

“K” Line Bulk Shipping (UK) Limited

Report and Financial Statements

31 March 2020



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Company Information

Director

A.Misaki

Secretary

B Y Ramlalsing

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Bankers

Mizuho Bank Limited
30 Old Bailey
London EC4M 7AU

MUFG Bank Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

Sumitomo Mitsui Trust Bank, Limited
155 Bishopsgate
London EC2M 3XU

SMBC Bank International PLC
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 2020.

Results and dividends

The loss for the financial year amounted to US\$ 9,371,313 (2019 – loss of US\$ 5,280,673). The Director recommends a final dividend of \$nil (2019 – \$nil).

Principal activities and Review of the business

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

The Company's key financial performance indicators during the year were as follows:

	2020	2019	Change
	\$000	\$000	%
Turnover	152,203	197,279	(23%)
Loss for the financial year	(9,371)	(5,821)*	61%
Total shareholders' funds	95,367	45,501*	110%
Cash and cash equivalents	15,958	16,437	(3%)

*Loss and total shareholders' funds for 2019 have been restated. See note 1 for details of restatement.

Turnover decreased by 23% during the year as a result of lower freight rates compared to the previous years. The increase in loss which is 61% for the year was due to market conditions and a higher interest rate on the Company's loan compared to previous years and impairment of \$2,943,000 in the current year.

Total shareholders' funds increased by 110% primarily due to increase in share capital as a result of a debt release and equity swap arrangement with the holding company "K" Line Holding (Europe) Limited (see detail in note 18). The company has also restated the comparative information as it had incorrectly accounted for an obligation under finance lease denominated in Japanese Yen. The restatement of the lease obligation has positively impacted opening retained earnings.

Cash and cash equivalents decreased by 3% mainly due to cash used in operations and repayment of loans from a fellow group company.

Future developments

The uncertain global economic outlook and the increased imbalance between supply and demand have led to low freight rates at the start of the Covid-19 pandemic. However, the current trend appears optimistic as the rates are increasing. As a result, the Company's overall business is expected to perform better over the coming year as compared to 2019/20.

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.

Strategic Report (continued)

Financial risks

The financial risks 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

Vessels 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 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.

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 a forward freight agreement and a bunker swap agreement to minimise the risk of fluctuations in market freight rates and bunker fuel prices respectively (see detail in note 19).

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 for doubtful debts is made where necessary. The Company does not suffer from significant bad debt expense.

Covid-19 Impact

The worldwide spread of Covid-19 from January 2020 caused serious disruption in the economic environment both in and outside UK. In March 2020, we successfully implemented our business continuity plan. The company undertook a number of measures to ensure prudent and conservative management of the business and to protect the health of its employees. Performance in 2020 to date has not indicated any material adverse impact for the business.

Strategic Report (continued)

Statement by the Director in relation to Performance of his Statutory Duties in accordance with Section 172(1) Companies Act 2006

In accordance with section 172 of the Companies Act 2006, the director acts in the way he considers, in good faith, would promote the success of the company for the benefit of its members as a whole. The Director has regard, amongst other matters, to:

The likely consequences of any decision in the long term

Understanding the company's success would not be achieved without fulfilling our responsibility for and placing utmost emphasis on the Environment, Society, and Governance, our decision-making processes are structured to enable us to evaluate the merit of proposed business activities and the likely consequences of our decisions across our stakeholder group.

The Company is wholly owned by Kawasaki Kisen Kaisha, Limited. Our UK board comprises the Sole Director, and board meetings are held quarterly.

The Director of the Company ensures that any long-term decisions are in line with "K" Line's Management Policy and Medium-term Management Plan.

The interests of the company's employees

Our people are our most valuable assets. The Director puts people at the heart of everything he does. The Director actively promotes employee engagement, shows genuine interest in colleagues and their wellbeing. During the year, the Director and management provide employees with information about the company through our regular and ad hoc meetings, telephone and email communications. Employees have also been encouraged to present their suggestions and view.

The need to foster the Company's business relationships with suppliers, customers and others

-Customers

Our customers are central to our business. During the year, we continued to engage with our customers through regular meetings. The Director continued to meet with customers from across the business which provided the opportunity to gain insights into the issues and challenges facing our customers.

