05005018

"K" Line Holding (Europe) Limited

Report and Financial Statements

31 December 2007

Registered No 5005018

Directors
S Soda (Managing Director)
H Maekawa
N Ando

Secretary
R Dowding

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
Mizuho Corporate Bank Limited
Bracken House
One Friday Street
London EC4M 9JA

Sumitomo Mitsui Banking Corporation Europe Limited
11 Queen Victoria Street
London EC4N 4TA

Registered Office
River Plate House
7-11 Finsbury Circus
London EC2M 7EA

Directors' report

The directors present their report and financial statements of the group for the year ended 31 December 2007

Results and dividends

The results of the group for the year ended 31 December 2007 are shown in the group profit and loss account The profit for the year after taxation was £20,967,000 (2006 – profit of £14,891,000) The directors do not recommend the payment of any dividends

Principal activities and review of the business

The company acts as a holding company The principal activities of the group are that of general shipping agents for container ships and car carriers, operation and management of bulk, LNG and heavy lift vessels as well as road haulage

The Group's key financial performance indicators during the year were as follows

	2008	*2007*	*Change*
	£'000	*£'000*	*%*
Turnover	178,688	94,201	90%
Profit after tax	20,967	14,891	41%
Shareholders' funds	62,424	40,857	53%
Cash at bank	20,652	51,224	(60%)

Turnover increased by 90% during the year due to an increase in the fleet of bulk vessels in operations as well as the high market rate for freight during the year Additionally, the LNG business division carried on ship management operations of more vessels during the whole financial year Finally, the new heavy lift business division contributed approximately £35m to the turnover of the group

The decrease in the cash balance is attributed mainly to the repayment of last year's deposit held in respect of the new LNG vessel delivered in December 2007

Events since the balance sheet date

"K" Line Heavy Lift (UK) Limited

Since the year end, this subsidiary undertaking has drawn down further loans totalling €35,900,000 from a total loan facility of €136,000,000 The first repayment on this facility is due on 15 July 2009 and the maturity date for all outstanding loans against the facility is 15 July 2013

Additional investments made after the end of the financial year amount to €45,871,265

"K" Line Holding (Europe) Limited

The first loan of £2,450,000 was repaid on 20 March 2008 with the rate of interest payable at 6 53%

The remaining loans in Euros are draw downs of €21,900,000 and €500,000 taken against the loan facility of €34,000,000 which expires in 2011 The rate of interest payable on the loan is 0 25% above LIBOR Since the year end, an additional draw down of €9,000,000 against the loan facility of €34,000,000 was made

On 1 January 2008 the group acquired a 100% shareholding in Ralph Morton Transport Limited which is engaged in the business of road haulage for a consideration of £2 4m Additional investments in K Line Heavy Lift (UK) Ltd made after the end of the financial year amount to £7,122,471 (€9m)

Directors' report

Future developments

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years They consider that 2008 will show a further significant growth in sales from continuing operations because of new vessels being added to the current fleet

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as

- Competitive risks

The existence of medium to long term contracts with some customers minimises the company's exposure to a certain extent

- Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law and tax law These standards are subject to continuous revision, however, they are not expected to have a material impact on the ability of the company to generate a profit

- Treasury operations and financial instruments

The group operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities

- Financial instrument risks

The group has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level

- Use of derivatives

The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency The group also uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements

- Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

The group manages its cash flow in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures

Directors' report

All customers who wish to trade on credit terms are subject to credit verification procedures Trade debtors are reviewed on a regular basis and provision is made for doubtful debts where necessary The group does not suffer from significant bad debt expense

Directors

The directors who served the company during the year were as follows

H Maekawa	
H Nagayama	(resigned on 30 June 2008)
S Soda	
N Ando	(appointed on 1 July 2008)

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2007, the group had an average of 31 days (2006 – 30 days) purchases outstanding in trade creditors

Employment policy

The group has given full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities

The group has a policy of employee involvement by making information available to all employees on matters of concern to them on a regular basis Information concerning the group's business plans and financial performance is also published on the group's Intranet and Web sites All employees have access to the group's Intranet and Internet

The group has investor in people accreditations and maintains a policy of encouraging personal development and training

