Registered No. 5005018

"K" Line Holding (Europe) Limited

Report and Financial Statements

31 March 2015

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Company Information

Directors
D Arai
Y Nakagawa
E Tomioka

Secretary
B Y Ramlalsing

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Registered No. 5005018

Directors' report

The Directors present their Directors' report and audited financial statements of "K" Line Holding (Europe) Limited (the "Company") for the financial year ended 31 March 2015.

Results and dividends

The profit for the year after taxation amounted to £992,826 (year ended 31 March 2014 profit – £1,101,994).

The Directors do not recommend a final dividend (year ended 31 March 2014 – £nil).

The Company received dividends of £1.3m (2014: £1.2m) from its associate, subsidiaries and an unlisted investment.

Principal activities and review of the business

The Company is an investment holding and financing company. Investments are principally held in respect of wholly-owned shipping and general shipping agency companies in the UK. Details of the investments held by the Company are set out in Note 10 to the financial statements.

Business reviews in respect of the Company's principal UK investments for the year ended 31st March 2015 are included in the financial statements of the companies listed in Note 10 to the financial statements with the exception of those which meet the definition of a "small" company under the Companies Act 2006.

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

	Year ended 31 March 2015	*Year ended 31 March 2014*	*Change*
	£000	*£000*	*%*
Profit after tax	993	1,102	(10%)
Shareholders' funds	54,796	53,803	2%
Cash at bank and in hand	2,533	1,262	101%

The profit after tax is attributed to the dividends received from its subsidiaries and associates during the year of £1,336,503 (2014: £1,200,292). The cash balance increased by 101% which is attributed to the same reason.

Future developments

The Company's overall business is expected to continue in the same direction over the coming year and to the same extent as 2015.

Financial risks and uncertainties

Principal risks

The principal risks and uncertainties facing the Company include the cyclical nature of the shipping industry in which its investments operate, in the UK and globally. The carrying value of the investments is reviewed by the Directors annually against the investments' underlying business performance and net assets.

As the Company is a non-trading holding and financing company, key financial indicators are limited, but include exchange risk management and the cost of financing.

The Company's trading and financial transactions are principally GBP sterling denominated. Consequently, the financial statements are prepared in GBP sterling.

Directors' report (continued)

Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law, UK Bribery Act and tax law. These standards are subject to continuous revision; however, they are not expected to have a material impact on the ability of the Company to generate a profit.

Treasury operations and financial instruments

The Company operates a treasury function which is responsible for managing the liquidity, 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.

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.

Foreign currency risk

To the extent that intercompany loan agreements are entered into in currencies different to that of the functional currency, there is an exposure to movements in exchange rates. The Company principally has Euro denominated intercompany loan assets as at the reporting date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts where necessary. The Company does not suffer from significant bad debt expense.

Directors

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

D Arai (Appointed 1 April 2014)
Y Nakagawa
E Tomioka

Going concern

The business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to price, credit, liquidity and cash flow risk are described in the business review above.

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors continue to adopt the going concern basis in preparing the financial statements.

Directors' report(continued)

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP resigned as auditor on 10th February 2015 under Section 516 of Company Act 2006. The Directors have then appointed PricewaterhouseCoopers LLP as the Company's auditor.

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be re-appointed as auditor in the absence of an Annual General Meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the Board

D Arai
Director and Chief Executive Officer
15 MAY 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

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

Report on the financial statements

Our opinion

In our opinion, "K" Line Holding (Europe) 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

"K" Line Holding (Europe) Limited's financial statements comprise:

- the Balance sheet as at 31 March 2015;
- the Profit and loss account 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 applicable law and United Kingdom Accounting Standards (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 matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Entitlement to exemptions

Under Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report and to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Independent auditors' report (continued)

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' 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 Directors' report and financial statements 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
Date: 15 May 2015

Profit and loss account

for the year ended 31 March 2015

	Notes	*Year ended 31 March 2015* £	*Year ended 31 March 2014* £
Administrative expenses		(53,484)	(92,491)
Impairment loss	10	(45,256)	–
Operating loss	2	(98,740)	(92,491)
Interest receivable and similar income	6	23,813	14,774
Foreign exchange loss on retranslation of loans	7	(348,077)	(47,148)
Dividend income	8	1,336,503	1,200,292
Profit on ordinary activities before taxation		913,499	1,075,427
Tax credit on profit on ordinary activities	9	79,327	26,567
Profit for the financial year	14	992,826	1,101,994

All amounts relate to continuing activities.

