

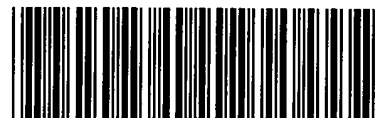
“K” Line Bulk Shipping (UK) Limited

Report and Financial Statements

31 March 2016

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Company Information

Director

N Fujii

Secretary

B Y Ramlalsing

Independent Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Bankers

Mizuho 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

Sumitomo Mitsui Trust Bank, Limited
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

Strategic report

The Director presents the Strategic report of "K" Line Bulk Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2016.

Results and dividends

The loss for the financial year amounted to US\$ 54,919,221 (year ended 31 March 2015 – loss of US\$ 69,648,836). The Director does not recommend a final dividend (year ended 31 March 2015 – US \$nil).

Principal activities and Review of the business

The principal activities of the Company are the chartering and ownership of bulk vessels. During the year the Company continued to own and operate a capesize bulk vessel in partnership with EDF.

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 year were as follows:

	<i>Year ended 31 March 2016 \$000</i>	<i>Year ended 31 March 2015 \$000</i>	<i>Change %</i>
Turnover	182,363	235,766	(23%)
Loss for the financial year	(54,919)	(69,648)	21%
Total shareholders' funds	162,567	217,350	(25%)
Cash at bank and in hand	39,835	71,642	(44%)

Turnover decreased by 23% during the year as a result of the market rate for freight during the year continuing to be volatile and substantially lower than in previous years. The significant loss for the year is mainly attributed to recognising an impairment loss amounting to \$29.9m (2015: \$55m) in relation to the vessels. The cash balance decreased significantly as a result of the low freight rates, volatile market conditions and loan provided.

Future developments

The uncertain global economic outlook and the increased imbalance between supply and demand have led to low freight rates and bulk market recession. The situation could continue to 2016/2017. The Company's overall business is expected to develop in the same direction over the coming year and to the same extent as in 2016.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as:

Competitive risks

The bulk carrier industry is characterised by intense competition to secure contracts and profitable rates. The Company tries to minimise this risk with medium to long term contracts with a number of customers.

Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law, tax law, UK Bribery Act, low sulphur fuel regulations and shipping legislation, mostly originating from IMO (International Maritime Organisation). These standards are subject to continuous revision; however, they are not expected to have a material impact on the Company's activities or ability to generate a profit.

Strategic report (continued)

Principal risks and uncertainties (continued)

Financial risks

The principal risks and uncertainties faced by the Company include the residual value of owned and finance leased vessels at the time of disposal. The Company undertakes an annual impairment review of the carrying value and useful economic life of all ship assets, using value in use assessments.

Treasury operations and financial instruments

Ships are financed by way of third party bank loans, inter-group loans and by way of finance leases. Borrowings are undertaken at variable rates principally in USD and JPY. To the extent not covered by derivative instruments the Company is therefore exposed to fluctuations in interest rates.

The Company operates a treasury function which is responsible for managing the liquidity, credit and market/price risks associated with the Company's activities.

The Company has established a risk and financial management framework whose primary objectives are to mitigate the exposure of the Company to risks 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. This is done through the type of derivative financial instruments as planned currency exposures arising from material transactions which are not denominated in USD.

Market/price risk

The Company uses interest rate swaps to mitigate interest rate exposure by fixing interest payments where payments are variable and hence exposed to interest rate movements. The Company uses foreign currency exchange rate swaps to mitigate currency exchange rate exposure by fixing exchange rate for payments in foreign currency and hence exposed to exchange rate fluctuations. The Company also has in place forward freight agreement and a bunker swap agreement to minimise the risk of fluctuations in market freight rates and bunker fuel prices respectively (note 20).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

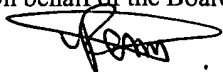
The Company manages its cash flow in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. Surplus funds are put on time deposits ranging from overnight to quarterly intervals.

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.

On behalf of the Board



B Y Ramlalsing
Secretary

Date: 9 May 2016

Registered No. 4830352

Director's report

The Director presents the Director's Report and audited financial statements of "K" Line Bulk Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2016.

Director

The Director who served the Company during the year and as at the date of this report is as follows:

N Fujii

Future Development

The Company's overall business is expected to continue in the same direction over the coming year and to the same extent as 2016. More details are given on the Strategic report on page 3.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 3.