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the board

R Dowding
Secretary

28 JUL 2008

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditors' report

to the members of "K" Line Holding (Europe) Limited

We have audited the group and parent company financial statements of "K" Line Holding (Europe) Limited for the year ended 31 December 2007 which comprise Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, and the related notes 1 to 28 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

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

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

Independent auditors' report

to the members of "K" Line Holding (Europe) Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

28 JUL 2008

Group profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover			
Total group and share of joint venture		178,688	94,201
Less share of joint venture turnover	2	(35,381)	–
	2	143,307	94,201
Cost of sales		(80,561)	(57,221)
Gross profit		62,746	36,980
Administrative expenses		(22,124)	(16,013)
Group operating profit	3	40,622	20,967
Share of operating profit in joint venture		6,748	–
Share of operating profit/(loss) in associate		172	(10)
Amortisation of goodwill arising on acquisition of joint venture		(12,045)	–
Income from investments		2	–
Total operating profit group and share of joint venture and associate		35,499	20,957
Interest receivable and similar income	7	4,012	1,193
Interest payable and similar charges	8	(4,736)	(979)
Profit on ordinary activities before taxation		34,775	21,171
Taxation	9	(13,808)	(6,280)
Profit for the financial year		20,967	14,891

Group statement of total recognised gains and losses

for the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the financial year excluding share of profit of joint venture and associate	14,099	14,901
Share of joint venture's profit for the year	6,748	–
Share of associates' profit/(loss) for the year	120	(10)
Profit for the financial year attributable to members of the parent company	20,967	14,891
Exchange difference on retranslation of net assets of subsidiary undertaking	600	(3,075)
Total recognised gains related to the year	21,567	11,816

Group balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Intangible assets	11	127	254
Tangible assets	12	188,476	83,356
		188,603	83,610
Investments			
Investment in joint venture			
Share of gross assets		119,680	–
Share of gross liabilities		(41,296)	–
		78,384	–
Investment in associate	13	143	23
Other investments	13	47	47
		267,177	83,680
Current assets			
Stocks	14	3,724	75
Debtors	15	25,192	14,455
Cash at bank and in hand		20,652	51,224
		49,568	65,754
Creditors amounts falling due within one year	16	(49,707)	(33,710)
Net current liability		(139)	32,044
Total assets less current assets		267,038	115,724
Creditors amounts falling due after more than one year	17	(191,481)	(68,143)
Provisions for liabilities			
Deferred taxation	21	(13,133)	(6,724)
		62,424	40,857
Capital and reserves			
Called up share capital	22	19,982	19,982
Profit and loss account	23	42,442	20,875
Equity shareholders' funds	23	62,424	40,857

S Soda

Director

28 JUL 2008

Balance sheet
at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Investments	13	40,556	25,459
Current assets			
Debtors	15	2,577	141
Cash at bank and in hand		93	130
		2,670	271
Creditors amounts falling due within one year	16	(2,210)	(28)
Net current assets		460	243
Total assets less current assets		41,016	25,702
Creditors amounts falling due after more than one year	17	(16,446)	–
Total assets less current liabilities		24,570	25,702
Capital and reserves			
Called up share capital	22	19,982	19,982
Profit and loss account	23	4,588	5,720
Equity shareholders' funds	23	24,570	25,702

S Soda

Director

28 JUL 2008

Notes to the financial statements

at 31 December 2007

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of "K" Line Holding (Europe) Limited and its subsidiary undertakings These financial statements are drawn up to 31 December each year No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985

Unless otherwise stated, the acquisition method of accounting has been adopted Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures In the group financial statements, joint ventures are accounted for using the gross equity method

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates In the group financial statements, associates are accounted for using the equity method

Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company

Statement of cash flows

The company has taken advantage of the exemption available in FRS 1 (Revised) not to disclose a statement of cash flows as the company is a wholly owned subsidiary of a company whose consolidated financial statements are publicly available

Fixed assets

All fixed assets are initially recorded at cost

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over 5 years It is reviewed for impairment at the end of the first full financial year following the acquisition and when events or changes in circumstances indicate that the carrying value may not be recoverable

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows

Leasehold building	–	8 - 10 years straight line
Leasehold property	–	over the lease term
Fixtures and fittings	–	5 - 10 years straight line
Tractors and trailers	–	6 - 7 years straight line
Motor vehicles	–	25% reducing balance
Shipping Vessels	–	15 - 30 years straight line

