

Company Registration No: SC322254

BUE Kyran Limited

Financial Statements
31 December 2010

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BUE Kyran Limited

Financial statements

31 December 2010

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BUE Kyran Limited

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S R Thomas
R W V Donaldson

SECRETARY

HBJGW Secretarial Limited

REGISTERED OFFICE

Exchange Tower
19 Canning Street
Edinburgh
Midlothian
EH3 8EH

BANKERS

Bank of Scotland
38 St. Andrew Square
Edinburgh
EH2 2YR

SOLICITORS

HBJ Gateley Wareing
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

INDEPENDENT AUDITORS

Russell Phillips
23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES

BUE KYRAN LIMITED
(Registered No. 322254)
ANNUAL REPORT AND ACCOUNTS – 2010

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31 December 2010.

Principal activities

The Company's principal activity continued to be management, lease and charter of maritime vessels together with related marine services.

Review of activities and future development

The directors will seek appropriate trading opportunities to improve performance and the net asset position of the Company in the coming year.

Results and dividends

The profit for the year was USD 2,024,294 (2009: USD 2,039,590). No dividend was paid during the year. The profit of USD 2,024,294 (2009: USD 2,039,590) has been transferred to reserves.

Directors

The directors who held office during the year were as follows:

F A Fazelbhoy (resigned on 30 May 2011)
S R Thomas
R W V Donaldson

Financial Instruments

The Company's principal financial assets are intercompany debtors. The Company's credit risk is primarily attributable to its intercompany debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Company does not enter into any derivative financial instruments. The Company's financial liabilities comprise bank loans and intercompany creditor. Intercompany creditor is paid on the standard terms of payment. Bank loans are subject to variable interest rates. Operations are financed by a combination of intercompany loans and bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company.

REPORT OF THE DIRECTORS

Employee Involvement

Within the bounds of commercial confidentiality, staffs at all levels are kept fully informed of matters that affect the progress of the Company and that are of interest to them as employees.

Employment of disabled persons

Full and fair consideration is given to application for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who became disabled, to promote their career development within the organization.

Supplier payment policy

The Company's policy, which is also applied by the group, is to settle terms of payments when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Auditors

Russell Phillips are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

Directors' responsibilities

The directors are responsible for preparing the Directors' 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 laws and International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'R W V Donaldson', with a long horizontal line extending to the right.

R W V Donaldson
Director

Date: 29/09/2011

BUE KYRAN LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BUE KYRAN LIMITED

We have audited the financial statements of BUE Kyran Limited for the year ended 31 December 2010 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 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

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 4, 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 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 company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

The information given in the directors' report is consistent with the financial statements.

BUE KYRAN LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BUE KYRAN LIMITED

Matters on which we are required to report by exception

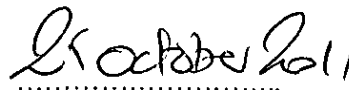
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.



Jonathan Russell (Senior Statutory Auditor)
for and on behalf of Russell Phillips

Chartered Accountants
Statutory Auditor


.....

23 Station Road
Gerrards Cross
Buckinghamshire
SL9 8ES

BUE Kyran Limited

Statement of comprehensive income for the year ended 31 December 2010

	<i>Notes</i>	2010 USD	2009 USD (restated)
Revenue	4	6,900,800	5,767,000
Cost of sales		<u>(2,104,377)</u>	<u>(1,756,040)</u>
GROSS PROFIT		4,796,423	4,010,960
Administrative expenses		(197,240)	(113,735)
Finance costs	5	<u>(1,714,383)</u>	<u>(1,091,312)</u>
PROFIT BEFORE INCOME TAX		2,884,800	2,805,913
Income tax	7	<u>(860,506)</u>	<u>(766,323)</u>
PROFIT FOR THE YEAR	6	2,024,294	2,039,590
Other comprehensive income		<u>227,605</u>	<u>(227,605)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,251,899</u>	<u>1,811,985</u>

The independent auditors' report is set out on pages 5 to 6.

