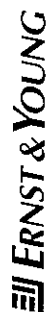


4830772

"K" Line Bulk Shipping (UK) Limited

Report and Financial Statements

31 December 2004

 **ERNST & YOUNG**



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COMPANIES HOUSE

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27/04/05

"K" Line Bulk Shipping (UK) Limited

Registered No: 4830352

Directors

F Kawamata
K Terashima

Secretary

R Dowding

Auditors

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

Bankers

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

Mizuho Corporate Bank Limited
7-11 Finsbury Circus
London
EC2M 7DH

The Sumitomo Trust & Banking Co. Limited
155 Bishopsgate
London
EC2M 3XU

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 period from incorporation to 31 December 2004.

Results and dividends

The loss for the period amounted to ¥3,245,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

"K" Line Bulk Shipping (UK) Limited was incorporated on 11 July 2003. On 3 September 1,200,000 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited. On 30 March 2004, 1,200,000 ordinary shares of £1 were transferred from Kawasaki Kisen Kaisha Limited to "K" Line Holding (Europe) Limited.

On 19 April 2004, the company increased its authorised share capital to £12,000,000 by the creation of 6,000,000 ordinary shares of £1. In addition, 5,979,644 ordinary shares of £1 were allotted to "K" Line Holding (Europe) Limited.

On 1 September 2004, 1,067,447 of £1 ordinary shares were allotted to "K" Line Holding (Europe) Limited.

On 29 October 2004, the company increased its authorised share capital to £20,000,000 by the creation of 8,000,000 ordinary shares of £1. In addition, 5,868,448 ordinary shares of £1 were allotted to "K" Line Holding (Europe) Limited.

The authorised share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates when the shares were authorised.

The issued share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates of the share issues.

The principal activity of the company will be the charter out of vessels. During the period the company did not trade, but had vessels under construction.

Directors

The directors who served the company during the period were as follows:

F Kawamata	(appointed 11 July 2003)
K Terashima	(appointed 11 July 2003)
Instant Companies Limited	(served from 11 July 2003 to 11 July 2003)

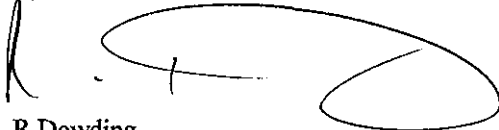
There are no directors' interests requiring disclosure under the Companies Act 1985.

Directors' report

Auditors

Ernst & Young LLP were appointed by the directors as the company's auditors during the period. 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



R Dowding
Secretary

22 APR 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 Bulk Shipping (UK) Limited

We have audited the company's financial statements for the period ended 31 December 2004 which comprise the *Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet* and the related notes 1 to 13. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgements 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.

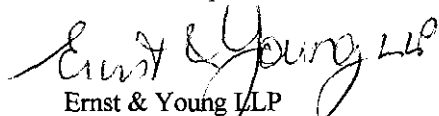
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Bulk Shipping (UK) Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

25 April 2005

Profit and loss account

for the period from incorporation to 31 December 2004

		<i>Period ended 31 December 2004 ¥000</i>
	<i>Notes</i>	
Turnover		—
Administrative expenses		1,164
Operating loss	2	(1,164)
Interest receivable	4	15
Interest payable and similar charges	5	(2,096)
		(2,081)
Loss on ordinary activities before taxation		(3,245)
Tax on loss on ordinary activities	6	—
Loss for the financial period		(3,245)

Statement of total recognised gains and losses

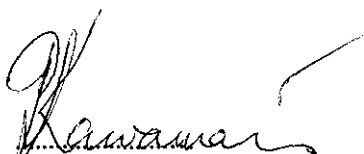
There are no recognised gains or losses other than the loss of ¥3,245,000 attributable to the shareholders for the period ended 31 December 2004.

Balance sheet

at 31 December 2004

	Notes	2004 ¥000
Fixed assets		
Tangible assets	7	4,536,500
Current assets		
Cash at bank		11,448
Creditors: amounts falling due within one year	8	1,805,956
Net current liabilities		(1,794,508)
Total assets less current liabilities		2,741,992
Capital and reserves		
Called up share capital	9	2,745,237
Profit and loss account	10	(3,245)
Equity shareholders' funds	10	2,741,992

ERNST & YOUNG



F Kawamata
Director

22 APR 2005

Notes to the financial statements

at 31 December 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

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

Assets under construction are not depreciated.

