

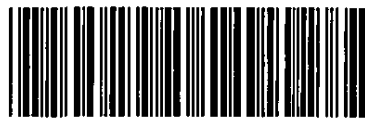
Registered no 5356484

## **“K” Line LNG Shipping (UK) Limited**

### **Report and Financial Statements**

31 March 2013

TUESDAY



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21/05/2013

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COMPANIES HOUSE

## Company Information

### Directors

A Shoji  
S Miyake

### Secretary

P Rogers

### Auditor

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

### Bankers

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

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

The Governor and Company of the Bank of Scotland  
The Mound  
Edinburgh EH1 1YZ

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

### Registered Office

6th Floor  
200 Aldersgate Street  
London EC1A 4HD

Registered No 5356484

## Directors' report

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

### Results and dividends

The profit for the period, after taxation, amounted to US\$48,141,627 (year ended 31 December 2011 – loss of US\$3,138,109). The directors do not recommend a final dividend (year ended 31 December 2011 – US \$nil).

### Principal activities and review of the business

The principal activities of the company during the 15 month period ended 31 March 2013 were the ownership and ship management operations of LNG vessels.

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

|                         | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>\$000</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>\$000</i> | <i>Change<br/>%</i> |
|-------------------------|--|--|---------------------|
| Turnover                | 92,882   | 64,388   | 44%                 |
| Profit/(loss) after tax | 48,142   | (3,138)  | 1,634%              |
| Shareholder's funds     | 54,434   | 6,292  | 765%                |
| Cash at bank            | 4,236  | 9,328  | (55%)               |

The 44% rise in turnover is mainly attributed to higher revenue from the owned vessel due to higher charter rates as well as an increase in other ship management income.

The lower cash balance is counter balanced by additional short term lending which increased by \$13m during the financial period.

### Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that the new financial year will provide a more stable growth in turnover arising from continuing operations because of the continuity of the contract for the time charter of the owned vessel.

## **Directors' report (continued)**

### **Principal risks and uncertainties**

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

#### **Competitive risks**

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

#### **Legislative risks**

In the UK and Europe, the main legislative risks are EU competition law, employment law, 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, interest and foreign currency risks associated with the company's activities.

#### **Financial instrument risks**

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

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

#### **Use of derivatives**

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

#### **Credit risk**

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

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

## Directors' report (continued)

### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above

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

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

### Directors

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

A Shoji

S Miyake

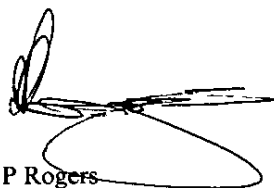
### Disclosure of information to the auditor

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

### Auditor

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

On behalf of the Board of Directors



P Rogers

Secretary

Date **30 APR 2013**

## Statement of directors' responsibilities

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

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

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

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

# **Independent auditor's report**

## **to the members of "K" Line LNG Shipping (UK) Limited**

We have audited the financial statements of "K" Line LNG Shipping (UK) Limited for the 15 month period ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report (continued)**

**to the members of "K" Line LNG Shipping (UK) Limited**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Mohan Pandian (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London

Date      **02 MAY 2013**



## Profit and loss account

for the period ended 31 March 2013

|   |              | <i>15 month<br/>period ended<br/>31 March<br/>2013</i> | <i>Year<br/>ended<br/>31 December<br/>2011</i> |
|---|--------------|--|--|
|   | <i>Notes</i> | <i>US\$</i>  | <i>US\$</i>                                    |
| <b>Turnover</b>   | 2            | 92,881,554   | 64,387,975                                     |
| Cost of sales   |              | <u>(62,020,188)</u>                                    | <u>(48,493,549)</u>                            |
| <b>Gross profit</b>   |              | 30,861,366   | 15,894,426                                     |
| Administrative expenses                                     |              | <u>(8,124,239)</u>                                     | <u>(6,479,538)</u>                             |
| <b>Operating profit</b>                                     | 3            | 22,737,127   | 9,414,888                                      |
| Interest receivable and similar income                      | 6            | 223,530  | 75,597   |
| Interest payable and similar charges                        | 7            | (3,862,926)  | (4,032,083)                                    |
| Foreign exchange gain/(loss) on retranslation of loans      |              | <u>29,746,625</u>                                      | <u>(8,293,120)</u>                             |
| <b>Profit/(loss) on ordinary activities before taxation</b> |              | 48,844,356   | (2,834,718)                                    |
| Tax   | 8            | <u>(702,729)</u>                                       | <u>(303,391)</u>                               |
| <b>Profit/(loss) for the financial period</b>               | 15           | <u>48,141,627</u>                                      | <u>(3,138,109)</u>                             |

