

5005018

# **“K” Line Holding (Europe) Limited**

## **Report and Financial Statements**

31 December 2006

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COMPANIES HOUSE

# "K" Line Holding (Europe) Limited

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Registration number 5005018

## **Directors**

S Soda (Managing Director)  
H Maekawa  
H Nagayama

## **Secretary**

R Dowding

## **Auditors**

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

## **Bankers**

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

Sumitomo Mitsui Banking Corporation Europe Limited  
11 Queen Victoria Street  
London EC4N 4TA

## **Registered office**

River Plate House  
7-11 Finsbury Circus  
London  
EC2M 7EA

## Statement of directors' responsibilities

The directors present their report and financial statements of the group for the year ended 31 December 2006

### Results and dividends

The results of the group for the year ended 31 December 2006 are shown in the group profit and loss account. The profit for the year after taxation was £14,891,000 (2005 – £7,547,000). The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The company acts as a holding company. The practical business of the group is that of general shipping agents for container ships and car carriers, operation of bulk and LNG vessels as well as road haulage.

On 7 April 2006, 2,116,788 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited.

With effect from 1 January 2006, the K Line group of companies in the UK was re-structured as part of a business reorganisation. As a result, the agency activities of the group's subsidiary, "K" Line (Europe) Limited, were transferred to "K" Line (Europe) 2006 Limited, a newly incorporated company, whilst the bulk and LNG business operations were transferred to other group companies.

On 3 February 2006, "K" Line (Europe) Limited was renamed Polar LNG Shipping (UK) Limited retaining the LNG activities for the Snohvit vessels. On the same date, "K" Line (Europe) 2006 Limited changed its name to "K" Line (Europe) Limited, maintaining the agency activities as its main business.

The group's key financial and other performance indicators during the year were as follows:

	2006 £'000	2005 £'000	Change %
Turnover	94,201	54,805	72%
Profit after tax	14,891	7,547	97%
Shareholders' funds	40,857	26,924	52%
Cash at bank	51,224	22,261	130%

Turnover increased by 72% during the year due to an increase in the fleet of bulk vessels in operations as well as the high market rate for freight during the year. Additionally, the LNG division started ship management operations of 3 vessels during the year. The increase in Cash balance is attributed mainly to increased turnover and a deposit held in respect of a new LNG vessel that is expected to be delivered in December 2007.

### Principal risk and uncertainties

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

- Competitive risks

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

## Statement of directors' responsibilities

### Principal risks and uncertainties (continued)

- Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law 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 group operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

- Financial instrument risks

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

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

- Use of derivatives

The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The group also uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements.

- Liquidity risk

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

The group manages its cash flow in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group 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 group does not suffer from significant bad debt expense.

### Events since the balance sheet date

A new group company, "K" Line Heavy Lift (UK) Limited was incorporated on 16 March 2007. The main purpose of this company is a joint venture partnership with other parties to invest in 50% of the business of the SAL group in Germany to carry out business in the heavy lift vessel sector. On 27 April 2007, "K" Line Holding (Europe) Limited invested €21.9m in "K" Line Heavy Lift (UK) Limited consisting of a €17m subscription for ordinary share capital and the balance in a shareholder loan.

## Statement of directors' responsibilities

### The Directors and their interests

The directors who served the company during the year were as follows

F Kawamata (resigned 26 June 2006)  
H Maekawa  
H Nagayama  
S Soda (appointed 26 June 2006)

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

### Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2006, the company had an average of 30 days (2005 - 21 days) purchases outstanding in trade creditors

### Employment policy

The group has given full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities

The group has a policy of employee involvement by making information available to all employees on matters of concern to them on a regular basis. Information concerning the group's business plans and financial performance is also published on the group's Intranet and Web sites. All employees have access to the group's Intranet and Internet.

The group has Investor in People accreditation and maintains a policy of encouraging personal development and training.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

21 JUN 2007

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and 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**

We have audited the group and parent company financial statements (the "financial statements") of "K" Line Holding (Europe) Limited for the year ended 31 December 2006 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

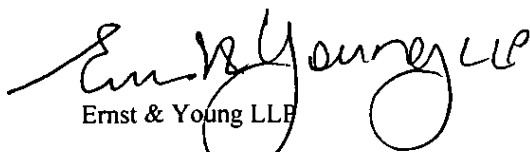
## Independent auditors' report

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

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP

Registered auditor

London

22 JUN 2007



## Group profit and loss account

for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i> £000	<i>2005</i> £000
<b>Turnover</b>	2	94,201	54,805
Cost of sales		(57,221)	(27,415)
		<hr/>	<hr/>
<b>Gross profit</b>		36,980	27,390
Administrative expenses		(16,023)	(15,888)
		<hr/>	<hr/>
<b>Operating profit</b>	3	20,957	11,502
Income from investments		–	1
Interest receivable and similar income	7	1,193	319
Interest payable and similar charges	8	(979)	(398)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		21,171	11,424
Taxation	9	(6,280)	(3,877)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		14,891	7,547
		<hr/> <hr/>	<hr/> <hr/>

