verstrikt raken met hun lijnen. Bovendien is het water dieper, wat het vasthouden van de koers bij het binnenhalen van de lijn vereenvoudigt.

Hij houdt van de vroege ochtenddienst. Hij geniet van de stilte voor zonsopgang. Er zijn nu zoveel regels. Vroeger was er veel meer vrijheid. Het werk was leuker.

Er klinkt een alarmsignaal. De kustwacht zendt elk uur een signaal om de locatie van schepen te controleren. De kapitein moet binnen enkele minuten antwoorden, anders wordt hij over de radio opgeroepen.

Vroeger kon het fysiek uitputtend zijn om het schip te sturen, maar de technologie heeft daar verandering in gebracht. De Jóhanna heeft nog wel een stuurwiel, maar dit wordt zelden gebruikt. De kapitein en eerste stuurman sturen nu met een aan het GPS-systeem gekoppelde digitale draaiknop. Hun taak is om voortdurend de instrumenten te controleren en bij te stellen – ze voeren steeds kleine handelingen uit.

Nog maar enkele jaren geleden was er geen enkel computersysteem aanwezig op de brug, nu zijn er zes. Ze bieden satellietnavigatie, 3D-sonar, AES, een online positiebepalings-systeem, kaarttoepassingen, motorbewaking, lijnbewaking en geautomatiseerde vangstregistratie.

De kapitein beschikt over een videosysteem waarop hij alle delen van het schip tegelijk kan zien. Bij slecht weer hoeft hij niet eens uit het raam te kijken, hij gebruikt het beeldscherm om te sturen.

De lijnen zijn sterker, het aas werkt beter en de haken gaan langer mee. Vroeger visten boten met een snelheid van vijf of zes knopen, nu met acht of negen. Vroeger werd de lijn ingehaald met 35 haken per minuut, nu met meer dan 40. Er is vooruitgang op elk gebied.

In de Jóhanna is onlangs een positievolgsysteem geïnstalleerd. Langelijnvisboten en trawlers moeten onderling afstand houden om te voorkomen dat hun lijnen en netten in elkaar verstrikt raken. Vroeger vertrouwde iedereen op de radar om te weten waar boten lagen, maar voor identificatie was de radio nodig. Het nieuwe systeem herkent de betreffende boot automatisch. Het is opnieuw een kleine stap vooruit.

Computers hebben het werk ontgezegelijk eenvoudiger gemaakt, maar er is wel wat oude kennis verloren gegaan.

Vissers konden de diepte van het water opmaken uit het gedrag van de golven, maar nu vertrouwen ze op sonar. Ze hadden geen computers, maar konden een schatting doen in het donker. Ze maakten het op uit de golfslag en de bewegingen van het schip.

’s Middags zitten enkele Liverpool-fans uit de ochtendploeg voor de televisie om via de satelliet naar een premiership-wedstrijd te kijken. Hun team weet te winnen.

Tegen de avond is duidelijk dat de vangst voor die dag niet zo goed is. Ze hebben wel veel vis gevangen, maar niet van de juiste soort. De huidige opbrengst van schelvis is ca. ISK70/kg: van 20 kratten schelvis zal niemand rijk worden.

De kapitein blijft flegmatisch. “Lijnvissen is net voetbal”, stelt hij. “Je kunt het beste team hebben, de beste omstandigheden, maar soms verlies je toch.”

Vangst 4



‘Ik gebruik de computer voor de richting en mijn ogen voor de snelheid.’



“Ik ga een andere visgrond proberen. Ik gebruik sonarapparatuur om een diepe onderwatervallei te vinden. Leng zwemt graag in valleien dus ik ga daar onze lijn uitzetten. Dat zou een goed resultaat moeten opleveren.”

—

De Jóhanna Gísladóttir vaart nog eens 20 mijl westwaarts. De boot is nu 95 mijl verwijderd van zijn thuishaven, Grindavík.

