

“K” Line Bulk Shipping (UK) Limited

Report and Financial Statements

31 March 2018

WEDNESDAY



L7BG2RJF

LD2

01/08/2018

#78

COMPANIES HOUSE

Contents

	Pages
Company Information	2
Strategic Report	3 – 4
Director's Report	5
Statement of Director's Responsibilities	6
Independent Auditors' Report	7 – 8
Income Statement	9
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 – 29

Company Information

Director

N Fujii

Secretary

B Y Ramlalsing

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Bankers

Mizuho Bank Limited
30 Old Bailey
London EC4M 7AU

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

Sumitomo Mitsui Trust Bank, Limited
155 Bishopsgate
London EC2M 3XU

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

Sumitomo Mitsui Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH

Registered Office

6th Floor
200 Aldersgate Street
London
EC1A 4H

Registered No. 4830352

Strategic report

The Director presents the Strategic report of "K" Line Bulk Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2018.

Results and dividends

The loss for the financial year amounted to US\$6,162,181 (year ended 31 March 2017 – loss of US\$ 109,494,669). On 20 Feb 2018, an amount of \$5m was paid to K Line Holding (Europe) Limited in respect of a final dividend (year ended 31 March 2017 – US \$nil).

Principal activities and Review of the business

The principal activities of the Company are the chartering and ownership of bulk vessels. During the year the Company continued to own and operate a capesize bulk vessel in partnership with EDF.

The authorised and issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised and issued.

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

	<i>Year ended 31 March 2018 \$000</i>	<i>Year ended 31 March 2017 \$000</i>	<i>Change %</i>
Turnover	184,171	150,243	23%
Loss for the financial year	(6,162)	(109,495)	(94%)
Total shareholders' funds	42,034	53,296	(21%)
Cash at bank and in hand	23,817	67,327	(65%)

Turnover increased by 23% during the year as a result of an increase in the number of vessels chartered out and an increase in freight rates compared to the previous years. The significant decrease in loss which is 94% for the year was mainly due to profit on disposal of assets and no impairment of vessels as compared to previous years.

Total shareholders' funds decreased by 21% primarily due to loss from operations. Cash at bank and in hand decreased by 65% mainly due to an increase in the loan receivable from KTRS, cash used in operations, and the payment of a \$5m dividend.

Future developments

The uncertain global economic outlook and the increased imbalance between supply and demand have led to low freight rates and bulk market recession. However, the current trend appears optimistic. As a result, the Company's overall business is expected to perform better over the coming year as compared to 2017/18.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as:

Competitive risks

The bulk carrier industry is characterised by intense competition to secure contracts and profitable rates. The Company tries to minimise this risk with medium to long term contracts with a number of customers.

Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law, tax law, UK Bribery Act, low sulphur fuel regulations and shipping legislation, mostly originating from IMO (International Maritime Organisation). These standards are subject to continuous revision; however, they are not expected to have a material impact on the Company's activities or ability to generate a profit.

The implication of Brexit is unclear at the moment and will be continually monitored.

Strategic report (continued)

Principal risks and uncertainties (continued)

Financial risks

The principal risks and uncertainties faced by the Company include the residual value of owned and finance leased vessels at the time of disposal. The Company undertakes impairment reviews of the carrying value and useful economic life of all ship assets, using value in use assessments.

Treasury operations and financial instruments

Ships are financed by way of third party bank loans, inter-group loans and by way of finance leases. Borrowings are undertaken at variable rates principally in USD and JPY. To the extent not covered by derivative instruments the Company is therefore exposed to fluctuations in interest rates.

The Company operates a treasury function which is responsible for managing the liquidity, credit and market/price risks associated with the Company's activities.

The Company has established a risk and financial management framework whose primary objectives are to mitigate the exposure of the Company to risks 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. This is done through the type of derivative financial instruments as planned currency exposures arising from material transactions which are not denominated in USD.

Market/price risk

The Company uses interest rate swaps to mitigate interest rate exposure by fixing interest payments where payments are variable and hence exposed to interest rate movements. The Company uses foreign currency exchange rate swaps to mitigate currency exchange rate exposure by fixing exchange rates for payments in foreign currency and hence is exposed to exchange rate fluctuations. The Company also has in place a forward freight agreement and a bunker swap agreement to minimise the risk of fluctuations in market freight rates and bunker fuel prices respectively (note 20).

Liquidity risk

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


The Company 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. Surplus funds are put on time deposits ranging from overnight to quarterly intervals.

