

“K” Line (Europe) Limited

Report and Financial Statements

31 December 2009

TUESDAY



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COMPANIES HOUSE

"K" Line (Europe) Limited

Registered No 05639474

Directors

K Terashima
E Murakami
P Bertrand
G King
D Wakeling
K Mori
S Murakami
P Menzel

Secretary

P Rogers

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

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 2009

Results and dividends

The profit for the year after taxation amounted to £481,171 (2008 – £631,881) 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

	2009 £000	2008 £000	Change %
Turnover	15,757	16,989	-7%
Profit after tax	481	632	-24%
Shareholders' funds	2,108	1,627	30%
Cash at bank	3,298	4,575	-28%

Turnover is attributed to agency activities which attract a percentage of commission The decrease in turnover for the year reflects the cost saving campaign within the company in relation to the economic climate that prevailed during 2009

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years They consider that 2010 will show a rather stable position

Directors

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

K Terashima	(appointed 1 April 2009)
T Shimizu	(resigned 31 March 2010)
E Murakami	(appointed 1 April 2010)
S Soda	(resigned 31 March 2009)
Y Aoki	(resigned 31 March 2009)
P Bertrand	
J Fritzen	(resigned 31 December 2009)
G King	
D Wakeling	
N Tanii	(resigned 31 December 2009)
H Yasui	(resigned 31 December 2009)
K Mori	
M Hashizume	(resigned 31 December 2009)
Captain M Sugiyama	(resigned 31 December 2009)
S Murakami	(appointed 1 April 2009)
P Menzel	(appointed 1 April 2009)

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

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' 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



P Rogers

Secretary

23 APR 2010

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 auditors' 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 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 18. 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 auditors

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 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 (APB'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.

Opinion on 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 2009 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.

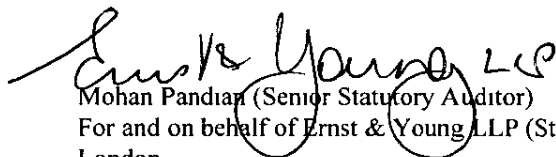
Independent auditors' report

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

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 **28 APR 2010**

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	15,757,027	16,989,111
Administrative expenses		(15,017,030)	(16,170,526)
Operating profit	3	739,997	818,585
Interest receivable	7	5,696	59,759
Interest payable and similar charges	8	(2,444)	(3,865)
Profit on ordinary activities before taxation		743,249	874,479
Tax on profit on ordinary activities	9	(262,078)	(242,598)
Profit for the year	16	481,171	631,881

Statement of total recognised gains and losses

for the year ended 31 December 2009

There are no recognised gains or losses other than the profit of £481,171 (2008 – £631,881) attributable to the shareholders for the year ended 31 December 2009

Balance sheet

at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	10	1,249,846	1,226,314
Current assets			
Debtors	11	13,182,991	12,218,379
Cash at bank		3,298,111	4,574,626
		16,481,102	16,793,005
Creditors amounts falling due within one year	12	(15,622,470)	(16,392,012)
Net current assets		858,632	400,993
Total assets less current liabilities		2,108,478	1,627,307
		2,108,478	1,627,307
Capital and reserves			
Called up share capital	15	10,001	10,001
Profit and loss account	16	2,098,477	1,617,306
Shareholders' funds	16	2,108,478	1,627,307

These financial statements which comprise of the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes were approved by the Board of Directors and were signed on its behalf by



K Terashima
Director and Chief Executive Officer

Date **23 APR 2010**

Company registered number 05639474

Notes to the financial statements

at 31 December 2009

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

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 company 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

Notes to the financial statements

at 31 December 2009

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

2. Turnover

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

	2009 £	2008 £
United Kingdom	671,366	531,064
Rest of the World	15,085,661	16,458,047
	<u>15,757,027</u>	<u>16,989,111</u>

3. Operating profit

This is stated after charging/(crediting)

	2009 £	2008 £
Auditors' remuneration (note 4)	89,493	61,806
Depreciation of owned fixed assets	556,544	529,226
Gain on disposal of fixed assets	(8,244)	--
Operating lease rentals – land and buildings	627,229	(183,676)
– plant and machinery	98,802	96,398
	<u>726,031</u>	<u>(87,278)</u>
Foreign exchange loss	14,382	34,161

4. Auditor's remuneration

	2009 £	2008 £
Audit of the financial statements	11,422	18,800
Other fees to auditors - taxation services	78,071	43,006
	<u>89,493</u>	<u>61,806</u>

Notes to the financial statements

at 31 December 2009

5. Staff costs

	2009	2008
	£	£
Wages and salaries	8,671,559	9,564,614
Social security costs	526,369	580,104
Other pension costs (note 13)	645,005	576,495
	<u>9,842,933</u>	<u>10,721,213</u>

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

	2009	2008
	No	No
Administrative staff	196	208

6. Directors' emoluments

The remuneration paid to directors was

	2009	2008
	£000	£000
Emoluments	1,656	1,724
Company contributions paid to personal money purchase pension schemes	-	-

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

	2009	2008
	£000	£000
Emoluments	222	360
Company contributions paid to personal money purchase pension schemes	-	-