-Shareholders

The Company is wholly owned by Kawasaki Kisen Kaisha Limited, the parent company of "K" Line group incorporated in Japan. Our policies, procedures, governance are managed in line with those of the "K" Line group.

-Suppliers

Our suppliers are also important to our business and we continually strive to streamline our processes and build better relationships with them.

The impact of the Company's operations on the community and environment

The Company follows the "K" Line Group environment policy. One of our specific goals is "to minimize impact on the environment", and in order to achieve this, we follow the "K" Line Group environmental protection policy.

"K" Line Group has an Environmental Vision 2050 "Blue Seas For the Future", and more information can be found at:

<https://www.kline.co.jp/en/csr/environment/management.html#002>

Strategic Report (continued)

Statement by Director in relation to Performance of his Statutory Duties in accordance with Section 172(1) Companies Act 2006 (continued)

The desirability of the Company to maintain a reputation for high standards of business conduct

-Establishment and Maintenance of the Internal Control System

The Board of Directors is responsible for establishing the internal control system, evaluating its effectiveness and ensuring that it functions properly.

-Group Governance

The Company complies with the Charter of Conduct for "K" Line Group Companies, as a keystone for both corporate governance and compliance.

The need to act fairly as between members of the company

During the year, the Director received information to enable him to consider the impact of the Company's decisions on its key stakeholders and acknowledge that every decision will not necessarily result in a positive outcome for all of our stakeholders and the Director frequently has to make difficult decisions based on competing priorities. By considering the company's purpose and values, together with its strategic priorities and having a process in place for decision-making, the Director does, however, aim to balance different perspectives of our stakeholders.

By order of the Board



B Y Ramlalsing
Secretary

Date: 22 December 2020

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 2020.

Director

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

A.Misaki

Dividends and financial risk management

Dividend and financial risk management disclosures are included in the Strategic Report on page 3.

Future developments

The Company's overall business is expected to be maintained in similar position over the coming year as compared to 2019/2020. More details are given in the Strategic Report on page 3. No major reduction in business activity is forecasted following the Covid-19 pandemic. The trend for the freight rate is moving in a positive direction.

Going concern

The Company has adequate financial resources together with existing contracts with a number of customers and suppliers across different geographic areas and industries. Covid-19 is not impacting negatively on the business as the market trend for freight rate is moving in a positive direction. As a consequence, the Director believes that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Notwithstanding the net current liability position of \$50M, the Director believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Director has received confirmation that Kawasaki Kisen Kaisha Limited intend to support the Company for at least one year after these financial statements are signed.

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.

Streamlined Energy and Carbon Reporting (SECR)

As a large unquoted company, the Company is required to report its UK energy use. The Company identified its only energy usage in the UK is related to office operation which falls into Scope 2 – electricity. The total electricity usage for year ending 31st March 2020 is less than 40MWH. Based on the legislation, the Company is not required to make full disclosure of energy and carbon information as a low energy user.

Statement of Director's Responsibilities

The Director is responsible for preparing the Report and Financial Statements in accordance with applicable law and regulation.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the Director is required to:

Director's Report (continued)

Statement of Director's Responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

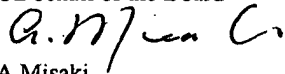
The Director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Director's confirmation

In the case of the Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information, of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



A Misaki

Director

Date: 22 December 2020

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2020; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Director's Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Kevin McGhee

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 December 2020

Income statement

for the year ended 31 March 2020

		Year ended 31 March 2020	Year ended 31 March 2019 (restated*)
	Note	US\$	US\$
Turnover	2	152,202,974	197,278,689
Cost of sales		(145,185,044)	(193,498,710)
Gross Profit		7,017,930	3,779,979
Administrative expenses		(3,069,724)	(3,488,157)
Exceptional items	3	(2,943,000)	-
Operating Profit	4	1,005,206	291,822
Interest receivable and similar income	8	893,680	1,603,961
Interest payable and similar expenses	9	(11,210,998)	(7,633,236)
Loss before taxation		(9,312,112)	(5,737,453)
Tax on loss	10	(59,201)	(83,220)
Loss for the financial year		(9,371,313)	(5,820,673)

All amounts relate to continuing activities.

*See note 1 for details of restatement.

