5005018

"K" Line Holding (Europe) Limited

Report and Financial Statements

31 December 2009

Directors

K Terashima (Managing Director)
K Kuroya
N Ando

Secretary

P Rogers

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

The Sumitomo Trust & Banking Co Limited
155 Bishopsgate
London EC2M 3XU

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 2009

Results and dividends

The loss of the group for the year ended 31 December 2009 is shown in the group profit and loss account The loss for the year after taxation was £3,015 000 (2008 – profit of £48,391,000) 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

	2009	*2008*	*Change*
	£000	*£000*	*%*
Turnover – group and share of joint venture	263,040	332,700	-21%
(Loss)/Profit after tax	(3,015)	48 391	-106%
Shareholders' funds	135,276	161,392	-15%
Cash at bank	25,626	36,874	-31%

Turnover decreased by 21% during the year due to a general slump in all business divisions of the group This was the direct result of the global economic downturn The directors believe that this situation will change slightly during the second half of Year 2010

Events since the balance sheet date

'K" Line Heavy Lift (UK) Limited

- Investments

  Additional investments made after the end of the financial year amount to €70,000 in SAL Agency GmbH"on 31 March 2010 €2 8m each in HLL Steinkirchen GmbH & Co KG and HLL Load Gruenendeich GmbH & Co KG on 10 May 2010 and €22,500 in "K" Line Heavy Lift (Germany) GmbH on 14 June 2010

- Transfer of shareholding

  On 27 January 2010, "K" Line Heavy Lift (UK) Limited and 'K" Line Heavy Lift (Germany) GmbH entered into 9 share transfer agreements covering 9 vessel-owning companies namely HLL Heavy Lift + Load Maria GmbH & Co KG, HLL Heavy Lift + Load Carrier GmbH & Co KG, HLL Heavy Lift + Load Project GmbH & Co KG, HLL Heavy Lift + Load Trina GmbH & Co KG, HLL Heavy Lift + Load Regine GmbH & Co KG, HLL Heavy Lift + Load Annegret GmbH & Co KG, HLL Heavy Lift + Load Grietje GmbH & Co KG, HLL Heavy Lift + Load Paula GmbH & Co KG and HLL Heavy Lift + Load Wiebke GmbH & Co KG

  Pursuant to the agreements, K" Line Heavy Lift (Germany) GmbH acquired 0 50% of K-Heavy's Limited partner s interest in each of the above 9 KGs for an aggregate purchase price of €665,000

- Additional funding

  On 14 June 2010, additional funding totalling €4,477,500 was made in 10 vessel owning KGs as follows

HLL Heavy Lift + Load Annette GmbH & Co KG	€179,100
HLL Heavy Lift + Load Maria GmbH & Co KG	€179,100
HLL Heavy Lift + Load Carrier GmbH & Co KG	€447,750
HLL Heavy Lift + Load Project GmbH & Co KG	€447,750

Directors' report

Events since the balance sheet date (continued)

HLL Heavy Lift + Load Sea Eagle GmbH & Co KG	€477,600
HLL Heavy Lift + Load Sea Hawk GmbH & Co KG	€477,600
HLL Heavy Lift + Load Annegret GmbH & Co KG	€567,150
HLL Heavy Lift + Load Grietje GmbH & Co KG	€567,150
HLL Heavy Lift + Load Paula GmbH & Co KG	€567,150
HLL Heavy Lift + Load Wiebke GmbH & Co KG	€567,150

K" Line Holding (Europe) Limited

- Additional share capital issued

On 3 August 2010, "K" Line Holding (Europe) Limited issued new ordinary shares of £1 each for £1 3m and €35 3m The additional funds received will be used to repay all the loans outstanding as at 31 December 2009

Future developments

The directors aim to maintain and strengthen the management policies which will ensure the continuity of business in the foreseeable future They consider that 2010 will show a slow growth in sales from continuing operations because of the current economic downturn, however they believe that the latter part of year 2010 will start to bring positive results to the group as a whole

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 During the year, a forward freight agreement was also used to minimise the fluctuations in market freight rates

Directors' report

Principal risks and uncertainties (continued)

- 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

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

Going Concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out above

The group has considerable financial resources together with existing contracts with a number of customers and suppliers across different geographic areas and industries As a consequence, the directors believe that the Group and Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

