

## **“K” Line (Europe) Limited**

### **Report and Financial Statements**

31 December 2011

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COMPANIES HOUSE

## **"K" Line (Europe) Limited**

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Registered No 05639474

### **Directors**

K Terashima  
E Murakami  
P Bertrand  
G King  
D Wakeling  
T Kido  
N Tan  
P Menzel

### **Secretary**

P Rogers

### **Auditor**

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

### **Bankers**

National Westminster Bank Plc  
135 Bishopsgate  
London EC2M 3UR

The Bank of Tokyo Mitsubishi UFJ Limited  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AN

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 Office**

5<sup>th</sup> Floor  
River Plate House  
7-11 Finsbury Circus  
London EC2M 7EA

Registered No 05639474

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

### Results and dividends

The profit for the year after taxation before payment of dividends amounted to £536,160 (2010 – profit of £501,557). On 29<sup>th</sup> July 2011, an amount of £100,000 was paid to "K" Line Holding (Europe) Ltd in respect of a final dividend (2010 – £nil).

### 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

	2011 £000	2010 £000	Change %
Turnover	16,280	15,523	5%
Profit after tax	536	502	7%
Shareholders' funds	3,046	2,610	17%
Cash at bank and in hand	2,711	3,349	(19%)

Turnover is attributed to agency activities which attract a percentage of commission. The increase in turnover for the year arises as a result of the increased costs during the year which reverted back to normal level following the huge cost saving campaign conducted during the previous financial year. The main cause was in relation to the economic climate that prevailed during 2010.

### Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that 2012 will show a similar pattern.

### 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 undertaking located in Japan.

#### Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law, UK Bribery Act 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.

## Directors' report

### Principal risks and uncertainties (continued)

#### **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

### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above

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

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

## Directors' report

### Directors

The directors who served the company during the year and as at the date of this report are as follows

K Terashima  
E Murakami  
P Bertrand  
G King  
D Wakeling  
T Kido  
N Tanu  
P Menzel


### Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

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

On behalf of the Board of Directors



P Rogers

Secretary

Date **29 MAR 2012**

## 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

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

We have audited the financial statements of "K" Line (Europe) Limited for the year ended 31 December 2011 which comprise 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 auditor**

As explained more fully in the Statement of directors responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

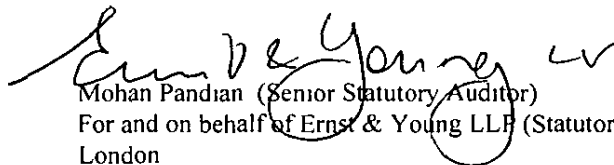
## **Independent auditor's report**

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

### **Matters on which we are required to report by exception**

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

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

  
Mohan Pandian (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London

Date **30 MAR 2012**



## Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
<b>Turnover</b>	2	16,280,066	15,522,601
Administrative expenses		(15,497,869)	(14,761,045)
<b>Operating profit</b>	3	782,197	761,556
Interest receivable and similar income	7	3,893	5,007
Interest payable and similar charges	8	(467)	(802)
<b>Profit on ordinary activities before taxation</b>		785,623	765,761
Tax	9	(249,463)	(264,204)
<b>Profit for the financial year</b>	17	<u>536,160</u>	<u>501,557</u>

## Statement of total recognised gains and losses

for the year ended 31 December 2011

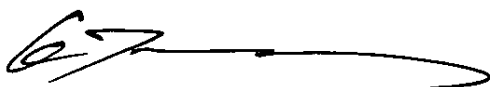
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £536,160 in the year ended 31 December 2011 (2010 – profit of £501,557)

## Balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	11	831,549	983,741
<b>Current assets</b>			
Debtors	12	13,101,181	13,145,215
Cash at bank and in hand		2,710,810	3,349,291
		15,811,991	16,494,506
<b>Creditors: amounts falling due within one year</b>	13	(13,597,345)	(14,868,212)
<b>Net current assets</b>		2,214,646	1,626,294
<b>Total assets less current liabilities</b>		3,046,195	2,610,035
<b>Capital and reserves</b>			
Called up share capital	16	10,001	10,001
Profit and loss account	17	3,036,194	2,600,034
<b>Shareholder's funds/equity</b>	17	3,046,195	2,610,035

The financial statements were approved by the Board of Directors and signed on their behalf by