De kapitein heeft zijn vangstcijfers gemaald naar Visir, de eigenaars van het schip. Vandaag heeft hij bericht teruggekregen van het bedrijf. Ze willen dat hij binnen twee dagen terugkeert naar Grindavík.

Dat is welkom nieuws voor de bemanning. Tot nu toe wisten ze niet wanneer en waar ze van boord zouden gaan. Er was een kans dat ze in de noordelijke haven van Visir hadden moeten meren. In dat geval zouden ze slechts zes uur vrijaf hebben gehad.

Maar nu weten ze dat ze een dag verlof zullen krijgen. De meesten zullen hun families gaan zien, maar niet Marek Mazurek. Hij moet wat langer wachten. Zijn vrouw en kinderen zijn achtergebleven in zijn thuisland, Polen. Hij is van plan nog twee jaar als visser te werken. Tot die tijd ziet hij ze alleen enkele weken in de zomer.

Vroeger hadden de kapiteins het alleen voor het zeggen, maar het quotasysteem en de noodzaak van winstmaximalisering hebben hier verandering in gebracht. Het bedrijf zorgt voor de uitrusting en het onderhoud van de boten. Het stelt jaarlijkse quota-doelstellingen op en plant de aankomst- en vertrektijden in de vier havens op IJsland waar het over verwerkingsfaciliteiten beschikt.

Visir is een familiebedrijf. De oprichter is zelf een voormalige trawlerkapitein. Hij begrijpt het belang van een goed teamgevoel aan boord. Hij probeert de meeste beslissingen over te laten aan de kapiteins.

Zo koopt Visir het aas in, maar bepaalt de kapitein welk type aas hij wil gebruiken. De keus van het aas is een belangrijke beslissing – de vissen bijten niet overal in. Voor deze tocht heeft Pálmason hoofdzakelijk gekozen voor makreel. Tot nu toe lijkt dat goed te werken.

De kapitein wil één extra vangst doen voordat hij terugkeert naar de haven. Hij heeft de bemanning opdracht gegeven vandaag een kortere lijn uit te zetten.

Ze beginnen de lijn binnen te halen. Er is erg weinig leng. Misschien heeft de lijn te kort op de zeebodem gelegen? De vissen kunnen het aas vanaf een mijl ruiken, maar in diepere wateren kan het langer duren voordat ze het hebben gevonden. Zou dit de kleinere vangst kunnen verklaren?

Deze theorie verliest aan waarschijnlijkheid naarmate meer van de lijn wordt binnen-gehaald. Er lijkt gewoonweg geen leng te zitten in dit deel van de zee.

Het ziet er naar uit dat Pálmason er dit keer naast zat; er is geen leng. Zoals hij zelf zegt: “De vissen vertellen ons niet wat ze denken.”

Maar dan gaat de lijn naar hogere bodemdelen en begint de vangst te verbeteren: er is ineens meer dan genoeg leng, ook grote exemplaren. Het wordt toch nog een goede vangst. Het team begint zich te ontspannen.

Dit weer is het kalmste dat Haddi (Haraldur) zich kan herinneren voor februari. Hij wijst naar de lange, lome golven die de boot rustig laten deinen. “Kijk eens naar die grote golven, hoe ver ze uit elkaar liggen, ze moeten begonnen zijn als zware storm – misschien wel duizend mijl hiervandaan.” Hier bevinden we ons echter midden in een hogedrukgebied.

Bij dit soort weer voelt iedereen zich beter. Bemanningsleden zitten in de kleedkamer, rokend en grappen makend.

Baldur de bootsman komt aan dek met een geweer. Hij vuurt enkele patronen af op de vele zeemeeuwen die de boot volgen. Eén meeuw valt uit de lucht, de overige trekken zich terug.

Bij het uitzetten van de lijn kunnen meeuwen lastig zijn – ze stelen het aas van de haken. Momenteel geven ze geen problemen, maar de bootsman blijft graag in vorm.

De machinist, Kristján Sigurdsson, test de kraan van het schip. Hij laat de opblaasbare bijboot over de railing zakken. Baldur gaat een stukje varen.