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

K Terashima	(appointed on 1 April 2009)
S Soda	(resigned on 31 March 2009)
K Kuroya	(appointed on 1 April 2010)
H Maekawa	(resigned on 31 March 2010)
N Ando	

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 2009, the group had an average of 31 days (2008 – 31 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

Directors' report

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 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

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

N Ando

Director

0 3 AUG 2010

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 2006 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 financial statements of "K" Line Holding (Europe) Limited for the year ended 31 December 2009 which comprise the 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 29 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group and company's affairs as at 31 December 2009 and of the group s loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Mohan Pandian
(Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

- 6 AUG 2010

Group profit and loss account

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover			
Total group and share of joint venture		263 040	332,700
Less share of joint venture turnover	2	(79,159)	(79,570)
	2	183,881	253,130
Cost of sales		(153,711)	(144,477)
Gross profit		30,170	108 653
Administrative expenses		(23 864)	(24,465)
Group operating profit	3	6,306	84,188
Share of operating profit in joint venture		16,991	24,403
Share of operating (loss)/profit in associate		(114)	417
Amortisation of goodwill arising on acquisition of joint venture		(20,451)	(20,669)
Income from investments		–	1
Total operating profit: group and share of joint venture and associate		2,732	88,340
Interest receivable and similar income	7	1,114	2,127
Interest payable and similar charges	8	(12,000)	(13,566)
Exchange gains/(losses) – retranslation of loans	9	7,099	(34,987)
(Loss)/Profit on ordinary activities before taxation		(1,055)	41,914
Taxation	10	(1,960)	6 477
(Loss)/ Profit for the financial year	24	(3,015)	48,391

Group statement of total recognised gains and losses
for the year ended 31 December 2009

	2009 £000	2008 £000
(Loss)/Profit for the financial year excluding share of profit of joint venture and associate	(15 387)	27,503
Share of joint venture's profit for the year	12,461	20 624
Share of associates' (loss)/profit for the year	(89)	264
(Loss)/Profit for the financial year attributable to members of the parent company	(3,015)	48 391
Exchange difference on retranslation of net assets of subsidiary undertaking	(23 101)	50 577
Total recognised (losses)/gains related to the year	(26,116)	98,968

Group balance sheet

at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	12	–	1,210
Tangible assets	13	323,743	286,287
		323,743	287,497
Investments			
Investment in joint venture			
Share of gross assets		226,002	275,260
Share of gross liabilities		(127,093)	(142,162)
	14	98,909	133,098
Investment in associate	14	394	407
Other investments	14	47	47
		423,093	421,049
Current assets			
Stocks	15	2,968	1,266
Debtors			
due after one year		150	165
due within one year		106,203	102,181
	16	106,353	102,346
Cash at bank and in hand		25,626	36,874
		134,947	140,486
Creditors amounts falling due within one year	17	(64,829)	(64,945)
Net current assets		70,118	75,541
Total assets less current liabilities		493,211	496,590
Creditors amounts falling due after more than one year	18	(348,146)	(325,356)
Provisions for liabilities			
Deferred taxation	22	(9,789)	(9,842)
Net assets		135,276	161,392
Capital and reserves			
Called up share capital	23	19,982	19,982
Profit and loss account	24	115,294	141,410
Equity shareholders' funds	24	135,276	161,392

These financial statements were approved by the Board of Directors and were signed on its behalf by

K Terashima
Director

Date 03 AUG 2010

Company registered number 5005018

Company Balance sheet
at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Investments	14	50,010	51,513
Current assets			
Debtors			
amounts falling due after one year		150	275
amounts falling due within one year		123	1,189
	16	273	1,464
Cash at bank and in hand		78	26
		351	1,490
Creditors. amounts falling due within one year	17	(1,185)	(3,104)
Net current liabilities		(834)	(1,614)
Total assets less current liabilities		49,176	49,899
Creditors amounts falling due after more than one year	18	(30,195)	(32,882)
Net assets		18,981	17,017
Capital and reserves			
Called up share capital	23	19,982	19,982
Profit and loss account	24	(1,001)	(2,965)
Equity shareholders' funds	24	18,981	17,017

These financial statements were approved by the Board of Directors and were signed on its behalf by

K Terashima
Director

Date 03 AUG 2010

Company registered number 5005018

Notes to the financial statements

at 31 December 2009

1 Accounting policies

Accounting convention

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

Going Concern

The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

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 408 of the Companies Act 2006

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

Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost

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
Dry docking assets	–	2-5 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