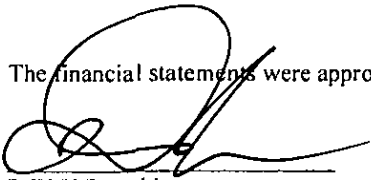
The attached notes on pages 11 to 23 form part of these financial statements.

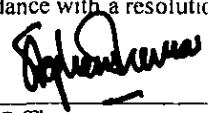
BUE Kyran Limited

Statement of financial position as at 31 December 2010

	Notes	2010 USD	2009 USD (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	118,669,965	96,493,045
Deferred tax asset	9	678,639	849,445
		<u>119,348,604</u>	<u>97,342,490</u>
Current assets			
Accounts receivable and prepayments	10	2,500,801	-
Due from related parties	11	12,628,135	5,826,150
		<u>15,128,936</u>	<u>5,826,150</u>
TOTAL ASSETS		<u>134,477,540</u>	<u>103,168,640</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	2	2
Retained earnings		738,392	(1,285,902)
Cash flow hedge reserve		-	(227,605)
		<u>738,394</u>	<u>(1,513,505)</u>
Non-current liabilities			
Obligations under Ijarah-fil-Thimma	13	-	30,532,454
Term loans	14	48,369,915	-
		<u>48,369,915</u>	<u>30,532,454</u>
Current liabilities			
Obligations under Ijarah-fil-Thimma	13	-	4,523,000
Term loans	14	4,946,223	-
Accounts payable and accruals	15	900,550	802,098
Due to related parties	11	79,522,458	68,824,593
		<u>85,369,231</u>	<u>74,149,691</u>
Total liabilities		<u>133,739,146</u>	<u>104,682,145</u>
TOTAL EQUITY AND LIABILITIES		<u>134,477,540</u>	<u>103,168,640</u>

The financial statements were approved and authorized for issue in accordance with a resolution of the directors


R W V Donaldson
Director


S R Thomas
Director

The independent auditors' report is set out on pages 5 to 6.

The attached notes on pages 11 to 23 form part of these financial statements.

BUE Kyran Limited

Statement of cash flows for the year ended 31 December 2010

	<i>Notes</i>	2010 USD	2009 USD (restated)
OPERATING ACTIVITIES			
Profit for the year		2,024,294	2,039,590
Adjustments for:			
Depreciation	8	2,236,204	1,756,040
Finance costs	5	1,714,382	1,091,312
Income tax expense	7	860,506	766,323
		<u>6,835,386</u>	<u>5,653,265</u>
Working capital changes:			
Accounts receivable and prepayments		(732,953)	-
Accounts payable and accruals		98,452	527,556
Due from related parties		(6,801,985)	(5,781,966)
Due to related parties		<u>10,697,865</u>	<u>31,206,224</u>
Cash from operations		<u>10,324,370</u>	<u>31,605,079</u>
Finance costs		(1,714,382)	(1,091,312)
Income tax paid		<u>(689,700)</u>	<u>(576,700)</u>
Net cash from operating activities		<u>7,920,288</u>	<u>29,937,067</u>
INVESTING ACTIVITY			
Capital work in progress		(26,046,977)	(44,776,633)
Acquisition of marine vessels		<u>(133,995)</u>	<u>(2,028,590)</u>
Net Cash used in investing activity		<u>(26,180,972)</u>	<u>(46,805,223)</u>
FINANCING ACTIVITIES			
Obligation under Ijarah-fil-Thimma		(35,055,454)	16,868,156
Term loans		<u>53,316,138</u>	<u>-</u>
Net cash used in financing activities		<u>18,260,684</u>	<u>16,868,156</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		-	-
Cash and cash equivalents at the beginning of the year		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>-</u>	<u>-</u>

The independent auditors' report is set out on pages 5 to 6.

The attached notes on pages 11 to 23 form part of these financial statements.