Assets under construction are not depreciated

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Company

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date   Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction   Gains and losses on exchange are dealt with in the profit and loss account

Group

For consolidation purposes, the financial statements of overseas subsidiary undertakings are translated at the closing exchange rates   Exchange differences arising on these translations are taken directly to reserves   The exchange differences arising on the retranslation of opening net assets is taken directly to reserves

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

Pensions

The company and group operate a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates The company also uses interest rate swap contracts to reduce interest rate exposures

Notes to the financial statements

at 31 December 2007

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the group's continuing activity as stated in the directors' report

An analysis of turnover by geographical market is given below

	2007	*2006*
	£000	*£000*
United Kingdom	39,798	27,582
Rest of Europe	59,266	42,647
Rest of World	44,243	23,972
	143,307	94,201

An analysis of turnover by geographical market for the joint venture and associate is given below

	2007
	£000
United Kingdom	1,769
Rest of Europe	4,152
Rest of World	19,460
	35,381

3. Operating profit

This is stated after charging/(crediting)

	2007	*2006*
	£000	*£000*
Auditors' remuneration (note 4)	304	337
Amortisation of goodwill – subsidiary	127	127
Depreciation of owned tangible fixed assets	5,051	4,271
Depreciation of assets held under finance leases and hire purchase contracts	727	721
Operating lease rentals – land and buildings	567	471
– plant and machinery	40,339	28,193
Foreign exchange gains	(4,021)	(2,832)
Profit on disposal of fixed assets	(67)	(41)
Loss on disposal of investments	–	273

Notes to the financial statements

at 31 December 2007

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows

	2007 £000	2006 £000
Audit of the financial statements	54	25
Other fees to auditors – local statutory audits for subsidiaries	75	96
– taxation services	167	73
	296	194

5. Directors' remuneration

	2007 £000	2006 £000
Emoluments	1,897	1,728
Company contributions paid to personal money purchase pension schemes	–	–

Numbers of directors in respect of whom contributions were made in the year

	2007 No	2006 No
Pension contributions	–	–

The amounts in respect of the highest paid director are as follows

	2007 £000	2006 £000
Emoluments	661	365
Company contributions paid to personal money purchase pension schemes	–	–

Notes to the financial statements

at 31 December 2007

6. Staff costs

	2007	*2006*
	£000	*£000*
Wages and salaries	15,026	12,496
Social security costs	1,126	934
Other pension costs (note 19)	692	611
	16,844	14,041

The average weekly number of employees during the year was as follows

	2007	*2006*
	No	*No*
Operational	101	90
Administration	242	222
	343	312

7. Interest receivable

	2007	*2006*
	£000	*£000*
Bank interest receivable	4,012	1,193
Share of joint venture interest receivable	217	–

8. Interest payable

	2007	*2006*
	£000	*£000*
Bank interest payable	3,510	873
Finance lease charges	175	106
Other	1,051	–
	4,736	979
Share of joint venture's interest payable	1,116	–

Notes to the financial statements

at 31 December 2007

9. Tax

(a) Tax on profit on ordinary activities

	2007	*2006*
	£000	*£000*
Current tax		
UK corporation tax on the profit for the year	8,746	2,362
Foreign tax	78	–
Adjustment in respect of prior periods	–	12
Double taxation relief	(58)	–
Total current tax (note 9(b))	8,766	2,374
Deferred tax		
Origination and reversal of timing differences	5,836	3,906
Effect of changes in tax rates on opening liabilities	(807)	–
	5,029	3,906
Adjustment in respect of prior periods	13	–
Tax on profit on ordinary activities	13,808	6,280

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% The differences are explained below

	2007	*2006*
	£000	*£000*
Profit on ordinary activities before tax	34,775	21,171
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	10,433	6,351
Effects of		
Disallowable expenses	4,149	123
Accelerated capital allowances	(5,835)	(3,872)
Adjustments in respect of prior periods	–	12
Tax credit	19	–
Other timing differences	–	(240)
Current tax for the year (note 9(a))	8,766	2,374

Notes to the financial statements

at 31 December 2007

9. Tax (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2007 *£000*	*2006* *£000*
Included in debtors (note 15)	40	39
Included in provisions for liabilities and charges (note 21)	(13,133)	(6,724)
	(13,093)	(6,685)