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

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

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

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

Notes to the financial statements

at 31 December 2009

1 Accounting policies (continued)

Leasing and hire purchase commitments *(continued)*

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 The group does not apply hedge accounting for any of the derivative instruments

Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at net proceeds After initial recognition the debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount

Revenue Recognition

Revenue is recognised to the extent that group obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received, excluding discounts, rebates VAT and other sales taxes or duty The following criteria must also be met before revenue is recognised

(i) Charter hire income The time charter equivalent of income from the Company's vessel chartering activities is recognised on a time proportion basis whilst voyage charter income is recognized on voyage completion basis

(ii) Management fees The fees earned from the management of vessels, crew and technical matters are recognised when services are rendered

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

	2009	*2008*
	£000	*£000*
United Kingdom	65 389	84,110
Rest of Europe	54,344	112,967
Rest of World	64,148	56,053
	183,881	253,130

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

	2009	*2008*
	£000	*£000*
United Kingdom	5,299	5,770
Rest of Europe	43 075	49 200
Rest of World	30 785	24,600
	79 159	79 570

Notes to the financial statements
at 31 December 2009

3. Operating profit

This is stated after charging/(crediting)

	2009 £000	2008 £000
Auditors remuneration (note 4)	295	340
Amortisation of goodwill – subsidiary	1,210	445
Depreciation of owned tangible fixed assets	9 997	6,480
Depreciation of assets held under finance leases and hire purchase contracts	3 875	3,533
Operating lease rentals – land and buildings	886	64
– plant and machinery	73,272	65,281
Foreign exchange gains	201	252
Profit on disposal of fixed assets	(311)	(11)

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows

	2009 £000	2008 £000
Audit of the financial statements	38	59
Other fees to auditors – local statutory audits for subsidiaries	82	95
– taxation services	175	186
	295	340

5 Directors' remuneration

	2009 £000	2008 £000
Emoluments	2,420	2,248

No pension contributions were paid by the Company to directors during the year

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

	2009 £000	2008 £000
Emoluments	430	360

Notes to the financial statements
at 31 December 2009

6. Staff costs

	2009	*2008*
	£000	*£000*
Wages and salaries	17,969	19,030
Social security costs	1 306	1,402
Other pension costs (note 20)	798	723
	20,073	21,155

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

	2009	*2008*
	No	*No*
Operational	182	188
Administration	261	277
	443	465

7. Interest receivable

	2009	*2008*
	£000	*£000*
Bank interest receivable	345	1,452
Loan interest receivable	750	675
Other interest receivable	19	–
	1,114	2,127
Share of joint venture interest receivable	218	705

8. Interest payable

	2009	*2008*
	£000	*£000*
Bank interest payable	14,274	12,291
Finance lease charges net of interest rate swap	(2 305)	1,257
Other	31	18
	12,000	13,566
Share of joint venture's interest payable	4,707	4,447

Notes to the financial statements

at 31 December 2009

9 Exchange loss

Exchange gain of £7,099,000 arose in 2009 on retranslation of loans and finance lease obligations

In 2009, exchange loss of £7,099 000 arose on retranslation of loans and finance lease obligations Key constituent of this exchange gain is £4 4m made on loan denominated in Japanese Yen whereas reporting currency of these two subsidiaries is USD – due to JPY weakening against USD a gain was made In addition exchange gain of £2 7m has been made on translating loan in EUR

10. Tax

(a) Tax on profit on ordinary activities

	2009	2008
	£000	£000
Current tax		
UK corporation tax on the profit for the year	379	1,670
Foreign tax	14	39
Adjustment in respect of prior periods	1,452	(1,322)
Double taxation relief	–	–
Total current tax (note 10(b))	1,845	387
Deferred tax		
Origination and reversal of timing differences	115	(6,864)
Effect of changes in tax rates on opening liabilities	–	–
	115	(6,864)
Adjustment in respect of prior periods	–	–
Tax on profit on ordinary activities	1,960	(6,477)

Notes to the financial statements

at 31 December 2009

10. Tax (continued)

(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 28.5% The differences are explained below

	2009	2008
	£000	£000
(Loss)/Profit on ordinary activities before tax	(1,055)	41,914
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28 5%)	(295)	11,945
Effects of		
Disallowable expenses	4 391	(6,679)
Accelerated capital allowances	(3,204)	(5,973)
Adjustments in respect of prior periods	1 425	(1,322)
Unrelieved tax losses	(479)	2,420
Difference in tax rates on losses carried back	(1)	3
Tax credit	–	2
Other timing differences	8	(9)
Current tax for the year (note 10(a))	1,845	387