BUE Kyran Limited

Statement of changes in equity for the year ended 31 December 2010

	<i>Share Capital USD</i>	<i>Retained earnings USD</i>	<i>Cash flow hedge reserve USD</i>	<i>Total USD</i>
Balance at 1 January 2009	2	(3,325,492)	-	(3,325,490)
<i>Total comprehensive income for the year</i>				
Profit for the year (restated)	-	2,039,590	-	2,039,590
	----	-----	-----	-----
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedge	-	-	(227,605)	(227,605)
	----	-----	-----	-----
Total other comprehensive income	-	-	(227,605)	(227,605)
	----	-----	-----	-----
Total comprehensive income for the year (restated)	-	2,039,590	(227,605)	1,811,985
	----	-----	-----	-----
Balance at 31 December 2009 (restated)	2	(1,285,902)	(227,605)	(1,513,505)
	=====	=====	=====	=====
Balance at 1 January 2010 (restated)	2	(1,285,902)	(227,605)	(1,513,505)
<i>Total comprehensive income for the year</i>				
Profit for the year	-	2,024,294	-	2,024,294
	----	-----	-----	-----
Other comprehensive income				
Transfer of effective portion of changes in fair value of cash flow hedge to the Ultimate Holding Company	-	-	227,605	227,605
	----	-----	-----	-----
Total other comprehensive income	-	-	227,605	227,605
	----	-----	-----	-----
Total comprehensive income for the year	-	2,024,294	227,605	2,251,899
	----	-----	-----	-----
Balance at 31 December 2010	2	738,392	-	738,394
	=====	=====	=====	=====

The independent auditors' report is set out on pages 5 to 6.

The attached notes on pages 11 to 23 form part of these financial statements.

BUE Kyran Limited

Notes to the financial statements

1 REPORTING ENTITY

BUE Kyran Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 1985.

2 BASIS OF PREPARATION

Restatement – correction of prior period error

Marine Vessel depreciation last year was calculated from the date of capitalization instead of date of actual delivery, which was earlier, resulting in understatement of direct costs and over statement of profit by \$290,002.

The results for the year ended 31 December 2009 and the balances of retained earnings and property, plant and equipment as at that date have been restated as follows:

	2009 USD
Direct costs as previously reported	1,466,038
Adjustment for restatement	290,002

Direct costs as restated	1,756,040
	=====
Property, plant and equipment as previously reported	96,783,047
Adjustment for restatement	(290,002)

Property, plant and equipment as restated (refer note 12)	96,493,045
	=====
Retained earnings as previously reported	(995,900)
Adjustment for restatement	(290,002)

Retained earnings as restated	(1,285,902)
	=====

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of measurement

The financial statements are prepared under the historical cost convention.

2 BASIS OF PREPARATION

Functional currency and presentation currency

The financial statements are presented in United States Dollars "(USD)" which is the Company's functional currency rather than in the currency of the Company's country of incorporation as a significant proportion of the transactions of the Company are undertaken in USD.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in note 20.

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

Revenue recognition

Revenue comprises operating lease rental from the charter of marine vessels. Lease rent income is recognised on a straight line basis over the period of the lease.

Vessel mobilization revenue is recognized in the period it is carried out.

Proceeds of sale of vessels are treated as revenues.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized in the income statement as it accrues, using the effective interest rate method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognized in the income statement using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Financial instruments

Non-derivative financial assets

The Company initially recognises its non-derivative financial assets on the date that they are originated. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company's non-derivative financial assets include accounts and other receivables, cash and cash equivalents and amounts due from related parties.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts and other receivables and amounts due from related parties.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Subsequent to initial recognition the financial assets are recognized at amortised cost.

Non-derivative financial liabilities

The Company initially recognises its financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company's non-derivative financial liabilities include accounts and other payables, term loans and amount due to related parties. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except items that are recognized directly in equity or in other comprehensive income.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences reverse, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

Property, plant and equipment

Items of property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost of marine vessels includes registration costs and major maintenance and dry-docking costs incurred at the time of acquisition and significant rebuild expenditure incurred during the life of the asset.