Statement of comprehensive income

for the year ended 31 March 2020

	Year ended 31 March 2020	Year ended 31 March 2019 (restated*)
	US\$	US\$
Loss for the financial year	(9,371,313)	(5,820,673)
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	153,377	131,828
Other comprehensive income for the year net of tax	153,377	131,828
Total comprehensive expense for the year	(9,217,936)	(5,688,845)

The notes on pages 14 to 32 form an integral part of these financial statements.

*See note 1 for details of restatement.

"K" Line Bulk Shipping (UK) Limited

Balance sheet

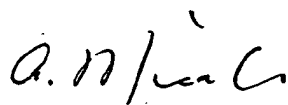
as at 31 March 2020

		31 March 2020	31 March 2019 (restated*)
	Note	US\$	US\$
Fixed assets			
Tangible assets	11	<u>289,659,949</u>	<u>308,683,048</u>
Current assets			
Stocks	12	2,489,318	1,994,068
Debtors (including US\$76,197 (2019: US\$62,403) falling due after more than one year)	13	30,272,485	57,641,078
Cash and cash equivalents		<u>15,958,282</u>	<u>16,436,930</u>
		<u>48,720,085</u>	<u>76,072,076</u>
Creditors: amounts falling due within one year	14	<u>(99,137,107)</u>	<u>(115,235,874)</u>
Net current liabilities		<u>(50,417,022)</u>	<u>(39,163,798)</u>
Total assets less current liabilities		239,242,927	269,519,250
Creditors: amounts falling due after more than one year	15	<u>(143,836,703)</u>	<u>(224,017,807)</u>
Net assets		<u>95,406,224</u>	<u>45,501,443</u>
Capital and reserves			
Called up share capital	18	93,101,833	33,979,116
Hedging reserves		(155,178)	(308,555)
Retained earnings		2,459,569	11,830,882
Total shareholders' funds		<u>95,406,224</u>	<u>45,501,443</u>

*See note 1 for details of restatement

The notes on pages 14 to 32 form an integral part of these financial statements.

The financial statements on pages 11 to 32 were approved by the Director and were signed by:



A Misaki

Director

Date 22 December 2020

Registered No. 4830352

Statement of changes in equity

for the year ended 31 March 2020

	Called-up share capital US\$	Other reserves US\$	Retained earnings (restated*) US\$	Total shareholders' fund (restated*) US\$
At 1 April 2018 (as previously stated)	33,979,116	(440,383)	8,494,995	42,033,728
Impact of restatement	–	–	9,156,560	9,156,560
At 1 April 2018 (restated)	33,979,116	(440,383)	17,651,555	51,190,288
Loss for the year (restated)	–	–	(5,820,673)	(5,820,673)
Other comprehensive income for the year	–	131,828	–	131,828
Total comprehensive income/(expense)	–	131,828	(5,820,673)	(5,688,845)
At 31 March 2019 (restated)	33,979,116	(308,555)	11,830,882	45,501,443
	Called-up share capital US\$	Other reserves US\$	Retained earnings US\$	Total shareholders' funds US\$
At 1 April 2019 (restated)	33,979,116	(308,555)	11,830,882	45,501,443
Loss for the year	–	–	(9,371,313)	(9,371,313)
Other comprehensive income for the year	–	153,377	–	153,377
Total comprehensive income/(expense)	–	153,377	(9,371,313)	(9,217,936)
Share capital issued in the year (note 18)	59,122,717	–	–	59,122,717
At 31 March 2020	93,101,833	(155,178)	2,459,569	95,406,224

*See note 1 for details of restatement

Notes to the financial statements for the year ended 31 March 2020

1. Accounting policies

General Information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered 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, modified by revaluation of financial assets and liabilities held at fair value.

Restatement of comparative information

The Company has restated the comparative information included within these financial statements as in previous years, it had incorrectly accounted for an obligation under finance lease denominated in Japanese Yen; the liability had not been retranslated into USD at the closing rate at each balance sheet date. The impact of this restatement on the financial statements was as follows:

	As previously reported	Restatement	As restated
	US\$	US\$	US\$
Balance sheet as at 1 April 2018			
Obligations under finance leases and hire purchase contracts (falling due within one year)	5,478,383	392,790	5,871,173
Obligations under finance leases and hire purchase contracts (falling due after more than one year)	85,906,077	(9,549,350)	76,356,727
Retained earnings	8,494,995	9,156,560	17,651,555
Balance sheet as at 31 March 2019			
Obligations under finance leases and hire purchase contracts (falling due within one year)	5,647,216	549,639	6,106,855
Obligations under finance leases and hire purchase contracts (falling due after more than one year)	80,258,861	(11,144,480)	69,114,381
Retained earnings	1,146,041	10,684,841	11,830,882