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

The directors have decided that the company's functional and reporting currency is the Japanese Yen because its business contracts are in Japanese Yen.

Transactions in Sterling and other foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the Japanese Yen are retranslated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account. The issued share capital has been translated at the rate prevailing on the date the shares were issued.

2. Operating loss

This is stated after charging/(crediting):

	<i>Period ended 31 December 2004 ¥000</i>
Auditors' remuneration - audit services	1,180
- non-audit services	944
	<hr/>
Net profit on foreign currency translation	(2,787)
	<hr/>

Notes to the financial statements

at 31 December 2004

3. Staff costs

The directors, who were the sole employees of the company, received no remuneration for their services.

4. Interest receivable

*Period ended
31 December
2004
¥000*

Bank interest receivable	15
	<u> </u>

5. Interest payable and similar charges

*Period ended
31 December
2004
¥000*

Bank interest payable	2,096
	<u> </u>

6. Taxation

(a) Tax on loss on ordinary activities

There is no corporation tax charge for the period due to the losses suffered.

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

*Period ended
31 December
2004
¥000*

Loss on ordinary activities before taxation	(3,245)
	<u> </u>

Profit/(loss) on ordinary activities by standard rate of tax	(974)
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Group relief for nil consideration	974
	<u> </u>

Total current tax (note 6(a))	<u> </u>
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Notes to the financial statements

at 31 December 2004

7. Tangible fixed assets

Vessels under construction
¥000

Cost:	
Additions	4,536,500
At 31 December 2004	<u>4,536,500</u>
Depreciation	—
Net book value:	
At 31 December 2004	<u>4,536,500</u>

No depreciation is provided for fixed assets under construction.

8. Creditors: amounts falling due within one year

2004
¥000

Bank loan	1,800,000
Amounts owed to group undertakings	1,769
Accruals and deferred income	4,187
	<u>1,805,956</u>

The loan was repaid on 7 January 2005. The rate of interest payable on the loan was 0.5% above LIBOR. On 22 December the original loan was refinanced by a subsequent loan of ¥4,700,000,000. The subsequent loan is repayable by 7 January 2012 in 28 equal instalments. The rate of interest payable on the subsequent loan is 0.5% above LIBOR. The original and subsequent loans are secured by fixed charges over one of the vessels under construction.

9. Share capital

Authorised
2004
No. ¥000

Ordinary shares £1	20,000,000	<u>3,889,000</u>
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Allotted, called up and fully paid
2004
No. ¥000

Ordinary shares £1	14,115,539	<u>2,745,237</u>
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Notes to the financial statements

at 31 December 2004

9. Share capital (continued)

On incorporation on 11 July 2003, 6,000,000 ordinary shares of £1 were authorised and 1,200,000 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited on 3 September 2003.

On 30 March 2004, 1,200,000 ordinary shares of £1 were transferred from Kawasaki Kisen Kaisha Limited to "K" Line Holding (Europe) Limited.

On 19 April 2004, the company increased its authorised share capital to £12,000,000 by the creation of 6,000,000 ordinary shares of £1. In addition, 5,979,644 ordinary shares of £1 were allotted to "K" Line Holding (Europe) Limited.

On 1 September 2004, 1,067,447 of £1 ordinary shares were allotted to "K" Line Holding (Europe) Limited.

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The authorised share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates when the shares were authorised.

The issued share capital is denominated in GBP and has been translated into Japanese Yen at the rates ruling on the respective dates of the share increases.

10. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>¥000</i>	<i>account</i>	<i>holders' funds</i>
		<i>¥000</i>	<i>¥000</i>
Loss for the period	—	(3,245)	(3,245)
Other movements			
New equity share capital subscribed	2,745,237	—	2,745,237
At 31 December 2004	<u>2,745,237</u>	<u>(3,245)</u>	<u>2,741,992</u>

11. Capital commitments

Amounts contracted for but not provided in the financial statements for the construction of vessels amounted to ¥10,918,225,000.

12. 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.

Notes to the financial statements

at 31 December 2004

13. Ultimate parent company

The immediate parent company 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 company 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, Japan.