K Terashima

Director and Chief Executive Officer

Date **29 MAR 2012**

Company number 05639474

## Notes to the financial statements

at 31 December 2011

### 1. Accounting policies

#### *Basis of preparation*

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

#### *Going concern*

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

#### *Statement of cash flows*

The directors have taken advantage of the exemption in FRS 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent undertaking publishes group financial statements

#### *Tangible 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 taxation 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 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

## Notes to the financial statements

at 31 December 2011

### 1. Accounting policies (continued)

#### *Pension costs*

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

#### *Revenue recognition*

Turnover is based on the recharge of costs for services provided to group companies with a 5% mark up. Invoices are issued on a regular basis as the service is provided

### 2. Turnover

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

An analysis of turnover by geographical market is given below

	2011 £	2010 £
United Kingdom	856,949	760,555
Rest of the World	15,423,117	14,762,046
	<u>16,280,066</u>	<u>15,522,601</u>

### 3. Operating profit

This is stated after charging/(crediting)

	2011 £	2010 £
Auditors' remuneration (note 4)	<u>79,929</u>	<u>45,424</u>
Depreciation of owned fixed assets	<u>530,000</u>	<u>547,758</u>
Operating lease rentals – land and buildings	693,868	693,868
– plant and machinery	116,453	89,335
	<u>810,321</u>	<u>783,203</u>
Foreign exchange loss	<u>15,633</u>	<u>28,925</u>

### 4. Auditors' remuneration

	2011 £	2010 £
Audit of the financial statements	12,836	12,836
Other fees to auditors – taxation services	7,300	7,300
Other fees to auditors – other services	59,793	25,288
	<u>79,929</u>	<u>45,424</u>

## Notes to the financial statements

at 31 December 2011

### 5. Staff costs

	2011 £	2010 £
Wages and salaries	9,062,404	8,493,147
Social security costs	589,646	527,093
Other pension costs (note 14)	680,687	639,241
	<u>10,332,737</u>	<u>9,659,481</u>

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

	No	No
Administrative staff	<u>195</u>	<u>198</u>

### 6 Directors' remuneration

The remuneration paid to directors was

	2011 £000	2010 £000
Remuneration	<u>1,220</u>	<u>1,145</u>
Company contributions paid to personal money purchase pension schemes	<u>—</u>	<u>—</u>

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

	No	No
Pension contributions	<u>—</u>	<u>—</u>

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

	2011 £000	2010 £000
Remuneration	<u>389</u>	<u>400</u>
Company contributions paid to personal money purchase pension schemes	<u>—</u>	<u>—</u>

### 7. Interest receivable and similar income

	2011 £	2010 £
Bank interest receivable	<u>3,893</u>	<u>5,007</u>

## Notes to the financial statements

at 31 December 2011

### 8. Interest payable and similar charges

	2011	2010
	£	£
Bank interest payable	10	–
Other interest payable	457	802
	<u>467</u>	<u>802</u>

### 9 Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011	2010
	£	£
<b>Current tax</b>		
UK corporation tax on profit for the period	279,129	–
Group relief payable	–	286,846
Adjustments in respect of previous periods	(23,037)	2,242
Total current tax (note 9(b))	<u>256,092</u>	<u>289,088</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(8,223)	(24,884)
Effect of changes in tax rate on opening liability	1,594	–
Total deferred tax (note 9(c))	<u>(6,629)</u>	<u>(24,884)</u>
Tax on ordinary activities	<u>249,463</u>	<u>264,204</u>

#### (b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before tax	<u>785,623</u>	<u>765,761</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	208,190	214,413
<i>Effects of</i>		
Disallowed expenses and non taxable income	40,445	41,629
Capital allowances in arrears of depreciation	30,494	30,804
Other timing differences	639	–
Adjustments in respect of previous periods	(23,676)	2,242
Current tax for the year (note 9(a))	<u>256,092</u>	<u>289,088</u>

## Notes to the financial statements

at 31 December 2011

### 9. Tax (continued)

#### (c) Deferred tax

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

	2011 £	2010 £
Included in debtors (note 12)	208,469	201,840
	2011 £	2010 £
Decelerated capital allowances	220,977	194,010
Other timing differences	(12,508)	7,830
	208,469	201,840
At 1 January	(201,840)	(176,956)
Profit and loss account movement arising during the year (note 9(a))	(6,629)	(24,884)
At 31 December	(208,469)	(201,840)

The Chancellor announced in the UK Budget on 21 March 2012 that the full rate of UK corporation tax would reduce from 25% to 24% from 1 April 2012 and then by a further 1% each year until the rate reaches 22% with effect from 1 April 2014