Notes to the financial statements for the year ended 31 March 2020

1. Accounting policies (Continued)

Restatement of comparative information (continued)

	As previously reported	Restatement	As restated
	US\$	US\$	US\$
Income statement for 2019			
Finance lease interest payable	(3,427,252)	392,798	(3,034,454)
Foreign exchange gain on retranslation of loans	2,029,991	1,135,483	3,165,474
Loss for the year	(7,348,954)	1,528,281	(5,820,673)

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 the 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's key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

Going concern

The Company has adequate financial resources together with existing contracts with a number of customers and suppliers across different geographic areas and industries. Covid-19 is not impacting negatively on the business as the market trend for freight rate is moving in a positive direction. As a consequence, the Director believes that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Notwithstanding the net current liability position of \$50M, the Director believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Director has received confirmation that Kawasaki Kisen Kaisha Limited intend to support the Company for at least one year after these financial statements are signed.

Notes to the financial statements for the year ended 31 March 2020

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 on all tangible fixed assets is calculated, using the straight line method, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset, over its expected useful life, as follows:

Vessels	–	15 to 20 years
Furniture and equipment	–	3 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. Depreciation 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/acquisition of vessels is capitalised. Once the vessel is delivered, the interest is no longer capitalised.

Impairment of tangible fixed 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 and other fixed 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 cash-generating unit ("CGU") 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. A CGU 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 CGUs, 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 that each CGU comprises of an individual vessel.

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.

Notes to the financial statements for the year ended 31 March 2020

1. Accounting policies (Continued)

Impairment of tangible fixed assets (Continued)

If the recoverable amount is less than the carrying amount of the asset or CGU, 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 CGU 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 profit or loss.

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

Taxation

ii) Current tax

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

iii) 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 Director considers 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 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 denominated in a currency other than the functional currency are revalued at year end.

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 profit or loss 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.

Notes to the financial statements for the year ended 31 March 2020

1. Accounting policies (Continued)

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 income statement.

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 1.2400 at 31 March 2020 (31 March 2019 – 1.3031).

Pension contributions

The Company participates in 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.

Financial instruments

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

i) Financial assets

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 the income statement.

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. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. 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 cash flow hedges are taken through other comprehensive income.

Notes to the financial statements for the year ended 31 March 2020

1. Accounting policies (Continued)

Financial instruments (continued)

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 offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) Hedging arrangements

The Company does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in the OCI. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement. The fair value is based on a presumption that the 'close-out amount' that would be paid to the counterparty to settle the liability would not incorporate changes in the entity's credit risk since inception of the contract.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

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 profit or loss when liabilities are derecognised or impaired, as well as through the amortisation process.

Turnover recognition

Turnover is recognised on an accrual basis following the provision of the related goods or services. Turnover 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

Turnover is recognised on a straight-line 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.

Interest and similar income

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

Notes to the financial statements for the year ended 31 March 2020

1. Accounting policies (Continued)

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 within the K Line group. It does not disclose transactions with members of the same group that are wholly owned.

Joint ventures and arrangements

The Company entered into an agreement with "Cardinal Shipping Limited" to procure and subsequently time charter a Cape size bulk carrier. The vessel is co-owned by the two parties. The Company and Cardinal Shipping Limited established a trade partnership, E&K Amanda Partners which is responsible for the day to day running of the vessel and charters out the vessel to JERA Trading Pte. Ltd. The company recognises its 50% share of revenues and costs, assets and liabilities from the partnership activities for the financial year in its Income statement and Balance sheet. The partnership is registered at 6th Floor, 200 Aldersgate street, London, EC1A 4HD.

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 area:

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.

The Company has critical accounting estimates in the following areas:

Useful life of vessel: The Company has estimated that its vessels will individually be scrapped in 11 to 16 years based on their expected lifetime and the fact that it may prove difficult to find charterers willing to charter a vessel of their then age.

Impairment: The Company performs a discounted future cash flow analysis on its vessels to determine if any vessel is impaired. The assumptions used in the discounted future cash flow analysis consist of forecast future operating result of time charter, the estimated residual value and a weighted average cost of capital. The consideration of these factors requires management's judgement.

