

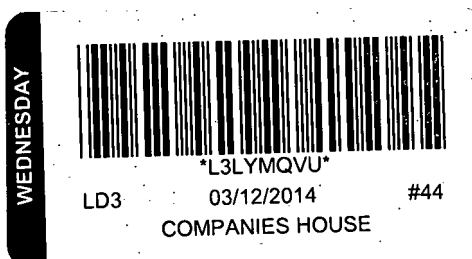
Registered no. 5356484

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

### **Revised Reports and Revised Financial Statements**

31 March 2014

**Amending**



**Revision by replacement:**

The Revised Reports and Revised Financial Statements replace the original Report and Financial Statements for the financial year ended 31<sup>st</sup> March 2014.

The Revised Report and Revised Financial Statements are now the statutory report and statutory financial statements of the Company for the financial year ended 31<sup>st</sup> March 2014.

The Revised Report and Revised Financial Statements have been prepared as at the date of the original Report and Financial Statements (27<sup>th</sup> May 2014) and not as at the date of revision 19 November 2014 and accordingly do not deal with events between these dates.

Subsequent to the original date of approval of the financial statements and related notes and the Strategic and Directors' Reports, the directors identified that the accounting treatment of the transaction relating to the restructuring of the finance lease on the Celestine River did not comply with the provisions of UK GAAP. The directors decided to revise the original financial statements by replacement as represented above. The revised accounting treatment of the aforementioned transaction resulted in an amount of US\$ 28,815,727 which was originally capitalised as part of the vessel cost, to be removed from "Tangible fixed assets" (Note 9) being charged to profit and loss "Exceptional items" (Note 16). As a result of the amendment, depreciation charged on the previously capitalised US\$ 28,815,727 amounting to \$745,234 has been reversed. The combined effect of these revisions resulted in a decrease of the originally reported profit for the year of US\$17,675,156 by US\$ 28,070,493, resulting in a loss for the period of US\$10,395,337. The key performance indicators and related commentary in the Strategic Report have also been corrected for this.

In addition to the above, additional disclosures have been included in Note 13, "Obligations under finance leases and hire purchase contracts" detailing the structure of the finance lease arrangement with the third party which qualifies as such but in substance the arrangement represents a "Secured Bank Loan".

## Company Information

### Directors

Y Goto  
S Sato

### Secretary

B Ramlalsing

### 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

## **Revised Strategic Report**

The directors present their Revised Strategic Report and Revised Financial Statements for the year ended 31 March 2014. The revised strategic report replaces the original report for the year ended 31 March 2014 which was approved on the 27<sup>th</sup> May 2014. The revised strategic report has been prepared as at the date of the original strategic report and not as at the date of this revision and accordingly does not deal with any events between those dates. The revision by replacement is explained in note 20 of the accounts.

### **Results and dividends**

The loss for the year, after taxation, amounted to US\$10,395,337 (period ended 31 March 2013 – profit of US\$48,141,627). The directors do not recommend a final dividend (period ended 31 March 2013 – US \$nil).

### **Review of the business**

The principal activities of the company during the year were the ownership and ship management operations of LNG vessels.

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

	<i>Year ended 31 March 2014 \$000</i>	<i>15 month period ended 31 March 2013 \$000</i>	<i>Change %</i>
Turnover	78,420	92,882	(16%)
(Loss)/profit after tax	(10,395)	48,142	(122%)
Shareholder's funds	44,039	54,434	(19%)
Cash at bank	20,265	4,236	378%

The reduction in turnover of 16% is purely attributable to the length of accounting period. Revenue is generated from time charter of its only owned vessel Celestine River, vessel management fees and commission which all remained at a consistent level in comparative terms.

The change from a profit to a loss after tax is attributable partly to the change in accounting period but also other factors. The Company restructured the finance lease on the Celestine River during the year and as part of this incurred restructuring costs of \$31.1m (note 16). The Company also had a significantly smaller foreign exchange gain on retranslation of Japanese Yen ("JPY") denominated finance lease to US Dollar ("US\$") in comparison to prior period, US\$6.0m (2013 US\$ 29.7m). This reduction in foreign exchange gain was due to the finance lease as part of the restructuring being denominated in US\$.