## Group statement of total recognised gains and losses

for the year ended 31 December 2006

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	14,891	7,547
Exchange difference on retranslation of net assets of subsidiary undertaking	(3,075)	(348)
<b><i>Total recognised gains related to the year</i></b>	<u>11,816</u>	<u>7,199</u>

## Group balance sheet

at 31 December 2006

	<i>Notes</i>	<i>2006</i> £000	<i>2005</i> £000
<b>Fixed assets</b>			
Intangible assets	11	254	381
Tangible assets	12	83,356	49,871
Investments	13	47	47
Investment in associate	13	23	–
		<u>83,680</u>	<u>50,299</u>
<b>Current assets</b>			
Stocks	14	75	15
Debtors	15	14,455	12,217
Cash at bank and in hand		51,224	22,261
		<u>65,754</u>	<u>34,493</u>
<b>Creditors</b> amounts falling due within one year	16	(33,710)	(19,517)
		<u>32,044</u>	<u>14,976</u>
		<u>115,724</u>	<u>65,275</u>
<b>Total assets less current liabilities</b>			
<b>Creditors</b> amounts falling due after more than one year	17	(68,143)	(35,117)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	21	(6,724)	(3,234)
		<u>40,857</u>	<u>26,924</u>
<b>Capital and reserves</b>			
Called up share capital	22	19,982	17,865
Profit and loss account	23	20,875	9,059
		<u>40,857</u>	<u>26,924</u>
<b>Equity shareholders' funds</b>			
	23	<u>40,857</u>	<u>26,924</u>



H Nagayama  
Director

21 JUN 2007

## Balance sheet

at 31 December 2006

	<i>Notes</i>	<i>2006</i> £000	<i>2005</i> £000
<b>Fixed assets</b>			
Investments	13	25,459	17,713
<b>Current assets</b>			
Debtors	15	141	2
Cash at bank and in hand		130	360
		271	362
<b>Creditors</b> amounts falling due within one year	16	(28)	(41)
		243	321
<b>Net current assets</b>		243	321
<b>Total assets less current liabilities</b>		25,702	18,034
<b>Capital and reserves</b>			
Called up share capital	22	19,982	17,865
Profit and loss account	23	5,720	169
<b>Equity shareholders' funds</b>	23	25,702	18,034



H Nagayama  
Director

21 JUN 2007

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### *Accounting convention*

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

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of "K" Line Holding (Europe) Limited and its subsidiary undertakings. These financial statements are drawn up to 31 December each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

#### *Statement of cash flows*

The company has taken advantage of the exemption available in FRS 1 (Revised) not to disclose a statement of cash flows as the company is a wholly owned subsidiary of a company whose consolidated financial statements are publicly available.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Goodwill*

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Fixed asset investments*

Investments held as fixed assets are stated at cost less provision for any impairment.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold building	-	8 - 10 years straight line
Leasehold property	-	over the lease term
Fixtures and fittings	-	5 - 10 years straight line
Tractors and trailers	-	6 - 7 years straight line
Motor vehicles	-	25% reducing balance
Vessels	-	15 years

Assets under construction are not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies (continued)

#### **Stocks**

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

#### **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 exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of all subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- 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**

##### **Company**

Monetary assets and liabilities 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

##### **Group**

For consolidation purposes, the assets and liabilities and profit and loss accounts of subsidiary undertakings are translated at the closing exchange rates. Exchange differences arising on these translations are taken directly to reserves

#### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

#### **Pensions**

The company and group operate a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable

#### **Derivative instruments**

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The company also uses interest rate swap contracts to reduce interest rate exposures

## Notes to the financial statements

at 31 December 2006

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the group's continuing activity as stated in the directors' report

An analysis of turnover by geographical market is given below

	2006	2005
	£000	£000
United Kingdom	27,582	20,733
Rest of Europe	42,647	15,048
Rest of World	23,972	19,024
	<u>94,201</u>	<u>54,805</u>

### 3. Operating profit

This is stated after charging/(crediting)

