“K” Line Holding (Europe) Limited

Report and Financial Statements

31 December 2008

WEDNESDAY
L3BYFBRE
LD5 22/07/2009 139
COMPANIES HOUSE

Registered No: 5005018

Directors
K Terashima (Managing Director)
H Maekawa
N Ando

Secretary
R J R Dowding (resigned 31 July 2008)

P Rogers (appointed 1 August 2008)

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 2008.

Results and dividends

The results of the group for the year ended 31 December 2008 are shown in the group profit and loss account. The profit for the year after taxation was £48,391,000 (2007 – profit of £20,967,000). 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 – group and share of joint venture	332,700	178,688	86%
Profit after tax	48,391	20,967	131%
Shareholders' funds	161,392	62,424	158%
Cash at bank	36,874	20,652	79%

Turnover increased by 86% 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 heavy lift business division contributed approximately £80m to the turnover of the group.

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 €1,420,636.

- New company in Germany

  On 16th February 2009, "K" Line Heavy Lift (UK) Ltd duly incorporated a subsidiary in Germany with the name "K" Line Heavy Lift (Germany) GmbH with an initial capital of €25,000.

  On 18th February 2009, "K" Line Heavy Lift (UK) Ltd and "K" Line Heavy Lift (Germany) GmbH entered into 4 share transfer agreements covering 4 vessel-owning companies namely HLL Heavy Lift + Load Sea Tiger GmbH & Co KG, HLL Heavy Lift + Load Sea Hawk GmbH & Co KG, HLL Heavy Lift + Load Sea Lion GmbH & Co KG and HLL Heavy Lift + Load Sea Eagle 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 4 KGs for an aggregate purchase price of €197,957.

Directors' report

- Dividends paid

  A dividend of €2,000,000 was paid to "K" Line Holding (Europe) Ltd on 22 May 2009.

"K" Line Holding (Europe) Limited:

The loan of £2,910,000 was repaid on 26 January 2009. Thereafter, the short term loan movements have been as follows:

- £2,940,000 taken on 26 January 2009 and repaid on 26 February 2009 with the rate of interest payable at 1.98%.
- £2,940,000 taken on 26 February 2009 and repaid on 26 March 2009 with the rate of interest payable at 1.73%.
- £2,980,000 taken on 26 March 2009 and repaid on 27 April 2009 with the rate of interest payable at 1.46%.
- £1,860,000 taken on 27 April 2009 and repaid on 27 May 2009 with the rate of interest payable at 1.24%.
- £800,000 taken on 27 May 2009 and repaid on 29 June 2009 with the rate of interest payable at 1.04%.
- £800,000 taken on 29 June 2009 and will be repaid on 28 August 2009 with the rate of interest payable at 1.38%.

A dividend of €2,000,000 was received from "K" Line Heavy Lift (UK) Ltd on 22 May 2009.

"K" Line Bulk Shipping (UK) Limited:

On the 11 June 2009, a new bulk vessel that was under construction was delivered and in the process a loan amounting to JPY5,700,000,000 was secured.

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 2009 will show a slower growth in sales from continuing operations because of the current economic downturn..

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.

- 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:

K Terashima	(appointed on 1 April 2009)
H Maekawa	
H Nagayama	(resigned on 30 June 2008)
S Soda	(resigned on 31 March 2009)
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 2008, the group had an average of 31 days (2007 – 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 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

Secretary

1 6 JUL 2009

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 2008 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 29. 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 2008 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

16 JUL 2009

Group profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover			
Total group and share of joint venture		332,700	178,688
Less share of joint venture turnover	2	(79,570)	(35,381)
	2	253,130	143,307
Cost of sales		(144,477)	(80,561)
Gross profit		108,653	62,746
Administrative expenses		(24,465)	(22,124)
Group operating profit	3	84,188	40,622
Share of operating profit in joint venture		24,403	6,748
Share of operating profit in associate		417	172
Amortisation of goodwill arising on acquisition of joint venture		(20,669)	(12,045)
Income from investments		1	2
Total operating profit: group and share of joint venture and associate		88,340	35,499
Interest receivable and similar income	7	2,127	4,012
Interest payable and similar charges	8	(13,566)	(4,736)
Exchange losses – retranslation of loans	9	(34,987)	-
Profit on ordinary activities before taxation		41,914	34,775
Taxation	10	6,477	(13,808)
Profit for the financial year	24	48,391	20,967