Notes to the financial statements for the year ended 31 March 2020

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 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
United Kingdom	4,686,229	5,024,644
Europe	50,100,542	67,207,377
Rest of the world	97,416,203	125,046,668
	<u>152,202,974</u>	<u>197,278,689</u>
Income from time charter activities	89,250,556	96,907,542
Income from voyage activities	30,089,587	63,598,904
Income from cargo relet activities	30,833,010	36,335,345
Other income	2,029,821	436,898
	<u>152,202,974</u>	<u>197,278,689</u>

3. Exceptional items

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Impairment of fixed assets	2,943,000	—
	<u>2,943,000</u>	<u>—</u>

An impairment charge of \$2,943,000 (2019: \$nil) was recognised against the carrying value of the assets. Refer to Note 11 for further details.

Notes to the financial statements for the year ended 31 March 2020

4. Operating profit

This is stated after charging

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Auditors' remuneration	76,402	65,253
Depreciation of owned assets	17,782,755	17,600,000
Depreciation of leased assets	5,202,817	4,509,421
Operating lease rentals – vessel hire	51,219,390	81,694,621
Inventories recognised as an expense	11,398,571	18,063,270
Foreign exchange loss	75,679	182,291
Exceptional items (note 3)	2,943,000	–

5. Auditors' remuneration

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Audit of the financial statements for the current year	76,402	65,253

6. Director's remuneration

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Remuneration	564,255	225,000

No pension contributions were paid by the Company on behalf of the Director during the year (year ended 31 March 2019 – US \$nil). No social security is payable in relation to the Director.

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

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Remuneration	564,255	225,000

The Director is also a director of several other UK subsidiaries. 60% of his remuneration has been to a fellow subsidiary company.

Notes to the financial statements for the year ended 31 March 2020

7. Staff costs

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Wages and salaries	1,246,123	1,259,308
Social security costs	62,418	64,503
Other pension costs	64,702	65,674
	<u>1,373,243</u>	<u>1,389,485</u>

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

	<i>Year ended 31 March 2020 No.</i>	<i>Year ended 31 March 2019 No.</i>
Administration	<u>14</u>	<u>14</u>

8. Interest receivable and similar income

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Bank interest receivable	234,262	367,143
Loan interest receivable	659,418	1,236,818
	<u>893,680</u>	<u>1,603,961</u>

9. Interest payable and similar expenses

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 (restated*) US\$</i>
Bank loan and swap interest payable	6,584,996	7,610,373
Finance lease interest payable	2,714,542	3,034,454
Loss on change in fair value of derivatives	170,612	153,883
Foreign exchange loss/(gain) on retranslation of loans	1,740,848	(3,165,474)
	<u>11,210,998</u>	<u>7,633,236</u>

*See note 1 for details of restatement

Notes to the financial statements for the year ended 31 March 2020

10. Tax on loss

Tax on loss

The tax charge is made up as follows:

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 US\$</i>
Current tax:		
UK corporation tax on the loss for the year	60,289	83,220
Adjustment in respect of previous periods	(1,088)	–
Total current tax charge (note 10(b))	<u>59,201</u>	<u>83,220</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (year ended 31 March 2019 – 19%). The differences are explained below:

	<i>Year ended 31 March 2020 US\$</i>	<i>Year ended 31 March 2019 (restated*) US\$</i>
Loss before taxation	<u>(9,312,112)</u>	<u>(5,737,453)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 March 2019 – 19%)	(1,769,301)	(1,090,116)
<i>Effects of:</i>		
Non-deductible expenses	3,306	4,310
Effects of group relief/other relief	100,000	150,237
Adjustment in respect of previous period	(1,088)	(290,374)
Deferred tax not recognised	1,726,284	1,309,163
Total tax charge for the year (note 10(a))	<u>59,201</u>	<u>83,220</u>

*The loss before taxation in the comparative period has been restated. There is no tax impact of this restatement. See note 1 for details.

Factors affecting current and future tax charges

In the March 2020 Budget, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). The proposal to keep the rate of 19% has been substantively enacted at the Balance Sheet date and the effects have been reflected in the financial statements.