	2007 *£000*	*2006* *£000*
Decelerated capital allowances	40	39
Accelerated capital allowances	(13,133)	(6,724)
	(13,093)	(6,685)

	£000
At 1 January 2007	(6,685)
Profit and loss account movement during the year	(5,029)
Acquisition of joint venture	(1,398)
Exchange adjustment	32
Adjustment in respect of prior period	(13)
At 31 December 2007	(13,093)

10. Loss attributable to members of parent company

The loss dealt with in the financial statements of the parent company was £1,132,000 (2006 – profit of £5,551,000)

11. Intangible fixed assets

Group	*Goodwill* *£000*
Cost	
At 1 January 2007 and 31 December 2007	635
Amortisation	
At 1 January 2007	381
Provided during the year	127
At 31 December 2007	508
Net book value	
At 31 December 2007	127
At 1 January 2007	254

Notes to the financial statements

at 31 December 2007

12. Tangible fixed assets

Group

	Vessels £000	Vessel under construction £000	Leasehold property and improvements £000	Plant and machinery, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At 1 January 2007	70,667	13,388	504	8,265	35	92,859
Adjustment	–	–	54	1,956	–	2,010
Exchange adjustments	(1,187)	(248)	(20)	(228)	–	(1,683)
Additions	81,225	28,652	435	1,960	–	112,272
Disposals	–	–	(118)	(588)	(35)	(741)
At 31 December 2007	150,705	41,792	855	11,365	–	204,717
Depreciation						
At 1 January 2007	5,231	–	202	4,050	20	9,503
Adjustment	–	–	54	1,956	–	2,010
Exchange adjustment	(89)	–	(7)	(241)	–	(337)
Provided during the year	4,285	–	118	1,373	2	5,778
Disposals	–	–	(119)	(572)	(22)	(713)
At 31 December 2007	9,427	–	248	6,566	–	16,241
Net book value						
At 31 December 2007	141,278	41,792	607	4,799	–	188,476
At 1 January 2007	65,436	13,388	302	4,215	15	83,356

The net book value of plant and machinery above includes an amount of £83,913,000 (2006 – £2,932,000) in respect of assets held under finance leases and hire purchase contracts

13. Investments

Group

	2007 £000	2006 £000
Joint venture (a)	78,384	–
Associate	143	23
Unlisted investments	47	47

Notes to the financial statements

at 31 December 2007

13. Investments (continued)

(a) Joint venture

	Share of net assets	*Goodwill*	*Total*
	£000	*£000*	*£000*
Acquired during the year	20,034	57,356	77,390
Exchange adjustments	2,024	4,267	6,291
Share of profits retained by joint venture	6,748	–	6,748
Amortisation of goodwill	–	(12,045)	(12,045)
At 31 December 2007	28,806	49,578	78,384

The investment in the joint venture has been included in the group's balance sheet at its provisional fair value at the date of acquisition

Goodwill is being amortised over the directors' estimate of its useful economic life of 5 years

Additional disclosures are given when the aggregate share of joint ventures exceeds the 15% thresholds under FRS 9 'Associates and Joint Ventures', as follows

	2007	*2006*
	£000	*£000*
Fixed assets	46,414	–
Current assets	23,300	–
Liabilities due within one year	(10,092)	–
Liabilities due after more than one year	(30,816)	–
Turnover	35,381	–

Notes to the financial statements

at 31 December 2007

13. Investments (continued)

Company

	Joint ventures and associate £000	*Investment in subsidiary undertakings £000*	*Unlisted investments £000*	*Total £000*
Cost				
At 1 January 2007	23	25,389	47	25,459
Acquired during the year	15,097	–	–	15,097
At 31 December 2007	15,120	25,389	47	40,556
Amounts provided	–	–	–	–
At 1 January and December 2007				
Net book value at 31 December 2007	15,120	25,389	47	40,556
Net book value at 1 January 2007	23	25,389	47	25,459

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal values of the class of share capital are as follows