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. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

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

By order of the Board



B Y Ramlalsing
Secretary

Date: 19 June 2018

Registered No. 4830352

Director's report

The Director presents the Director's Report and audited financial statements of "K" Line Bulk Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2018.

Director

The Director who served the Company during the year and as at the date of this report is as follows:

N Fujii

Dividends and financial risk management

Dividend and financial risk management disclosures are included in the Strategic Report on page 3.

Future Development

The Company's overall business is expected to perform better over the coming year as compared to 2017/18. More details are given in the Strategic report on page 3.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 3.

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

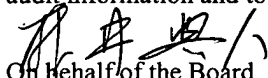
The Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Director continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Director's indemnities

As permitted by the Articles of Association, the Director has the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Director's and Officers' liability insurance in respect of itself and its Director.

Disclosure of information to the auditors

So far as the Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of the previous Director and the Company's auditors, the 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 auditors are aware of that information.



On behalf of the Board

N Fujii
Director

Date: 19 June 2018

Statement of Director's responsibilities in respect of the financial statements

The director is responsible for preparing the Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the director must not approve the financial statements unless he is 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 the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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.

The director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Independent auditors' report to the members of "K" Line Bulk Shipping (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, "K" Line Bulk Shipping (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of "K" Line Bulk Shipping (UK) Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Director's responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.


Timothy McAllister (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 June 2018

Income statement

for the year ended 31 March 2018

		Year ended 31 March 2018 US\$	Year ended 31 March 2017 US\$
	Note		
Turnover	2	184,171,283	150,242,816
Cost of sales		(184,197,027)	(168,872,645)
Gross Profit		(25,744)	(18,629,829)
Administrative expenses		(3,538,134)	(4,088,538)
Exceptional items	5	5,930,250	(78,658,167)
Operating Profit/(Loss)	3	2,366,372	(101,376,534)
Income from participating interests	23	1,969,567	569,848
Interest receivable and similar income	8	1,191,041	683,027
Interest payable and similar expenses	9	(11,401,731)	(8,949,915)
Loss before taxation		(5,874,751)	(109,073,574)
Tax on loss	10	(287,430)	(421,095)
Loss for the financial year		(6,162,181)	(109,494,669)

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 March 2018

	Year ended 31 March 2018 US\$	Year ended 31 March 2017 US\$
Loss for the financial year	(6,162,181)	(109,494,669)
Other comprehensive (expense)/income		
<i>Items that are or may be recycled subsequently to the Income statement</i>		
<i>Movement in fair value of cash flow hedges</i>	(99,707)	223,247
Other comprehensive (expense)/income for the year	(99,707)	223,247
Total comprehensive expense for the year	(6,261,888)	(109,271,422)

The notes on pages 12 to 29 form an integral part of these financial statements.

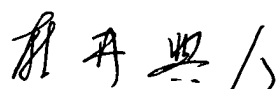
Balance sheet

as at 31 March 2018

		31 March 2018 US\$	31 March 2017 US\$
	Note		
Fixed assets			
Tangible assets	11	326,066,657	359,188,987
Investments	12	<u>175,000</u>	<u>175,000</u>
Current assets			
Stocks	13	4,776,534	4,659,865
Debtors	14	81,938,816	49,542,277
Cash at bank and in hand		<u>23,816,979</u>	<u>67,327,345</u>
		110,532,329	121,529,487
Creditors: amounts falling due within one year	15	<u>(60,087,398)</u>	<u>(54,224,248)</u>
Net current assets		<u>50,444,931</u>	<u>67,305,239</u>
Total assets less current liabilities		376,686,588	426,669,226
Creditors: amounts falling due after more than one year	16	<u>(334,652,860)</u>	<u>(373,373,610)</u>
Net assets		<u>42,033,728</u>	<u>53,295,616</u>
Capital and reserves			
Called up share capital	19	33,979,116	33,979,116
Other reserves		(440,383)	(340,676)
Retained earnings		8,494,995	19,657,176
Total shareholders' funds		<u>42,033,728</u>	<u>53,295,616</u>

The notes on pages 12 to 29 form an integral part of these financial statements.