Notes to the financial statements for the year ended 31 March 2020

11. Tangible assets

	<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>
Cost:				
At 1 April 2019	517,324,926	9,813,663	242,556	527,381,145
Additions	4,183,432	3,309,570	24,808	7,517,810
Disposal	–	(2,230,988)	–	(2,230,988)
At 31 March 2020	<u>521,508,358</u>	<u>10,892,245</u>	<u>267,364</u>	<u>532,667,967</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(214,085,547)	(4,371,379)	(241,171)	(218,698,097)
Impairment	(2,943,000)	–	–	(2,943,000)
Charge for the year - owned assets	(15,112,072)	(2,663,899)	(6,784)	(17,782,755)
Charge for the year - leased assets	(4,628,116)	(574,701)	–	(5,202,817)
Disposal	–	1,618,651	–	1,618,651
At 31 March 2020	<u>(236,768,735)</u>	<u>(5,991,328)</u>	<u>(247,955)</u>	<u>(243,008,018)</u>
Net book value:				
At 31 March 2020	<u>284,739,623</u>	<u>4,900,917</u>	<u>19,409</u>	<u>289,659,949</u>
At 31 March 2019	<u>303,239,379</u>	<u>5,442,284</u>	<u>1,385</u>	<u>308,683,048</u>

Included within the net book value of US\$289,659,949 is US\$64,520,748 (2019 – US\$69,071,988 out of US\$308,683,048) 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\$5,202,817 (2019 – US\$4,509,421). Finance costs capitalised in the year amounted to US\$ nil (2019 – US\$ nil).

Management has undertaken an impairment assessment as at the balance sheet date. Based on the calculations, the recoverable amounts of the three supramax vessels were lower than their carrying values indicating an impairment hence an impairment charge of \$2,943,000 (2019: \$nil) has been recognised.

The recoverable amount has been estimated using a value-in-use model by projecting cash flows over a period equal to the remaining useful life of each vessel. The inputs in the model are based on Board approved budgets and management's past experience and future expectations of performance with reference to the Baltic Dry Bulk Index.

Notes to the financial statements for the year ended 31 March 2020

11. Tangible assets (Continued)

Assumptions and estimates are subject to management's judgement which, combined with the period for which projections have been set, involve a high degree of uncertainty. The assumptions used in the assessment were:

- A pre-tax discount rate, ranging from 7.16% to 8.17%, calculated with reference to the Company's weighted average cost of capital ('WACC').
- Disposal proceeds were set using the scrap value in the past ten years average based on Clarkson Shipping Intelligence.
- Future expectation of movements in the Baltic Dry Bulk Index with estimation based on the historical 20-year average rate for each vessel class and movements following the cyclicity of the market
- The results of the assessments indicate headroom on the capesize and panamax vessels. There are no reasonably possible changes in assumptions for these vessels that could give rise to the recoverable amount being lower than the carrying amount. In relation to the three supramax vessels which have not been impaired, for two of the vessels there are no reasonably possible changes that would result in impairment but the final vessel is sensitive to changes in assumptions; an increase of 0.65% in the pre-tax WACC would eliminate the headroom.

12. Stocks

	31 March 2020 US\$	31 March 2019 US\$
Stocks	2,489,318	1,994,068

Stocks consist of bunker fuel oil and diesel fuel oil.

The amount of stock recognised as an expense during the year ended 31 March 2020 is US\$ 11,398,571 (2019: US\$ 18,063,270).

13. Debtors

	31 March 2020 US\$	31 March 2019 US\$
Trade debtors	2,142,905	2,009,104
Amounts owed by group undertakings	–	2,407,033
Derivative financial instruments	76,197	62,403
Loans owed by group undertakings	13,394,949	40,483,371
Prepayments and accrued income	14,658,434	12,679,167
	<u>30,272,485</u>	<u>57,641,078</u>

Amounts owed by group undertakings are unsecured, with no interest and no fixed repayment date. Loans owed by group companies are unsecured and governed by a rolling contract, with interest rates fixed every 3 months based on LIBOR at the date of agreement, and repayable within 5 working days once demanded.

Amounts falling due after more than one year included above are Derivative financial instruments amounting to \$76,197 (2019: US\$ 62,403).