All amounts relate to continuing activities

## Statement of total recognised gains and losses

for the period ended 31 March 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of US\$48,141,627 in the period ended 31 March 2013 (year ended 31 December 2011 – loss of US\$3,138,109)

## Balance sheet

at 31 March 2013

|  |       | 31 March<br>2013 | 31 December<br>2011 |
|--|-------|------------------|---------------------|
|  | Notes | US\$             | US\$                |
| <b>Fixed assets</b>  |       |                  |                     |
| Tangible fixed assets  | 9     | 135,752,742      | 139,951,641         |
| <b>Current assets</b>  |       |                  |                     |
| Debtors  | 10    | 60,014,577       | 46,342,293          |
| Cash at bank   |       | 4,236,251        | 9,328,466           |
|  |       | 64,250,828       | 55,670,759          |
| <b>Creditors: amounts falling due within one year</b>          | 11    | (22,079,869)     | (24,708,223)        |
| <b>Net current assets</b>                                      |       | 42,170,959       | 30,962,536          |
| <b>Total assets less current liabilities</b>                   |       | 177,923,701      | 170,914,177         |
| <b>Creditors: amounts falling due after more than one year</b> | 12    | (123,489,690)    | (164,621,793)       |
| <b>Net assets</b>  |       | 54,434,011       | 6,292,384           |
| <b>Capital and reserves</b>                                    |       |                  |                     |
| Called up share capital  | 14    | 40,900,233       | 40,900,233          |
| Profit and loss account  | 15    | 13,533,778       | (34,607,849)        |
| <b>Shareholder's funds</b>                                     | 15    | 54,434,011       | 6,292,384           |

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

  
A Shoji  
Director

Date **30 APR 2013**

Company registered number 5356484

## Notes to the financial statements

at 31 March 2013

### 1. Accounting policies

#### *Basis of preparation*

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

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

#### *Going concern*

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus 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

#### *Turnover recognition*

- (i) Charter hire income

The time charter equivalent of income from the company's vessel chartering activities are recognised on a time proportion basis

- (ii) Management fees

The fees earned from the management of vessels, crew and technical matters are recognised when services are rendered

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation and impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of the assets net of residual value over their expected useful life. Cost of vessels includes the cost of any major enhancement and improvement which increase the future benefits from the vessel beyond their previously assessed standard of performance. Expenditure for routine replacements and repairs is written off immediately in the profit and loss account

The depreciation rates used are as follows

|           |   |          |
|-----------|---|----------|
| Vessel    | — | 30 years |
| Equipment | — | 3 years  |

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit and loss account

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

#### *Debtors*

Debtors are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on possible losses which may arise from non-collection of certain amounts

## Notes to the financial statements

at 31 March 2013

### 1. Accounting policies (continued)

#### *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

- 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*

Transactions in 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\$ are retranslated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account

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

#### *Operating leases*

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

#### *Finance leases*

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

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

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

#### *Pensions*

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

#### *Derivative instruments*

The company uses interest rate swap contracts to reduce interest rate exposures. The company considers its derivative instruments do not qualify for hedge accounting.

## Notes to the financial statements

at 31 March 2013

### 2. Turnover

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

An analysis of turnover by geographical market is given below

|  | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--|---|---|
| UK                                       | 44,693,880  | 35,295,015  |
| Rest of the World                        | 48,187,674  | 29,092,960  |
|  | <u>92,881,554</u>   | <u>64,387,975</u>                                       |
| Operating lease income from charter hire | <u>34,723,905</u>   | <u>18,219,200</u>                                       |

### 3. Operating profit

This is stated after charging/(crediting)

|  | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--|---|---|
| Auditors' remuneration – audit of the financial statements | 41,631  | 23,360  |
| Other fees to auditors – taxation services                 | 26,780  | 29,263  |
| – other taxation services                                  | <u>69,996</u>   | <u>39,573</u>   |
| Depreciation of owned assets                               | 25,752  | 23,477  |
| Depreciation of leased assets                              | 7,902,907   | 6,268,716   |
| Net gain on foreign currency translation                   | <u>(81,635)</u>   | <u>(17,480)</u>   |