The effect of these rate reductions on the company deferred tax balance has not been reflected in these accounts due to the relevant legislation not having been substantially enacted at the balance sheet date. A reduction to 22% would reduce the company's recognised deferred tax asset by approximately £25,000 to £183,000

### 10. Dividends

	2011 £	2010 £
Equity dividend		
Declared and paid during the year		
Equity dividend on ordinary shares	100,000	—
	100,000	—

## Notes to the financial statements

at 31 December 2011

### 11. Tangible fixed assets

	<i>Furniture and equipment</i>	<i>Leasehold property</i>	<i>Total</i>
	£	£	£
Cost			
At 1 January 2011	5,027,796	415,206	5,443,002
Additions	377,808	—	377,808
At 31 December 2011	5,405,604	415,206	5,820,810
Depreciation			
At 1 January 2011	4,098,931	360,330	4,459,261
Provided during the year	486,620	43,380	530,000
At 31 December 2011	4,585,551	403,710	4,989,261
Net book value			
At 31 December 2011	820,053	11,496	831,549
At 1 January 2011	928,865	54,876	983,741

### 12. Debtors

	<i>2011</i>	<i>2010</i>
	£	£
Trade debtors	10,163,491	10,167,591
Amounts owing from group undertakings	1,179,640	1,158,779
Amounts owing from related party undertakings	45,193	51,393
Other debtors	643,095	515,144
Prepayments and accrued income	834,207	759,879
Corporation tax receivable	27,086	290,589
Deferred taxation (note 9(c))	208,469	201,840
	<u>13,101,181</u>	<u>13,145,215</u>

### 13. Creditors. amounts falling due within one year

	<i>2011</i>	<i>2010</i>
	£	£
Bank overdraft	20,648	55,705
Trade creditors	3,484,297	3,316,518
Other taxation and social security costs	855,629	718,412
Accruals and deferred income	413,681	488,643
Amounts owing to group undertakings	8,823,090	10,288,934
	<u>13,597,345</u>	<u>14,868,212</u>



## Notes to the financial statements

at 31 December 2011

### 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 £680,687 (2010 – £639,241). The amount of outstanding contributions at the year end was £nil (2010 – £nil).

### 15. Commitments under operating leases

At 31 December 2011, the company had annual commitments under non-cancellable operating leases as follows

	2011		2010	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire				
Within one year	–	77,259	–	50,565
In two to five years	693,868	39,209	581,068	65,182
Over five years	–	–	112,800	–
	<u>693,868</u>	<u>116,468</u>	<u>693,868</u>	<u>115,747</u>

### 16. Issued share capital

	2011		2010	
<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	<u>10,001</u>	10,001	<u>10,001</u>

### 17. Reconciliation of shareholder's funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholder's funds</i>
	£	£	£
At 1 January 2010	10,001	2,098,477	2,108,478
Profit for the year	–	501,557	501,557
At 1 January 2011	<u>10,001</u>	<u>2,600,034</u>	<u>2,610,035</u>
Profit for the year	–	536,160	536,160
Dividends paid	–	(100,000)	(100,000)
At 31 December 2011	<u>10,001</u>	<u>3,036,194</u>	<u>3,046,195</u>

## Notes to the financial statements

at 31 December 2011

### 18. Related party transactions

The company has taken advantage of the exemption available in FRS 8 from disclosing transactions with related parties, 100% of whose voting rights are controlled within the Kawasaki Kisen Kaisha Limited group

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December are as follows

<i>Related party</i>	<i>Income from related party £</i>	<i>Purchases from related party £</i>	<i>Amounts owed from related party £</i>	<i>Amounts owed to related party £</i>
Polar LNG Shipping (UK) Limited				
2011	–	–	9,150	–
2010	–	–	11,708	–
SAL GmbH & Co KG				
2011	5,178	–	36,043	–
2010	20,825	–	39,685	–
2011 Total	<u>5,178</u>	<u>–</u>	<u>45,193</u>	<u>–</u>
2010 Total	<u>20,825</u>	<u>–</u>	<u>51,393</u>	<u>–</u>

"K" Line Holding (Europe) Limited owns 42.5% of the ordinary shares in Polar LNG Shipping (UK) Limited

"K" Line Heavy Lift (UK) Limited owned 50% of the interest in SAL GmbH & Co KG until May 2011. Thereafter, the latter entity became a fully owned subsidiary undertaking of the ultimate parent company

### 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, Iino Building, 1-1, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8540, Japan.