Group statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 *£000*	*2007* *£000*
Profit for the financial year excluding share of profit of joint venture and associate	27,503	14,099
Share of joint venture's profit for the year	20,624	6,748
Share of associates' profit for the year	264	120
Profit for the financial year attributable to members of the parent company	48,391	20,967
Exchange difference on retranslation of net assets of subsidiary undertaking	50,577	600
Total recognised gains related to the year	98,968	21,567

Group balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Intangible assets	12	1,210	127
Tangible assets	13	286,287	188,476
		287,497	188,603
Investments			
Investment in joint venture:			
Share of gross assets		275,260	119,680
Share of gross liabilities		(142,162)	(41,296)
	14	133,098	78,384
Investment in associate	14	407	143
Other investments	14	47	47
		421,049	267,177
Current assets			
Stocks	15	1,266	3,724
Debtors			
due after one year		165	115
due within one year		102,181	25,077
	16	102,346	25,192
Cash at bank and in hand		36,874	20,652
		140,486	49,568
Creditors: amounts falling due within one year	17	(64,945)	(49,707)
Net current assets/(liabilities)		75,541	(139)
Total assets less current assets		496,590	267,038
Creditors: amounts falling due after more than one year	18	(325,356)	(191,481)
Provisions for liabilities			
Deferred taxation	22	(9,842)	(13,133)
		161,392	62,424
Capital and reserves			
Called up share capital	23	19,982	19,982
Profit and loss account	24	141,410	42,442
Equity shareholders' funds	24	161,392	62,424

N. A

N Ando

Director

1 6 JUL 2009

Balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Investments	14	51,513	40,556
Current assets			
Debtors			
amounts falling due after one year		275	115
amounts falling due within one year		1,189	2,462
	16	1,464	2,577
Cash at bank and in hand		26	93
		1,490	2,670
Creditors: amounts falling due within one year	17	(3,106)	(2,210)
Net current (liabilities)/assets		(1,614)	460
Total assets less current assets		49,899	41,016
Creditors: amounts falling due after more than one year	18	(32,882)	(16,446)
Total assets less current liabilities		17,017	24,570
Capital and reserves			
Called up share capital	23	19,982	19,982
Profit and loss account	24	(2,965)	4,588
Equity shareholders' funds	24	17,017	24,570

N Ando

Director

1 6 JUL 2009

Notes to the financial statements

at 31 December 2008

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 2008

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 2008

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.

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:

	2008	*2007*
	£000	*£000*
United Kingdom	84,110	39,798
Rest of Europe	112,967	59,266
Rest of World	56,053	44,243
	253,130	143,307

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

	2008	*2007*
	£000	*£000*
United Kingdom	5,770	1,769
Rest of Europe	49,200	4,152
Rest of World	24,600	19,460
	79,570	35,381

Notes to the financial statements

at 31 December 2008

3. Operating profit

This is stated after charging/(crediting):

	2008 £000	2007 £000
Auditors' remuneration (note 4)	340	304
Amortisation of goodwill – subsidiary	445	127
Depreciation of owned tangible fixed assets	6,480	5,051
Depreciation of assets held under finance leases and hire purchase contracts	3,533	727
Operating lease rentals – land and buildings	64	567
– plant and machinery	65,281	40,339
Foreign exchange gains	252	(4,021)
Profit on disposal of fixed assets	(11)	(67)

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	2008 £000	2007 £000
Audit of the financial statements	59	54
Other fees to auditors – local statutory audits for subsidiaries	95	75
– taxation services	186	167
	340	296

5. Directors' remuneration

	2008 £000	2007 £000
Emoluments	2,248	1,897

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:

	2008 £000	2007 £000
Emoluments	360	661

Notes to the financial statements

at 31 December 2008

6. Staff costs

	2008	2007
	£000	£000
Wages and salaries	19,030	15,026
Social security costs	1,402	1,126
Other pension costs (note 20)	723	692
	21,155	16,844

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

	2008	2007
	No.	No.
Operational	188	101
Administration	277	242
	465	343

7. Interest receivable

	2008	2007
	£000	£000
Bank interest receivable	2,127	4,012
Share of joint venture interest receivable	705	217