	2006	2005
	£000	£000
Auditors' remuneration (see note 4)	337	342
Amortisation of goodwill	127	127
Depreciation of owned tangible fixed assets	4,271	2,272
Depreciation of assets held under finance leases and hire purchase contracts	721	525
Operating lease rentals - land and buildings	471	515
- plant and machinery	28,193	18,312
Foreign exchange gains	(2,832)	(947)
Profit on disposal of fixed assets	(41)	(25)
Loss on disposal of investments	273	-

## Notes to the financial statements

at 31 December 2006

### 4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Audit of the financial statements	26	20
Other fees to auditors		
– local statutory audits for subsidiaries	52	49
– taxation services	91	141
– other services	168	132
	<u>337</u>	<u>342</u>

### 5. Directors' remuneration

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Emoluments	1,728	1,097
	<u>1,728</u>	<u>1,097</u>

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

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Emoluments	365	352
	<u>365</u>	<u>352</u>

### 6. Staff costs

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	12,496	10,471
Social security costs	934	849
Other pension costs (note 19)	611	616
	<u>14,041</u>	<u>11,936</u>

The average weekly number of employees during the year was as follows

	<i>2006</i>	<i>2005</i>
	<i>No</i>	<i>No</i>
Operational	90	74
Administration	222	185
	<u>312</u>	<u>259</u>



## Notes to the financial statements

at 31 December 2006

### 7. Interest receivable

	2006	2005
	£000	£000
Bank interest receivable	1,193	319

### 8. Interest payable

	2006	2005
	£000	£000
Bank interest payable	873	303
Finance lease charges	106	95
	<u>979</u>	<u>398</u>

### 9. Tax

#### (a) Tax on profit on ordinary activities

	2006	2005
	£000	£000
<i>Current tax</i>		
UK corporation tax on the profit for the year	2,362	761
Adjustment in respect of prior periods	12	23
Total current tax (note 9(b))	<u>2,374</u>	<u>784</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	3,906	3,093
Tax on profit on ordinary activities	<u>6,280</u>	<u>3,877</u>

## Notes to the financial statements

at 31 December 2006

### 9. Tax (continued)

#### (b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2006 £000	2005 £000
Profit on ordinary activities before tax	21,171	11,424
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	<u>6,351</u>	<u>3,427</u>
<i>Effects of</i>		
Disallowable expenses	123	173
Accelerated capital allowances	(3,872)	(3,085)
Short term timing differences	–	246
Adjustments in respect of prior periods	12	23
Other timing differences	(240)	–
Current tax for the year (note 9(a))	<u>2,374</u>	<u>784</u>

#### (c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2006 £000	2005 £000
Included in debtors (note 15)	39	80
Included in provisions for liabilities and charges (note 21)	(6,724)	(3,234)
	<u>(6,685)</u>	<u>(3,154)</u>

	2006 £000	2005 £000
Decelerated capital allowances	39	80
Accelerated capital allowances	(6,724)	(3,234)
	<u>(6,685)</u>	<u>(3,154)</u>

	<u>£000</u>
At 1 January 2006	(3,154)
Foreign exchange differences on retranslation of opening balances in subsidiary	375
Profit and loss account movement during the year	(3,906)
At 31 December 2006	<u>(6,685)</u>

## Notes to the financial statements

at 31 December 2006

### 10. Profit attributable to members of parent company

The profit dealt with in the financial statements of the parent company was £5,551,000 (2005 - profit of £85,000)

### 11. Intangible fixed assets

<i>Group</i>	<i>Goodwill £000</i>
Cost	
At 1 January 2006 and 31 December 2006	635
Amortisation	
At 1 January 2006	254
Provided during the year	127
At 31 December 2006	381
Net book value	
At 31 December 2006	254
At 1 January 2006	381

## Notes to the financial statements

at 31 December 2006

### 12. Tangible fixed assets

<i>Group</i>	<i>Vessels</i>	<i>Vessel</i>	<i>Leasehold</i>	<i>Plant and</i>	<i>Motor</i>	<i>Total</i>
	<i>£000</i>	<i>construction</i>	<i>property</i>	<i>machinery,</i>	<i>vehicles</i>	<i>£000</i>
		<i>improvements</i>	<i>and</i>	<i>fixtures and</i>		
		<i>£000</i>	<i>fittings</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost</b>						
At 1 January 2006	29,163	18,500	319	8,558	91	56,631
Exchange adjustments	(3,577)	(2,270)	–	(119)	–	(5,966)
Additions	–	42,239	323	2,625	–	45,187
Transfers	45,081	(45,081)	–	–	–	–
Disposals	–	–	(138)	(2,799)	(56)	(2,993)
<b>At 31 December 2006</b>	<b>70,667</b>	<b>13,388</b>	<b>504</b>	<b>8,265</b>	<b>35</b>	<b>92,859</b>
<b>Depreciation</b>						
At 1 January 2006	1,724	–	133	4,870	33	6,760
Exchange adjustment	(211)	–	64	–	–	(147)
Provided during the year	3,718	–	53	1,209	12	4,992
Disposals	–	–	(48)	(2,029)	(25)	(2,102)
<b>At 31 December 2006</b>	<b>5,231</b>	<b>–</b>	<b>202</b>	<b>4,050</b>	<b>20</b>	<b>9,503</b>
<b>Net book value</b>						
At 31 December 2006	65,436	13,388	302	4,215	15	83,356
At 1 January 2006	27,439	18,499	186	3,688	58	49,871

