

4830352

## **"K" Line Bulk Shipping (UK) Limited**

### **Report and Financial Statements**

31 December 2005

 **ERNST & YOUNG**



# "K" Line Bulk Shipping (UK) Limited

Registered No: 4830352

## Directors

K Sakamoto  
H Nagayama  
Captain T Igarashi

## Secretary

R J R Dowding

## Auditors

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

## Bankers

Mizuho Corporate Bank, Ltd.  
Bracken House  
One Friday Street  
London  
EC4M 9JA

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
12-15 Finsbury Circus  
London  
EC2M 7BT

The Sumitomo Trust & Banking Co., Ltd.  
155 Bishopsgate  
London  
EC2M 3XU

Mitsubishi UFJ Trust and Banking Corporation  
24 Lombard Street  
London  
EC3V 9AJ

## Registered office

5th Floor  
River Plate House  
7-11 Finsbury Circus  
London  
EC2M 7EA

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2005.

### Results and dividends

The profit for the year, after taxation, amounted to ¥913,475,000. The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activities of the company are the charter out of vessels and the ownership of bulk vessels. During the period the company also had vessels under construction.

The authorised share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates when the shares were authorised.

The issued share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates of the share issues.

### Events since the balance sheet date

With effect from 1 January 2006, the Company has taken over the bulk vessel operation business and related assets and liabilities from Polar LNG Shipping (UK) Limited (formerly "K" Line (Europe) Limited).

### Directors

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

F Kawamata	(resigned 1 January 2006)
K Terashima	(resigned 1 January 2006)

There are no directors' interests requiring disclosure under the Companies Act 1985.

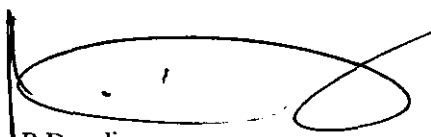
Subsequent to the year end, the following were appointed as directors of the company:

K Sakamoto	(appointed 1 January 2006)
H Nagayama	(appointed 1 January 2006)
Captain T Igarashi	(appointed 1 January 2006)

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the annual general meeting.

By order of the board



R Dowding  
Secretary

2006

31 MAR 2006

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 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 which disclose with reasonable accuracy at any time the financial position of 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 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 Bulk Shipping (UK) Limited**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

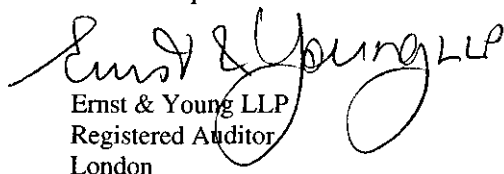
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Bulk Shipping (UK) Limited (continued)

### **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 affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London

07 APR 2006

## Profit and loss account

for the year ended 31 December 2005

		Year to 31 December 2005 ¥000	Period to 31 December 2004 ¥000
	Notes		
<b>Turnover</b>	2	1,695,595	–
Cost of sales		349,245	–
<b>Gross profit</b>		1,346,350	–
Administrative expenses		(11,027)	1,164
<b>Operating profit/(loss)</b>	3	1,357,377	(1,164)
Interest receivable	5	4,670	15
Interest payable and similar charges	6	(58,481)	(2,096)
		(53,811)	(2,081)
<b>Profit/(loss) on ordinary activities before taxation</b>		1,303,566	(3,245)
Tax on profit/(loss) on ordinary activities	7	390,091	–
<b>Profit/(loss) for the financial year transferred to/(from) reserves</b>		913,475	(3,245)

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of ¥913,475,000 attributable to the shareholders for the year ended 31 December 2005 (2004 - loss of ¥3,245,000).