## Notes to the financial statements

at 31 March 2013

### 4. Directors' remuneration

|              | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--------------|---|---|
| Remuneration | <u>513,166</u>  | <u>509,801</u>  |

No pension contributions were paid by the company to directors during the period

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

|              | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--------------|---|---|
| Remuneration | <u>380,946</u>  | <u>386,755</u>  |

### 5. Staff costs

|                       | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|-----------------------|---|---|
| Wages and salaries    | 3,599,411   | 3,075,060   |
| Social security costs | 279,625   | 194,443   |
| Other pension costs   | 241,012   | 175,068   |
|                       | <u>4,120,048</u>  | <u>3,444,571</u>  |

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

|                      | <i>No</i> | <i>No</i> |
|----------------------|-----------|-----------|
| Administrative staff | <u>27</u> | <u>25</u> |

## Notes to the financial statements

at 31 March 2013

### 6. Interest receivable and similar income

|  | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--|---|---|
| Bank interest receivable                         | 10,760  | 24,494  |
| Loan interest receivable from group undertakings | 212,770   | 51,103  |
|  | <u>223,530</u>  | <u>75,597</u>   |

### 7. Interest payable and similar charges

|   | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|---|---|---|
| Bank interest payable                   | 12,243,463  | 9,847,717   |
| Finance lease net of interest rate swap | (8,090,961)   | (6,140,389)   |
| Other interest payable                  | (289,576)   | 324,755   |
|   | <u>3,862,926</u>  | <u>4,032,083</u>  |

The Finance lease interest payable for 15 month period ended 31 March 2013 is \$918,370 (2011 \$830,360)

### 8. Tax

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

The tax charge is made up as follows

|  | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--|---|---|
| <b>Current tax:</b>                                    |   |   |
| UK corporation tax on the profit/(loss) for the period | 571,544   | 759,934   |
| Adjustment in respect of previous periods              | 131,185   | (469,010)   |
| Total current tax (note 8(b))                          | <u>702,729</u>  | <u>290,924</u>  |
| <b>Deferred tax:</b>                                   |   |   |
| Origination and reversal of timing differences         | —   | 12,467  |
| Tax on profit/(loss) on ordinary activities            | <u>702,729</u>  | <u>303,391</u>  |

## Notes to the financial statements

at 31 March 2013

### 8. Tax (continued)

(b) Factors affecting tax charge for the period

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

|  | <i>15 month<br/>period ended<br/>31 March<br/>2013<br/>US\$</i> | <i>Year<br/>ended<br/>31 December<br/>2011<br/>US\$</i> |
|--|---|---|
| Profit/(loss) on ordinary activities before tax  | <u>48,844,356</u>   | <u>(2,834,718)</u>                                      |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.4% (year ended 31 December 2011 – 26.5%) | 11,918,023  | (751,201)   |
| <i>Effects of</i>  |   |   |
| Non taxable income   | (11,346,479)  | (1,428,544)   |
| Adjustments in respect of previous periods   | 131,185   | (469,010)   |
| Expenses not deductible for tax purposes   | –   | 2,939,679   |
| Current tax for the year (note 8(a))   | <u>702,729</u>  | <u>290,924</u>  |

(c) Factors that may affect future tax charges

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



## Notes to the financial statements

at 31 March 2013

### 9. Tangible fixed assets

|                       | <i>Vessel</i><br><i>US\$</i> | <i>Equipment</i><br><i>US\$</i> | <i>Total</i><br><i>US\$</i> |
|-----------------------|------------------------------|---------------------------------|-----------------------------|
| Cost                  |                              |                                 |                             |
| At 1 January 2012     | 163,129,724                  | 102,042                         | 163,231,766                 |
| Additions             | 3,716,621                    | 13,139                          | 3,729,760                   |
| Disposals             | (2,253,661)                  | –                               | (2,253,661)                 |
| At 31 March 2013      | 164,592,684                  | 115,181                         | 164,707,865                 |
| Depreciation          |                              |                                 |                             |
| At 1 January 2012     | 23,213,139                   | 66,986                          | 23,280,125                  |
| Charge for the period | 7,902,907                    | 25,752                          | 7,928,659                   |
| Disposals             | (2,253,661)                  | –                               | (2,253,661)                 |
| At 31 December 2013   | 28,862,385                   | 92,738                          | 28,955,123                  |
| Net book value        |                              |                                 |                             |
| At 31 March 2013      | 135,730,299                  | 22,443                          | 135,752,742                 |
| At 1 January 2012     | 139,916,585                  | 35,056                          | 139,951,641                 |