The net book value of plant and machinery above includes an amount of £2,932,000 (2005 - £2,372,812) in respect of assets held under finance leases and hire purchase contracts

## Notes to the financial statements

at 31 December 2006

### 13. Investments

<i>Group</i>	2006 £000	2005 £000		
Associate	23	–		
Unlisted investments	47	47		
<hr/>				
<i>Company</i>	<i>Investment in subsidiary</i>		<i>Unlisted</i>	<i>Total</i>
	<i>Associate</i>	<i>undertakings</i>	<i>investments</i>	<i>£000</i>
	£000	£000	£000	£000
Cost/fair value				
At 1 January 2006	–	17,666	47	17,713
Acquired during the year	23	8,001	–	8,024
Disposed during the year	–	(278)	–	(278)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	23	25,389	47	25,459
	<hr/>	<hr/>	<hr/>	<hr/>

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 group and the company (unless indicated) holds 20% or more of the nominal values of the class of share capital are as follows

<i>Name of company</i>	<i>Proportion of voting rights held</i>	<i>Nature of business</i>
	<i> Holding</i>	
Polar LNG Shipping (UK) Limited (formerly "K" Line (Europe) Limited)	Ordinary shares 42.5%	Shipping
"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
KM-Tangguh LNG (UK) Limited	Ordinary shares 100%	Dormant
"K" Line (Europe) Limited	Ordinary shares 100%	Shipping

The group and company also own 10% of the issued share capital of "K" Line Logistics (UK) Limited (formerly "K" Line Air Services (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

During the year the group reduced its shareholding in one subsidiary, Polar LNG Shipping (UK) Limited, which became an associate. The net assets of Polar LNG Shipping (UK) Limited at the date of the reduction were £nil and no consideration was received by "K" Line Holding (Europe) Limited for its investment.

Subsequent to this reduction, "K" Line Holding (Europe) Limited invested £23,000 in Polar LNG Shipping (UK) Limited in return for 42.5% of the newly issued ordinary share capital.

## Notes to the financial statements

at 31 December 2006

### 14. Stocks

	2006	Group	2006	Company
	£000	2005	£000	2005
		£000		£000
Raw materials and consumables	75	15	-	-

### 15. Debtors

	2006	Group	2006	Company
	£000	2005	£000	2005
		£000		£000
Amounts owed by group undertakings	492	576	26	-
Trade debtors	9,676	7,795	-	-
Other debtors	995	267	115	2
Prepayments	3,253	3,499	-	-
Deferred taxation (note 9(c))	39	80	-	-
	14,455	12,217	141	2

### 16. Creditors: amounts falling due within one year

	2006	Group	2006	Company
	£000	2005	£000	2005
		£000		£000
Bank loans (note 18)	12,787	2,209	-	-
Overdraft	584	37	-	-
Obligations under finance leases and hire purchase contracts (note 20)	1,250	901	-	-
Trade creditors	5,042	3,683	-	-
Amounts owed to group undertakings	8,714	8,122	-	16
Current corporation tax	1,156	502	-	-
Other taxes and social security costs	957	867	-	-
Other creditors	-	160	-	-
Accruals and deferred income	3,220	3,036	28	25
	33,710	19,517	28	41

The bank overdraft is secured by a mortgage over the leasehold property of a subsidiary company

## Notes to the financial statements

at 31 December 2006

### 17. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under finance leases and hire purchase contracts (note 20)	479	911	-	-
Bank loans (note 18)	66,861	33,506	-	-
Accruals and deferred income	803	700	-	-
	<u>68,143</u>	<u>35,117</u>	<u>-</u>	<u>-</u>

### 18. Bank loans

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts repayable				
In one year or less or on demand	12,787	2,209	-	-
In more than one year but not more than two years	4,049	2,367	-	-
In more than two years but not more than five years	21,814	7,711	-	-
In more than five years	40,998	23,428	-	-
	<u>79,648</u>	<u>35,715</u>	<u>-</u>	<u>-</u>
Less included in creditors amounts falling due within one year	12,787	2,209	-	-
	<u>66,861</u>	<u>33,506</u>	<u>-</u>	<u>-</u>

The loans are repayable between 2007 and 2017. The rates of interest payable on the loans vary between 0.17% above LIBOR and 0.5% above LIBOR. The loans are secured by a fixed charge over the group's vessels.