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

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

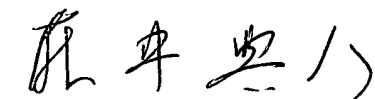
Director's indemnities

As permitted by the Articles of Association, the Director has the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Director's and Officers' liability insurance in respect of itself and its Director.

Disclosure of information to the auditor

So far as the 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 the previous Director and the Company's auditor, the Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board



N Fujii
Director

Date: 9 May 2016

Statement of Director's responsibilities

The Director is responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 Director is 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. He is 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

Report on the financial statements

Our opinion

In our opinion, "K" Line Bulk Shipping (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss 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.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2016;
- the Income statement and the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of "K" Line Bulk Shipping (UK) Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Director's responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

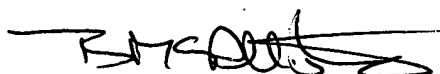
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 May 2016

Income statement

for the year ended 31 March 2016

		<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
	<i>Note</i>		
Turnover	2	182,363,190	235,765,594
Cost of sales		(191,547,750)	(248,609,813)
Gross Loss		(9,184,560)	(12,844,219)
Administrative expenses		(4,723,571)	(9,308,398)
Exceptional items	5	(29,909,396)	(55,000,000)
Operating Loss	3	(43,817,527)	(77,152,617)
Income from participating interest	24	72,655	1,151,645
Interest receivable and similar income	8	235,925	182,648
Interest payable and similar charges	9	(11,223,239)	6,241,349
Loss on ordinary activities before taxation		(54,732,186)	(69,576,975)
Tax on loss on ordinary activities	10	(187,035)	(71,861)
Loss for the financial year		<u>(54,919,221)</u>	<u>(69,648,836)</u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 March 2016

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Loss for the financial year	(54,919,221)	(69,648,836)
Other comprehensive income:		
<i>Items that are or may be recycled subsequently to the Income statement</i>		
Movement in fair value of cash flow hedges	136,123	135,765
Other comprehensive income for the year	136,123	135,765
Total comprehensive income for the year	<u>(54,783,098)</u>	<u>(69,513,071)</u>

The notes on pages 12 to 31 form an integral part of these financial statements.

Balance sheet

as at 31 March 2016

	Note	31 March 2016 US\$	31 March 2015 US\$
Fixed assets			
Tangible assets	11	535,138,871	581,203,472
Investments	12	<u>175,000</u>	<u>175,000</u>
Current assets			
Stocks	13	4,943,499	7,273,970
Debtors	14	49,051,028	42,154,918
Cash at bank and in hand		<u>39,834,948</u>	<u>71,641,847</u>
		93,829,475	121,070,735
Creditors: amounts falling due within one year	15	<u>(56,641,499)</u>	<u>(69,930,945)</u>
Net current assets		<u>37,187,976</u>	<u>51,139,790</u>
Total assets less current liabilities		572,501,847	632,518,262
Creditors: amounts falling due after more than one year	16	<u>(409,934,809)</u>	<u>(415,168,126)</u>
Net assets		<u>162,567,038</u>	<u>217,350,136</u>
Capital and reserves			
Called up share capital	19	33,979,116	33,979,116
Other reserves		(563,923)	(700,046)
Retained earnings		129,151,845	184,071,066
Total shareholders' funds		<u>162,567,038</u>	<u>217,350,136</u>

The notes on pages 12 to 31 form an integral part of these financial statements.

The financial statements on pages 9 to 31 were approved by the Director and were signed by:



N Fujii

Director

Date: 9 May 2016

Statement of changes in equity

for the year ended 31 March 2016

	Called-up share capital US\$	Other reserves US\$	Retained earnings US\$	Total equity US\$
At 1 April 2015	33,979,116	(700,046)	184,071,066	217,350,136
Loss for the year	–	–	(54,919,221)	(54,919,221)
Other comprehensive income for the year	–	136,123	–	136,123
At 31 March 2016	<u>33,979,116</u>	<u>(563,923)</u>	<u>129,151,845</u>	<u>162,567,038</u>

	Called-up share capital US\$	Other reserves US\$	Retained earnings US\$	Total equity US\$
At 1 April 2014	33,979,116	(835,811)	253,719,902	286,863,207
Loss for the year	–	–	(69,648,836)	(69,648,836)
Other comprehensive income for the year	–	135,765	–	135,765
At 31 March 2015	<u>33,979,116</u>	<u>(700,046)</u>	<u>184,071,066</u>	<u>217,350,136</u>

Notes to the financial statements at 31 March 2016

1. Accounting policies

General Information

The Company is limited by shares and is incorporated in England. The address of its registered office is 6th Floor, 200 Aldersgate Street, London, EC1A 4HD.

