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"K" Line (Europe) Limited

Report and Financial Statements

31 December 2008



"K" Line (Europe) Limited

Registered No. 05639474

Directors

Y Aoki	(to resign 31 March 2009)
T Shimizu	
P Bertrand	
J Fritzen	
S Soda	(to resign 31 March 2009)
H Nagayama	(resigned 30 June 2008)
G King	
D Wakeling	
Captain T Igarashi	(resigned 30 June 2008)
M Tani	
H Yasui	
K Mori	
M Hashizume	
Captain M Sugiyama	(appointed 1 July 2008)
K Terashima	(to be appointed 1 April 2009)
S Murakami	(to be appointed 1 April 2009)
P Menzel	(to be appointed 1 April 2009)

Secretary

R J R Dowding	(resigned 31 July 2008)
P Rogers	(appointed 1 August 2008)

Auditors

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

Bankers

National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

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

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

"K" Line (Europe) Limited

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 2008.

Results and dividends

The profit for the year after taxation amounted to £631,881 (2007 – profit £589,908). 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:

	2008 £000	2007 £000	Change %
Turnover	16,989	16,549	3%
Profit after tax	632	590	7%
Shareholders' funds	1,627	996	63%
Cash at bank	4,575	2,818	62%

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 restructure of the CBG division.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that 2009 will show a rather stable position.

Directors

The directors who served during the year and appointed subsequently are listed on page 1.

Directors' report

Principal 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

Directors' statement as to disclosure of information to auditors

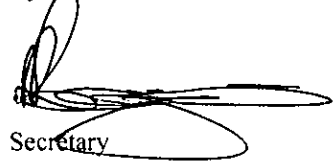
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- 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.

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



Secretary

31 MAR 2009

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and 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.

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 2008 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.

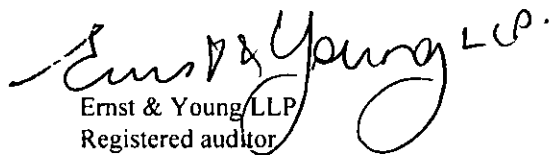
Independent auditors' report

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

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 2008 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
Registered auditor
London

01 APR 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £	2007 £
Turnover	2	16,989,111	16,549,178
Cost of sales		—	—
Gross profit		16,989,111	16,549,178
Administrative expenses		(16,170,526)	(15,755,408)
Operating profit	3	818,585	793,770
Interest receivable	7	59,759	167,099
Interest payable and similar charges	8	(3,865)	(4,513)
Profit on ordinary activities before taxation		874,479	956,356
Tax on profit on ordinary activities	9	(242,598)	(366,448)
Profit for the year	17	631,881	589,908

Statement of total recognised gains and losses

for the year ended 31 December 2008

There are no recognised gains or losses other than the profit of £631,881 (2007 – profit of £589,908) attributable to the shareholders for the year ended 31 December 2008.

Balance sheet

at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	10	1,226,314	1,149,602
Current assets			
Debtors	11	12,218,378	10,938,078
Cash at bank		4,574,626	2,817,507
		16,793,004	13,755,585
Creditors: amounts falling due within one year	12	(16,392,012)	(13,232,762)
Net current assets		400,992	522,823
Total assets less current liabilities		1,627,306	1,672,425
Creditors: amounts falling due after more than one year	13	—	(677,000)
		1,627,306	995,425
Capital and reserves			
Called up share capital	16	10,000	10,000
Profit and loss account	17	1,617,306	985,425
Shareholders' funds	17	1,627,306	995,425

Director:
S Soda



Date: 31st March 2009

Notes to the financial statements

at 31 December 2008

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 2008

2. Turnover

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

	2008 £	2007 £
United Kingdom	531,064	771,652
Rest of the World	16,458,047	15,777,526
	<u>16,989,111</u>	<u>16,549,178</u>

3. Operating profit

This is stated after charging/(crediting)

	2008 £	2007 £
Auditors' remuneration (note 4)	61,806	76,000
Depreciation of owned fixed assets	529,226	479,530
Operating lease rentals – land and buildings	(183,676)	566,883
– plant and machinery	96,398	93,514
	<u>(87,278)</u>	<u>660,397</u>

4. Auditor's remuneration

	2008 £	2007 £
Audit of the financial statements	18,800	13,000
Other fees to auditors - taxation services	43,006	63,000
	<u>61,806</u>	<u>76,000</u>

Notes to the financial statements

at 31 December 2008

5. Staff costs

	2008	2007
	£	£
Wages and salaries	9,564,614	8,893,730
Social security costs	580,104	623,050
Other pension costs (note 14)	576,495	571,958
	<u>10,721,213</u>	<u>10,088,738</u>