’s Zomers varen bemanningsleden soms naar nabijgelegen schepen. Ze gaan op de koffie en delen voorraden met elkaar. Vissers concurreren elkaar om de visgronden, maar zijn ook afhankelijk van elkaar. Dat zorgt voor een sterke band.

Benedendeks heeft Sævar, de scheepskok, de maaltijd van zes uur klaar. Het menu biedt keus uit twee gerechten: kabeljauw of gerookte pony. Sævar (de naam betekent zee) vaart al 23 jaar met deze kapitein. Ze zitten in de keuken en spelen met een heel oud pak kaarten.

WINSTGEVEND WISSEN

Vistochten zijn kostbare ondernemingen waarbij wordt gestreefd naar maximalisering van de opbrengst. Soorten worden selectief gevangen op basis van quota en hun marktwaarde. Oliebesparingen zijn de sleutel.

Onder de IJslandse regels mag alleen vis worden gevangen die een bepaalde grootte heeft bereikt – kabeljauw bijvoorbeeld moet 50 cm lang zijn. Anders dan onder de EU-regels, die vissers toestaan om kleine vissen terug te gooien, mag onder de IJslandse regels vijf procent van de vangst buiten de limieten vallen maar moet de volledige vangst aan wal worden gebracht.

RISICO’S BEOORDELEN

Door systematische analyse van de leeftijd, het geslacht en de spreiding van biomassa kan het Marine Research Institute (MRI) de ontwikkeling van visstanden voorspellen voor een periode van drie jaar, afhankelijk van de soort. Het voorspellen van de ontwikkeling van kortlevende soorten is moeilijker, hiervoor moeten onderzoekers het veld in en quota afleiden uit de huidige stand.

Om visautoriteiten te helpen verantwoordelijker te werk te gaan, levert het MRI waarschijnlijkheidsprofielen voor enkele van de belangrijkste visstanden. Hierin worden stand- en quotaniveaus afgezet tegen risico’s. Als de huidige vangstregels voor kabeljauw worden gevolgd, is er bijvoorbeeld een waarschijnlijkheid van 40% dat het aantal vissen dat zich voortplant in 2009 onder de huidige schatting zal vallen. Dit cijfer daalt tot 20% wanneer de vangstverhouding wordt verlaagd tot 22% en tot een verwaarloosbare kans wanneer de vangstverhouding 20% of minder is.

LABELLEN VAN WISSEN PAGINA 094/095

Deze techniek wordt al meer dan 100 jaar gebruikt en bestond oorspronkelijk uit het merken en terugzetten van vis om vervolgens te registreren waar en wanneer deze werd gevangen. Dit leverde basisinformatie op over de beweging van verschillende soorten vis over specifieke tijdsperiodes.

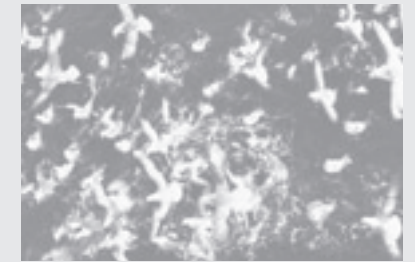
Tegenwoordig worden veel geavanceerdere methoden gebruikt waarbij microprocessors aan vissen worden bevestigd die gegevens verschaffen waarmee de beoordeling en het beheer van visstanden aanzienlijk worden eenvoudiger. Labels werden al gebruikt voor onderzoek naar diepwatervissen, zoals zalm, maar nu kunnen labels van verschillende afmetingen worden bevestigd aan vissen die zwemmen op diepten tot 1000 meter. In elk label kunnen tot 260.000 metingen worden vastgelegd over een periode tot twee jaar, waaronder de bewegingen van de vis, seizoensmigratiepatronen, de watertemperatuur, het zoutgehalte, de diepte en de druk. De labels zijn voorzien van een real-time klok. Ze bevatten ook een microprocessor met een ultralaag energieverbruik voor een lange batterijlevensduur. Een kompas en GPS-lakoestische geluidsontvanger stellen onderzoekers in staat om de geografische spreiding van vis in tijd en ruimte over grote afstanden te volgen.