The principal activities of the Company are the chartering and ownership of bulk vessels.

Statement of compliance

The financial statements of "K" Line Bulk Shipping (UK) Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 April 2014. Details of the transition to FRS 102 are disclosed in Note 26.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, prepared by ultimate parent company, includes the Company's cash flows;
- ii) from providing the financial instruments disclosures set out in sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv);
- iv) from disclosing the Company key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

Going concern

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

Notes to the financial statements at 31 March 2016

1. Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation commences from the point when the assets are available for use. Vessels under construction are not depreciated.

The cost of tangible fixed assets includes expenditures that are incurred during construction, delivery, modification and capitalised finance costs. The commencement date for capitalisation 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.

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
Furniture and equipment	–	3 years to 5 years

The Company's vessels are required to undergo periodic dry docking for replacement of certain components, major repairs and maintenance of other components. 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 which can range from 2-5 years.

Capitalisation of interest

Interest incurred on borrowings to finance the construction of vessels is capitalised. Once the vessel is delivered the interest is no longer capitalised.

Impairment of non-financial assets

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. At the end of each financial reporting period, the Company assesses whether there is any indication that its vessels, other fixed assets and intangible assets may have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount.

The assessment of whether there is an indication that an asset is impaired is made with reference to trading results, predicted trading results, market rates, technical and regulatory changes and market values. If any such indication exists, the recoverable amount of the asset or income-generating unit ("IGU") is estimated in order to determine the extent of any impairment loss.

The first step in this process is the determination of the lowest level at which largely independent cash flows are generated, starting from the individual asset level. An IGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets or groups of assets. In identifying whether cash inflows from an asset or group of assets are largely independent, and therefore determining the level of the IGUs, the Company considers many factors including management's trading strategies, how management makes decisions about continuing or disposing of the assets, nature and terms of contractual arrangements and actual and predicted employment of the vessels. Based on the above the Company has determined at the reporting date it has IGUs comprising of individual vessels.

Notes to the financial statements at 31 March 2016

1. Accounting policies (Continued)

Impairment of non-financial assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined as the amount at which assets may be disposed of on a willing seller, willing buyers' basis, less directly associated costs of disposal. In estimating fair value, the Company considers recent market transactions for similar assets, and the views of reputable shipbrokers.

If the recoverable amount is less than the carrying amount of the asset or IGU, the asset is considered impaired and an expense is recognised equal to the amount required to reduce the carrying amount of the vessel or the IGU to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Such reversal is recognised in the statement of income and retained earnings.

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 estimated selling price less cost to complete and sell. Estimated selling price less cost to complete and sell is based on estimate selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

i) Current tax

Current tax, is provided using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date on the excess of taxable income and allowable expenses.

ii) 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.

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 a finance lease liability. In calculating the present value of the minimum lease payments, the discount factor

Notes to the financial statements at 31 March 2016

1. Accounting policies (Continued)

Finance leases (Continued)

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 statement of income and retained earnings over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligation for each accounting year.

Operating leases

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

Foreign currencies

i) Functional and presentation currency:

The Company's functional and presentation currency is US\$.

ii) Transactions and balances

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 statement of income and retained earnings.

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 1.4373 at 31 March 2016 (31 March 2015 – 1.485).

Pension contributions

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call or with maturities of less than 3 months with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

Notes to the financial statements at 31 March 2016

1. Accounting policies (Continued)

Financial instruments

i) Financial assets

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in statement of income and retained earnings.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and other creditors and short term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current creditors. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of income and retained earnings in finance costs or finance income as appropriate, unless they are included in a hedging arrangement when the changes in fair value are recognised in the Statement of changes in equity.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 statement of income and retained earnings account when liabilities are derecognised or impaired, as well as through the amortisation process.

Notes to the financial statements at 31 March 2016

1. Accounting policies (Continued)

Turnover recognition

Revenue is recognised on an accruals basis following the provision of the related goods or services. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Time Charter, bareboat charter and brokerage income

Revenue is recognised on a straight lines basis over the period of the contract.