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2009	2008
	£000	£000
Included in debtors (note 16)	1,663	1 133
Included in provisions for liabilities and charges (note 22)	(9,789)	(9,842)
	(8,126)	(8,709)

	2009	2008
	£000	£000
Tax losses	1,663	1,133
Accelerated capital allowances	(9,789)	(9,842)
	(8,126)	(8,709)

Notes to the financial statements

at 31 December 2009

10. Tax (continued)

	£000
At 1 January 2009	(8,709)
Profit and loss account movement during the year	(3,196)
Acquisition of joint venture	–
Exchange/Other adjustment	698
Adjustment in respect of prior period	3 081
At 31 December 2009	(8,126)

There is an unprovided deferred tax asset of £858,448 arising predominantly in respect of carried forward tax losses in "K" Line Holding (Europe) Limited This deferred tax asset has not been recognised as there is no reasonable indication that there will be suitable future taxable profits from which these timing differences can be deducted

The following changes were announced in the UK Budget on 23 June 2010 (i) the full rate of corporation tax will reduce to 27% with effect from 1 April 2011, and will decrease by a further 1% each 1 April thereafter until reaching 24% with effect from 1 April 2014, (ii) the rate of annual writing down allowances on qualifying plant and machinery will reduce by 2% to 18% for the general capital allowance pool and to 8% for the integral features pool, with effect from 1 April 2012 As this legislation was not substantially enacted by the balance sheet date, the deferred tax figures within these accounts are calculated in accordance with the existing rates

11. Profit attributable to members of parent company

The profit dealt with in the financial statements of the parent company was £1,964,578 (2008 – loss of £7,553 513)

12. Intangible fixed assets

Group	*Goodwill* £000
Cost	
At 1 January 2009	2,163
At 31 December 2009	2,163
Amortisation	
At 1 January 2009	953
Provided during the year	1,210
At 31 December 2009	2 163
Net book value	
At 31 December 2009	–
At 1 January 2009	1,210

Notes to the financial statements

at 31 December 2009

13. Tangible fixed assets

Group

	Vessels	*Vessel under construction*	*Leasehold property and improvements*	*Plant and machinery, fixtures and fittings*	*Motor vehicles*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost						
At 1 January 2009	210,771	90 897	1,144	12,344	2,622	317,778
Exchange adjustments	(23,099)	(9 961)	(21)	(21)	–	(33,102)
Additions	786	83 064	7	921	44	84,822
Transfers	91,204	(91 204)	–	–	–	–
Disposals	–	(2,749)	–	(1,135)	(1,110)	(4,994)
At 31 December 2009	279,662	70,047	1,130	12,109	1,556	364,504
Depreciation						
At 1 January 2009	22,998	–	401	7,532	560	31,491
Exchange adjustment	(2,870)	–	(4)	–	–	(2,874)
Provided during the year	11 624	–	155	1,597	496	13 872
Disposals	–	–	–	(1,076)	(652)	(1,728)
At 31 December 2009	31,752	–	552	8,053	404	40,761
Net book value						
At 31 December 2009	247,910	70,047	578	4,056	1,152	323,743
At 1 January 2009	187,773	90 897	743	4,812	2,062	286,287

The net book value of vessels and plant and machinery above includes an amount of £94,788,585 (2008 – £110,889,813) in respect of assets held under finance leases and hire purchase contracts

14. Investments

Group

	2009	*2008*
	£000	*£000*
Joint venture (a)	98,909	133,098
Associate	394	407
Unlisted investments	47	47

Notes to the financial statements

at 31 December 2009

14. Investments (continued)

(a) Joint venture

	Share of net assets £000	Goodwill £000	Total £000
At 1 January 2009	64,883	68 215	133,098
Acquired during the year	7,212	–	7 212
Exchange adjustments	(7,903)	(6 516)	(14,419)
Share of profits retained by joint venture	12,461	–	12,461
Dividends paid during the year	(18,992)	–	(18 992)
Amortisation of goodwill	–	(20,451)	(20,451)
At 31 December 2009	57 661	41 248	98,909

The investment in the joint venture has been included in the group's balance sheet at its 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