The notes on pages 11 to 17 form an integral part of these financial statements.

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £992,826 for the year ended 31 March 2015 (year ended 31 March 2014 profit – £1,101,994). Consequently, no statement of total recognised gains and losses has been prepared.

As the results disclosed in the Profit and loss account are prepared on an unmodified historical cost basis, a note on historical cost profit and loss has not been included in these financial statements.

Balance sheet

at 31 March 2015

	Notes	*31 March 2015* £	*31 March 2014* £
Fixed assets			
Investments	10	47,510,811	47,556,067
Current assets			
Debtors: amounts falling due within one year	11	4,772,131	5,053,562
Cash at bank and in hand		2,533,372	1,262,046
		7,305,503	6,315,608
Creditors: amounts falling due within one year	12	(20,363)	(68,550)
Net current assets		7,285,140	6,247,058
Net assets		54,795,951	53,803,125
Capital and reserves			
Called up share capital	13	84,880,603	84,880,603
Profit and loss account	14	(30,084,652)	(31,077,478)
Shareholder's funds	14	54,795,951	53,803,125

The notes on pages 11 to 17 form an integral part of these financial statements

The financial statements on pages 9 to 17 were approved by the Board of Directors and signed on their behalf by:

D Arai
Director and Chief Executive Officer

Date: 15 MAY 2015

Company number: 5005018

Notes to the financial statements

at 31 March 2015

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom and under the historical cost convention.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

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

Statement of cash flows

The Directors have taken advantage of the exemption in FRS 1 (revised) from including a Statement of cash flows in the financial statements on the grounds that the Company is wholly owned and its parent undertaking publishes group financial statements.

Investments

Investments in subsidiaries, joint venture, associates and trade investments are stated at cost less provision for impairment. Impairment reviews are carried out if there is an indication of a reduction in value. Dividends from investments are recognised when received or approved for payment by the investee.

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction.

Gains and losses on exchange are dealt with in the Profit and loss account.

Loans receivable

Loans and receivables are non-derivative financial instruments which have a fixed or easily determinable value. They are recognised at cost, less any provisions for impairment in their value.

Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition the debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Notes to the financial statements

at 31 March 2015

2. Operating loss

This is stated after charging:

	Year ended 31 March 2015	*Year ended 31 March 2014*
	£	£
Auditors' remuneration (note 3)	13,000	69,451
Foreign exchange (gain)/loss	(967)	11,528

3. Auditors' remuneration

	Year ended 31 March 2015	*Year ended 31 March 2014*
	£	£
Audit of the financial statements	13,000	54,201
Other fees paid to auditor for taxation services	–	15,250
	13,000	69,451

4. Directors' remuneration

No remuneration nor any pension was paid by the Company in respect of the Directors (2014: Nil).

5. Staff costs

No staff cost was paid by the Company during the year (2014: Nil), average number of staff during the year. (2014: Nil).

6. Interest receivable and similar income

	Year ended 31 March 2015	*Year ended 31 March 2014*
	£	£
Bank interest receivable	7,775	327
Loan interest receivable	16,038	14,447
	23,813	14,774

Notes to the financial statements

at 31 March 2015

7. Interest payable and similar charges

	Year ended 31 March 2015	Year ended 31 March 2014
	£	£
Foreign exchange loss on retranslation of loans	348,077	47,148
	348,077	47,148

8. Dividend income

	Year ended 31 March 2015	Year ended 31 March 2014
Dividends from:	£	£
Associate	434,963	1,046,617
Subsidiaries	900,000	152,450
Unlisted investment	1,540	1,225
	1,336,503	1,200,292

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Year ended 31 March 2015	Year ended 31 March 2014
	£	£
Current tax:		
UK corporation tax on profit for the year	-	-
Group relief payable/(recoverable)	(79,327)	(28,719)
Adjustments in respect of previous periods	-	2,152
Total current tax (note 9(b))	(79,327)	(26,567)