Vessel with net book value of US\$135,730,299 (year ended 31 December 2011 – US\$139,916,585) has been placed as security under finance lease arrangement

### 10. Debtors

|  | <i>31 March</i><br><i>2013</i><br><i>US\$</i> | <i>31 December</i><br><i>2011</i><br><i>US\$</i> |
|--|---|--|
| Amounts owed from related party undertakings | 2,564,830                                     | 6,344,413  |
| Prepayments and accrued income               | 3,321,570                                     | 2,191,406  |
| Loans receivable from group undertaking      | 47,624,214                                    | 34,528,249                                       |
| Corporation tax receivable                   | 4,644   | –  |
| Other debtors                                | 6,499,319                                     | 3,278,225  |
|  | <u>60,014,577</u>                             | <u>46,342,293</u>                                |

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

|  | <i>31 March</i><br><i>2013</i><br><i>US\$</i> | <i>31 December</i><br><i>2011</i><br><i>US\$</i> |
|--|---|--|
| Trade creditors  | 2,974,115                                     | 2,077,089  |
| Amounts owed to group undertakings                                     | 498,349                                       | 1,621,134  |
| Amounts owed to related party undertakings                             | 189,773                                       | 971,447  |
| Corporation tax payable  | –   | 1,063,845  |
| Accruals and deferred income   | 9,436,563                                     | 7,999,922  |
| Obligations under finance leases and hire purchase contracts (note 13) | 8,981,069                                     | 10,974,786                                       |
|  | <u>22,079,869</u>                             | <u>24,708,223</u>                                |

## Notes to the financial statements

at 31 March 2013

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

|  | <i>31 March<br/>2013</i> | <i>31 December<br/>2011</i> |
|--|--------------------------|-----------------------------|
|  | <i>US\$</i>              | <i>US\$</i>                 |
| Obligations under finance leases and hire purchase contracts (note 13) | <u>123,489,690</u>       | <u>164,621,793</u>          |

### 13. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases

|  | <i>31 March<br/>2013</i> | <i>31 December<br/>2011</i> |
|--|--------------------------|-----------------------------|
|  | <i>US\$</i>              | <i>US\$</i>                 |
| Amounts payable                                  |                          |                             |
| Within one year                                  | 9,593,494                | 13,787,514                  |
| In two to five years                             | 38,412,480               | 55,735,709                  |
| In more than five years                          | <u>93,710,968</u>        | <u>134,670,949</u>          |
|  | 141,716,942              | 204,194,172                 |
| Less finance charges allocated to future periods | <u>(9,246,183)</u>       | <u>(28,597,593)</u>         |
|  | <u>132,470,759</u>       | <u>175,596,579</u>          |

Analysis of present value of finance lease liabilities

|  | <i>31 March<br/>2013</i> | <i>31 December<br/>2011</i> |
|--|--------------------------|-----------------------------|
|  | <i>US\$</i>              | <i>US\$</i>                 |
| In one year or less or on demand                   | 8,981,069                | 10,974,786                  |
| In more than one year but not more than five years | 35,924,273               | 43,899,145                  |
| In more than five years                            | <u>87,565,417</u>        | <u>120,722,648</u>          |
|  | <u>132,470,759</u>       | <u>175,596,579</u>          |

The rate of interest payable on the finance lease is 0.275% above LIBOR

### 14. Issued share capital

|                                    |            | <i>31 March<br/>2013</i> |            | <i>31 December<br/>2011</i> |
|------------------------------------|------------|--------------------------|------------|-----------------------------|
|                                    | <i>No</i>  | <i>US\$</i>              | <i>No</i>  | <i>US\$</i>                 |
| Allotted, called up and fully paid |            |                          |            |                             |
| Ordinary shares of £1 each         | 25,488,646 | <u>40,900,233</u>        | 25,488,646 | <u>40,900,233</u>           |