	2009 £000	2008 £000
Fixed assets	148,446	152,952
Current assets	34,929	54,093
Liabilities due within one year	(32,604)	(40,822)
Liabilities due after more than one year	(94,489)	(101,340)
Turnover	79,159	79 570

Notes to the financial statements

at 31 December 2009

14. Investments (continued)

Company

	Joint ventures and associate £000	*Investment in subsidiary undertakings £000*	*Unlisted investments £000*	*Total £000*
Cost				
At 1 January 2009	23	51,443	47	51,513
At 31 December 2009	23	51,443	47	51,513
Amounts provided				
At 1 January 2009	–	–	–	–
Provided during the year	–	(1,503)	–	(1,503)
At 31 December 2009	–	(1,503)	–	(1,503)
Net book value at 31 December 2009	23	49,940	47	50,010
Net book value at 1 January 2009	23	51,443	47	51,513

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
Ralph Morton Transport Limited	Ordinary shares	100%	Road haulage
"K" Line Heavy Lift (Germany) GmbH	Ordinary shares	100%	Shipping
Associate			
Polar LNG Shipping (UK) Limited	Ordinary shares	42 5%	Shipping

Joint ventures

In 2009 the additional net investments in the joint venture amounted to €8 370,636

The investment in the joint ventures has been included in the company's balance sheet at its purchase cost

Notes to the financial statements

at 31 December 2009

14. Investments (continued)

SAL Schiffahrtskontor Altes Land GmbH & Co KG - ‡
SAL Schiffahrtskontor Altes Land Verwaltungsgesellschaft mbH - ‡
Luhe Engineering GmbH - ‡
SAL Transport GmbH - ‡

HLL Heavy Lift + Load Sea Lion GmbH & Co KG - ‡
HLL Heavy Lift + Load Sea Lion Verwaltung GmbH - ‡

HLL Heavy Lift + Load Sea Tiger GmbH & Co KG - ‡
HLL Heavy Lift + Load Sea Tiger Verwaltung GmbH - ‡

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

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

HLL HEAVY LIFT + Load "ANNETTE" GmbH & Co KG - ‡
HLL HEAVY LIFT + Load "MARIA" GmbH & Co KG - ‡
HLL Heavy Lift + Load Annette Verwaltung GmbH - ‡

HLL Heavy Lift + Load Carrier GmbH & Co KG - ‡
HLL Heavy Lift + Load Carrier Verwaltung GmbH - ‡

HLL Heavy Lift + Load Project GmbH & Co KG - ‡
HLL Heavy Lift + Load Project Verwaltung GmbH - ‡

HLL Heavy Lift + Load Trina GmbH & Co KG - ‡
Heavy Lift + Load Trina Verwaltung GmbH - ‡

HLL Heavy Lift + Load Regine GmbH & Co KG - ‡
HLL Heavy Lift + Load Regine Verwaltung GmbH - ‡

HLL Heavy Lift + Load Atlas GmbH & Co KG - ‡
HLL Heavy Lift + Load Atlas Verwaltung GmbH - ‡

HLL Heavy Lift + Load Titan GmbH & Co KG - ‡
HLL Heavy Lift + Load Titan Verwaltung GmbH - ‡
Neptune Crewing GmbH - ‡

HLL Heavy Lift + Load ANNEGRET Verwaltung GmbH - ‡
HLL Heavy Lift + Load GRIETJE Verwaltung GmbH - ‡
HLL Heavy Lift + Load PAULA Verwaltung GmbH - ‡
HLL Heavy Lift + Load WIEBKE Verwaltung GmbH - ‡

HLL Heavy Lift + Load ANNEGRET GmbH & Co KG - ‡
HLL Heavy Lift + Load GRIETJE GmbH & Co KG - ‡
HLL Heavy Lift + Load PAULA GmbH & Co KG - ‡
HLL Heavy Lift + Load WIEBKE GmbH & Co KG - ‡

HLL Heavy Lift + Load ALPHA Verwaltung GmbH - ‡
HLL Heavy Lift + Load ALPHA GmbH & Co KG - ‡

Notes to the financial statements

at 31 December 2009

14. Investments (continued)

HLL Heavy Lift + Load BETA Verwaltung GmbH - ‡
HLL Heavy Lift + Load BETA GmbH & Co KG - ‡

HLL Heavy Lift + Load MARIA Verwaltung GmbH - ‡

HLL Heavy Lift + Load Steinkirchen GmbH & Co KG - ‡
HLL Heavy Lift + Load Steinkirchen Verwaltung GmbH - ‡

