

“K” Line Bulk Shipping (UK) Limited

Report and Financial Statements

31 March 2013

TUESDAY



L28TG654

LD6

21/05/2013

#12

COMPANIES HOUSE

Company Information

Directors

N Fujii
M Iwashita

Secretary

P Rogers

Auditor

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

Bankers

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

The Bank of Tokyo-Mitsubishi UFJ, Ltd
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

The Sumitomo Trust & Banking Co , Ltd
155 Bishopsgate
London EC2M 3XU

Mitsubishi UFJ Trust and Banking Corporation
24 Lombard Street
London EC3V 9AJ

Sumitomo Mitsui Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH

Registered Office

6th Floor
200 Aldersgate Street
London
EC1A 4HD

Registered No 4830352

Directors' report

The financial year end of the company was changed from 31 December to 31 March. The directors present their report and financial statements for the 15 month period ended 31 March 2013.

Results and dividends

The profit for the period after taxation amounted to US\$41,387,862 (year ended 31 December 2011 – loss of US\$33,966,254). The directors do not recommend a final dividend (year ended 31 December 2011 – US \$nil).

Principal activities and review of the business

The principal activities of the company are chartering and the ownership of bulk vessels. During the period the company also had bulk vessels under construction, and in partnership with EDF for the operation of one cape size vessel.

The authorised and issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised and issued.

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

	<i>15 month period ended 31 March 2013 \$000</i>	<i>Year ended 31 December 2011 \$000</i>	<i>Change %</i>
Turnover	346,450	283,719	22%
Profit/(loss) after tax	41,388	(33,966)	222%
Shareholder's funds	284,046	242,658	17%
Cash at bank and in hand	94,747	29,978	216%

Despite the increased level in fleet operations, Turnover increased by 22% over the period. However, in real terms this increase is relatively lower as a result of the market rate for freight during the period being volatile and lower than the previous years.

The cash balance increased by 216% as a result of the sale of a vessel at a profit as well as a change in approach in the financing structure of new vessels. It is also to be noted that all short term loans had been recalled during the period.

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They consider that 2013 will show a more conservative growth in conjunction with the current economic climate.

Directors' report (continued)

Principal risks and uncertainties

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

Competitive risks

The existence of medium to long term contracts with some customers minimises the company's exposure to a certain extent

Legislative risks

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

Financial instrument risks

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Use of derivatives

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The company also uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements. During the period, a forward freight agreement was also used to minimise the fluctuations in market freight rates. In addition, a bunker swap agreement was concluded near the end of period to hedge against fluctuation risk of bunker fuel price.

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.

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 (continued)

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

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

N Fujii (appointed on 1 April 2013)
H Yasui (resigned on 31 March 2013)
G Tsuruta (resigned on 31 March 2013)
M Iwashita (appointed on 1 January 2012)

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 **30 APR 2013**

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 period. 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 Bulk Shipping (UK) Limited

We have audited the financial statements of "K" Line Bulk Shipping (UK) Limited for the 15 month period ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 25. 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 March 2013 and of its profit for the period 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 period for which the financial statements are prepared is consistent with the financial statements.

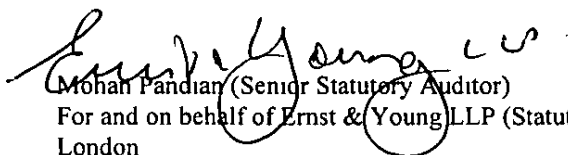
Independent auditor's report (continued)

to the members of "K" Line Bulk Shipping (UK) 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 **02 MAY 2013**

Profit and loss account

for the period ended 31 March 2013

		<i>15 month period ended 31 March 2013</i>	<i>Year ended 31 December 2011</i>
	<i>Notes</i>	<i>US\$</i>	<i>US\$</i>
Turnover	2	346,449,716	283,719,482
Cost of sales		<u>(337,991,633)</u>	<u>(272,745,311)</u>
Gross profit		8,458,083	10,974,171
Administrative expenses		<u>(25,811,628)</u>	<u>(27,858,287)</u>
Operating loss	3	(17,353,545)	(16,884,116)
Exceptional item	4	2,877,508	–
Interest receivable and similar income	7	136,033	284,578
Interest payable and similar charges	8	(6,647,801)	(2,655,605)
Foreign exchange gain/(loss) on retranslation of loans		<u>62,768,675</u>	<u>(14,251,826)</u>
Profit/(loss) on ordinary activities before taxation		41,780,870	(33,506,969)
Tax	9	<u>(393,008)</u>	<u>(459,285)</u>
Profit/(loss) for the financial period	19	<u>41,387,862</u>	<u>(33,966,254)</u>