The financial statements on pages 9 to 29 were approved by the Director and were signed by:



N Fujii

Director

Date: 19 June 2018

Statement of changes in equity

for the year ended 31 March 2018

	Called up share capital US\$	Other reserves US\$	Retained earnings US\$	Total shareholder's funds US\$
At 1 April 2017	33,979,116	(340,676)	19,657,176	53,295,616
Loss for the year	—	—	(6,162,181)	(6,162,181)
Other comprehensive expense for the year	—	(99,707)	—	(99,707)
Dividend paid	—	—	(5,000,000)	(5,000,000)
At 31 March 2018	<u>33,979,116</u>	<u>(440,383)</u>	<u>8,494,995</u>	<u>42,033,728</u>

	Called up share capital US\$	Other reserves US\$	Retained earnings US\$	Total shareholder's funds ² US\$
At 1 April 2016	33,979,116	(563,923)	129,151,845	162,567,038
Loss for the year	—	—	(109,494,669)	(109,494,669)
Other comprehensive income for the year	—	223,247	—	223,247
At 31 March 2017	<u>33,979,116</u>	<u>(340,676)</u>	<u>19,657,176</u>	<u>53,295,616</u>

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies

General Information

The Company is a private company limited by shares and is incorporated in the United Kingdom and is registered in England. The address of its registered office is 6th Floor, 200 Aldersgate Street, London, EC1A 4HD.

The principal activities of the Company are the chartering and ownership of bulk vessels.

Statement of compliance

The financial statements of "K" Line Bulk Shipping (UK) Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, prepared by the ultimate parent company, includes the Company's cash flows;
- ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv);
- iii) from disclosing the Company's key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

Going concern

The Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation commences from the point when the assets are available for use. Vessels under construction are not depreciated.

The cost of tangible fixed assets includes expenditures that are incurred during construction, delivery, modification and capitalised finance costs. The commencement date for capitalisation of costs occurs when the Company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

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 to 20 years
Furniture and equipment	–	3 years to 5 years

The Company's vessels are required to undergo periodic dry docking for replacement of certain components, major repairs and maintenance of other components. Dry-docking costs are recognised and capitalised at the total amount incurred at completion date. Amortisation of cost is allocated over the period until the next dry-docking which can range from 2-5 years.

Capitalisation of interest

Interest incurred on borrowings to finance the construction of vessels is capitalised. Once the vessel is delivered the interest is no longer capitalised.

Impairment of non-financial assets

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. At the end of each financial reporting period, the Company assesses whether there is any indication that its vessels, other fixed assets and intangible assets may have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount.

The assessment of whether there is an indication that an asset is impaired is made with reference to trading results, predicted trading results, market rates, technical and regulatory changes and market values. If any such indication exists, the recoverable amount of the asset or income-generating unit ("IGU") is estimated in order to determine the extent of any impairment loss.

The first step in this process is the determination of the lowest level at which largely independent cash flows are generated, starting from the individual asset level. An IGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets or groups of assets. In identifying whether cash inflows from an asset or group of assets are largely independent, and therefore determining the level of the IGUs, the Company considers many factors including management's trading strategies, how management makes decisions about continuing or disposing of the assets, nature and terms of contractual arrangements and actual and predicted employment of the vessels. Based on the above the Company has determined at the reporting date it has IGUs comprising of individual vessels.

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies (Continued)

Impairment of non-financial assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined as the amount at which assets may be disposed of on a willing seller, willing buyers' basis, less directly associated costs of disposal. In estimating fair value, the Company considers recent market transactions for similar assets, and the views of reputable shipbrokers.

If the recoverable amount is less than the carrying amount of the asset or IGU, the asset is considered impaired and an expense is recognised equal to the amount required to reduce the carrying amount of the vessel or the IGU to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Such reversal is recognised in the statement of income and retained earnings

Stocks

Stocks consist of bunker fuel oil and diesel fuel oil which are ascertained on a "first-in-first-out" basis. These are stated at the lower of cost and estimated selling price less cost to complete and sell. Estimated selling price less cost to complete and sell is based on estimate selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

i) Current tax

Current tax, is provided using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date on the excess of taxable income and allowable expenses. The Company is also subject to corporation tax under the UK Tonnage Tax regime.

ii) 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.

Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards of ownership.

Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies (Continued)

depreciation and impairment losses. The corresponding liability is included in the balance sheet as a finance lease liability. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the interest expense and the reduction of the outstanding liability. Interest expense, which represents the difference between the total leasing commitments and the fair value of assets acquired, is recognised as an expense in the statement of income and retained earnings over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligation for each accounting year.

Operating leases

Rents payable under operating leases are charged against income on a straight-line basis over the lease term.

Foreign currencies

i) Functional and presentation currency:

The Company's functional and presentation currency is US\$.

ii) Transactions and balances

Transactions in GBP 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 US dollar are retranslated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the statement of income and retained earnings.

The authorised and issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised.

The exchange rate between GBP and USD was 1.4028 at 31 March 2018 (31 March 2017 – 1.2505).