HLL Heavy Lift + Load Gruenendeich GmbH & Co KG - ‡
HLL Heavy Lift + Load Gruenendeich Verwaltung GmbH - ‡

‡ All of these undertakings are registered and operate in Germany in the heavy lift sector of the shipping industry

‡ 50% of the voting rights and shares held by a subsidiary undertaking

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

15. Stocks

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Stocks	2,968	1,266	–	–

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

Notes to the financial statements

at 31 December 2009

16. Debtors

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Loans receivable	73 575	67,378	260	385
Amounts owed by group undertakings	129	313	–	–
Amounts owed by related party undertakings	5 036	–	–	–
Trade debtors	13 270	22,037	–	–
Other debtors	2149	2,903	13	–
Prepayments and accrued income	10 531	8,242	–	–
Corporation tax	-	340	–	–
Deferred taxation (note 10(c))	1 663	1,133	–	1,079
	106,353	102,346	273	1 464

Amounts falling due after more than one year included above are

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Loans receivable	150	165	150	275

Loans receivable include £72,628k loans given to related company "K" Line TRS These loans are renewable every three months Loan in the amount of £150k (2008 – £165k) has been given by group parent company to associate company Polar LNG Shipping (UK) Limited and its maturity date is in 2011

In addition, the Company gave a loan in year 2008 in the amount of £220k to its subsidiary Ralph Morton Transport Limited, £110k was repaid during year 2009 and £110k is repayable in 2010.

17. Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans (note 19)	20,055	17,890	1,093	2,910
Overdraft	175	88	–	–
Obligations under finance leases and hire purchase contracts (note 21)	6 272	7 577	–	–
Trade creditors	6,117	7,347	–	–
Amounts owed to group undertakings	12,214	10 281	1	12
Current corporation tax	751	–	–	–
Other taxes and social security costs	709	1,256	–	–
Other creditors	98	159	1	–
Accruals and deferred income	18 438	20 347	90	182
	64,829	64,945	1,185	3,104

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

Notes to the financial statements

at 31 December 2009

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Obligations under finance leases and hire purchase contracts (note 21)	95,743	117,572	–	–
Bank loans (note 19)	252 403	207,784	30,195	32,882
	348 146	325,356	30,195	32,882

19. Bank loans

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Amounts repayable				
In one year or less or on demand	20,055	17,890	1 093	2,910
In more than one year but not more than two years	148,681	14,980	30,195	–
In more than two years but not more than five years	85,250	166,952	–	32,882
In more than five years	18,472	25,852	–	–
	272,458	225,674	31,288	35,792
Less included in creditors amounts falling due within one year	(20 055)	(17,890)	(1,093)	(2,910)
	252,403	207,784	30,195	32,882

Company

K Line Holding (Europe) Limited

The loan of £1,092,073 is based on short term promissory notes, hence this has been classified as a short term payable The rate of interest payable is 0 94%

Long term loan in the amount of €34,000,000 expires in 2011 The rate of interest payable on the loan is 0 25% above LIBOR

Group

K ' Line Bulk Shipping (UK) Limited

The first loan of $9,967,777 (JPY928,000,000) is repayable by 2012 in 8 equal instalments of $7 561,762 (JPY704 000 000) and 1 final instalment of $2 406 015 (JPY224,000,000) 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 $35,512,889 (JPY3,306,250,000) is repayable by 2016 in 24 equal instalments of $22 234,157 (JPY2 070,000 000) and 1 final instalment of $13,278,732 (JPY1,236,250 000) 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 $26,141,246 (JPY2,433,750,000) is repayable by 2016 in 25 equal instalments of $16,615,199 (JPY1,546 875,000) and 1 final instalment of $9,526,047 (JPY886,875 000) The rate of interest payable on the loan is 0 20% above LIBOR The loan is secured by a fixed charge over the vessels

The fourth loan of $59 186,673 (JPY5,510,000,000) is repayable by 2014 in 17 equal instalments of $17 346,939 (JPY1,615,000,000) and 1 final instalment of $41,836,734 (JPY3,895,000,000) The rate of interest payable on the loan is 0 70% above LIBOR The loan is secured by a fixed charge over the vessels