Voyage Charter income

Voyage charter income and related profits from the Company's vessel chartering activities (including any demurrage) is recognised on completion of the voyage. The completion of the voyage is considered a specific and most significant act to be performed under a voyage charter arrangement.

Interest and similar income

Revenue is recognised as interest accrues using the effective interest method.

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Provision for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Joint ventures and arrangements

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.

Investments in joint ventures are held at cost less accumulated impairment losses.

Notes to the financial statements at 31 March 2016

1. Accounting policies (Continued)

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company has critical accounting judgements in the following areas:

Leases: The Company is party to several arrangements involving the use of assets, some of which contain a lease. Accounting for lease arrangements first involves making a determination, at inception of a lease arrangement, whether a lease is classified an operating lease or a finance lease. A key judgement required when making the distinction in lease classification is to determine whether substantially all of the risks and rewards of ownership of the asset have passed to the Company. Where it is assessed that substantially all of the risks and rewards have transferred to the Company, a finance lease exists.

Impairment: Due to the ongoing volatility and decline in the market rate for freight the Company performs a discounted future cash flow analysis on all of its vessels which are owned or held under finance lease, to determine if these vessels are impaired. The principal assumptions used in the discounted future cash flow analysis consist of forecast future operating results, including time charter equivalent rates based on the contracted and/or 5yr and 10yr Baltic Dry Index historical freight rates, the estimated residual values and a weighted average cost of capital. See note 10 for the carrying amount of the vessels and associated impairment made.

Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Management is assessing the impact as at the date of financial statements but does not expect a material impact. The amendments to FRS 102 (issued in July 2015) have not been early adopted by the Company in these financial statements.

Notes to the financial statements at 31 March 2016

2. Turnover

Turnover, which arises on continuing activities, represents the amounts receivable for services during the year, exclusive of VAT and other sales taxes or duty.

An analysis of turnover by geographical market is given below:

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
United Kingdom	33,126,226	42,850,506
Europe	66,862,480	96,626,550
Rest of the world	82,374,484	96,288,538
	<u>182,363,190</u>	<u>235,765,594</u>
Operating lease income from charter hire	<u>101,999,122</u>	<u>110,522,119</u>

3. Operating loss

This is stated after charging:

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Auditors' remuneration	<u>109,822</u>	<u>73,495</u>
Depreciation of owned assets	33,945,847	34,338,361
Depreciation of leased assets	<u>5,171,179</u>	<u>5,531,441</u>
Operating lease rentals – vessel hire	<u>69,753,395</u>	<u>101,556,984</u>
Inventories recognised as an expense	<u>19,563,966</u>	<u>43,504,077</u>
Foreign exchange (gain)/loss	<u>(127,966)</u>	<u>3,387,953</u>

4. Auditors' remuneration

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Audit of the financial statements for the current year	80,226	73,495
Other services	29,596	–
	<u>109,822</u>	<u>73,495</u>

Notes to the financial statements at 31 March 2016

5. Exceptional items

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Impairment of fixed assets	<u>29,909,396</u>	<u>55,000,000</u>

An impairment charge of \$29.9m (2015: \$55m) was recognised against the carrying value of the assets. Refer to Note 11 for further details.

6. Directors' remuneration

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Remuneration	<u>378,544</u>	<u>410,484</u>

No pension contributions were paid by the Company to Directors during the year (year ended 31 March 2015 – US \$nil).

The amounts in respect of the highest paid Director are as follows:

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Remuneration	<u>378,544</u>	<u>264,787</u>

7. Staff costs

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Wages and salaries	2,343,793	2,630,944
Social security costs	107,530	102,647
Other pension costs	92,807	93,414
	<u>2,544,130</u>	<u>2,827,005</u>

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

	<i>Year ended 31 March 2016 No.</i>	<i>Year ended 31 March 2015 No.</i>
Administration	<u>20</u>	<u>22</u>

Notes to the financial statements at 31 March 2016

8. Interest receivable and similar income

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Bank interest receivable	161,119	182,648
Loan interest receivable	74,781	–
Other interest receivable	25	–
	<u>235,925</u>	<u>182,648</u>

9. Interest payable and similar charges

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Bank loan and swap interest payable	4,173,441	4,020,020
Finance lease interest payable	3,353,628	3,448,816
Change (gain)/loss in fair value of derivatives	(27,349)	163,154
Foreign exchange loss/(gain) on retranslation of loans	3,721,905	(13,873,339)
Other interest payable	1,614	–
	<u>11,223,239</u>	<u>(6,241,349)</u>

10. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Current tax:		
UK corporation tax on the loss for the year	337,969	437,656
Group relief recoverable	–	(365,795)
Adjustment in respect of prior year	(150,934)	–
Total current tax charge (note 10(b))	<u>187,035</u>	<u>71,861</u>

Notes to the financial statements at 31 March 2016

10. Tax on loss on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (year ended 31 March 2015 – 21%). The differences are explained below:

	<i>Year ended 31 March 2016 US\$</i>	<i>Year ended 31 March 2015 US\$</i>
Loss on ordinary activities before taxation	<u>(54,732,186)</u>	<u>(69,413,821)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (year ended 31 March 2015 – 21%)	(10,946,437)	(14,576,902)
<i>Effects of:</i>		
Non-deductible expenses	10,941,040	14,195,033
Losses	(34,423)	–
Foreign exchange movement	39,820	–
Adjustments in respect of previous years	(150,934)	–
Tonnage tax profit	337,969	453,730
Total tax charge for the year (note 10(a))	<u>187,035</u>	<u>71,861</u>

Non-taxable (income)/non-deductible expenses principally relates to activities falling within the UK Tonnage Tax regime.

(c) Deferred tax

The Company is in the UK 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 year.

Notes to the financial statements at 31 March 2016

11. Tangible assets

	<i>Vessels under construction</i>	<i>Vessels</i>	<i>Dry-Docking</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 April 2015	16,650,482	754,429,003	15,556,056	592,777	787,228,318
Additions	18,052,512	198,766	4,703,096	7,446	22,961,820
Transfers	(34,702,994)	34,702,994	–	–	–
Disposals	–	–	(6,669,620)	(328,006)	(6,997,626)
At 31 March 2016	–	789,330,763	13,589,532	272,217	803,192,512
Depreciation and Impairment					
At 1 April 2015	–	195,615,990	9,960,999	447,857	206,024,846
Charge for the year	–	34,521,407	4,541,475	54,143	39,117,025
Impairment	–	29,909,396	–	–	29,909,396
Disposals	–	–	(6,669,620)	(328,006)	(6,997,626)
At 31 March 2016	–	260,046,793	7,832,854	173,994	268,053,641
Net book value:					
At 31 March 2016	–	529,283,970	5,756,678	98,223	535,138,871
At 1 April 2015	16,650,482	558,813,013	5,595,057	144,920	581,203,472

No depreciation is provided for fixed assets under construction.

Included within the net book value of US\$ 529,283,970 is US\$ 84,994,118 (year ended 31 March 2015 – US\$ 98,482,889) relating to assets held under finance lease. The depreciation charged to the financial statements in the year in respect of such assets amounted to US\$ 5,171,179 (year ended 31 March 2015 – US\$ 5,531,441). Finance costs capitalised in the year amounted to US\$ 263,844 (year ended 31 March 2015 – US\$ 652,050).

An impairment charge of \$ 29.9m (2015: \$55m) was recognised against the carrying value of the vessels.

Due to the ongoing volatility and decline in the market rate for freight we performed a discounted future cash flows analysis on all of our vessels which are owned or held under finance lease, to determine if these vessels were impaired.

The principal assumptions used in our discounted future cash flows analysis consisted of forecast future operating results, including time charter equivalent rates based on the contracted and/or 5yr and 10yr Baltic Dry Index historical freight rates, the estimated residual values and a weighted average cost of capital of 6.5% (2015: 7%). Based on these discounted cash flows analyses, we determined that the net carrying value of 11 vessels exceeded their estimated discounted future cash flows. As a result we recognised \$29.9 million (2015: \$55 million) of vessel impairment charges during 2016.

Notes to the financial statements at 31 March 2016

12. Investments

	<i>31 March 2016 US\$</i>	<i>31 March 2015 US\$</i>
Investment in joint venture	<u>175,000</u>	<u>175,000</u>

Together with Cardinal Shipping Limited, "K" Line Bulk Shipping (UK) Limited entered into a partnership under the name of "E&K Amanda Partners" on 29th June 2009. 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.

13. Stocks

	<i>31 March 2016 US\$</i>	<i>31 March 2015 US\$</i>
Stocks	<u>4,943,499</u>	<u>7,273,970</u>

Stocks consist of bunker fuel oil and diesel fuel oil.