Capital work in progress is not depreciated. Assets in the course of construction are depreciated from the date that the related assets are ready for commercial use. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation, less any estimated residual value, of each asset, excluding vessels under construction, over its expected useful life as follows:

Marine vessels

7 years to 30 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

BUE Kyran Limited

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

The company disposes off vessels in the normal course of business. Vessels that are held for sale are transferred to inventories at their carrying value. The sale proceeds are accounted for subsequently under revenue.

Dry docking costs

The expenditure incurred on vessel dry docking, a component of property, plant and equipment, is amortised over the period from the date of dry docking, to the date on which the management estimates that the next dry docking is due.

Vessel Refurbishment Costs

Leased assets

Costs incurred in advance of charter to refurbish vessels under long term charter agreements are capitalised within property, plant and equipment in line with the use of the refurbished vessel. Where there is an obligation to incur future restoration costs under charter agreements which would not meet the criteria for capitalisation within property, plant and equipment, the costs are accrued over the period to the next vessel re-fit to match the use of the vessel and the period over which the economic benefits of its use are realised.

Owned assets

Cost incurred to refurbish owned assets are capitalised within property, plant and equipment and then depreciated over the shorter of the estimated economic life of the related refurbishment or the remaining life of the vessel.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables both at specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Ijarah-fil-Thimma

Ijarah-fil-Thimma is an agreement whereby the Company as a lessee leases the asset from banks and financial institutions for a specified rental over a specific period. The duration of the lease, as well as the basis of rental, are set and agreed in advance. The risks and benefits incidental to ownership of the asset are transferred to the Company. The Company capitalizes the leased item at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant profit rate on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Term loans

Term loans are carried on the reporting date at the fair value of the consideration received plus directly attributable transaction costs. Instalments due within one year are shown as a current liability. Interest expense is accrued on a time-proportion basis with unpaid amounts included in accounts payable and accruals.

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2010, have not been early adopted in preparing these financial statements:

- Amendments to IAS 32 - Financial Instruments Presentation, effective from 1 February 2010;
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, effective from 1 July 2010;
- IAS 24 (Revised) - Related Party Disclosures, effective from 1 January 2011;
- Amendments to IFRIC 14 and IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction, effective from 1 January 2011;
- Improvements to IFRS 2010 which comprises 11 amendments to 7 standards. Effective dates, early applications and transitional requirements are addressed on a standard by standard basis, however the majority of the amendments will be effective 1 January 2011; and
- IFRS 9 Financial Instruments, effective from 1 January 2013.

BUE Kyran Limited

Notes to the financial statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet effective (continued)

Management has assessed the impact of the new standards, amendments to standards and interpretations and amendments to published standards, and concluded that they are either not relevant to the Company or their impact is limited to the disclosures and presentation requirement in the financial statements except for IFRS 9 Financial Instruments, which become mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets. The Company does not intend to adopt this standard early and the extent of the impact has not been determined.

The Company is currently in the process of evaluating the potential effect of this standard. Given the nature of the Company's operations, this standard is not expected to have a pervasive impact on the Company's financial statements.

4 REVENUE

	2010 USD	2009 USD
Lease rent from charter of marine vessels	6,900,800	5,767,000
	<u>6,900,800</u>	<u>5,767,000</u>

5 FINANCE COSTS

	2010 USD	2009 USD
Interest Charges on term loans	1,714,383	1,091,312
	<u>1,714,383</u>	<u>1,091,312</u>

6 PROFIT FOR THE YEAR

	2010 USD	2009 USD
Profit for the year has been arrived at after charging		
Auditor's remuneration	5,000	5,000
Depreciation on property, plant and equipment	<u>2,526,206</u>	<u>1,466,038</u>

STAFF COSTS

The Company has no employees other than directors. The directors received no emoluments from the Company during the year. All the emoluments paid to directors in respect of their services to the group are disclosed in the financial statements of Nico Middle East Limited.

