"K" Line (Europe) Limited

Report and Financial Statements

31 December 2007

THURSDAY

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COMPANIES HOUSE

LD6 16/04/2008 152
COMPANIES HOUSE

Registered No 05639474

Directors
Y Aoki
T Shimizu
P Bertrand
J Fritzen
S Soda
H Nagayama
G King
D Wakeling
Captain T Igarashi
M Tani
H Yasui
K Mori
M Hashizume

Secretary
R J R Dowding

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

Bankers
National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

Bank of Tokyo Mitsubishi UFJ Limited
12-15 Finsbury Circus
London EC2M 7BT

ABN AMRO Bank N V
250 Bishopsgate
London EC2M 4AA

Sumitomo Mitsui Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4N 4TA

Mizuho Corporate Bank Limited
Bracken House
One Friday Street
London EC4M 9JA

Registered No 05639474

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 2007

Results and dividends

The profit for the year after taxation amounted to £590,000 The directors do not recommend the payment of any dividends

Principal activities and review of the business

The principal activity of the company during the year was that of general shipping agents for containerships and car carriers throughout Europe

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

	2007 £000	2006 £000	Change %
Turnover	16,549	15,169	9%
Profit after tax	590	396	49%
Shareholders' funds	996	406	145%
Cash at bank	2,818	4,826	-42%

Turnover during the year is attributed to agency activities which attract a percentage of commission The increase for the year reflects the increase in operations as well as the addition of a new Energy division

The reduction in the cash balance is mainly due to a change in the way sub-agents are managed

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years They consider that 2008 will show a further growth in income from continuing operations arising from the Energy division

Directors

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

Y Aoki	
P Bertrand	
J Fritzen	
T Shimizu	
S Soda	
D Arai	(resigned 1 July 2007)
H Nagayama	(appointed 1 July 2007)
G King	
Captain T Igarashi	
D Wakeling	
H Yasui	(appointed 1 April 2007)
M Tani	(appointed 1 April 2007)
K Mori	(appointed 1 July 2007)
M Hashizume	(appointed 1 July 2007)

Directors' report

Key risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as

- Competitive risks

In the UK, the company is not subject to any major competitor risk as the main income is supported by a service fee agreement with its ultimate parent company located in Japan

- Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law and tax law These standards are subject to continuous revision, however, they are not expected to have a material impact on the ability of the company to generate a profit

- Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities

The company does not enter into derivative transactions and is not exposed to significant foreign currency exchange risk

The company's principal financial instruments include its leasing agreements The purpose of these is to raise finance for the company's operations In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations

- 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

- Interest rate risk

The company is not exposed to significant interest rate risk as it is not heavily reliant on variable interest rate borrowings

- Foreign currency risk

The company has no significant exposure to foreign currency risk

- 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

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Directors' report

Directors' statement as to disclosure of information to auditors

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

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

By order of the board

Secretary

15 APR 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the 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

ERNST & YOUNG

Independent auditors' report

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

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 19 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 (Europe) 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 the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

16 APR 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	16,549	15,169
Cost of sales		–	–
Gross profit		16,549	15,169
Administrative expenses		15,755	14,510
Operating profit	3	794	659
Interest receivable	7	167	85
Interest payable and similar charges	8	(5)	(16)
Profit on ordinary activities before taxation		956	728
Tax on profit on ordinary activities	9	366	332
Profit for the year		590	396

Statement of total recognised gains and losses

for the year ended 31 December 2007

There are no recognised gains or losses other than the profit of £590,000 (2006 – profit of £396,000) attributable to the shareholders for the year ended 31 December 2007

Balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	10	1,150	1,143
Current assets			
Debtors	11	10,938	9,415
Cash at bank		2,818	4,825
		13,756	14,240
Creditors. amounts falling due within one year	12	13,233	14,173
Net current assets		523	67
Total assets less current liabilities		1,673	1,210
Creditors amounts falling due after more than one year	13	677	804
		996	406
Capital and reserves			
Called up share capital	16	10	10
Profit and loss account	17	986	396
Shareholders' funds	17	996	406

Director

15 APR 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

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

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

Leasehold property	–	20% per annum
Furniture and equipment	–	15% – 33% per annum

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction

Gains and losses on exchange are dealt with in the profit and loss account

Operating lease agreements

Rentals paid under operating leases are charged to the profit and loss account as they fall due

Pension costs

Payments to the company's defined contribution pension scheme are included in the profit and loss account as incurred

Notes to the financial statements

at 31 December 2007

2. Turnover

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

	2007	*2006*
	£000	*£000*
United Kingdom	772	691
Rest of the World	15,777	14,478
	16,549	15,169

3. Operating profit

This is stated after charging

		2007	*2006*
		£000	*£000*
Auditors' remuneration (note 4)		76	106
Depreciation of owned fixed assets		480	411
Operating lease rentals	– land and buildings	567	471
	– plant and machinery	93	89
		660	560

4. Auditor's remuneration

	2007	*2006*
	£000	*£000*
Audit of the financial statements	13	21
Other fees to auditors - taxation services	63	85
	76	106