Pension contributions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call or with maturities of less than 3 months with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

Financial instruments

i) Financial assets

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies (Continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of income and retained earnings.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and other creditors and short term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current creditors. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of income and retained earnings in finance costs or finance income as appropriate, unless they are included in a hedging arrangement when the changes in fair value are recognised in the Statement of changes in equity.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans payable

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the statement of income and retained earnings account when liabilities are derecognised or impaired, as well as through the amortisation process.

Turnover recognition

Revenue is recognised on an accruals basis following the provision of the related goods or services. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Time Charter, bareboat charter and brokerage income

Revenue is recognised on a straight lines basis over the period of the contract.

Voyage Charter income

Voyage charter income and related profits from the Company's vessel chartering activities (including any demurrage) is recognised on completion of the voyage. The completion of the voyage is considered a specific and most significant act to be performed under a voyage charter arrangement.

Interest and similar income

Revenue is recognised as interest accrues using the effective interest method.

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies (Continued)

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Provision for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Joint ventures and arrangements

A joint venture is an entity in which the Company holds an interest on a long-term basis and which is jointly controlled by the Company and one or more other ventures under a contractual agreement.

Investments in joint ventures are held at cost less accumulated impairment losses.

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company has critical accounting judgements in the following areas:

Leases: The Company is party to several arrangements involving the use of assets, some of which contain a lease. Accounting for lease arrangements first involves making a determination, at the inception of a lease arrangement, whether a lease is classified as an operating lease or a finance lease. A key judgement required when making the distinction in lease classification is to determine whether substantially all of the risks and rewards of ownership of the asset have passed to the Company. Where it is assessed that substantially all of the risks and rewards have transferred to the Company, a finance lease exists.

Impairment: Due to the ongoing volatility and decline in the market rate for freight the Company performs a discounted future cash flow analysis on all of its vessels which are owned or held under finance lease, to determine if these vessels are impaired. The principal assumptions used in the discounted future cash flow analysis consist of forecast future operating results, including time charter equivalent rates based on the contracted and/or 5yr and 10yr Baltic Dry Index historical freight rates, the estimated residual values and a weighted average cost of capital. See note 11 for the carrying amount of the vessels.

Notes to the financial statements for the year ended 31 March 2018

2. Turnover

Turnover, which arises on continuing activities, represents the amounts receivable for services during the year, exclusive of VAT and other sales taxes or duty.

An analysis of turnover by geographical market is given below:

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
United Kingdom	4,112,387	10,254,536
Europe	64,384,683	69,744,477
Rest of the world	115,674,213	70,243,803
	<u>184,171,283</u>	<u>150,242,816</u>
Operating lease income from charter hire	<u>85,183,025</u>	<u>68,827,125</u>

3. Operating profit/(loss)

This is stated after charging/(crediting)

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Auditors' remuneration	<u>70,140</u>	<u>62,449</u>
Depreciation of owned assets	19,820,974	27,615,380
Depreciation of leased assets	<u>4,489,546</u>	<u>4,654,320</u>
Operating lease rentals – vessel hire	<u>62,680,856</u>	<u>52,269,152</u>
Inventories recognised as an expense	<u>19,565,726</u>	<u>16,872,260</u>
Foreign exchange (gain)/loss	<u>(88,811)</u>	<u>28,986</u>
Exceptional items (note 5)	<u>(5,930,250)</u>	<u>78,658,167</u>

4. Auditors' remuneration

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Audit of the financial statements for the current year	<u>70,140</u>	<u>62,449</u>
	<u>70,140</u>	<u>62,449</u>

Notes to the financial statements for the year ended 31 March 2018

5. Exceptional items

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
On disposal of fixed assets	(5,930,250)	65,960,712
Impairment of fixed assets	–	12,697,455
	<u>(5,930,250)</u>	<u>78,658,167</u>

An impairment charge of \$nil (2017: \$12.7m) was recognised against the carrying value of the assets. Refer to Note 11 for further details.

One vessel was sold during the year for a consideration of \$18m (2017: 3 vessels were sold for a consideration of \$69m), profit on the disposal was \$6m (2017: Loss for 3 vessels were \$66m) after deducting the net book value of \$12m (2017: 3 vessels were \$135m)

6. Director's remuneration

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Remuneration	<u>467,269</u>	<u>428,046</u>

No pension contributions were paid by the Company to the Director during the year (year ended 31 March 2017 – US \$nil).