7 TAXATION

	2010 USD	2009 USD
Current taxation		
Foreign Tax	689,700	576,700
	<u>689,700</u>	<u>576,700</u>
Deferred tax		
Current year	170,806	212,362
Prior year	-	(22,739)
Total deferred tax	<u>170,806</u>	<u>189,623</u>
Tax expense for the year	<u>860,506</u>	<u>766,323</u>

BUE Kyran Limited

Notes to the financial statements

7 TAXATION (continued)

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the financial period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The relationship between the tax expense and the accounting profit can be explained as follows:

	2010 USD	2009 USD
Profit before tax	<u>2,884,800</u>	<u>2,805,913</u>
Tax at the UK corporation tax rate	807,744	571,085
Tax effect of expenses that are not deductible in determining taxable profit	560	296,331
Group relief not paid for	-	(78,354)
Difference in closing DT tax rate	52,203	-
Difference in foreign tax claimed by deduction	-	(22,739)
Tax expense and effective tax rate for the year	<u>860,507</u>	<u>766,323</u>

8 PROPERTY, PLANT AND EQUIPMENT

	Marine Vessel USD (restated)	CWIP USD	Total USD (restated)
Cost:			
At 1 January 2009	14,877,284	36,696,323	51,573,607
Additions	329,616	44,776,633	45,106,249
Transfer from related parties	1,698,974	-	1,698,974
Transferred to Vessels	49,648,877	(49,648,877)	-
At 31 December 2009	<u>66,554,751</u>	<u>31,824,079</u>	<u>98,378,830</u>
Depreciation:			
At 1 January 2009	129,745	-	129,745
Depreciation charge during the period	1,466,038	-	1,466,038
Restatement adjustment	290,002	-	290,002
At 31 December 2009	<u>1,885,785</u>	<u>-</u>	<u>1,885,785</u>
Cost:			
At 1 January 2010	66,554,751	31,824,079	98,378,830
Additions	133,995	28,166,977	28,300,972
Loan arrangement fee reversed	(424,000)	(1,696,000)	(2,120,000)
Transfer to current assets	-	(1,767,848)	(1,767,848)
Transferred to Vessels	20,380,315	(20,380,315)	-
At 31 December 2010	<u>86,645,061</u>	<u>36,146,893</u>	<u>122,791,954</u>
Depreciation:			
At 1 January 2010	1,885,785	-	1,885,785
Depreciation charge during the period	2,236,204	-	2,236,204
At 31 December 2010	<u>4,121,989</u>	<u>-</u>	<u>4,121,989</u>
Net carrying amount			
At 31 December 2010	<u>82,523,072</u>	<u>36,146,893</u>	<u>118,669,965</u>
At 31 December 2009	<u>64,668,966</u>	<u>31,824,079</u>	<u>96,493,045</u>

BUE Kyran Limited

Notes to the financial statements

8 PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2009, BUE Kazakhstan Limited transferred vessel mobilization of gross carrying amount of USD 1,732,943 and the corresponding accumulated depreciation of USD 33,969 to the company. The transfer took place at the net carrying amount of USD 1,698,974.

Furthermore, during the year ended 31 December 2010, the company has transferred an amount of USD 1,767,848 on account of loan arrangement fee to the current assets.