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

## Notes to the financial statements

at 31 March 2013

### 15. Reconciliation of shareholders' funds and movements on reserves

|                               | <i>Share capital</i> | <i>Profit and<br/>loss account</i> | <i>Total<br/>share-<br/>holder's<br/>funds</i> |
|-------------------------------|----------------------|------------------------------------|--|
|                               | <i>US\$</i>          | <i>US\$</i>                        | <i>US\$</i>                                    |
| At 1 January 2011             | 35,900,233           | (31,469,740)                       | 4,430,493                                      |
| Loss for the year             | –                    | (3,138,109)                        | (3,138,109)                                    |
| Shares issued during the year | 5,000,000            | –                                  | 5,000,000                                      |
| At 1 January 2012             | 40,900,233           | (34,607,849)                       | 6,292,384                                      |
| Profit for the period         | –                    | 48,141,627                         | 48,141,627                                     |
| At 31 March 2013              | 40,900,233           | 13,533,778                         | 54,434,011                                     |

### 16. 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\$241,012 (year ended 31 December 2011 – US\$175,068). The amount of outstanding contributions at the period end was US \$nil (year ended 31 December 2011 – US \$nil).

### 17. Derivatives

The company 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>31 March<br/>2013</i> | <i>31 December<br/>2011</i> |
|---------------------|--------------------------|-----------------------------|
|                     | <i>US\$</i>              | <i>US\$</i>                 |
| Interest rate swaps | (2,738,613)              | (4,692,390)                 |

## Notes to the financial statements

at 31 March 2013

### 18. 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

#### Other related party transactions

During the period the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March 2013, are as follows

|                            | <i>Income from<br/>related party<br/>US\$</i> | <i>Purchases<br/>from related<br/>party<br/>US\$</i> | <i>Amounts<br/>owed from<br/>related party<br/>US\$</i> | <i>Amounts<br/>owed to<br/>related party<br/>US\$</i> |
|----------------------------|---|--|---|---|
| <i>Related party</i>       |   |  |   |   |
| Polar LNG Shipping Limited |   |  |   |   |
| 31 March 2013              | 15,136,998                                    | —  | 978,346   |   |
| 31 December 2011           | 12,280,768                                    | —  | 4,478,714   | —   |
| J5 Nakilat No 3 Limited    |   |  |   |   |
| 31 March 2013              | 11,539,635                                    | —  | —   | 135,144   |
| 31 December 2011           | 5,609,500                                     | —  | 502,309   | —   |
| J5 Nakilat No 7 Limited    |   |  |   |   |
| 31 March 2013              | 7,185,210                                     | —  | 351,383   | —   |
| 31 December 2011           | 5,595,356                                     | —  | 566,698   | —   |
| Peninsula LNG No 2 Limited |   |  |   |   |
| 31 March 2013              | 6,577,403                                     | —  | —   | 54,629  |
| 31 December 2011           | 5,717,914                                     | —  | 796,692   | —   |
| Trinity LNG Transport S A  |   |  |   |   |
| 31 March 2013              | 15,800,121                                    | —  | 1,235,101   | —   |
| 31 December 2011           | 10,234,363                                    | —  | —   | 971,447   |
| Total at 31 March 2013     | <u>56,239,367</u>                             | <u>—</u>   | <u>2,564,830</u>  | <u>189,773</u>  |
| Total at 31 December 2011  | <u>39,437,901</u>                             | <u>—</u>   | <u>6,344,413</u>  | <u>971,447</u>  |

The above companies are affiliates of Kawasaki Kisen Kaisha Limited (the ultimate parent undertaking of "K" Line Holding (Europe) Limited)

## **Notes to the financial statements**

**at 31 March 2013**

### **19. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is "K" Line Holding (Europe) Limited. The financial statements of "K" Line Holding (Europe) Limited represent the smallest group in which the company is consolidated and may be obtained from the company's registered office.

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

The financial statements of Kawasaki Kisen Kaisha Limited, which represent the largest group in which the company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Ino Buildings, 1-1 Uchisaiwaicho 2 – Chome, Chiyoda-ku, Tokyo 100-8540, Japan.