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the period ended 31 March 2013


There are no recognised gains or losses other than the profit attributable to the shareholders of the company of US\$41,387,862 in the period ended 31 March 2013 (year ended 31 December 2011 – loss of US\$33,966,254)

Balance sheet

at 31 March 2013

		31 March 2013 US\$	31 December 2011 US\$
	Notes		
Fixed assets			
Tangible assets	10	612,122,083	502,743,382
Current assets			
Stocks	11	12,277,710	9,754,507
Debtors	12	44,978,489	74,960,254
Cash at bank and in hand		94,746,922	29,977,676
		<u>152,003,121</u>	<u>114,692,437</u>
Creditors: amounts falling due within one year	13	<u>(66,188,170)</u>	<u>(69,471,770)</u>
Net current assets		<u>85,814,951</u>	<u>45,220,667</u>
Total assets less current liabilities		<u>697,937,034</u>	<u>547,964,049</u>
Creditors: amounts falling due after more than one year	14	<u>(413,757,264)</u>	<u>(305,305,725)</u>
Provisions for liabilities			
Other provisions	15	<u>(133,584)</u>	<u>—</u>
Net assets		<u>284,046,186</u>	<u>242,658,324</u>
Capital and reserves			
Called up share capital	18	33,979,116	33,979,116
Profit and loss account	19	250,067,070	208,679,208
Shareholder's funds	19	<u>284,046,186</u>	<u>242,658,324</u>

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



N Fujii
Director

Date **30 APR 2013**

Company number 4830352

Notes to the financial statements at 31 March 2013

1. Accounting policies

Basis of preparation

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

The directors consider that the company's functional and reporting currency is the US dollar because its business contracts are in US\$

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus we 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 No 1 (revised) from including a statement of cash flow 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 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

Vessels	–	15 years to 20 years
Leasehold property	–	20% per annum
Furniture and equipment	–	20%-33% per annum

Dry-docking costs are recognised and capitalised at the total amount incurred at completion date, amortisation of cost is allocated over the period until the next dry-docking

The cost of tangible fixed assets includes expenditures that are incurred during construction, delivery, modification and capitalized finance costs. The commencement date for capitalization of costs occurs when the company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use

Vessels under construction are not depreciated. 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

Stocks

Stocks consist of bunker fuel oil and diesel fuel oil which are ascertained on a "first-in-first-out" basis. These are stated at the lower of cost and net realisable value

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

Notes to the financial statements at 31 March 2013

1. Accounting policies (continued)

Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards of ownership

Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as loans. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease when it is practicable to determine, otherwise, the company's incremental borrowing rate is used.

Lease payments are apportioned between the interest expense and the reduction of the outstanding liability. Interest expense, which represents the difference between the total leasing commitments and the fair value of assets acquired, is recognised as an expense in the profit and loss account over the term of the relevant lease so to produce a constant periodic rate of change on the remaining balance of the obligation for each accounting period.

Operating leases

Rental payments under operating leases are charged against income on a straight-line basis over the lease term.

Foreign currencies

Transactions in GBP 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 US dollar 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 authorised and issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised.

The exchange rate between GBP and USD was 1.518 at 31 March 2013 (31 December 2011 – 1.554).

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The company also uses interest rate swap contracts to reduce interest rate exposures, forward freight agreement to minimise the fluctuations in market freight rates and bunker swap contracts to minimise the fluctuations in bunker prices. The company considers its derivative instruments do not qualify for hedge accounting.

Turnover recognition

The time charter equivalent of income from the company's vessel chartering activities as well as brokerage income are recognised on a time proportion basis. The voyage charter equivalent of income from the company's vessel chartering activities (including any demurrage) is recognised on completion of the voyage basis.

Loans payable

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process.

Notes to the financial statements at 31 March 2013

1. Accounting policies (continued)

Joint venture

A joint venture is an entity in which the company holds an interest on a long-term basis and which is jointly controlled by the company and one or more other ventures under a contractual agreement

The company's share of the results of joint ventures is included in the Profit and Loss account using the gross equity method of accounting. Investments in joint ventures are carried in the Balance sheet at cost plus post-acquisition changes in the company's share of the net assets of the entity, less any impairment in value.