9 DEFERRED TAX ASSET

	2010 USD	2009 USD
As at 1 January	849,445	1,039,068
Profit and loss account (credit) /debit	(170,806)	(212,362)
Prior year adjustment	-	22,739
As at 31 December	<u>678,639</u>	<u>849,445</u>

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 USD	2009 USD
Other receivables	1,767,848	-
Prepayments	721,852	-
Advance to suppliers	11,101	-
	<u>2,500,801</u>	<u>-</u>

11 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The Company's management approves pricing policies and terms of these transactions.

a) Transactions with related parties included in the income statement are as follows:

	2010 USD	2009 USD
Other related parties – revenue	<u>6,900,800</u>	<u>5,767,000</u>
Other related parties – Fees for Management Services	<u>60,000</u>	<u>85,000</u>

b) Due from related parties

	2010 USD	2009 USD
BUE Kazakhstan Limited	-	5,826,150
Bautino LLP	<u>12,628,135</u>	<u>-</u>
	<u>12,628,135</u>	<u>5,826,150</u>

BUE Kyran Limited

Notes to the financial statements

11 RELATED PARTY TRANSACTIONS (continued)

c) Due to related parties

	2010 USD	2009 USD
Nico Middle East Limited	16,938,391	22,250,998
BUE Bulkers Limited	585,450	-
BUE Kazakhstan Limited	7,065,501	-
BUE Caspian Limited	362,229	-
BUE Marine Limited	54,570,887	46,573,595
	<u>79,522,458</u>	<u>68,824,593</u>

Outstanding balances at the year-end arise in the normal course of business, including movement of funds for best use of Group borrowing and liquidity. For the year ended 31 December 2010, the Company has not recorded any impairment of amounts owed by related parties (2009: Nil).

12 SHARE CAPITAL

	2010 USD	2009 USD
Authorised		
1000 Ordinary shares of £1 each	<u>1,750</u>	<u>1,750</u>
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>2</u>	<u>2</u>

13 OBLIGATION UNDER IJARAH-FIL-THIMMA

	2010 USD	2009 USD
Amount payable under Ijarah-fil-thimma, at profit margin of LIBOR+ 4%	<u>-</u>	<u>35,055,454</u>

The Ijarah-fil-Thimma balances represent funds advanced to the Group by a bank under an Islamic financing scheme. The total amount financed was USD 50,000,000 and the drawdown till 31 December 2009 was USD 42,722,498. The Ijarah-fil-Thimma was repayable in quarterly instalments of USD 1,130,821 each and carried a profit rate of LIBOR plus 4% per annum.

The above obligations were further secured by:

- First preferred security mortgage over the vessel;
- Collateral deed of covenants guarantee and indemnity of guarantor;
- Vessels' existing charter rights and assignment in respect of insurances, marine vessel charter lease income and requisition compensation;
- Parent company guarantee by the shareholder in favour of the bank;
- Pledge over the entire issued share capital of the borrower;

The term loan was repayable as follows:

	2010 USD	2009 USD
Amounts falling due (all by installments):		
Due within one year	-	4,523,000
Due between one to five years	-	18,092,000
Due after five years	-	12,440,454
	<u>-</u>	<u>35,055,454</u>
Current portion	-	(4,523,000)
	<u>-</u>	<u>-</u>
Non-current portion	-	30,532,454
	<u>-</u>	<u>30,532,454</u>

During 2010, the Group paid off the outstanding amount of Ijarah-fil-Thimma from the proceeds of a new term loan.

BUE Kyran Limited

Notes to the financial statements

14 TERM LOANS

	2010 USD	2009 USD
Term loan, at LIBOR plus 4% p.a. repayable by July 2017	<u>53,316,138</u>	<u>-</u>

During the year 2010, the Company obtained two term loans from Standard Chartered Bank. One of the term loans is repayable in 28 quarterly installments of USD 1,285,714 with a final payment on 30 June 2017. The second term loan is repayable in 23 quarterly installments of USD 1,478,261 with a final payment on 30 June 2017. Both the loans carry interest at 3 months LIBOR plus 4% plus mandatory costs.