Name of company	*Holding*	*Proportion of voting rights held*	*Nature of business*
Subsidiary undertakings			
"K" Line Bulk Shipping (UK) Limited	Ordinary shares	100%	Shipping
"K" Line LNG Shipping (UK) Limited	Ordinary shares	100%	Shipping
James Kemball Limited	Ordinary shares	100%	Road haulage
"K" Line (Europe) Limited	Ordinary shares	100%	Shipping
"K" Line Heavy Lift (UK) Limited	Ordinary shares	100%	Shipping
Bridge Logistic Limited	Ordinary shares	100%	Dormant
Associate			
Polar LNG Shipping (UK) Limited	Ordinary shares	42 5%	Shipping

Notes to the financial statements

at 31 December 2007

13. Investments (contınued)

Joınt ventures

On 27 Aprıl 2007 the group acquıred 50% holdıngs of joınt venture ınvestments ın varıous German entıtıes that are engaged ın the busıness of heavy lıft ın the shıppıng ındustry for a consıderatıon of €111,355,000 The ınvestment ın the joınt ventures has been ıncluded ın the company's balance sheet at ıts cost at the date of acquısıtıon

SAL Schıffahrtskontor Altes Land GmbH & Co KG ‡
SAL Schıffahrtskontor Altes Land Verwaltungsgesellschaft mbH ‡
Luhe Engıneerıng GmbH ‡

SAL Transport GmbH ‡

HLL Heavy Lıft + Load Sea Lıon GmbH & Co KG ‡
HLL Heavy Lıft + Load Sea Lıon Verwaltung GmbH ‡

HLL Heavy Lıft + Load Sea Tıger GmbH & Co KG ‡
HLL Heavy Lıft + Load Sea Tıger Verwaltung GmbH ‡

HLL Heavy Lıft + Load Sea Hawk GmbH & Co KG ‡
HLL Heavy Lıft + Load Sea Hawk Verwaltung GmbH ‡

HLL Heavy Lıft + Load Sea Eagle GmbH & Co KG ‡
HLL Heavy Lıft + Load Sea Eagle Verwaltung GmbH ‡

HLL HEAVY LIFT + Load "ANNETTE" GmbH & Co KG ‡
HLL HEAVY LIFT + Load "MARIA" GmbH & Co KG ‡
HLL Heavy Lıft + Load Verwaltung GmbH ‡

HLL Heavy Lıft + Load Carrıer GmbH & Co KG ‡
HLL eavy Lıft + Load Carrıer Verwaltung GmbH ‡

HLL Heavy Lıft + Load Project GmbH & Co KG ‡
HLL Heavy Lıft + Load Project Verwaltung GmbH ‡

HLL Heavy Lıft + Load Charterıng GmbH & Co KG ‡
Heavy Lıft + Load Charterıng Verwaltung GmbH ‡

HLL Heavy Lıft + Load Forwardıng GmbH & Co KG ‡
HLL Heavy Lıft + Load Forwardıng Verwaltung GmbH ‡

HLL Heavy Lıft + Load Atlas GmbH & Co KG ‡
HLL Heavy Lıft + Load Atlas Verwaltung GmbH ‡

HLL Heavy Lıft + Load Tıtan GmbH & Co KG ‡
HLL Heavy Lıft + Load Tıtan Verwaltung GmbH ‡

Neptune Crewıng GmbH ‡

‡ All of these undertakıngs are regıstered and operate ın Germany ın the heavy lıft sector of the shıppıng ındustry

‡ 50% of the votıng rıghts and shares held by a subsıdıary undertakıng

Notes to the financial statements

at 31 December 2007

13. Investments (continued)

Unlisted investments

The group and company also own 10% of the issued share capital of "K" Line Logistics (UK) Limited (formerly "K" Line Air Services (UK) Limited) which was acquired on 1 January 2004 for £6,642 and less than 1% of the issued share capital of Baltic Exchange Company Limited which was acquired on 1 January 2004 for £40,447

14. Stocks

		Group		*Company*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Stocks	3,724	75	–	–

Stocks consist of bunker fuel oil and diesel fuel oil which are stated at cost

15. Debtors

		Group		*Company*
	2007	2006	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Amounts owed by group undertakings	424	492	–	26
Trade debtors	13,622	9,676	–	–
Other debtors	1,787	995	115	115
Prepayments and accrued income	9,319	3,253	2,462	–
Deferred taxation (note 9(c))	40	39	–	–
	25,192	14,455	2,577	141