2. Turnover

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

An analysis of turnover by geographical market is given below

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
United Kingdom	43,128,745	14,887,050
Europe	238,154,281	224,698,894
Rest of the world	65,166,690	44,133,538
	<u>346,449,716</u>	<u>283,719,482</u>
Operating lease income from charter hire	<u>341,400,323</u>	<u>281,466,451</u>

3. Operating loss

This is stated after charging

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Auditors' remuneration – audit of the financial statements	94,583	49,399
Other fees to auditors – taxation services	39,375	23,868
– other taxation services	88,922	7,580
	<u>39,713,649</u>	<u>23,366,541</u>
Depreciation of owned assets	1,522,198	–
Depreciation of leased assets		
Operating lease rentals – land and buildings	320,391	224,296
– vessel hire	146,312,082	149,880,823
	<u>5,281,447</u>	<u>1,185,812</u>
Foreign exchange loss		
Cancellation cost of ship building contract	–	20,913,499

Notes to the financial statements at 31 March 2013

4. Exceptional item

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Profit on disposal of fixed assets	2,877,508	–
	<u>2,877,508</u>	<u>–</u>

5. Directors' remuneration

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Remuneration	2,282,816	1,042,983

No pension contributions were paid by the company to directors during the period (year ended 31 December 2011 – US \$nil)

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

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Remuneration	1,504,978	706,640

6. Staff costs

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Wages and salaries	4,472,389	3,032,819
Social security costs	299,639	145,950
Other pension costs	129,728	77,262
	<u>4,901,756</u>	<u>3,256,031</u>

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

	<i>No</i>	<i>No</i>
Administration	20	17

Notes to the financial statements at 31 March 2013

7. Interest receivable and similar income

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Bank interest receivable	85,329	86,043
Loan interest receivable from group undertakings	50,294	194,976
Other interest receivable	410	3,559
	<u>136,033</u>	<u>284,578</u>

8. Interest payable and similar charges

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Bank loan interest payable	5,289,917	2,655,605
Finance lease interest payable	1,357,884	–
	<u>6,647,801</u>	<u>2,655,605</u>

9. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Current tax		
UK corporation tax on the profit for the period	613,515	459,285
Group relief (recoverable)/payable	(321,703)	–
Adjustment in respect of prior year	101,196	–
Total current tax (note 8(b))	<u>393,008</u>	<u>459,285</u>

Notes to the financial statements at 31 March 2013

9. Tax (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 24.4% (year ended 31 December 2011 – 26.5%). The differences are explained below

	<i>15 month period ended 31 March 2013 US\$</i>	<i>Year ended 31 December 2011 US\$</i>
Profit/(loss) on ordinary activities before tax	<u>41,780,870</u>	<u>(33,506,969)</u>
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.4% (year ended 31 December 2011 – 26.5%)	10,194,532	(8,879,347)
<i>Effects of</i>		
Non-taxable (income)/non-deductible expenses	(9,902,721)	9,173,606
Adjustments in respect of previous years	101,197	–
Unrealised tax losses carried forward	–	165,026
Current tax for the period (note 8(a))	<u>393,008</u>	<u>459,285</u>

(c) Deferred tax

The company is in the Tonnage Tax regime. Accordingly, the company's tax charge is based upon the tonnage of the vessels operated by the company and not the amount of profits arising from the operation of vessels. Income and expenses falling outside of the Tonnage Tax regime are subject to corporation tax at the statutory rate for the period.

(d) Factors that may affect future tax charges

Finance Act 2012 was enacted on 17 July 2012 and introduced a reduction in the rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013. The Chancellor announced in the Budget of 20 March 2013, that the main rate of UK corporation tax will fall to 20% from 1 April 2015. This follows the announcement in the pre-Budget Report that the main rate will fall to 21% with effect from 1 April 2014.

Notes to the financial statements at 31 March 2013

10. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Vessels under construction</i>	<i>Vessels</i>	<i>Furniture and equipment</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost					
At 1 January 2012	285,746	117,700,753	467,237,580	431,766	585,655,845
Additions	–	172,643,710	240,054,029	7,693	412,705,432
Disposals/transfers	–	(235,951,424)	(51,907,654)	–	(287,859,078)
At 31 March 2013	285,746	54,393,039	655,383,955	439,459	710,502,199
Depreciation					
At 1 January 2012	193,882	–	82,465,904	252,677	82,912,463
Charge for the period	71,437	–	41,065,567	98,843	41,235,847
Disposals/transfers	–	–	(25,768,194)	–	(25,768,194)
At 31 March 2013	265,319	–	97,763,277	351,520	98,380,116
Net book value					
At 31 March 2013	20,427	54,393,039	557,620,678	87,939	612,122,083
At 1 January 2012	91,864	117,700,753	384,771,676	179,089	502,743,382

No depreciation is provided for fixed assets under construction

Included within the net book value of \$612,122,083 is US\$79,121,747 (year ended 31 December 2011 – US \$nil) relating to assets held under finance lease. The depreciation charged to the financial statements in the period in respect of such assets amounted to US\$1,522,198 (year ended 31 December 2011 – US \$nil). Finance costs capitalised in the period amounted to US\$5,783,480 (year ended 31 December 2011 – US\$7,668,121).