7. Interest receivable

	2009	2008
	£	£
Bank interest receivable	5,696	59,759

Notes to the financial statements

at 31 December 2009

8. Interest payable and similar charges

	2009	2008
	£	£
Bank interest payable	246	1,891
Other interest payable	2,198	1,974
	<u>2,444</u>	<u>3,865</u>

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009	2008
	£	£
<i>Current tax</i>		
UK corporation tax on profits of the period	—	—
Group relief payable	252,770	300,516
Adjustments in respect to previous periods	(525)	90,137
Total current tax (note 9(b))	<u>252,245</u>	<u>390,653</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	9,833	(147,363)
Effect of changes in tax rate on opening liability	—	(692)
Total deferred tax (note 9(c))	<u>9,833</u>	<u>(148,055)</u>
Tax on profit on ordinary activities	<u>262,078</u>	<u>242,598</u>

(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% (2008 – 28.5%) The differences are reconciled below

	2009	2008
	£	£
Profit on ordinary activities before tax	743,249	874,479
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28.5%)	208,110	249,227
Disallowed expenses and non taxable income	54,493	(99,410)
Capital allowances in arrears of depreciation	(17,953)	150,699
Other timing differences	8,120	—
Adjustments in respect to previous periods	(525)	90,137
Total current tax (note 9(a))	<u>252,245</u>	<u>390,653</u>

Notes to the financial statements

at 31 December 2009

9. Tax (continued)

(c) Deferred tax

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

	2009 £	2008 £
Included in debtors (note 11)	176,956	186,789
	<u>176,956</u>	<u>186,789</u>
	2009 £	2008 £
Decelerated capital allowances	168,836	186,789
Other timing differences	8,120	—
	<u>176,956</u>	<u>186,789</u>
	£000	£000
At 1 January	(186,789)	(38,734)
Profit and loss account movement arising during the year	9,833	(148,055)
	<u>(176,956)</u>	<u>(186,789)</u>
At 31 December		

10. Tangible fixed assets

	Furniture and equipment £	Leasehold property £	Total £
Cost			
At 31 December 2008	4,239,288	411,406	4,650,694
Additions	580,952	3,800	584,752
Disposals	(74,097)	—	(74,097)
At 31 December 2009	<u>4,746,143</u>	<u>415,206</u>	<u>5,161,349</u>
Depreciation			
At 31 December 2008	3,175,171	249,209	3,424,380
Provided during the year	497,375	59,169	556,544
Disposals	(69,421)	—	(69,421)
At 31 December 2009	<u>3,603,125</u>	<u>308,378</u>	<u>3,911,503</u>
Net book value			
At 31 December 2009	<u>1,143,018</u>	<u>106,828</u>	<u>1,249,846</u>
At 31 December 2008	<u>1,064,117</u>	<u>162,197</u>	<u>1,226,314</u>

Notes to the financial statements

at 31 December 2009

11. Debtors

	2009	2008
	£	£
Trade debtors	10,680,998	10,493,453
Amounts owing from group undertakings	1,011,415	343,843
Other debtors	455,056	507,013
Prepayments and accrued income	858,566	687,281
Deferred taxation (note 9(c))	176,956	186,789
	<u>13,182,991</u>	<u>12,218,379</u>

12. Creditors: amounts falling due within one year

	2009	2008
	£	£
Bank overdraft	78,326	9,561
Trade creditors	2,736,606	3,972,149
Corporation tax	279,633	327,379
Other taxation and social security	304,237	776,282
Accruals and deferred income	443,934	601,923
Amounts owing to group undertakings	11,779,734	10,704,718
	<u>15,622,470</u>	<u>16,392,012</u>

13. 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 £645,005 (2008 – £576,495). The amount of outstanding contributions at the year end was £nil (2008 – £nil).

14. Commitments under operating leases

At 31 December 2009, the company had annual commitments under non-cancellable operating leases as follows

	2009		2008	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire				
Within one year	–	15,293	–	9,961
Between two and five years	581,068	65,791	–	73,218
In more than five years	112,800	–	814,563	–
	<u>693,868</u>	<u>81,084</u>	<u>814,563</u>	<u>83,179</u>

Notes to the financial statements

at 31 December 2009

15. Authorised and issued share capital

		2009	2008
<i>Authorised</i>		£	£
Ordinary shares of £1 each		2,000,000	2,000,000
		2009	2008
<i>Allotted, called up and fully paid</i>		No	No
		£	£
Ordinary shares of £1 each		10,001	10,001

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

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 31 December 2007	10,001	985,425	995,426
Profit for the year	-	631,881	631,881
At 31 December 2008	10,001	1,617,306	1,627,307
Profit for the year		481,171	481,171
At 31 December 2009	10,001	2,098,477	2,108,478

17. Related party transactions

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

Other related party transactions

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 2009, 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	-	-	40,095	-
SAL GmbH & Co KG	22,129	-	56,654	-

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

"K" Line Heavy Lift (UK) Limited owns 50% of the interest in SAL GmbH & Co KG

Notes to the financial statements

at 31 December 2009

18. 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.