Notes to the financial statements

at 31 March 2015

9. Tax(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 21% (year ended 31 March 2014 – 23%). The differences are explained below:

	Year ended 31 March 2015 £	*Year ended 31 March 2014* £
Profit/(loss) on ordinary activities before tax	913,499	1,075,427
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (year ended 31 March 2014 – 23%)	191,835	247,348
Effects of:		
Disallowed expenses and non taxable income	(271,162)	(276,067)
Capital allowances in arrears of depreciation	-	-
Other timing differences	-	-
Adjustments in respect of previous periods	-	2,152
Current tax for the year (note 9(a))	(79,327)	(26,567)

10. Investments

	31 March 2015 £	*31 March 2014* £
Associate	22,862	22,862
Investments in subsidiaries	47,440,860	47,486,116
Unlisted investments	47,089	47,089
	47,510,811	47,556,067

Dividend received from subsidiaries and associate for the year ended 31 March 2015 £1,336,503 (2014: £1,200,292).

Notes to the financial statements

at 31 March 2015

10. Investments(continued)

	Investment in associate	*Investment in subsidiary undertakings*	*Unlisted investments*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 April 2014	22,862	82,941,680	47,089	83,011,631
Acquisition during the year	–	–	–	–
At 31 March 2015	22,862	82,941,680	47,089	83,011,631
Amounts provided:				
At 1 April 2014	–	(35,455,564)	–	(35,455,564)
Impairment loss	–	(45,256)	–	(45,256)
At 31 March 2015	–	(35,500,820)	–	(35,500,820)
Net book value:				
At 31 March 2015	22,862	47,440,860	47,089	47,510,811
At 31 March 2014	22,862	47,486,116	47,089	47,556,067

In the opinion of the Directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

Details of the investments in which the Company (unless indicated) holds 20% or more of the nominal values of the class of share capital are as follows:

Name of Company	*Holding*	*Proportion of voting rights held*	*Nature of business*
Subsidiary undertakings:			
"K" Line Bulk Shipping (UK) Limited	Ordinary shares	100%	Shipping
"K" Line LNG Shipping (UK) Limited	Ordinary shares	100%	Shipping
James Kemball Limited	Ordinary shares	100%	Road haulage
"K" Line (Europe) Limited	Ordinary shares	100%	Shipping
"K" Line Heavy Lift (UK) Limited	Ordinary shares	100%	Shipping
Associate:			
Polar LNG Shipping (UK) Limited	Ordinary shares	42.5%	Shipping

Unlisted investments:

The Company also own 10% of the issued share capital of "K" Line Logistics (UK) Limited which was acquired on 1 January 2004 for £6,642 and less than 1% of the issued share capital of Baltic Exchange Company Limited which was acquired on 1 January 2004 for £40,447.

Notes to the financial statements

at 31 March 2015

11. Debtors

	31 March 2015	*31 March 2014*
	£	*£*
Amounts owing from group undertakings	79,327	28,719
Loan owed from group undertaking	4,692,804	5,024,843
	4,772,131	5,053,562

Amounts owed by group undertaking are unsecured, with interest of 0.56% and fixed repayment terms of 3 months.

12. Creditors: amounts falling due within one year

	31 March 2015	*31 March 2014*
	£	*£*
Accruals and deferred income	20,350	67,450
Amounts owing to group undertakings	13	1,100
	20,363	68,550

Amounts owing to group undertakings are unsecured, interest free and with no fixed repayment terms.

13. Issued share capital

		31 March 2015		*31 March 2014*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	84,880,603	84,880,603	84,880,603	84,880,603

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total share-holder's funds*
	£	*£*	*£*
At 1 April 2013	84,880,603	(32,179,472)	52,701,131
Profit for the year	–	1,101,994	1,101,994
At 1 April 2014	84,880,603	(31,077,478)	53,803,125
Profit for the year	–	992,826	992,826
At 31 March 2015	84,880,603	(30,084,652)	54,795,951

Notes to the financial statements

at 31 March 2015

15. Related party transactions

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

16. Ultimate parent undertaking and controlling party

The immediate and 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.