Notes to the financial statements for the year ended 31 March 2020

14. Creditors: amounts falling due within one year

	31 March 2020	31 March 2019 (restated*)
	US\$	US\$
Bank loans and overdrafts (note 17)	56,596,581	60,368,376
Trade creditors	1,990,657	2,619,328
Amounts owed to group undertakings	751,446	618,749
Derivative financial instruments	184,406	–
Provisions	290,348	1,648,372
Group loans	–	31,544,175
Corporation tax payable	–	39,536
Other creditors	635,518	620,172
Obligations under finance leases and hire purchase contracts (note 16)	29,109,122	6,106,855
Accruals and deferred income	9,579,029	11,670,311
	<u>99,137,107</u>	<u>115,235,874</u>

*The Company has restated the obligations under finance leases and hire purchase contracts balance in the comparative period. The details are disclosed in note 1.

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

The group loans have been converted into share capital issued to the holding company. See note 18 for details.

Accruals and deferred income include services to be provided to Kawasaki Kisen Kaisha Limited, the ultimate parent company, amounting to \$2,149,407 (2019: \$1,848,945).

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

	31 March 2020	31 March 2019 (restated*)
	US\$	US\$
Bank loans and overdrafts (note 17)	102,941,509	118,575,698
Group loans (note 14)	–	36,019,173
Obligations under finance leases and hire purchase contracts (note 16)	40,740,016	69,114,381
Derivative financial instruments	155,178	308,555
	<u>143,836,703</u>	<u>224,017,807</u>

*The Company has restated the obligations under finance leases and hire purchase contracts balance in the comparative period. The details are disclosed in note 1.

Notes to the financial statements for the year ended 31 March 2020

16. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases:

	31 March 2020	31 March 2019 (restated*)
	US\$	US\$
Amounts payable:		
Within one year	31,079,764	8,301,680
In two to five years	43,241,440	73,502,558
	<u>74,321,204</u>	<u>81,804,238</u>
Less: finance charges allocated to future years	(4,472,066)	(6,583,002)
	<u>69,849,138</u>	<u>75,221,236</u>

Analysis of present value of finance lease liabilities:

	31 March 2020	31 March 2019 (restated*)
	US\$	US\$
In one year or less or on demand	29,109,122	6,106,855
In more than one year but not more than five years	40,740,016	69,114,381
	<u>69,849,138</u>	<u>75,221,236</u>

*The Company has restated the comparative financial information. The details are disclosed in note 1.

17. Bank loans

	31 March 2020	31 March 2019
	US\$	US\$
Amounts repayable:		
In one year or less or on demand	56,596,581	60,368,376
In more than one year but not more than two years	36,846,582	35,852,801
In more than two years but not more than five years	66,094,927	73,062,897
In more than five years	–	9,660,000
	<u>159,538,090</u>	<u>178,944,074</u>

Notes to the financial statements for the year ended 31 March 2020

17. Bank loans (continued)

The Company has 9 loans secured against 9 individual vessels as follows:

- The first loan of \$12,832,198 (JPY1,385,300,000) ((2019: \$14,518,498 (JPY1,606,980,000)) is repayable by April 2023 in 12 equal instalments of \$513,362 (JPY55,420,000) and 1 final instalment of \$6,671,854 (JPY720,260,000). The rate of interest payable on the loan is 0.4875% above LIBOR. The loan is secured by a guarantee provided by the ultimate group company. The carrying amount of the respective vessel is \$17,679,020 at as 31 March 2020 (2019: \$18,829,625).
- The second loan of \$13,650,000 (2019: \$15,750,000) is repayable by September 2021 in 5 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 and by guarantee provided by the ultimate parent company. The carrying amount of the respective vessel is \$18,712,865 at as 31 March 2020 (2019: \$20,147,483).
- The third loan of \$14,700,000 (2019: \$16,800,000) is repayable by January 2022 in 7 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 and by guarantee provided by the ultimate parent company. The carrying amount of the respective vessel is \$19,559,327 at as 31 March 2020 (2019: \$21,002,298).
- The fourth loan of \$14,950,000 (2019: \$17,850,000) is repayable by July 2020 in 1 equal instalment of \$525,000 and 1 final instalment of \$14,425,000. 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 carrying amount of the respective vessel is \$19,285,223 at as 31 March 2020 (2019: \$20,651,607).
- The fifth loan of \$25,695,893 (JPY2,774,000,000) ((2019: \$29,615,576 (JPY3,278,000,000)) is repayable by July 2022 in 9 equal instalments of \$1,435,783 (JPY155,000,000) and 1 final instalment of \$12,773,841 (JPY1,379,000,000). The rate of interest payable on the loan is 1.19% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$41,528,840 at as 31 March 2020 (2019: \$44,498,320).
- The sixth loan of \$13,860,000 (2019: \$15,540,000) is repayable by June 2023 in 12 equal instalments of \$420,000 and 1 final instalment of \$8,820,000. 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 \$22,235,375 at as 31 March 2020 (2019: \$24,784,159).
- The seventh loan of \$24,750,000 (2019: \$26,550,000) is repayable by December 2020 in 2 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 \$26,250,173 at as 31 March 2020 (2019: \$27,985,952).
- The eighth loan of \$17,020,000 (2019: \$18,860,000) is repayable by April 2024 in 16 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 \$22,369,799 at as 31 March 2020 (2019: \$25,558,300).
- The ninth loan of \$22,080,000 (2019: \$23,460,000) is repayable by January 2023 in 11 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 \$28,147,411 at as 31 March 2020 (2019: \$29,768,073).