Notes to the financial statements

at 31 December 2009

19. Bank loans (continued)

The fifth loan of $75 187,970 (JPY7 000 000 000) is repayable by 2014 in 19 equal instalments of $23,816 327 (JPY2 217 300,000) and 1 final instalment of $51 371,643 (JPY4,782,700,000) The rate of interest payable on the loan is 0 65% above LIBOR The loan is secured by a fixed charge over the vessels

K" Line Heavy Lift (UK) Limited

The loan was drawn down from a total loan facility of €136,000,000 from syndication banks arranged by Mizuho Corporate Bank Ltd The first repayment on this facility was made on 15 July 2009 and will be followed by 3 equal annual payments of the same amount and a final payment of €104m The rate of interest payable on the loan is 0 23% above Euro base rate The maturity date for all outstanding loans against the facility is 15 July 2013 and the loan is secured by a guarantee from the ultimate parent undertaking

20. 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

21. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	2009	*2008*
	£000	*£000*
Amounts payable		
Within one year	8,017	9,997
In two to five years	29,715	35,412
In more than five years	82,945	103,962
	120,677	149,371
Less finance charges allocated to future periods	(18,662)	(24,222)
	102,015	125,149

Analysis of present value of finance lease and hire purchase liabilities

	2009	*2008*
	£000	*£000*
In one year or less or on demand	6 272	7,577
In more than one year but not more than five years	22,735	26,884
In more than five years	73,008	90,688
	102,015	125,149

The rate of interest payable on the finance lease is 0 275% above LIBOR The finance lease is secured by a fixed charge over the assets concerned

Notes to the financial statements

at 31 December 2009

21 Obligations under leases and hire purchase contracts (continued)

Annual commitments under non-cancellable operating leases are as follows

Group		*2009*		*2008*
	Land and buildings	*Plant and machinery (Other)*	*Land and buildings*	*Plant and machinery (Other)*
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
Within one year	–	4 439	–	61
Between two and five years	1 072	31,965	1,603	178,933
Over five years	381	14,157	1 234	139,562
	1,453	50,561	2 837	318,556

During the year the group held operating leases for 13 vessels (2008 – 13 vessels) for the purposes of trading in its bulk division

22. Provisions for liabilities

The movement in the deferred taxation provision during the year was

	£000
At 1 January 2009	9,842
Profit and loss account movement arising during the year	3,191
Adjustment in relation to prior years	(2,467)
Other adjustments	(777)
At 31 December 2009 (note 10(c))	9,789

23. Issued share capital

Allotted, called up and fully paid

		2009		*2008*
	No	*£000*	*No*	*£000*
Ordinary shares of £1 each	19,982,000	19,982	19,982,000	19,982

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at 31 December 2009

24. Reserves

Group

	Share capital £000	*Profit and loss account* £000	*Total* £000
At 31 December 2007	19,982	42 442	62,424
Retained profit for the year	–	48,391	48,391
Exchange difference on retranslation	–	50,577	50,577
At 31 December 2008	19,982	141,410	161,392
Retained profit for the year	–	(3,015)	(3 015)
Exchange difference on retranslation	–	(23,101)	(23,101)
At 31 December 2009	19,982	115,294	(135,276)

Company

	Share capital £000	*Profit and loss account* £000	*Total* £000
At 31 December 2007	19,982	4,588	24,570
Retained loss for the year	–	(7,553)	(7,553)
At 31 December 2008	19,982	(2,965)	17,017
Retained profit for the year	–	1,964	1 964
At 31 December 2009	19,982	(1,001)	18,981

25. Capital commitments

The group had capital commitments contracted but not provided for in the financial statements of £206,811,146 (2008 – £361,613,352).

26. Related party transactions

The company has taken advantage of the exemption available in FRS 8 from disclosing transactions with related parties, 100% of whose voting rights are controlled within the Kawasaki Kisen Kaisha Limited group

During the year the company entered into transactions, in the ordinary course of business with other related parties Transactions entered into, and trading balances outstanding at 31 December, are as follows

	Income from related party £	*Purchases from related party* £	*Amounts owed from related party* £	*Amounts owed to related party* £
During the year, Polar LNG Shipping (UK) Limited entered into transactions, in the ordinary course of business, with the following subsidiary undertakings and affiliates				
K' Line (Europe) Limited				
2009	–	–	–	40 095
2008	–	–	–	110