8. Interest payable

	2008	2007
	£000	£000
Bank interest payable	12,291	3,510
Finance lease charges	1,257	175
Other	18	1,051
	13,566	4,736
Share of joint venture's interest payable	4,447	1,116

Notes to the financial statements

at 31 December 2008

9. Exchange loss

Exchange loss of £34,987,000 arose in 2008 on retranslation of loans and finance lease obligations. Key constituent of this exchange loss is £25.5m made on loan denominated in Japanese Yen whereas reporting currency of these two subsidiaries is USD – due to JPY strengthening against USD large loss was made. In addition, exchange loss of £7.1m has been made on translating loan in EUR.

In 2007, there was unrealised exchange gain made in the amount of £455,000 which has been included in administrative expenses. Due to significant changes in exchange rates in 2008 and large losses made, exchange loss has been presented on a different line, however, it has not been deemed necessary to reclassify 2007 figure as it did not have exceptional nature in 2007.

10. Tax

(a) Tax on profit on ordinary activities

	2008	*2007*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the year	1,670	8,746
Foreign tax	39	78
Adjustment in respect of prior periods	(1,322)	–
Double taxation relief	-	(58)
Total current tax (note 10(b))	387	8,766
Deferred tax:		
Origination and reversal of timing differences	(6,864)	5,836
Effect of changes in tax rates on opening liabilities	-	(807)
	(6,864)	5,029
Adjustment in respect of prior periods	-	13
Tax on profit on ordinary activities	(6,477)	13,808

(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:

	2008	*2007*
	£000	*£000*
Profit on ordinary activities before tax	41,914	34,775
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	11,945	10,433
Effects of:		
Disallowable expenses	(6,679)	4,149
Accelerated capital allowances	(5,973)	(5,835)

Notes to the financial statements

at 31 December 2008

10. Tax (continued)

Adjustments in respect of prior periods	(1,322)	–
Unrelieved tax losses	2,420	–
Difference in tax rates on losses carried back	3	–
Tax credit	2	19
Other timing differences	(9)	–
Current tax for the year (note 10(a))	387	8,766

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2008 *£000*	*2007* *£000*
Included in debtors (note 16)	1,133	40
Included in provisions for liabilities and charges (note 22)	(9,842)	(13,133)
	(8,709)	(13,093)

	2008 *£000*	*2007* *£000*
Decelerated capital allowances	1,133	40
Accelerated capital allowances	(9,842)	(13,133)
	(8,709)	(13,093)

	£000
At 1 January 2008	(13,093)
Profit and loss account movement during the year	6,895
Acquisition of joint venture	–
Exchange/Other adjustment	(2,481)
Adjustment in respect of prior period	(30)
At 31 December 2008	(8,709)

11. Loss attributable to members of parent company

The loss dealt with in the financial statements of the parent company was £7,553,513 (2007 – loss of £1,132,000).

Notes to the financial statements

at 31 December 2008

12. Intangible fixed assets

Group	*Goodwill*
	£000
Cost:	
At 1 January 2008	635
Acquisition of subsidiary undertaking	1,528
At 31 December 2008	2,163
Amortisation:	
At 1 January 2008	508
Provided during the year	445
At 31 December 2008	953
Net book value:	
At 31 December 2008	1,210
At 1 January 2008	127

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 2008	150,705	41,792	855	11,365	–	204,717
Exchange adjustments	58,429	23,468	43	54	–	81,994
Additions	1,637	25,637	203	1,463	486	29,426
Acquisition sub undertaking	–	–	43	12	2,269	2,324
Disposals	–	–	–	(550)	(133)	(683)
At 31 December 2008	210,771	90,897	1,144	12,344	2,622	317,778
Depreciation:						
At 1 January 2008	9,427	–	248	6,566	–	16,241
Exchange adjustment	5,853	–	4	6	–	5,863
Provided during the year	7,718	–	149	1,502	644	10,013
Disposals	–	–	–	(542)	(84)	(626)
At 31 December 2008	22,998	–	401	7,532	560	31,491
Net book value:						
At 31 December 2008	187,773	90,897	743	4,812	2,062	286,287
At 1 January 2008	141,278	41,792	607	4,799	–	188,476