Notes to the financial statements for the year ended 31 March 2020

18. Called up share capital

Ordinary shares of £1 each		2020		2019	
Allotted, called up, issued and fully paid		No.	US\$	No.	US\$
At 1 April	19,989,662	33,979,116	19,989,662	33,979,116	
Issued during the year	45,479,013	59,122,717	-	-	
At 31 March	65,468,675	93,101,833	19,989,662	39,979,116	

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 issued.

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

The company entered a debt release and equity swap arrangement with its holding company "K" Line Holding (Europe) Limited to restructure its debts. The company issued and allocated 45,479,013 new ordinary shares of GBP 1.00 each.

19. Financial instruments

	31 March 2020	31 March 2019 (restated*)
The Company has the following financial instruments:	US\$	US\$
Financial assets at fair value through profit and loss		
Derivative financial assets (note 13)	76,197	62,403
Financial assets measured at amortised cost		
Trade debtors (note 13)	2,142,905	2,009,104
Amounts owed by group undertakings (note 13)	-	2,407,033
	<u>2,142,905</u>	<u>4,416,137</u>
Financial liabilities measured at amortised cost:		
Trade creditors (note 14)	1,990,656	2,619,328
Bank loans (note 17)	159,538,091	178,944,074
Amounts owed to group undertakings (note 14)	751,446	618,749
Group loans (note 14)	-	31,544,175
Other creditors (note 14)	635,518	620,172
Obligations under finance leases and hire purchase contracts (note 16)	69,849,138	75,221,236
	<u>232,764,849</u>	<u>289,567,734</u>
Financial liabilities at fair value through OCI		
Derivative financial liabilities (note 15)	155,178	308,555
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities (note 14)	184,406	-

*The Company has restated the obligations under finance leases and hire purchase contracts balance in the comparative period. The details are disclosed in note 1.

Notes to the financial statements for the year ended 31 March 2020

19. Financial instruments (Continued)

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 are determined by reference to their market values.

The valuation was adjusted to reflect selected market risks. It was not adjusted to reflect credit risk, 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.

20. 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\$64,702 (2019 – US\$65,674). The amount of outstanding contributions at the year-end was US \$nil (2019 – US \$nil).

21. Other financial commitments

The company has entered into several non-cancellable contracts with vessel owners. At 31 March, the future minimum lease payments under these non-cancellable operating leases are as follows:

	31 March 2020	31 March 2019
Vessel hire	Vessel hire	Vessel hire
US\$	US\$	US\$
Operating leases which expire:		
Within one year	25,522,437	36,608,075
In two to five years	60,838,787	84,291,941
Over five years	360,450	6,854,232
	<u>86,721,674</u>	<u>127,754,248</u>

The company has also entered into several non-cancellable contracts with charterers for its vessels. The minimum future operating lease income to be received is shown in the table below:

	31 March 2020	31 March 2019
Vessel hire	Vessel hire	Vessel hire
US\$	US\$	US\$
Operating leases which expire:		
Within one year	9,878,608	47,985,904
In two to five years	–	8,935,800
	<u>9,878,608</u>	<u>56,921,704</u>

Notes to the financial statements for the year ended 31 March 2020

22. 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.

23. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is "K" Line Holdings (Europe) Limited, a private limited company which is incorporated in UK. 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.