Notes to the financial statements

at 31 December 2009

26. Related party transactions (continued)

"K" Line LNG Shipping (UK) Limited				
2009	–	7,243 819	376 377	–
2008	–	5 323 696	9 264	1 073 195
"K" Line Holding (Europe) Limited				
2009	–	2,715	–	149,708
2008	–	–	–	165,179
Northern LNG Transport Co I Limited*******				
2009	–	10,211,228	–	–
2008	–	7 844 418	–	–
Northern LNG Transport Co II Limited*******				
2009	–	10 122,976	–	–
2008	–	7,993,359	–	–

******* Polar LNG Shipping (UK) Limited charters each one of its vessels from Northern LNG Transport Co I Limited and Northern LNG Transport Co II Limited Both of these companies are affiliates of Kawasaki Kisen Kaisha Ltd (the ultimate parent company of "K" Line Holding (Europe) Ltd)

During the year "K" Line Europe Limited had entered into transactions, in the ordinary course of business with the following related parties

	Income from related party	*Purchases from related party*	*Amounts owed from related party*	*Amounts owed to related party*
	£	£	£	£
SAL Schiffahrtskontor Altes Land GmbH & Co KG	22,129	-	56 654	-

Included in amounts owed from related party undertakings (note 16), an amount of £5,035 524 is owed from two joint venture entities HLL Steinkirchen GmbH & Co KG and HLL Gruenendeich GmbH & Co KG

27. 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.

Notes to the financial statements

at 31 December 2009

28. 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 During the year, a forward freight agreement was also used to minimise the fluctuations in market freight rates The fair values of the derivatives held at the balance sheet date, determined by reference to their market values are as follows

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Interest rate swaps	3,783	(4,350)	–	–
Forward foreign currency contracts	643	(1,788)	–	–
Forward freight agreements	1,583	–	–	–

29. Post balance sheet event

K" Line Heavy Lift (UK) Limited

- Investments

  Additional investments made after the end of the financial year amount to €70 000 in "SAL Agency GmbH" on 31 March 2010, €2 8m each in HLL Steinkirchen GmbH & Co KG and HLL Load Gruenendeich GmbH & Co KG on 10 May 2010 and €22,500 in "K" Line Heavy Lift (Germany) GmbH on 14 June 2010

- Transfer of shareholding

  On 27 January 2010, "K" Line Heavy Lift (UK) Ltd and "K" Line Heavy Lift (Germany) GmbH entered into 9 share transfer agreements covering 9 vessel-owning companies namely HLL Heavy Lift + Load Maria GmbH & Co KG, HLL Heavy Lift + Load Carrier GmbH & Co KG, HLL Heavy Lift + Load Project GmbH & Co KG HLL Heavy Lift + Load Trina GmbH & Co KG, HLL Heavy Lift + Load Regine GmbH & Co KG HLL Heavy Lift + Load Annegret GmbH & Co KG, HLL Heavy Lift + Load Grietje GmbH & Co KG, HLL Heavy Lift + Load Paula GmbH & Co KG and HLL Heavy Lift + Load Wiebke GmbH & Co KG

  Pursuant to the agreements, "K" Line Heavy Lift (Germany) GmbH acquired 0 50% of K-Heavy's limited partner's interest in each of the above 9 KGs for an aggregate purchase price of €665,000

- Additional funding

  On 14 June 2010, additional funding totaling €4,477,500 was made in 10 vessel owning KGs as follows

HLL Heavy Lift + Load Annette GmbH & Co KG	€179,100
HLL Heavy Lift + Load Maria GmbH & Co KG	€179,100
HLL Heavy Lift + Load Carrier GmbH & Co KG	€447,750
HLL Heavy Lift + Load Project GmbH & Co KG	€447,750
HLL Heavy Lift + Load Sea Eagle GmbH & Co KG	€477,600
HLL Heavy Lift + Load Sea Hawk GmbH & Co KG	€477,600
HLL Heavy Lift + Load Annegret GmbH & Co KG	€567,150
HLL Heavy Lift + Load Grietje GmbH & Co KG	€567,150
HLL Heavy Lift + Load Paula GmbH & Co KG	€567,150
HLL Heavy Lift + Load Wiebke GmbH & Co KG	€567 150

Notes to the financial statements

at 31 December 2009

29. Post balance sheet event (continued)

"K" Line Holding (Europe) Limited

- Additional share capital issued

  On 3 August 2010, "K" Line Holding (Europe) Limited issued new ordinary shares of £1 each for £1 3m and €35 3m The additional funds received will be used to repay all the loans outstanding as at 31 December 2009