11. Stocks

	<i>31 March 2013</i>	<i>31 December 2011</i>
	<i>US\$</i>	<i>US\$</i>
Stocks	12,277,710	9,754,507

Stocks consist of bunker fuel oil and diesel fuel oil

12. Debtors

	<i>31 March 2013</i>	<i>31 December 2011</i>
	<i>US\$</i>	<i>US\$</i>
Trade debtors	10,459,396	8,147,826
Prepayments and accrued income	33,632,640	38,128,002
Loans owed by group undertakings	–	26,422,516
Amounts owed by group undertakings	421,505	490,569
Amounts owed by related party undertakings	464,948	1,771,341
	44,978,489	74,960,254

Notes to the financial statements at 31 March 2013

13. Creditors: amounts falling due within one year

	<i>31 March 2013 US\$</i>	<i>31 December 2011 US\$</i>
Bank loan (note 17)	31,462,519	27,805,485
Trade creditors	6,913,701	9,515,691
Amounts owed to group undertakings	722,040	975,079
Accruals and deferred income	23,849,601	18,685,494
Corporation tax payable	246,967	63,551
Other creditors	6,422	12,426,470
Obligations under finance leases and hire purchase contracts (note 16)	<u>2,986,920</u>	<u>—</u>
	<u>66,188,170</u>	<u>69,471,770</u>

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

	<i>31 March 2013 US\$</i>	<i>31 December 2011 US\$</i>
Loans (note 17)	337,317,517	305,305,725
Obligations under finance leases and hire purchase contracts (note 16)	<u>76,439,747</u>	<u>—</u>
	<u>413,757,264</u>	<u>305,305,725</u>

15. Other provisions

	<i>31 March 2013 US\$</i>	<i>31 December 2011 US\$</i>
Dilapidations provision		
Movement for year	<u>133,584</u>	<u>—</u>
	<u>133,584</u>	<u>—</u>

Provision for dilapidation costs will be utilised during 2013

Notes to the financial statements at 31 March 2013

16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases

31 March
2013
US\$

Amounts payable

Within one year

6,271,795

In two to five years

25,104,364

In more than five years

73,683,631

105,059,790

Less finance charges allocated to future periods

(25,633,123)

79,426,667

Analysis of present value of finance lease liabilities

31 March
2013
US\$

In one year or less or on demand

2,986,920

In more than one year but not more than five years

13,295,036

In more than five years

63,144,711

79,426,667

17. Loans

31 March 31 December
2013 2011
US\$ US\$

Amounts repayable

In one year or less or on demand

31,462,519 27,805,485

In more than one year but not more than two years

117,234,695 27,805,485

In more than two years but not more than five years

76,428,344 210,141,779

225,125,558 265,752,749

In more than five years

143,654,478 67,358,461

368,780,036 333,111,210

The first loan of \$23,239,736 (JPY 2,185,000,000) is repayable by 2016 in 11 equal instalments \$917,358 (JPY 86,250,000) and 1 final instalment of \$13,148,798 (JPY 1,236,250,000) The rate of interest payable on the loan is 0 17% above LIBOR The loan is secured by a fixed charge over the vessel

The second loan of \$17,330,089 (JPY 1,629,375,000) is repayable by 2016 in 12 equal instalments \$658,105 (JPY 61,875,000) and 1 final instalment of \$9,432,833 (JPY 886,875,000) The rate of interest payable on the loan is 0 20% above LIBOR The loan is secured by a fixed charge over the vessel

The third loan of \$45,469,049 (JPY 4,275,000,000) is repayable by 2014 in 4 equal instalments \$1,010,423 (JPY 95,000,000) and 1 final instalment of \$41,427,356 (JPY 3,895,000,000) The rate of interest payable on the loan is 0 70% above LIBOR The loan is secured by a fixed charge over the vessel

Notes to the financial statements at 31 March 2013

17. Loans (continued)

The fourth loan of \$58,316,316 (JPY 5,482,900,000) is repayable by 2014 in 6 equal instalments \$1,241,225 (JPY 116,700,000) and 1 final instalment of \$50,868,964 (JPY 4,782,700,000) The rate of interest payable on the loan is 0.65% above LIBOR The loan is secured by a fixed charge over the vessel