Notes to the financial statements

at 31 December 2007

5. Staff costs

	2007	*2006*
	£000	*£000*
Wages and salaries	8,894	7,972
Social security costs	623	521
Other pension costs (note 14)	572	536
	10,089	9,029

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

	2007	*2006*
	No	*No*
Administrative staff	202	179

6. Directors' emoluments

The remuneration paid to directors was

	2007	*2006*
	£000	*£000*
Emoluments	1,334	1,328
Company contributions paid to personal money purchase pension schemes	9	25

Numbers of directors in respect of whom contributions were made in the year

	No	*No*
Pension contributions	–	–

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

	2007	*2006*
	£000	*£000*
Emoluments	308	365
Company contributions paid to personal money purchase pension schemes	–	–

Notes to the financial statements

at 31 December 2007

7. Interest receivable

	2007 £000	2006 £000
Interest receivable	167	85

8. Interest payable and similar charges

	2007 £000	2006 £000
Bank interest payable	5	16

9. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £000	2006 £000
Current tax		
UK corporation tax at 30%	365	279
Adjustments in respect to previous periods	–	12
Total current tax (note 9(b))	365	291
Deferred tax		
Origination and reversal of timing differences (note 9(c))	1	41
Tax on profit on ordinary activities	366	332

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% The differences are reconciled below

	2007 £000	2006 £000
Profit on ordinary activities before tax	956	728
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	287	218
Disallowed expenses and taxable income	63	66
Capital allowances in arrears/(excess) of depreciation	15	(5)
Adjustments in respect to previous periods	–	12
Total current tax (note 9(a))	365	291

Notes to the financial statements

at 31 December 2007

9. Taxation (continued)

(c) Deferred tax

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

	2007	*2006*
	£000	*£000*
Included in debtors (note 11)	38	39

	2007	*2006*
	£000	*£000*
Decelerated capital allowances	38	39
Deferred tax asset	38	39

	£000	*£000*
At 31 December 2006	39	–
On acquisition of agency division	–	80
Profit and loss account movement arising during the year	12	(5)
Adjustments in respect of prior periods	(13)	(36)
At 31 December 2007	38	39

Notes to the financial statements

at 31 December 2007

10. Tangible fixed assets

	Furniture and equipment £000	*Leasehold property £000*	*Total £000*
Cost			
At 1 January 2007	1,247	307	1,554
Adjustment to opening balances	1,956	54	2,010
Additions	472	26	498
Disposal	(17)	–	(17)
At 31 December 2007	3,658	387	4,045
Depreciation			
At 1 January 2007	370	40	411
Adjustment to opening balances	1,956	54	2,010
Provided during the period	403	77	480
Disposal adjustment	(5)	–	(5)
At 31 December 2007	2,724	171	2,895
Net book value			
At 31 December 2007	934	216	1,150
At 1 January 2007	876	267	1,143

11. Debtors

	2007 £000	*2006 £000*
Trade debtors	8,528	7,494
Amounts owing from group undertakings	1,060	532
Other debtors	902	847
Prepayments and accrued income	410	503
Deferred taxation (note 9(c))	38	39
	10,938	9,415

12. Creditors: amounts falling due within one year

	2007 £000	*2006 £000*
Bank overdraft	365	360
Trade creditors	4,277	3,853
Corporation tax	142	46
Other taxation and social security	719	561
Accruals and deferred income	694	586
Amounts owing to group undertakings	7,036	8,767
	13,233	14,173

Notes to the financial statements

at 31 December 2007

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

	2007 £000	2006 £000
Accruals and deferred income	677	804

14. Defined contribution pension scheme

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 £572,000 (2006 - £536,000) The amount of outstanding contributions at the year end was £nil (2006 - £nil)

15. Commitments under operating leases

At 31 December 2007, the company had annual commitments under non-cancellable operating leases as follows

	2007		2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	–	36	73	17
Between two and five years	–	38	–	52
In more than five years	558	–	445	–
	558	74	518	69

16. Share capital

Authorised	2007 £000	2006 £000
Ordinary shares of £1 each	2,000	2,000

Allotted, called up and fully paid	2007 No	2007 £000	2006 No	2006 £000
Ordinary shares of £1 each	10,001	10	10,001	10

Notes to the financial statements

at 31 December 2007

17 Reserves and reconciliation of shareholders' funds

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
On incorporation	–	–	–
Arising on issue of shares	10	–	10
Profit for the period	–	396	396
At 31 December 2006	10	396	406
Profit for the year	–	590	590
At 31 December 2007	10	986	996

18. 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

19. Ultimate parent undertaking and controlling party

The immediate parent undertaking 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 undertaking and controlling party is Kawasaki Kisen Kaisha Limited, which is incorporated in Japan

The financial statements of Kawasaki Kisen Kaisha Limited, which represent the largest group in which the company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Hibiya Central Buildings, 2-9 Nishi-Shinbashi 1 - chome, Minato-ku, Tokyo 105-8421, Japan