## Balance sheet

at 31 December 2005

		31 December 2005 ¥000	31 December 2004 ¥000
	Notes		
<b>Fixed assets</b>			
Tangible assets	8	9,307,087	4,536,500
<b>Current assets</b>			
Debtors	9	627,070	-
Cash at bank		493,642	11,448
		1,120,712	11,448
<b>Creditors: amounts falling due within one year</b>	10	464,506	1,805,956
<b>Net current assets/(liabilities)</b>		656,206	(1,794,508)
<b>Total assets less current liabilities</b>		9,963,293	2,741,992
<b>Creditors: amounts falling due after more than one year</b>	11	5,688,375	-
<b>Provisions for liabilities and charges</b>	7(c)	619,451	-
		3,655,467	2,741,992
<b>Capital and reserves</b>			
Called up share capital	13	2,745,237	2,745,237
Profit and loss account	14	910,230	(3,245)
<b>Equity shareholders' funds</b>	14	3,655,467	2,741,992



H Nagayama  
Director

31 MAR 2006 2006



## Notes to the financial statements

at 31 December 2005

### 1. Accounting policies

#### *Basis of preparation*

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

The directors have decided that the company's functional and reporting currency is the Japanese Yen because its business contracts are in Japanese Yen.

#### *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

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

Vessels - 15 years

Vessels under construction are not depreciated.

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

#### *Deferred taxation*

Deferred tax 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 a right to pay less or to receive more, tax, with the following exception:

- 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*

Transactions in Sterling and other foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the Japanese Yen are retranslated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account. The issued share capital has been translated at the rate prevailing on the date the shares were issued.

## Notes to the financial statements

at 31 December 2005

### 2. Turnover

Turnover, which arises on continuing activities, represents the amounts receivable for services during the year, exclusive of VAT.

An analysis of turnover by geographical market is given below:

	<i>Year to 31 December 2005 ¥000</i>	<i>Period to 31 December 2004 ¥000</i>
United Kingdom	1,695,595	-

### 3. Operating profit/(loss)

This is stated after charging/(crediting):

	<i>Year to 31 December 2005 ¥000</i>	<i>Period to 31 December 2004 ¥000</i>
Depreciation	349,245	-
Auditors' remuneration - audit services	1,139	1,180
- non-audit services	2,536	944
Net profit on foreign currency translation	(28,568)	(2,787)

### 4. Staff costs

The directors, who were the sole employees of the company, received no remuneration for their services.

### 5. Interest receivable

	<i>Year to 31 December 2005 ¥000</i>	<i>Period to 31 December 2004 ¥000</i>
Bank interest receivable	4,670	15

### 6. Interest payable and similar charges

	<i>Year to 31 December 2005 ¥000</i>	<i>Period to 31 December 2004 ¥000</i>
Bank interest payable	58,481	2,096

## Notes to the financial statements

at 31 December 2005

### 7. Taxation

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	Year to 31 December 2005 ¥000	Period to 31 December 2004 ¥000
<i>Current tax:</i>		
UK corporation tax	(229,360)	—
Total current tax (note 7(b))	(229,360)	—
<i>Deferred tax:</i>		
Origination and reversal of timing differences [note 7(c)]	619,451	—
Tax on profit/(loss) on ordinary activities	390,091	—

(b) Factors affecting current tax credit

The tax assessed on the profit/(loss) on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	Year to 31 December 2005 ¥000	Period to 31 December 2004 ¥000
Profit/(loss) on ordinary activities before tax	1,303,566	(3,245)
Profit/(loss) on ordinary activities by standard rate of tax	391,070	(974)
Group relief for nil consideration	—	974
Non taxable income	(979)	—
Capital allowances in excess of depreciation	(619,451)	—
Total current tax (note 7(a))	(229,360)	—

(c) Deferred tax

	31 December 2005 ¥000	31 December 2004 ¥000
Capital allowances in advance of depreciation	(619,451)	—
Provision for deferred taxation	(619,451)	—

¥000

At 1 January 2005

—

Profit and loss account movement arising during the year

(619,451)

At 31 December 2005

(619,451)