The amounts in respect of the highest paid Director are as follows:

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Remuneration	<u>467,269</u>	<u>428,046</u>

7. Staff costs

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Wages and salaries	1,674,718	2,060,565
Social security costs	80,081	88,591
Other pension costs	91,339	76,921
	<u>1,846,138</u>	<u>2,226,077</u>

Notes to the financial statements for the year ended 31 March 2018

7. Staff costs (continued)

The average monthly number of employees during the year was made up as follows:

	<i>Year ended 31 March 2018 No.</i>	<i>Year ended 31 March 2017 No.</i>
Administration	15	17

8. Interest receivable and similar income

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Bank interest receivable	716,342	445,056
Loan interest receivable	474,699	236,564
Other interest receivable	—	1,407
	<u>1,191,041</u>	<u>683,027</u>

9. Interest payable and similar expenses

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Bank loan and swap interest payable	5,934,744	5,150,602
Finance lease interest payable	3,320,900	3,320,484
Gain on change in fair value of derivatives	(128,226)	(223,865)
Foreign exchange loss on retranslation of loans	2,274,313	702,694
	<u>11,401,731</u>	<u>8,949,915</u>

10. Tax on loss

(a) Tax on loss

The tax charge is made up as follows:

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Current tax:		
UK corporation tax on the loss for the year	287,430	372,855
Group relief payable	—	58,956
Adjustments in respect of previous year	—	(10,716)
Total current tax charge (note 10(b))	<u>287,430</u>	<u>421,095</u>

Notes to the financial statements for the year ended 31 March 2018

10. Tax on loss(continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (year ended 31 March 2017 – 20%). The differences are explained below:

	<i>Year ended 31 March 2018 US\$</i>	<i>Year ended 31 March 2017 US\$</i>
Loss before taxation	<u>(5,874,751)</u>	<u>(109,073,574)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 March 2017 – 20%)	(1,116,203)	(21,814,715)
<i>Effects of:</i>		
Non-deductible expenses	16,640,374	21,817,978
Losses	–	(77,649)
Foreign exchange movement	–	133,342
Effects of overseas tax rates	98,284	95,070
Adjustments in respect of previous years	–	(10,716)
Deferred tax not recognised	(15,502,584)	–
Tonnage tax profit	167,559	277,785
Total tax charge for the year (note 10(a))	<u>287,430</u>	<u>421,095</u>

Non-taxable (income)/non-deductible expenses principally relates to activities falling within the UK Tonnage Tax regime.

(c) Deferred tax

The Company is in the UK Tonnage Tax regime. Accordingly, the Company's tax charge is based upon the tonnage of the vessels operated by the Company and not the amount of profits arising from the operation of vessels. Income and expenses falling outside of the Tonnage Tax regime are subject to corporation tax at the statutory rate for the year.

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 on 6 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the year ended 31 March 2018

11. Tangible assets

	<i>Vessels</i> US\$	<i>Dry-Docking</i> US\$	<i>Furniture and equipment</i> US\$	<i>Total</i> US\$
Cost:				
At 1 April 2017	556,185,467	8,509,179	250,239	564,944,885
Cost Adjustment	(144,241)	–	–	(144,241)
Additions	–	3,112,213	–	3,112,213
Disposals	(39,040,846)	(3,930,425)	(7,683)	(42,978,954)
At 31 March 2018	<u>517,000,380</u>	<u>7,690,967</u>	<u>242,556</u>	<u>524,933,903</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(200,841,791)	(4,726,215)	(187,892)	(205,755,898)
Charge for the year - owned assets	(16,691,730)	(3,096,145)	(33,099)	(19,820,974)
Charge for the year - leased assets	(4,489,546)	–	–	(4,489,546)
Disposals	27,355,487	3,836,002	7,683	31,199,172
At 31 March 2018	<u>(194,667,580)</u>	<u>(3,986,358)</u>	<u>(213,308)</u>	<u>(198,867,246)</u>
Net book value:				
At 31 March 2018	<u>322,332,800</u>	<u>3,704,609</u>	<u>29,248</u>	<u>326,066,657</u>
At 31 March 2017	<u>355,343,676</u>	<u>3,782,964</u>	<u>62,347</u>	<u>359,188,987</u>

Included within the net book value of US\$326,066,657 is US\$73,581,409 (year ended 31 March 2017 – US\$78,070,955) relating to assets held under finance lease. The depreciation charged to the financial statements in the year in respect of such assets amounted to US\$4,489,546 (year ended 31 March 2017 – US\$4,654,321). Finance costs capitalised in the year amounted to US\$ nil (year ended 31 March 2017 – US\$nil).