The amount of stock recognised as an expense during the year ended 31 March 2016 is US\$ 19,563,966 (2015: US\$ 43,504,077).

14. Debtors

	<i>31 March 2016 US\$</i>	<i>31 March 2015 US\$</i>
Trade debtors	4,014,317	5,959,662
Amounts owed by group undertakings	264,173	27,796
Amounts owed by related party undertakings	1,297,380	1,224,726
Derivative financial instruments	307,182	330,562
Loans owed by group undertakings	30,072,449	–
Prepayments and accrued income	13,095,527	34,612,172
	<u>49,051,028</u>	<u>42,154,918</u>

Amounts owed from group undertakings are unsecured, with no interest and no fixed repayment date. Loans owed by group undertakings are unsecured, with LIBOR flat interest rate and 3 month rolling contract with repayment date of 5 working days.

Amounts falling due after more than one year included above are Derivative financial instruments amounting to \$307,182 (2015: \$nil).

Notes to the financial statements at 31 March 2016

15. Creditors: amounts falling due within one year

	<i>31 March 2016 US\$</i>	<i>31 March 2015 US\$</i>
Bank loans (note 18)	31,573,715	30,484,818
Trade creditors	2,068,156	4,233,638
Derivative financial instruments	135,805	493,715
Amounts owed to group undertakings	–	109,070
Provisions	1,949,325	–
Corporation tax payable	215,870	369,889
Other creditors	11,990	20,705
Obligations under finance leases and hire purchase contracts (note 17)	5,181,434	5,050,758
Accruals and deferred income	15,505,204	29,168,352
	<u>56,641,499</u>	<u>69,930,945</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

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

	<i>31 March 2016 US\$</i>	<i>31 March 2015 US\$</i>
Bank loans (note 18)	312,352,453	312,575,394
Obligations under finance leases and hire purchase contracts (note 17)	96,711,251	101,892,685
Derivative financial instruments	871,105	700,047
	<u>409,934,809</u>	<u>415,168,126</u>

17. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases:

	<i>31 March 2016 US\$</i>	<i>31 March 2015 US\$</i>
Amounts payable:		
Within one year	8,328,259	8,363,873
In two to five years	55,991,339	33,239,833
In more than five years	54,851,064	85,930,828
	119,170,662	127,534,534
Less: finance charges allocated to future years	(17,277,977)	(20,591,091)
	<u>101,892,685</u>	<u>106,943,443</u>

Notes to the financial statements at 31 March 2016

17. Obligations under finance leases and hire purchase contracts (Continued)

Analysis of present value of finance lease liabilities:

	31 March 2016	31 March 2015
	US\$	US\$
In one year or less or on demand	5,181,434	5,050,758
In more than one year but not more than five years	45,114,957	21,633,824
In more than five years	51,596,294	80,258,861
	<u>101,892,685</u>	<u>106,943,443</u>

18. Bank loans

	31 March 2016	31 March 2015
	US\$	US\$
Amounts repayable:		
In one year or less or on demand	31,573,715	30,484,818
In more than one year but not more than two years	31,363,148	37,012,383
In more than two years but not more than five years	168,840,221	144,012,451
	<u>231,777,084</u>	<u>211,509,652</u>
In more than five years	112,149,084	131,550,560
	<u>343,926,168</u>	<u>343,060,212</u>

The Company has 13 loans secured against 13 individual vessels as follows:

- The first loan of \$9,054,364 is repayable by 2021 in 1 first payment of \$631,699 and the remaining 20 equal instalments of \$421,133. The rate of interest payable on the loan is 0.2% above LIBOR. The loan is secured by a guarantee provided by the ultimate parent Company. The carrying amount of the respective vessel is \$15,876,857 at as 31 March 2016.
- The second loan of \$30,855,000 is repayable by 2021 in 20 equal instalments of \$935,000 and 1 final instalment of \$12,155,000. The rate of interest payable on the loan is 0.95% above LIBOR. The loan is secured by a guarantee provided by the ultimate parent Company. The carrying amount of the respective vessel is \$37,922,044 at as 31 March 2016.
- The third loan of \$37,890,000 is repayable by 2019 in 14 equal instalments of \$1,100,000 and 1 final instalment of \$22,490,000. The rate of interest payable on the loan is 0.25% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$49,464,690 at as 31 March 2016.
- The fourth loan of \$20,214,600 (JPY2,272,020,000) is repayable by 2023 in 28 equal instalments of \$493,082 (JPY55,420,000) and 1 final instalment of \$6,408,292 (JPY720,260,000). The rate of interest payable on the loan is 1.15% above LIBOR. The loan is secured by a guarantee provided by the ultimate group Company. The carrying amount of the respective vessel is \$23,755,839 at as 31 March 2016.
- The fifth loan of \$32,580,872 is repayable by 2021 in 21 equal instalments of \$778,544 and 1 final instalment of \$16,231,455. 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 carrying amount of the respective vessel is \$51,253,909 at as 31 March 2016.
- The sixth loan of \$22,050,000 is repayable by 2021 in 21 equal instalments of \$525,000 and 1 final instalment of \$11,025,000. The rate of interest payable on the loan is 0.6% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$26,516,203 at as 31 March 2016.