## Notes to the financial statements

at 31 December 2005

### 8. Tangible fixed assets

	<i>Vessels</i> ¥000	<i>Vessels under construction</i> ¥000	<i>Total</i> ¥000
Cost:			
At 1 January 2005	–	4,536,500	4,536,500
Additions	–	5,119,832	5,119,832
Transfers	5,908,430	(5,908,430)	–
At 31 December 2005	<u>5,908,430</u>	<u>3,747,902</u>	<u>9,656,332</u>
Depreciation:			
At 1 January 2005	–	–	–
Provided during the year	349,245	–	349,245
At 31 December 2005	<u>349,245</u>	<u>–</u>	<u>349,245</u>
Net book value:			
At 31 December 2005	<u>5,559,185</u>	<u>3,747,902</u>	<u>9,307,087</u>
At 1 January 2005	<u>–</u>	<u>4,536,500</u>	<u>4,536,500</u>

No depreciation is provided for fixed assets under construction.

### 9. Debtors

	<i>31 December 2005</i> ¥000	<i>31 December 2004</i> ¥000
Amounts owed to group undertakings	397,533	–
Corporation tax repayable	229,360	–
Other debtors	177	–
	<u>627,070</u>	<u>–</u>

### 10. Creditors: amounts falling due within one year

	<i>31 December 2005</i> ¥000	<i>31 December 2004</i> ¥000
Bank loan (note 12)	447,625	1,800,000
Amounts owed by group undertakings	712	1,769
Accruals and deferred income	16,169	4,187
	<u>464,506</u>	<u>1,805,956</u>

**at 31 December 2005**

31 December 2005 ¥000	31 December 2004 ¥000
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Loans (note 12)	5,688,375	—
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31 December	31 December
2005	2004
¥000	¥000

Amounts repayable:		
In one year or less or on demand	447,625	1,800,000
In more than one year but not more than two years	479,500	—
In more than two years but not more than five years	1,438,500	—
	<u>2,365,625</u>	<u>1,800,000</u>
In more than five years	3,770,375	—
	<u>6,136,000</u>	<u>1,800,000</u>

The second loan of ¥1,700,000,000 is repayable by 2016 in 39 equal instalments of ¥31,875,000 and 1 final instalment of ¥456,875,000. The rate of interest payable on the loan is 0.17% above LIBOR. The loan is secured by a fixed charge over the vessels.

	No.	2005 ¥000	No.	Authorised 2004 ¥000
Ordinary shares of £1 each	20,000,000	3,889,000	20,000,000	3,889,000

		<i>Allotted, called up and fully paid</i>	
		<i>2005</i>	<i>2004</i>
	<i>No.</i>	<i>¥000</i>	<i>No.</i>
		<i>¥000</i>	<i>¥000</i>
Ordinary shares of £1 each	14,115,539	2,745,237	14,115,539
			2,745,237

The issued share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates of the share increases.

## Notes to the financial statements

at 31 December 2005

### 14. Reconciliation of shareholders' funds and movement on reserves

	Share capital ¥000	Profit and loss account ¥000	Total share- holders' funds ¥000
At 11 July 2003	—	—	—
Loss for the period	—	(3,245)	(3,245)
Other movements			
New equity share capital subscribed	2,745,237	—	2,745,237
At 31 December 2004	2,745,237	(3,245)	2,741,992
Profit for the year	—	913,475	913,475
At 31 December 2005	2,745,237	910,230	3,655,467

### 15. Capital commitments

Amounts contracted for but not provided in the financial statements for the construction of vessels amounted to ¥6,648,493,184.

### 16. Post balance sheet events

With effect from 1 January 2006, the Company has taken over the bulk vessel operation business and related assets and liabilities from Polar LNG Shipping (UK) Limited (formerly "K" Line (Europe) Limited).

### 17. 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.

### 18. Ultimate parent company

The immediate parent company is "K" Line Holding (Europe) Limited. The financial statements of "K" Line Holding (Europe) Limited represent the smallest group in which the company is consolidated and may be obtained from the company's registered office.

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

The financial statements of Kawasaki Kisen Kaisha Limited, which represent 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, Japan.