The fifth loan of \$31,238,673 (JPY 2,937,060,000) is repayable by 2020 in 32 equal instalments \$589,449 (JPY 55,420,000) and 1 final instalment of \$12,376,303 (JPY 1,163,620,000) The rate of interest payable on the loan is 1.15% above LIBOR The loan is secured by a guarantee provided by the ultimate parent company

The sixth loan of \$45,360,562 (JPY 4,264,800,000) is repayable by 2021 in 33 equal instalments \$842,374 (JPY 79,200,000) and 1 final instalment of \$17,562,221 (JPY 1,651,200,000) The rate of interest payable on the loan is 0.55% above LIBOR The loan is secured by a fixed charge over the vessel

The seventh loan of \$28,350,000 is repayable by 2021 in 33 equal instalments \$525,000 and 1 final instalment of \$11,025,000 The rate of interest payable on the loan is 0.60% above LIBOR The loan is secured by a fixed charge over the vessel

The eighth new loan of \$29,400,000 is repayable by 2022 in 35 equal instalments \$525,000 and 1 final instalment of \$11,025,000 The rate of interest payable on the loan is 1% above LIBOR The loan is secured by a fixed charge over the vessel

The ninth new loan of \$30,450,000 is repayable by 2019 in 25 equal instalments \$525,000 and 1 final instalment of \$17,325,000 The rate of interest payable on the loan is 0.76% above LIBOR The loan is secured by a fixed charge over the vessel

The tenth new loan of \$59,625,612 (JPY 5,606,000,000) is repayable by 2019 in 25 equal instalments \$1,031,695 (JPY 97,000,000) and 1 final instalment of \$33,833,227 (JPY 3,181,000,000) The rate of interest payable on the loan is 0.86% above LIBOR The loan is secured by a fixed charge over the vessel

18. Issued share capital

		31 March 2013		31 December 2011
<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>US\$</i>	<i>No</i>	<i>US\$</i>
Ordinary shares of £1 each	19,989,662	<u>33,979,116</u>	19,989,662	<u>33,979,116</u>

The issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised

19. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i> <i>US\$</i>	<i>Profit and loss account</i> <i>US\$</i>	<i>Total share- holder's funds</i> <i>US\$</i>
At 1 January 2011	33,979,116	242,645,462	276,624,578
Loss for the year	—	(33,966,254)	(33,966,254)
At 1 January 2012	33,979,116	208,679,208	242,658,324
Profit for the period	—	41,387,862	41,387,862
At 31 March 2013	<u>33,979,116</u>	<u>250,067,070</u>	<u>284,046,186</u>

Notes to the financial statements at 31 March 2013

20 Derivatives

The company uses interest rate swap contracts to reduce interest rate exposures. In addition, bunker swap and forward freight agreements are also used by the company to mitigate its exposure. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows:

	31 March 2013 US\$	31 December 2011 US\$
Interest rate swaps	(1,387,294)	(1,545,648)
Forward freight agreement	1,628,550	(7,401,351)
Bunker swap agreement	47,400	54,375

21. Capital commitments

Amounts contracted for but not provided in the financial statements for the construction of new vessels amounted to US\$153m (year ended 31 December 2011 – US\$347m).

22. Pensions

The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost and charge represent contributions payable by the company to the fund and amounted to US\$129,728 (year ended 31 December 2011 – US\$77,262). The amount of outstanding contributions at the period end was US \$nil (year ended 31 December 2011 – US \$nil).

23. Other financial commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	31 March 2013		31 December 2011	
	Land and buildings US\$	Vessel hire US\$	Land and buildings US\$	Vessel hire US\$
Operating leases which expire				
Within one year	–	6,808,300	–	2,511,120
In two to five years	–	42,800,813	567,445	89,393,717
Over five years	–	33,205,122	–	28,766,073
	–	82,814,235	567,445	120,670,910

24. 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.

Together with Cardinal Shipping Limited, "K" Line Bulk Shipping (UK) Limited entered into a partnership under the name of "E&K Amanda Partners". The main purpose of the partnership is to manage and operate a cape size vessel that is co-owned by each partner. All profits or losses are to be shared equally between the partners.

During the period, 50% share of \$1m (year ended 31 December 2011 – \$1.75m) has been included in the turnover (note 2). A management fee of \$37.5k has been charged to E&K Amanda Partners. At 31 March 2013, the balance receivable from E&K Amanda Partners amounted to \$465k (year ended 31 December 2011 – \$1.77m).

Notes to the financial statements at 31 March 2013

25. 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.