The net book value of vessels and plant and machinery above includes an amount of £110,889,813 (2007 – £83,913,000) in respect of assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2008

14. Investments

Group

	2008	*2007*
	£000	*£000*
Joint venture (a)	133,098	78,384
Associate	407	143
Unlisted investments	47	47

(a) Joint venture

	Share of net assets	*Goodwill*	*Total*
	£000	*£000*	*£000*
At 1 January 2008	28,806	49,578	78,384
Acquired during the year	17,305	19,883	37,188
Exchange adjustments	17,216	19,423	36,639
Share of profits retained by joint venture	20,624	–	20,624
Dividends paid during the year	(19,068)	–	(19,068)
Amortisation of goodwill	–	(20,669)	(20,669)
At 31 December 2008	64,883	68,215	133,098

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:

	2008	*2007*
	£000	*£000*
Fixed assets	152,952	46,414
Current assets	54,093	23,300
Liabilities due within one year	(40,822)	(10,092)
Liabilities due after more than one year	(101,340)	(30,816)
Turnover	79,570	35,381

Notes to the financial statements

at 31 December 2008

14. Investments (continued)

Company

	Joint ventures and associate	*Investment in subsidiary undertakings*	*Unlisted investments*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2008	23	40,486	47	40,556
Acquired during the year	–	10,957	–	10,957
At 31 December 2008	23	51,443	47	51,513
Amounts provided:				
At 1 January and 31 December 2008	–	–	–	–
Net book value at 31 December 2008	23	51,443	47	51,513
Net book value at 1 January 2008	23	40,486	47	40,556

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
Associate:			
Polar LNG Shipping (UK) Limited	Ordinary shares	42.5%	Shipping

Joint ventures:

On 27 April 2007 the group acquired 50% holdings of joint venture investments in various German entities that are engaged in the business of heavy lift in the shipping industry for a consideration of €111,355,000.

During 2008, additional investments in total amount of €46,651,000 were made to joint ventures.

The investment in the joint ventures has been included in the company's balance sheet at its cost at the date of acquisition.

Notes to the financial statements

at 31 December 2008

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 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 Chartering GmbH & Co. KG ‡
Heavy Lift + Load Chartering Verwaltung GmbH ‡

HLL Heavy Lift + Load Forwarding GmbH & Co. KG ‡
HLL Heavy Lift + Load Forwarding 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 GmbH & Co. KG ‡
HLL Heavy Lift + Load ANNEGRET Verwaltung GmbH ‡

HLL Heavy Lift + Load GRIETJE GmbH & Co. KG ‡
HLL Heavy Lift + Load GRIETJE Verwaltung GmbH ‡

HLL Heavy Lift + Load PAULA GmbH & Co. KG ‡
HLL Heavy Lift + Load PAULA Verwaltung GmbH ‡

HLL Heavy Lift + Load WIEBKE GmbH & Co. KG ‡
HLL Heavy Lift + Load WIEBKE Verwaltung GmbH ‡

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

Notes to the financial statements

at 31 December 2008

14. Investments (continued)

HLL Heavy Lift + Load BETA GmbH & Co. KG ‡
HLL Heavy Lift + Load BETA 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.

Acquisition during the year

On 1 January 2008 the group acquired 100% share in Ralph Morton Transport Limited for a consideration of £2,462k. The investment in Ralph Morton Transport Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of Ralph Morton Transport Limited:

Net assets at date of acquisition:

	Book value £000	Fair value to group £000
Intangible assets	37	37
Tangible assets	2,324	2,324
Stocks	37	37
Debtors	1,379	1,379
Creditors due within one year	(2,189)	(2,189)
Creditors due after one year	(388)	(388)
Deferred taxation	(229)	(229)
Net assets on acquisition	971	971
Goodwill arising		1,491
		2,462
Discharged by:		
Cash consideration		2,450
Costs associated with the acquisition		12

Ralph Morton Transport Limited has been consolidated by using the acquisition method of accounting.