Er worden hoge beloningen geboden voor het retourneren van deze hightech labels. Van de 752 zalmen die in 2003/04 van een label werden voorzien is 3,9% teruggevonden. Van de aan kabeljauw bevestigde labels is ca. 30% geretourneerd.



‘Vroeger konden vissers de diepte en het type bodem opmaken uit de hoeveelheid zand in de golven. Nu kunnen mensen dat nauwelijks geloven.’

Vangst 5



TWEERICHTINGSVERKEER

Hoe graag onderzoekers de visserij ook tot een exacte wetenschap willen maken, ze onderschatten nooit de waarde van kennis, ervaring en intuïtie.

Visserij zijn net zo belangrijk voor het onderzoeksproces als onderzoek is voor de visserijsector. Goede communicatie en vertrouwen tussen de twee groepen zijn essentieel voor de toekomst van de IJslandse visserij. Er worden regelmatig werkgroepen gevormd waarin zowel wetenschappers als vissers zitting hebben. Het Marine Research Institute haalt waardevolle informatie uit de vangstlogboeken van kapiteins.

Met name de kennis van de oudere, gepensioneerde vissers wordt op waarde geschat. Moderne trawlers vissen sinds 1970 op de huidige visgronden en ervaren vissers kunnen wetenschappers voorzien van historische informatie die vergelijkingen over langere perioden mogelijk maakt.

Kennis die is gebaseerd op ervaring kan niet altijd worden vastgelegd in een database. Maar beide partijen begrijpen de waarde ervan.

DE ZEEBODEM

IN KAART BRENGEN

Het Marine Research Institute heeft een groot project opgezet voor het maken van hoogwaardige topografische kaarten van de zeebodem in geselecteerde gebieden binnen de territoriale wateren van IJsland. Multibeam echoloden die diepten tot 2500 meter kunnen bereiken sturen beelden terug die kunnen worden gebruikt voor bodemkaarten die net zo gedetailleerd zijn als landkaarten.

Naast het vaststellen van belangrijke topografische en geologische gegevens gebruiken wetenschappers deze technologie voor het ontdekken van activiteit op de zeebodem zoals onderwater vulkanen. Ook kunnen mariene ecosystemen, zoals koraalriffen, worden geïdentificeerd en indien nodig tot verboden gebied voor vissers worden verklaard. Deze kwetsbare riffen trekken grote hoeveelheden vis aan en sommige zijn al vernield door vissersboten. Hun herstel neemt miljoenen jaren in beslag.

COMMUNICATIE

De communicatie tussen schepen en de wal is de afgelopen jaren aanzienlijk verbeterd. Voorheen vond tijdens vistochten vrijwel geen communicatie plaats tussen vissers en hun families. Tegenwoordig kunnen ze in contact blijven via e-mail en telefoonsystemen.

Naarmate het schip zich verder van de kust verwijderd, worden verschillende telefoonsystemen gebruikt. Rond de kust kunnen GSM-telefoons worden gebruikt. Daarna neemt NMT-technologie het over. Wanneer een schip 40-50 mijl buitengaats is, zijn satelliettelefoons het aangewezen communicatiesysteem.

Er wordt al enige tijd gebruikgemaakt van e-mail en de geleidelijke invoering van breedbandinternet op schepen zal de communicatie naar verwachting fors verbeteren.

“We moeten om 8 uur morgenochtend terug zijn, dus we beginnen hier met het uitzetten van de lijn. Ik houd de lijn korter om breuk te vermijden. We mogen onze deadline niet missen.”

—

Om 6 uur 's morgens gaat de kapitein de kooien af om de teamleden voor de ochtenddienst te wekken. Er moet nog veel gebeuren. De lijn moet worden binnengehaald en de laatste vangst moet worden verwerkt. Daarna moet het schip tijdens de tien uur durende terugreis worden klaargemaakt voor de volgende tocht een dag later.