16. Creditors: amounts falling due within one year

		Group		*Company*
	2007	2006	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Bank loans (note 18)	9,187	12,787	2,450	–
Overdraft	614	584	–	–
Obligations under finance leases and hire purchase contracts (note 20)	4,783	1,250	–	–
Trade creditors	6,593	5,042	–	–
Amounts owed to group undertakings	7,301	8,714	30	–
Current corporation tax	5,200	1,156	(471)	–
Other taxes and social security costs	1,440	957	–	–
Other creditors	17	–	–	–
Accruals and deferred income	14,572	3,220	201	28
	49,707	33,710	2,210	28

The bank overdraft is secured by a mortgage over the leasehold property of a subsidiary company

Notes to the financial statements

at 31 December 2007

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts (note 20)	72,919	479	–	–
Bank loans (note 18)	117,885	66,861	16,446	–
Accruals and deferred income	677	803	–	–
	191,481	68,143	16,446	–

18. Bank loans

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts repayable				
In one year or less or on demand	9,187	12,787	2,450	–
In more than one year but not more than two years	4,247	4,049	–	–
In more than two years but not more than five years	12,165	21,814	–	–
In more than five years	101,473	40,998	16,446	–
	127,072	79,648	18,896	–
Less included in creditors amounts falling due within one year	9,187	12,787	2,450	–
	117,885	66,861	16,446	–

Company

K Line Holding (Europe) Limited

The first loan of £2,450,000 is repayable on 20 March 2008 with the rate of interest payable at 6 53%

The second and third loans are draw downs of €21,900,000 and €500,000 taken against the loan facility of €34,000,000 which expires in 2011 The rate of interest payable on the loan is 0 25% above LIBOR Since the year end, an additional draw down of €9,000,000 against the loan facility of €34,000,000 was made

Group

"K" Line Bulk Shipping (UK) Limited

The first loan of $14,610,564 (¥1,632,000,000) is repayable by 2012 in 16 equal instalments of $787,825 (¥88,000,000) and one final instalment of $2,005,000 (¥224,000,000) The rate of interest payable on the loan is 0 5% above LIBOR The loan is secured by a fixed charge over the vessels

The second loan of $35,776,633 (¥3,996,250,000) is repayable by 2016 in 32 equal instalments of $772,000 (¥86,250,000) and 1 final instalment of $11,067,000 (¥1,236,250,000) The rate of interest payable on the loan is 0 17% above LIBOR The loan is secured by a fixed charge over the vessels

The third loan of $26,219,785 (¥2,928,750,000) is repayable by 2016 in 33 equal instalments of $553,939 (¥61,875,000) and 1 final instalment of $7,939,794 (¥886,875,000) The rate of interest payable on the loan is 0 20% above LIBOR The loan is secured by a fixed charge over the vessels

Notes to the financial statements

at 31 December 2007

18. Bank loans (continued)

"K" Line Heavy Lift (UK) Limited

The €91,500,000 loan was drawn down from the total loan facility of €136,000,000 The first repayment on this facility is due on 15 July 2009 and the maturity date for all outstanding loans against the facility is 15 July 2013

Since the year end, this subsidiary undertaking has drawn down further loans totalling €35,900,000 from a total loan facility of €136,000,000 The first repayment on this facility is due on 15 July 2009 and the maturity date for all outstanding loans against the facility is 15 July 2013

"K" Line LNG Shipping (UK) Limited

The first loan of $59,060,405 (¥7,040,000,000) (2006 $59,060,405 or ¥7,040,000,000) has been settled during the year

The second loan of $4,207,699 (¥470,000,000) (2006 $7,550,333 or ¥900,000,000) is repayable in January 2008 in one instalment The rate of interest payable on the loan is 0 3% above LIBOR

The third loan of $750,000 (2006 $2,000,000) is repayable in January 2008 in one instalment The rate of interest payable on the loan is 0 3% above LIBOR

19. Pensions

The group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the group in an independently administered fund The pension cost charge represents contributions payable by the group

20 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	2007	*2006*
	£000	*£000*
Amounts payable		
Within one year	5,774	1,282
In two to five years	21,263	522
In more than five years	65,918	–
	92,955	1,804
Less finance charges allocated to future periods	(15,253)	(75)
	77,702	1,729