Notes to the financial statements at 31 March 2016

18. Bank loans (Continued)

- The seventh loan of \$23,100,000 is repayable by 2022 in 23 equal instalments of \$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 carrying amount of the respective vessel is \$27,399,114 at as 31 March 2016.
- The eighth loan of \$24,150,000 is repayable by 2019 in 13 equal instalments of \$525,000 and 1 final instalment of \$17,325,000. The rate of interest payable on the loan is 0.75% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$26,936,416 at as 31 March 2016.
- The ninth loan of \$39,521,331 (JPY4,442,000,000) is repayable by 2019 in 13 equal instalments of \$863,028 (JPY97,000,000) and 1 final instalment of \$28,301,971 (JPY3,181,000,000). The rate of interest payable on the loan is 0.61% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$57,142,300 at as 31 March 2016.
- The tenth loan of \$20,580,000 is repayable by 2023 in 28 equal instalments of \$420,000 and 1 final instalment of \$8,820,000. The rate of interest payable on the loan is 0.895% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$29,701,540 at as 31 March 2016.
- The eleventh loan of \$31,950,000 is repayable by 2020 in 18 equal instalments of \$450,000 and 1 final instalment of \$23,850,000. The rate of interest payable on the loan is 1.15% above LIBOR. The loan is secured by a guarantee provided by the ultimate group Company. The carrying amount of the respective vessel is \$33,193,286 at as 31 March 2016.
- The twelfth loan of \$24,380,000 is repayable by 2024 in 32 equal instalments of \$460,000 and 1 final instalment of \$9,660,000. The rate of interest payable on the loan is 0.925% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$30,151,198 at as 31 March 2016.
- The thirteenth new loan of \$27,600,000 is repayable by 2023 in 27 equal instalments of \$345,000 and 1 final instalment of \$18,285,000. The rate of interest payable on the loan is 0.68% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$34,773,038 at as 31 March 2016.

19. Called up share capital

<i>Allotted, called up, issued and fully paid</i>	<i>No.</i>	<i>31March 2016</i>	<i>No.</i>	<i>31March 2015</i>
		<i>US\$</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.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Notes to the financial statements at 31 March 2016

20. Financial instruments

	31 March 2016 US\$	31 March 2015 US\$
The Company has the following financial instruments:		
Financial assets at fair value through profit and loss		
Derivative financial assets	307,182	330,562
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors (note 14)	4,014,317	5,959,662
Amounts owed by group undertakings (note 14)	264,173	27,796
Amounts owed by related party undertakings (note 14)	1,297,380	1,224,726
	<u>5,575,870</u>	<u>7,212,184</u>
Financial liabilities measured at amortised cost:		
Trade creditors (note 15)	2,068,156	4,233,638
Bank loans (note 18)	343,926,168	343,060,212
Amounts owed to group undertakings (note 15)	–	109,070
Other creditors (note 15)	11,990	20,705
Obligations under finance leases and hire purchase contracts (note 17)	101,892,685	106,943,443
	<u>447,898,999</u>	<u>454,367,068</u>
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities	1,006,910	1,193,761

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 to market price fluctuations. The fair values of the derivatives held at the balance sheet date (which was recognised in the financial statements), determined by reference to their market values.

The valuation was adjusted to reflect selected market risks. It was not adjusted to reflect credit, liquidity, model risk, operational cost, or other factors. Rather, it is meant to represent our best estimate of mid-market pricing as of the close of business on the valuation date. As this represents mid-market pricing, the actual price at which on any valuation date it would (subject to the agreement) be possible to 'close-out' the position would be adjusted for bid/offer spreads and market liquidity.