An impairment charge of \$nil (2017: \$12.7m) was recognised against the carrying value of the vessels. Due to the ongoing volatility and decline in the market rate for freight we performed a discounted future cash flows analysis on all of our vessels which are owned or held under finance lease, to determine if these vessels were impaired. No impairment was found necessary as freight rates are improving as compared to 2016/17 and the current trend appears optimistic. As a result, the Company's overall business is expected to perform better over the coming year as compared to 2017/18.

One vessel was sold during the year for a consideration of \$18m (note 5).

Notes to the financial statements for the year ended 31 March 2018

12. Investments

	31 March 2018 US\$	31 March 2017 US\$
Investment in joint venture	<u>175,000</u>	<u>175,000</u>

Together with Cardinal Shipping Limited, "K" Line Bulk Shipping (UK) Limited entered into a partnership under the name of "E&K Amanda Partners" on 29th June 2009. The main purpose of the partnership is to manage and operate a cape size vessel that is co-owned by each partner. All profits or losses are to be shared equally between the partners.

13. Stocks

	31 March 2018 US\$	31 March 2017 US\$
Stocks	<u>4,776,534</u>	<u>4,659,865</u>

Stocks consist of bunker fuel oil and diesel fuel oil.

The amount of stock recognised as an expense during the year ended 31 March 2018 is US\$ 19,565,726 (2017: US\$ 16,872,260).

14. Debtors

	31 March 2018 US\$	31 March 2017 US\$
Trade debtors	1,652,329	2,358,133
Amounts owed by group undertakings	4,257,395	259,562
Amounts owed by related party undertakings	986,795	1,017,229
Derivative financial instruments	334,181	323,860
Loans owed by group undertakings	53,783,712	30,309,013
Prepayments and accrued income	20,924,404	15,274,480
	<u>81,938,816</u>	<u>49,542,277</u>

Amounts owed from group undertakings are unsecured, with no interest and no fixed repayment date. Loans receivable from group companies are unsecured and governed by a rolling contract, with interest rates fixed every 3 months based on LIBOR at the date of agreement, and repayable within 5 working days once demanded.

Amounts falling due after more than one year included above are Derivative financial instruments amounting to \$334,181 (2017: US\$ 323,860).

Notes to the financial statements for the year ended 31 March 2018

15. Creditors: amounts falling due within one year

	31 March 2018 US\$	31 March 2017 US\$
Bank loans (note 18)	18,732,769	20,155,950
Trade creditors	3,005,702	1,765,338
Derivative financial instruments	117,895	–
Amounts owed to group undertakings	184,019	85,889
Group loans	11,254,175	11,254,175
Corporation tax payable	37,931	114,199
Other creditors	5,533,551	614,505
Obligations under finance leases and hire purchase contracts (note 17)	5,478,383	5,326,791
Accruals and deferred income	15,742,973	14,907,401
	<u>60,087,398</u>	<u>54,224,248</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

Accruals and deferred income relates to services to be provided to Kawasaki Kisen Kaisha Limited, the ultimate parent company, amounting to \$5,552,112 (2017: \$2,150,664).

The Company has 3 unsecured loans provided by group companies as follows (outstanding balance at 31 March 2018 is US\$ 11,254,175 (note 15) and US\$ 67,563,349 (note 16)):

- The first loan of \$23,375,000 is repayable by 2021 in 12 equal instalments of \$935,000 and 1 final instalment of \$12,155,000. The rate of interest payable on the loan is 0.25% above LIBOR. The loan is provided by Kawasaki Kisen Kaisha Limited, the ultimate parent company.
- The second loan of \$29,090,000 is repayable by 2019 in 6 equal instalments of \$1,100,000 and 1 final instalment of \$22,490,000. The rate of interest payable on the loan is 0.25% above LIBOR. The loan is provided by K Line TRS S.A., a group company.
- The third loan of \$26,352,523 is repayable by 2021 in 13 equal instalments of \$778,544 and 1 final instalment of \$16,231,450. The rate of interest payable on the loan is 0.25% above LIBOR. The loan is provided by Kawasaki Kisen Kaisha Limited, the ultimate parent Company.