The above obligations are further secured by:

- First preferred security mortgage over the vessel;
- Collateral deed of covenants guarantee and indemnity of guarantor;
- Vessels' existing charter rights and assignment in respect of insurances, marine vessel charter lease income and requisition compensation;
- Parent company guarantee by the shareholder in favour of the bank;
- Pledge over the entire issued share capital of the borrower;

The term loans are repayable as follows:

	2010 USD	2009 USD
Amounts falling due (all by installments):		
Due within one year	4,946,223	-
Due between one to five years	41,903,915	-
Due after five years	6,466,000	-
	<u>53,316,138</u>	<u>-</u>
Current portion	(4,946,223)	-
Non-current portion	<u>48,369,915</u>	<u>-</u>

15 ACCOUNTS PAYABLE AND ACCRUALS

	2010 USD	2009 USD
<i>Current</i>		
Accounts payables	265,232	-
Other payables	635,318	124,327
Accruals	-	677,771
	<u>900,550</u>	<u>802,098</u>

16 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments and contingent liabilities for the year 2010 (2009: USD Nil).

BUE Kyran Limited

Notes to the financial statements

17 NON-CANCELLABLE LEASES

a) Operating leases - receivable

The Company leases its marine vessels under operating lease arrangements. The leases typically run for a period of one to ten years and are renewable for a similar period after the expiry date. The lease rental is usually reviewed to reflect market rentals. Future minimum lease rentals receivable under non-cancellable operating leases are as follows as of 31 December:

	2010 USD	2009 USD
Within one year	12,832,970	12,832,970
After one year but not more than five years	54,647,800	54,647,800
More than five years	13,661,950	27,323,900
	<u>81,142,720</u>	<u>94,804,670</u>

18 RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its term loans which carry fixed rate of interest.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2010.

There is no impact on the Company's equity.

	Increase/ decrease in basis points	Effect on profit for the year USD
2010	+15	(79,974)
	-10	53,316
2009	+15	(46,685)
	-10	31,124

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

The Company charts marine vessels to related parties only.

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring bank facilities and funding from related parties are available. The Company's credit terms require the amounts to be paid within 30 days from the date of invoice.

BUE Kyran Limited

Notes to the financial statements

18 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2009, based on contractual undiscounted payments.

Particulars	Carrying amount	Total	Contractual cash flows		
			Less than 12 months	1 to 5 years	more than 5 years
31 December 2010					
Accounts payables	900,550	(900,550)	(900,550)	-	-
Due to related parties	79,522,458	(79,522,458)	(79,522,458)	-	-
Term loans	53,316,138	(63,124,442)	(7,386,551)	(40,048,112)	(15,689,779)
Total	133,739,146	(143,547,450)	(87,809,559)	(40,048,112)	(15,689,779)
31 December 2009					
Accounts payables	802,098	(802,098)	(802,098)		
Due to related parties	68,824,593	(68,824,593)	(68,824,593)		
Ijara-fil-thimma	35,055,454	(42,510,830)	(6,346,254)	(22,839,451)	(13,325,125)
Total	104,682,145	(112,137,521)	(75,972,945)	(22,839,451)	(13,325,125)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company is not exposed to any significant currency risk.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. Capital comprises share capital, and retained earnings and is measured at USD 738,394 as at 31 December 2010 (2009: USD (1,513,505)).

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of loans, obligations under finance leases and payables.

The fair values of financial instruments are not materially different from their carrying values.

20 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Impairment of property, plant and equipment

The Company determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2010 was USD 118,669,965 (2009: USD 96,783,047).

Notes to the financial statements

20 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of property, plant and equipment

The useful lives, residual values and methods of depreciation of property, plant and equipment is reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Company takes guidance from recent acquisitions, as well as market and industry trends.

21 ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is BUE Marine Limited, a Company registered in Scotland, for which consolidated financial statements are prepared. Copies of the financial statements are available from BUE Marine Limited, P.O. Box 282800, Level 58, Almas Tower, Jumairah Lakes Towers, Sheikh Zayed Road, Dubai, UAE.

The Company's ultimate parent undertaking is Renaissance Services SAOG, a Company registered in the Sultanate of Oman, for which consolidated financial statements are available from Renaissance Services SAOG, PO Box 1676, Post Code 114, Sultanate of Oman.