De mannen lachen en denken aan thuis. Gotti (Gottskálk) kijkt uit naar de hereniging met zijn vrouw. Haddi wil gaan zwemmen in een openluchtbad. Benni gaat een tatoeage laten zetten.

Maar eerst moeten ze hun taken op de verwerkingsvloer uitvoeren.

De handelingen van het team verraden een grote routine. Ze doen hun werk in de verschillende zones. Mannen fluiten of geven een teken als ze hulp nodig hebben.

Zodra vissen binnenkomen, worden ze kundig gedood en in een bewaarbak gegooid. Van daaruit gaan ze via een lopende band naar de schoonmaaktafels waar hun ingewanden worden verwijderd.

Kabeljauwkuit wordt verzameld – deze wordt verkocht als een goedkopere soort kaviaar – en kabeljauwlevers worden bewaard om te worden verwerkt tot olie. Wat niet meer nodig is wordt overboord gespoeld. Het is voor de vissen en andere zeedieren.

Een enkele ongewenste vis wordt teruggegooid. Sommige soorten leveren niets op. Andere zijn onbruikbaar, aangevreten door de zeeluizen die de oceaانبodem bevolken.

Maar dat gebeurt niet erg vaak. Er is weinig verspilling bij het langelijnp proces. Het is beter beheersbaar dan vissen met trawlers. De schepen kunnen hun vangst selecteren door middel van de gebruikte haken en de keuze van het aas.

Het is bovendien veel energiezuiniger. Het kost enorme hoeveelheden diesel om een net vol vis uit zee omhoog te trekken. Bij gebruik van een lijn hoeft alleen maar het gedeelte van de zeebodem tot de boot te worden opgehesen. Dit vereist een kleinere motor en veel minder diesel.

De schoongemaakte vissen worden in een bak gegooid waarin het resterende bloed wordt afgewassen. Als de bak vol is, gaan de vissen via een lopende band naar de laadruimte beneden. Daar sorteert een teamlid ze in kratten op basis van soort en grootte. Zodra een krat vol is, wordt het bespoten met een vloeibaar ijs dat aan boord wordt gemaakt. Als het ijs na enkele minuten is gevormd, koelt het de vis vrijwel direct tot de juiste temperatuur.

Om 8:30 's avonds is het vissen klaar. De Jóhanna Gísladóttir heeft nu 100 ton aan boord. Het is tijd om terug te varen naar de haven.

Vis die met een lijn is gevangen blijft het langst vers en biedt de beste kwaliteit. Trawlers kunnen alleen vissen bij kalm weer. Ze blijven soms wel een maand buitengaats. Langelijnvisboten vissen onder alle weersomstandigheden. Ze maken zelden tochten van meer dan vijf dagen.

Dit is de eerste trap in de voedselketen. Het is zeer belangrijk dat het schip schoon blijft. De bemanning gebruikt drinkwater en hogedrukslangen en besteedt de volgende tien uur aan het schoonschrobben van het hele schip. Daarna wordt alles opgeborgen voor de volgende tocht.

Een vissersboot is volledig zelfvoorzienend. De uitrusting moet zo compleet zijn dat elke situatie het hoofd kan worden geboden. Dat hoort ook bij de instelling van een goed team. Ze raken ingesteld op onzekerheid, omdat ze daar voortdurend mee te maken hebben. Zeelui zijn enorm praktische mensen.

Op woensdagochtend 6.30 zijn ze terug in de haven. De bemanningsleden zijn gedoucht, hebben hun kooi opgeruimd en hun werkkleding in hun kast gehangen. Ze zijn gekleed voor hun verlof. Ze springen aan wal om de landvasten te bevestigen.

Een groep dokwerkers komt aan boord om de Jóhanna te lossen. De bemanningsleden vertrekken, de donkere IJslandse morgen in. Morgen zijn ze weer terug en begint alles opnieuw.

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