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

	31 March 2018 US\$	31 March 2017 US\$
Bank loans (note 18)	180,743,051	202,595,151
Group loans (note 15)	67,563,349	78,817,523
Obligations under finance leases and hire purchase contracts (note 17)	85,906,077	91,384,461
Derivative financial instruments	440,383	576,475
	<u>334,652,860</u>	<u>373,373,610</u>

Notes to the financial statements for the year ended 31 March 2018

17. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases:

	31 March 2018 US\$	31 March 2017 US\$
Amounts payable:		
Within one year	8,297,936	8,313,098
In two to five years	94,231,368	53,950,036
In more than five years	–	48,579,269
	<u>102,529,304</u>	<u>110,842,403</u>
Less: finance charges allocated to future years	<u>(11,144,844)</u>	<u>(14,131,151)</u>
	<u>91,384,460</u>	<u>96,711,252</u>

Analysis of present value of finance lease liabilities:

	31 March 2018 US\$	31 March 2017 US\$
In one year or less or on demand	5,478,383	5,326,791
In more than one year but not more than five years	85,906,077	43,968,954
In more than five years	–	47,415,507
	<u>91,384,460</u>	<u>96,711,252</u>

18. Bank loans

	31 March 2018 US\$	31 March 2017 US\$
Amounts repayable:		
In one year or less or on demand	18,732,769	20,155,950
In more than one year but not more than two years	61,657,193	20,155,950
In more than two years but not more than five years	91,993,314	130,826,002
	<u>172,383,276</u>	<u>171,137,902</u>
In more than five years	27,092,543	51,613,199
	<u>199,475,819</u>	<u>222,751,101</u>

The Company has 9 loans secured against 9 individual vessels as follows:

- The first loan of \$17,194,734 (JPY1,828,660,000) is repayable by 2023 in 20 equal instalments of \$521,109 (JPY55,420,000) and 1 final instalment of \$6,772,554 (JPY720,260,000). The rate of interest payable on the loan is 0.4875% above LIBOR. The loan is secured by a guarantee provided by the ultimate group company. The carrying amount of the respective vessel is \$19,980,230 at as 31 March 2018.

Notes to the financial statements for the year ended 31 March 2018

18. Bank loans (Continued)

- The second loan of \$17,850,000 is repayable by 2021 in 13 equal instalments of \$525,000 and 1 final instalment of \$11,025,000. The rate of interest payable on the loan is 0.6% above LIBOR. The loan is secured by a fixed charge over the vessel and by guarantee provided by the ultimate parent company. The carrying amount of the respective vessel is \$21,582,102 at as 31 March 2018.
- The third loan of \$18,900,000 is repayable by 2022 in 15 equal instalments of \$525,000 and 1 final instalment of \$11,025,000. The rate of interest payable on the loan is 1% above LIBOR. The loan is secured by a fixed charge over the vessel and by guarantee provided by the ultimate parent company. The carrying amount of the respective vessel is \$22,445,258 at as 31 March 2018.
- The fourth loan of \$19,950,000 is repayable by 2019 in 5 equal instalments of \$525,000 and 1 final instalment of \$17,325,000. The rate of interest payable on the loan is 0.76% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$22,518,398 at as 31 March 2018.
- The fifth loan of \$34,471,086 (JPY3,666,000,000) is repayable by 2019 in 5 equal instalments of \$912,083 (JPY97,000,000) and 1 final instalment of \$29,910,672 (JPY3,181,000,000). The rate of interest payable on the loan is 0.65% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$47,467,800 at as 31 March 2018.
- The sixth loan of \$17,220,000 is repayable by 2023 in 20 equal instalments of \$420,000 and 1 final instalment of \$8,820,000. The rate of interest payable on the loan is 0.925% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$26,347,942 at as 31 March 2018.
- The seventh loan of \$28,350,000 is repayable by 2020 in 10 equal instalments of \$450,000 and 1 final instalment of \$23,850,000. The rate of interest payable on the loan is 1.15% above LIBOR. The loan is secured by a guarantee provided by the ultimate group Company. The carrying amount of the respective vessel is \$29,721,730 at as 31 March 2018.
- The eighth loan of \$20,700,000 is repayable by 2024 in 24 equal instalments of \$460,000 and 1 final instalment of \$9,660,000. The rate of interest payable on the loan is 0.925% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$27,089,266 at as 31 March 2018.
- The ninth loan of \$24,840,000 is repayable by 2023 in 19 equal instalments of \$345,000 and 1 final instalment of \$18,285,000. The rate of interest payable on the loan is 0.68% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$31,388,734 at as 31 March 2018.