Notes to the financial statements

at 31 December 2008

15. Stocks

		Group		Company
	2008	2007	2008	2007
	£000	£000	£000	£000
Stocks	1,266	3,724	–	–

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

16. Debtors

		Group		Company
	2008	2007	2008	2007
	£000	£000	£000	£000
Loans receivable	67,378	115	385	115
Amounts owed by group undertakings	313	309	–	–
Trade debtors	22,037	13,622	–	–
Other debtors	2,903	1,787	–	–
Prepayments and accrued income	8,242	9,319	–	2,462
Corporation tax	340	–	–	–
Deferred taxation (note 10(c))	1,133	40	1,079	–
	102,346	25,192	1,464	2,577

Amounts falling due after more than one year included above are:

		Group		Company
	2008	2007	2008	2007
	£000	£000	£000	£000
Loans receivable	165	115	275	115

Loans receivable include £67,213k loans given to related company "K" Line TRS. These loans are renewable every three months. Loan in the amount of £165k (2007: £115k) 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 has given a loan in the amount of £220k to its subsidiary Ralph Morton Transport Limited, £110k of which is repayable within a year and £110k repayable in 2010.

Notes to the financial statements

at 31 December 2008

17. Creditors: amounts falling due within one year

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank loans (note 19)	17,890	9,187	2,910	2,450
Overdraft	88	614	–	–
Obligations under finance leases and hire purchase contracts (note 21)	7,577	4,783	–	–
Trade creditors	7,347	6,593	–	–
Amounts owed to group undertakings	10,281	7,301	12	30
Current corporation tax	–	5,200	–	(471)
Other taxes and social security costs	1,256	1,440	–	–
Other creditors	159	17	–	–
Accruals and deferred income	20,347	14,572	184	201
	64,945	49,707	3,106	2,210

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

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

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Obligations under finance leases and hire purchase contracts (note 21)	117,572	72,919	–	–
Bank loans (note 19)	207,784	117,885	32,882	16,446
Accruals and deferred income	–	677	–	–
	325,356	191,481	32,882	16,446

19. Bank loans

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Amounts repayable:				
In one year or less or on demand	17,890	9,187	2,910	2,450
In more than one year but not more than two years	14,980	4,247	–	–
In more than two years but not more than five years	166,952	12,165	32,882	–
In more than five years	25,852	101,473	–	16,446
	225,674	127,072	35,792	18,896
Less: included in creditors: amounts falling due within one year	(17,890)	(9,187)	(2,910)	(2,450)
	207,784	117,885	32,882	16,446

Notes to the financial statements

at 31 December 2008

19. Bank loans (continued)

Company

K Line Holding (Europe) Limited

The loan of £2,910,000 is based on short term promissory notes, hence this has been classified as a short term payable. The rate of interest payable is 6.53%.

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 $14,120,243 (¥1,280,000,000) is repayable by 2012 in 12 equal instalments of $11,649,200 (¥1,056,000,000) and one final instalment of $2,471,042 (¥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 $40,278,544 (¥3,651,250,000) is repayable by 2016 in 28 equal instalments of $26,640,927 (¥2,415,000,000) and 1 final instalment of $13,637,617 (¥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 $29,578,047 (¥2,681,250,000) is repayable by 2016 in 29 equal instalments of $19,794,539 (¥1,794,375,000) and 1 final instalment of $9,783,508 (¥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.

"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 is due on 15 July 2009 followed by 3 equal annual payments of the same amount and a final payment of €104m. 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.

"K" Line LNG Shipping (UK) Limited

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

The second loan of $4,207,699 (¥470,000,000) has been settled during the year. The rate of interest payable on the loan was 0.3% above LIBOR.

The third loan of $750,000) has been settled during the year. The rate of interest payable on the loan was 0.3% above LIBOR.

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.

Notes to the financial statements

at 31 December 2008

21. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

	2008	*2007*
	£000	*£000*
Amounts payable:		
Within one year	9,997	5,774
In two to five years	35,412	21,263
In more than five years	103,962	65,918
	149,371	92,955
Less: finance charges allocated to future periods	(24,222)	(15,253)
	125,149	77,702

Analysis of present value of finance lease and hire purchase liabilities:

	2008	*2007*
	£000	*£000*
In one year or less or on demand	7,577	4,783
In more than one year but not more than five years	26,884	15,966
In more than five years	90,688	56,953
	125,149	77,702

Annual commitments under non-cancellable operating leases are as follows:

Group		*2008*		*2007*
		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	–	61	–	30,355
Between two and five years	1,603	178,933	–	30,711
Over five years	1,234	139,562	732	24,019
	2,837	318,556	732	85,085

During the year the group held operating leases for 13 vessels (2007 – 11 vessels) for the purposes of trading in its bulk division.