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

	2008	2007
	No.	No.
Administrative staff	208	202

6. Directors' emoluments

The remuneration paid to directors was:

	2008	2007
	£000	£000
Emoluments	1,724	1,334
Company contributions paid to personal money purchase pension schemes	—	9

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:

	2008	2007
	£000	£000
Emoluments	360	308
Company contributions paid to personal money purchase pension schemes	—	—

Notes to the financial statements

at 31 December 2008

7. Interest receivable

	2008	2007
	£	£
Bank interest receivable	59,759	167,099

8. Interest payable and similar charges

	2008	2007
	£	£
Bank interest payable	3,865	4,513

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008	2007
	£	£
<i>Current tax:</i>		
UK corporation tax on profits of the period	—	—
Group relief payable	300,516	365,720
Adjustments in respect to previous periods	90,137	—
Total current tax (note 9(b))	390,653	365,720
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(147,363)	(2,039)
Effect of changes in tax rate on opening liability	(692)	2,767
Total deferred tax (note 9(c))	(148,055)	728
Tax on profit on ordinary activities	242,598	366,448

(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 28.5% (2007:30%). The differences are reconciled below:

Notes to the financial statements

at 31 December 2008

9. Tax (continued)

	2008 £	2007 £
Profit on ordinary activities before tax	874,479	956,356
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007:30%)	249,227	286,907
Disallowed expenses and non taxable income	(99,410)	63,050
Capital allowances in arrears of depreciation	150,699	15,763
Adjustments in respect to previous periods	90,137	-
Total current tax (note 9(a))	390,653	365,720

(c) Deferred tax

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

	2008 £	2007 £
Included in debtors (note 11)	186,789	38,734
Decelerated capital allowances	186,789	38,734
	£000	£000
At 1 January	(38,734)	(39,462)
Profit and loss account movement arising during the year	(148,055)	728
At 31 December	(186,789)	(38,734)

Notes to the financial statements

at 31 December 2008

10. Tangible fixed assets

	<i>Furniture and equipment</i> £	<i>Leasehold property</i> £	<i>Total</i> £
Cost:			
At 31 December 2007	3,657,657	387,099	4,044,756
Additions	581,631	24,307	605,938
At 31 December 2008	4,239,288	411,406	4,650,694
Depreciation:			
At 31 December 2007	2,723,770	171,384	2,895,154
Provided during the year	451,401	77,825	529,226
At 31 December 2008	3,175,171	249,209	3,424,380
Net book value:			
At 31 December 2008	1,064,117	162,197	1,226,314
At 31 December 2007	933,887	215,715	1,149,602

11. Debtors

	2008 £	2007 £
Trade debtors	10,493,453	8,528,000
Amounts owing from group undertakings	343,843	1,059,398
Other debtors	507,012	901,773
Prepayments and accrued income	687,281	410,173
Deferred taxation (note 9(c))	186,789	38,734
	12,218,378	10,938,078

12. Creditors: amounts falling due within one year

	2008 £	2007 £
Bank overdraft	9,561	364,861
Trade creditors	3,972,149	4,277,000
Corporation tax	327,379	141,736
Other taxation and social security	776,282	718,801
Accruals and deferred income	601,923	693,855
Amounts owing to group undertakings	10,704,718	7,036,509
	16,392,012	13,232,762

Notes to the financial statements

at 31 December 2008

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

	2008 £	2007 £
Accruals and deferred income	–	677,000

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 charge represents contributions payable by the company to the fund and amounted to £576,495 (2007 – £571,958). The amount of outstanding contributions at the year end was £nil (2007 – £nil).

15. Commitments under operating leases

At 31 December 2008, the company had annual commitments under non-cancellable operating leases as follows:

	2008		2007	
	<i>Land and buildings</i> £	<i>Other</i> £	<i>Land and buildings</i> £	<i>Other</i> £
Operating leases which expire:				
Within one year	–	61,059	–	36,122
Between two and five years	–	56,117	–	37,561
In more than five years	814,563	–	558,263	–
	<u>814,563</u>	<u>117,176</u>	<u>558,263</u>	<u>73,683</u>

16. Authorised and issued share capital

	2008 £		2007 £	
<i>Authorised</i>				
Ordinary shares of £1 each		2,000,000		2,000,000
		<u>2,000,000</u>		<u>2,000,000</u>
	2008		2007	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	10,001	10,000	10,001	10,000
		<u>10,000</u>		<u>10,000</u>

Notes to the financial statements

at 31 December 2008

17. Reconciliation of shareholders' funds and movement on reserves:

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 1 January 2007	10,000	395,517	405,517
Profit for the year	–	589,908	589,908
At 31 December 2007	10,000	985,425	995,425
Profit for the year	–	631,881	631,881
At 31 December 2008	10,000	1,617,306	1,627,306

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.