Notes to the financial statements for the year ended 31 March 2018

19. Share capital and other reserves

		31 March 2018		31 March 2017
<i>Allotted, called up, issued and fully paid</i>	<i>No.</i>	<i>US\$</i>	<i>No.</i>	<i>US\$</i>
Ordinary shares of £1 each	19,989,662	<u>33,979,116</u>	19,989,662	<u>33,979,116</u>

The issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Dividends	31 March 2018 US\$	31 March 2017 US\$
Equity - ordinary		
Final paid (2017: Nil) \$0.25 per share	5,000,000	—
	<u>5,000,000</u>	<u>—</u>

20. Financial instruments

	31 March 2018 US\$	31 March 2017 US\$
The Company has the following financial instruments:		
Financial assets at fair value through profit and loss		
Derivative financial assets	<u>334,181</u>	<u>323,860</u>
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors (note 14)	1,652,329	2,358,133
Amounts owed by group undertakings (note 14)	4,257,395	259,562
Amounts owed by related party undertakings (note 14)	986,795	1,017,229
	<u>6,896,519</u>	<u>3,634,924</u>
Financial liabilities measured at amortised cost:		
Trade creditors (note 15)	3,005,702	1,765,338
Bank loans (note 18)	199,475,820	222,751,101
Amounts owed to group undertakings (note 15)	184,019	85,889
Group loans (note 15 and 16)	78,817,523	90,071,698
Other creditors (note 15)	5,533,551	614,505
Obligations under finance leases and hire purchase contracts (note 17)	91,384,460	96,711,252
	<u>378,401,075</u>	<u>411,999,783</u>
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities	<u>558,278</u>	<u>576,475</u>

Notes to the financial statements for the year ended 31 March 2018

20. Financial instruments (Continued)

The Company uses interest rate swap contracts to reduce interest rate exposures. In addition, bunker swap and forward freight agreements are also used by the Company to mitigate its exposure to market price fluctuations. The fair values of the derivatives held at the balance sheet date (which was recognised in the financial statements), determined by reference to their market values.

The valuation was adjusted to reflect selected market risks. It was not adjusted to reflect credit, liquidity, model risk, operational cost, or other factors. Rather, it is meant to represent our best estimate of mid-market pricing as of the close of business on the valuation date. As this represents mid-market pricing, the actual price at which on any valuation date it would (subject to the agreement) be possible to 'close-out' the position would be adjusted for bid/offer spreads and market liquidity.

21. Pensions

The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost and charge represent contributions payable by the Company to the fund and amounted to US\$91,339 (year ended 31 March 2017 – US\$76,921). The amount of outstanding contributions at the year end was US \$nil (year ended 31 March 2017 – US \$nil).

22. Other financial commitments

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as set out below:

	31 March 2018	31 March 2017
Vessel hire	Vessel hire	
US\$	US\$	
Operating leases which expire:		
Within one year	53,391,414	44,122,605
In two to five years	132,252,948	134,000,164
Over five years	22,423,956	39,811,849
	<u>208,068,318</u>	<u>217,934,618</u>

The company has entered into several non-cancellable contracts with the vessel owners for which minimum future operating lease payments to be made as above table.

Notes to the financial statements for the year ended 31 March 2018

22. Other financial commitments (Continued)

At 31 March 2018 the Company had future minimum lease income under non-cancellable operating leases as set out below:

	31 March 2018	31 March 2017
Vessel hire	US\$	US\$
Operating leases which expire:		
Within one year	48,603,970	65,958,120
In two to five years	25,339,700	68,700,350
	<u>73,943,670</u>	<u>134,658,470</u>

The company has entered into several non-cancellable contracts for its vessels with the charterers for which minimum future operating lease income to be received as above table.

23. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 from disclosing transactions with related parties, which are 100% owned and controlled within the Kawasaki Kaisha Limited group.

Together with Cardinal Shipping Limited, "K" Line Bulk Shipping (UK) Limited entered into a joint venture agreement under the name of "E&K Amanda Partners", 6th Floor, 200 Aldersgate Street, London, EC1A 4H. The main purpose of the partnership is to manage and operate a cape size vessel that is co-owned by each partner. All profits or losses are to be shared equally between the partners.

During the year the following transactions were accounted for in relation to the Company's 50% interest in the joint arrangement, "E&K Amanda Partners": share of profit for the year has been included in Income from participating interest in the Income statement for an amount of \$1,969,567 (2017: \$569,848) and amounts owed by related party undertakings in the Balance sheet for an amount of \$986,795 (2017: \$1,017,229).

A management fee of \$30,000 has been charged to E&K Amanda Partners by the Company in the year (year ended 31 March 2017 - \$30,000).

Distribution received from E&K Amanda Partners for the year ended 31 March 2018 was \$2,000,000 (2017: \$850,000).

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is "K" Line Holding (Europe) Limited, which is incorporated in United Kingdom.

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

The financial statements of Kawasaki Kaisha Limited, which represent the smallest and largest group in which the Company is consolidated, are available from Kawasaki Kaisha Limited, Iino Building, 1-1, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8540, Japan.