Notes to the financial statements
at 31 December 2008

22. Provisions for liabilities

The movement in the deferred taxation provision during the year was:

	£000
At 1 January 2008	13,133
Profit and loss account movement arising during the year	(6,308)
Acquisition of joint venture	229
Exchange adjustment	2,788
At 31 December 2008 (note 10(c))	9,842

23. Authorised and issued share capital

Authorised

	2008 £000	2007 £000
Ordinary shares of £1 each	55,000	55,000

Allotted, called up and fully paid

	2008 No.	2008 £000	2007 No.	2007 £000
Ordinary shares of £1 each	19,982,000	19,982	19,982,000	19,982

Notes to the financial statements

at 31 December 2008

24. Reserves

Group	*Share capital* *£000*	*Profit and loss account* *£000*	*Total* *£000*
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
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

Company	*Share capital* *£000*	*Profit and loss account* *£000*	*Total* *£000*
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
Retained loss for the year	–	(7,553)	(7,553)
At 31 December 2008	19,982	(2,965)	17,017

25. Capital commitments

The group had capital commitments contracted but not provided for in the financial statements of £361,613,352 (2007 – £99,950,000).

26. 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.

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 £000	*Purchases from related party* £000	*Amounts owed from related party* £000	*Amounts owed to related party* £000
Polar LNG Shipping (UK) Limited				
2008	5,324	–	1,238	9
2007	4,133	–	274	472

Notes to the financial statements

at 31 December 2008

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.

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*
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Interest rate swaps	(4,350)	(1,760)	–	–
Forward foreign currency contracts	(1,788)	98	–	–

29. Post balance sheet event

"K" Line Heavy Lift (UK) Limited:

- Investments

  Additional investments made after the end of the financial year amount to €1,420,636.

- New company in Germany

  On 16th February 2009, "K" Line Heavy Lift (UK) Ltd duly incorporated a subsidiary in Germany with the name "K" Line Heavy Lift (Germany) GmbH with an initial capital of €25,000.

  On 18th February 2009, "K" Line Heavy Lift (UK) Ltd and "K" Line Heavy Lift (Germany) GmbH entered into 4 share transfer agreements covering 4 vessel-owning companies namely HLL Heavy Lift + Load Sea Tiger GmbH & Co KG, HLL Heavy Lift + Load Sea Hawk GmbH & Co KG, HLL Heavy Lift + Load Sea Lion GmbH & Co KG and HLL Heavy Lift + Load Sea Eagle 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 4 KGs for an aggregate purchase price of €197,957.

- Dividends paid

  A dividend of €2,000,000 was paid to "K" Line Holding (Europe) Ltd on 22 May 2009.

"K" Line Holding (Europe) Ltd

The loan of £2,910,000 was repaid on 26 January 2009. Thereafter, the short term loan movements have been as follows:

- £2,940,000 taken on 26 January 2009 and repaid on 26 February 2009 with the rate of interest payable at 1.98%.
- £2,940,000 taken on 26 February 2009 and repaid on 26 March 2009 with the rate of interest payable at 1.73%.

Notes to the financial statements

at 31 December 2008

- £2,980,000 taken on 26 March 2009 and repaid on 27 April 2009 with the rate of interest payable at 1.46%.
- £1,860,000 taken on 27 April 2009 and repaid on 27 May 2009 with the rate of interest payable at 1.24%.
- £800,000 taken on 27 May 2009 and repaid on 29 June 2009 with the rate of interest payable at 1.04%.
- £800,000 taken on 29 June 2009 and will be repaid on 28 August 2009 with the rate of interest payable at 1.38%.

A dividend of €2,000,000 was received from "K" Line Heavy Lift (UK) Ltd on 22 May 2009.

"K" Line Bulk Shipping (UK) Limited:

On the 11 June 2009, a new bulk vessel that was under construction was delivered and in the process a loan amounting to JPY5,700,000,000 was secured.