### 19. Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund.

## Notes to the financial statements

at 31 December 2006

### 20. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

<i>Group and company</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Amounts payable		
Within one year	1,250	901
In two to five years	479	911
	<u>1,729</u>	<u>1,811</u>

Annual commitments under non-cancellable operating leases are as follows

<i>Group</i>	<i>2006</i>		<i>2005</i>	
	<i>Land and</i>		<i>Land and</i>	
	<i>buildings</i>	<i>Other</i>	<i>buildings</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire				
Within one year	255	–	–	29
Between two and five years	–	3,394	73	2,101
Over five years	445	26,799	557	18,687
	<u>700</u>	<u>30,193</u>	<u>630</u>	<u>20,817</u>

During the year the group held leases for 13 vessels (8 vessels) for the purposes of trading in its bulk division

### 21. Provisions for liabilities and charges

The movement in the deferred taxation provision during the year was

	<i>£000</i>
At 1 January 2006	3,234
Profit and loss account movement arising during the year	3,490
At 31 December 2006 (note 9(c))	<u>6,724</u>



## Notes to the financial statements

at 31 December 2006

### 22. Share capital

	<i>Authorised</i>	
	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	55,000	55,000

	<i>No</i>	<i>Allotted, called up and fully paid</i>	
		<i>2006</i>	<i>2005</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	19,982	19,982	17,865

On 7 April 2006, 2,116,788 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited

### 23. Reserves

<i>Group</i>	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 December 2004	16,446	1,860	18,306
Retained profit for the period	–	7,547	7,547
Exchange difference on retranslation of net assets of subsidiary undertaking	–	(348)	(348)
Other movements			
New equity share capital issued	1,419	–	1,419
At 31 December 2005	17,865	9,059	26,924
Retained profit for the period	–	14,891	14,891
Exchange difference on retranslation of net assets of subsidiary undertaking	–	(3,075)	(3,075)
Other movements	–	–	–
New equity share capital issued	2,117	–	2,117
At 31 December 2006	19,982	20,875	40,857

## Notes to the financial statements

at 31 December 2006

### 23. Reserves (continued)

<i>Company</i>	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total</i> £000
At 31 December 2004	16,446	84	16,530
Retained profit for the period	-	85	85
Other movements			
New equity share capital issued	1,419	-	1,419
At 31 December 2005	17,865	169	18,034
Retained profit for the year	-	5,551	5,551
Other movements	-	-	-
New equity share capital issued	2,117	-	2,117
At 31 December 2006	19,982	5,720	25,702

### 24. Capital commitments

The group had capital commitments contracted but not provided for in the financial statements of £48,591,000 (2005 - £33,555,900)

### 25. Related party transactions

The company has taken advantage of the exemption available in FRS 8 from disclosing transactions with related parties, 90% or more of whose voting rights are controlled within the Kawasaki Kisen Kaisha Limited group

### 26. Ultimate parent company

The ultimate parent company and controlling party is Kawasaki Kisen Kaisha Limited, which is incorporated in Japan

The financial statements of Kawasaki Kisen Kaisha Limited, which represents the largest group in which the company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Hibiya Central Buildings, 2-9 Nishi-Shimbashi 1 - chome, Minato-ku, Tokyo 105, Japan

### 27. Derivatives

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group also uses interest rate swap contracts to reduce interest rate exposures. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	£000	£000	£000	£000
Interest rate swaps	(595)	(83)	-	-
Forward foreign currency contracts	7,067	7,261	-	-

## Notes to the financial statements

at 31 December 2006

### 28. Post balance sheet event

A new group company, "K" Line Heavy Lift (UK) Limited was incorporated on 16 March 2007. The main purpose of this company is a joint venture partnership with other parties to invest in 50% of the business of the SAL group in Germany to carry out business in the heavy lift vessel sector. On 27 April 2007, "K" Line Holding (Europe) Limited invested €21.9m in "K" Line Heavy Lift (UK) Limited consisting of a €17m subscription for ordinary share capital and the balance in a shareholder loan.