Notes to the financial statements

at 31 December 2007

20. Obligations under leases and hire purchase contracts (continued)

Analysis of present value of finance lease and hire purchase liabilities

	2007	*2006*
	£000	*£000*
In one year or less or on demand	4,783	1,250
In more than one year but not more than five years	15,966	479
In more than five years	56,953	–
	77,702	1,729

Annual commitments under non-cancellable operating leases are as follows

Group		*2007*		*2006*
		Plant and		*Plant and*
	Land and	*machinery*	*Land and*	*machinery*
	buildings	*(Other)*	*buildings*	*(Other)*
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
Within one year	–	30,355	255	–
Between two and five years	–	30,711	–	3,394
Over five years	732	24,019	445	26,799
	732	85,085	700	30,193

During the year the group held operating leases for 13 vessels (2006 11 vessels) for the purposes of trading in its bulk division

21. Provisions for liabilities

The movement in the deferred taxation provision during the year was

	£000
At 1 January 2007	6,724
Profit and loss account movement arising during the year	5,043
Acquisition of joint venture	1,398
Exchange adjustment	(32)
At 31 December 2007 (note 9(c))	13,133

Notes to the financial statements

at 31 December 2007

22. Authorised and issued share capital

Authorised

	2007 £000	2006 £000
Ordinary shares of £1 each	55,000	55,000

Allotted, called up and fully paid

	No	2007 £000	No	2006 £000
Ordinary shares of £1 each	19,982,000	19,982	19,982,000	19,982

23. Reserves

Group

	Share capital £000	Profit and loss account £000	Total £000
At 31 December 2005	17,865	9,059	26,924
Retained profit for the period	–	14,891	14,891
Exchange difference on retranslation of net assets of subsidiary undertaking	–	(3,075)	(3,075)
New equity share capital issued	2,117	–	2,117
At 31 December 2006	19,982	20,875	40,857
Retained profit for the year	–	20,967	20,967
Exchange difference on retranslation	–	600	600
At 31 December 2007	19,982	42,442	62,424

Company

	Share capital £000	Profit and loss account £000	Total £000
At 31 December 2005	17,865	169	18,034
Retained profit for the year	–	5,551	5,551
New equity share capital issued	2,117	–	2,117
At 31 December 2006	19,982	5,720	25,702
Retained loss for the year	–	(1,132)	(1,132)
At 31 December 2007	19,982	4,588	24,570

24. Capital commitments

The group had capital commitments contracted but not provided for in the financial statements of £99,950,000 (2006 – £48,591,000)

Notes to the financial statements

at 31 December 2007

25. Related party transactions

The company has taken advantage of the exemption available in FRS 8 from disclosing transactions with related parties, 90% or more of whose voting rights are controlled within the Kawasaki Kisen Kaisha Limited group

26. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Kawasaki Kisen Kaisha Limited, which is incorporated in Japan

The financial statements of Kawasaki Kisen Kaisha Limited, which represent the smallest and the largest group in which the company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Hibiya Central Buildings, 2-9 Nishi-Shinbashi 1 - chome, Minato-ku, Tokyo 105-8421, Japan

27. Derivatives

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates The group also uses interest rate swap contracts to reduce interest rate exposures The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows

		Group		*Company*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Interest rate swaps	(1,760)	(595)	–	–
Forward foreign currency contracts	98	7,067	–	–

28. Post balance sheet event

"K" Line Heavy Lift (UK) Limited

Since the year end, this subsidiary undertaking has drawn down further loans totalling €35,900,000 from a total loan facility of €136,000,000 The first repayment on this facility is due on 15 July 2009 and the maturity date for all outstanding loans against the facility is 15 July 2013

Additional investments made after the end of the financial year amount to €45,871,265

"K" Line Holding (Europe) Limited

The first loan of £2,450,000 was repaid on 20 March 2008 with the rate of interest payable at 6 53%

The remaining loans in Euros are draw downs of €21,900,000 and €500,000 taken against the loan facility of €34,000,000 which expires in 2011 The rate of interest payable on the loan is 0 25% above LIBOR Since the year end, an additional draw down of €9,000,000 against the loan facility of €34,000,000 was made

On 1 January 2008 the group acquired a 100% shareholding in Ralph Morton Transport Limited which is engaged in the business of road haulage for a consideration of £2 4m

Additional investments in K Line Heavy Lift (UK) Ltd made after the end of the financial year amount to £7,122,471 (€9m)