21. Capital commitments

Amounts contracted for but not provided in the financial statements for the construction of new vessels amounted to \$nil (JPY nil) (year ended 31 March 2015 – US\$28m (JPY 3.380b)).

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\$92,807 (year ended 31 March 2015 – US\$93,414). The amount of outstanding contributions at the year end was US \$nil (year ended 31 March 2015 – US \$nil).

Notes to the financial statements at 31 March 2016

23. Other financial commitments

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as set out below:

	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>Vessel hire</i>	<i>Vessel hire</i>
	<i>US\$</i>	<i>US\$</i>
Operating leases which expire:		
Within one year	44,933,306	47,776,454
In two to five years	151,137,418	130,062,030
Over five years	63,527,750	100,200,791
	<u>259,598,474</u>	<u>278,039,275</u>

24. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 from disclosing transactions with related parties, which are 100% owned and controlled within the Kawasaki Kisen Kaisha Limited group.

Together with Cardinal Shipping Limited, "K" Line Bulk Shipping (UK) Limited entered into a joint venture agreement 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 year the following transactions were accounted for in relation to the Company's 50% interest in the joint arrangement, "E&K Amanda Partners: share of profit for the year has been included in Income from participating interest in the Income statement for an amount of \$72,655 (2015: \$1,151,645) and amounts owed by related party undertakings in the Balance sheet for an amount of \$1,297,380 (2015: \$1,224,726).

A management fee of \$30,000 has been charged to E&K Amanda Partners by the Company in the year (year ended 31 March 2015 - \$30,000).

25. Ultimate parent undertaking and controlling party

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 smallest and 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.

Notes to the financial statements at 31 March 2016

26. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. FRS 102 has been adopted by the Company for year ended 31 March 2016. The last financial statements under previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give true and fair view, in which that member is consolidated. The "K" Line Bulk shipping (UK) Limited is a qualifying entity as its results are consolidated into the consolidated financial statements of Kawasaki Kisen Kaisha Limited which are publicly available.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, prepared by ultimate parent company, includes the Company's cash flows;
- ii) from providing the financial instruments disclosures set out in sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv);
- iv) from disclosing the Company key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

Reconciliations:

In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided as below:

Reconciliation of loss for the year

	<i>31 March 2015 US\$</i>
	Note
Loss for the period as previously reported under UK GAAP	(69,485,682)
Change in fair value of derivatives	(i) <u>(163,154)</u>
Loss for the year as reported under FRS 102	<u>(69,648,836)</u>

Other comprehensive income

	<i>31 March 2015 US\$</i>
	Note
Change in fair value of derivatives	(i) <u>135,765</u>
Total comprehensive income for the year as reported under FRS 102	<u>(69,513,071)</u>

Notes to the financial statements at 31 March 2016

26. Transition to FRS 102 (Continued)

Reconciliation of equity as at 1 April 2014 and 31 March 2015

	<i>1 April</i>	<i>31 March</i>
	<i>2014</i>	<i>2015</i>
Notes	<i>US\$</i>	<i>US\$</i>
Total reserves as previously reported under UK GAAP	287,699,018	218,213,336
Change in fair value of derivatives	(i) (835,811)	(863,000)
Total reserves as reported under FRS 102	<u>286,863,207</u>	<u>217,350,136</u>

Notes to reconciliation:

i) Derivative financial instruments

FRS 102 requires any derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Company did not recognise these instruments in the financial statements. At the transition to FRS 102, a derivative asset of US\$330,562 and a derivative liability of US\$1,193,761 was recognised and a balance of these two presented in the equity and reserves and Income statement.

ii) Investment in joint venture

FRS 102 requires regular "net" equity accounting for joint ventures. Previously under UK GAAP the Company included joint venture turnover and costs in the Company's turnover and costs in Profit and Loss account and share of asset and liabilities included in the Company's Balance sheet. As the transition to FRS 102, investment in the joint venture at cost of \$175,000 was recognised on 1 April 2014, share of profit of \$2.3m was recognised in the Income statement. Accumulated distribution of profit of \$2.4m was recognised in the Balance sheet as a receivable. As at 31 March 2015 investment in the joint venture at cost of \$175,000 remained unchanged, share of profit of \$1.2m was recognised in the Income statement. Accumulated distribution of profit of \$1.2m was recognised in the Balance sheet as a receivable.