Cash at bank increased mainly as a result of normal operating activities as well as partially due to the finance lease restructuring.

### **Future developments**

The directors aim to maintain the management policies which aim to improve the Company's profitability. 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 and the restructuring of the finance lease.

## **Revised Strategic 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, tax law, UK Bribery Act and shipping legislation, mostly originating from IMO. These standards are subject to continuous revision; however, they are not expected to have a material impact on the Company's activities ability 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.

#### **Market/price risk**

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. As part of the finance lease restructuring the interest rate swap was terminated in the year.

#### **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.

On behalf of the Board



Y Goto  
Director

Date: 19 NOV 2014

Registered No. 5356484

## **Revised Directors' Report**

The directors present their Revised Directors' Report for the year ended 31 March 2014. The Revised Directors' Report replaces the original the year ended 31 March 2014 which was approved on the 27th May 2014. The Revised Director's Report has been prepared as at the date of the original directors' report and not as at the date of this revision and accordingly does not deal with any events between those dates. The revision by replacement is explained in note 20 of the accounts.

### **Directors**

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

Y Goto	(Appointed 1 April 2014)
S Sato	(Appointed 1 April 2014)
A Shoji	(Resigned 31 March 2014)
S Miyake	(Resigned 31 March 2014)

### **Going concern**

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

The company has 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.

### **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**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board



S Sato  
Director

Date: 19 NOV 2014

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Revised strategic report, Revised directors report and revised 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 auditor's report**

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

We have audited the revised financial statements of "K" Line LNG Shipping (UK) Limited for the year ended 31 March 2014 which comprise Revised Profit and Loss Account, the Revised Balance Sheet, the Revised Statement of Total Recognised Gains and Losses, and the revised related notes 1 to 21. These revised financial statements have been prepared under the accounting policies set out therein and replace the original financial statements approved by the directors on 27 May 2014.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Report) Regulations 2008 (As amended) and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

This report is made solely to the company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 2008 (As amended). 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 auditors**

The directors' responsibilities for preparing the revised financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that they give a true and fair view are set out in the Statement of Directors' Responsibilities on page 7.

Under section 454 of the Companies Act 2006 the directors have the authority to revise financial statements or a directors' report if they do not comply with the Act. The revised financial statements are amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 2008 (As amended). These require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

Our responsibility is to audit the revised 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 revised financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and are prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 2008 (As amended). We also report to you whether, in our opinion, the information given in the revised Strategic Report and the revised Directors' Report is consistent with the revised financial statements.

In addition we report to you if, in our opinion, the company has not kept adequate accounting records or if we have not received all the information and explanations we require for our audit or if disclosures of directors' benefits, remuneration, pensions and compensation for loss of office specified by law are not made.

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

We are also required to report whether, in our opinion, the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors.



# Independent auditor's report (continued)

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

## 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 revised financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the revised financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised 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 revised financial statements.

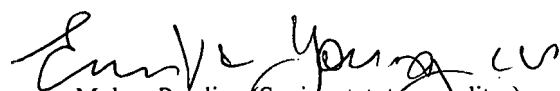
## Opinion

In our opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- the revised financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice seen as at the date the original financial statements were approved;
- the revised financial statements have been properly prepared in accordance with the provisions of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 (As amended);
- the original financial statements for the year ended 31 March 2014 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in note 20 to these revised financial statements; and
- the information given in the revised Strategic Report and the revised Directors' Report is consistent with the revised financial statements.

### *Emphasis of matter – revision of the accounting treatment for the new finance lease for the Company's vessel "Celestine River"*

In forming our opinion on the revised financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 20 to these revised financial statements concerning the need to revise the accounting treatment for the new finance lease for the Company's vessel "Celestine River". The original financial statements were approved on 27<sup>th</sup> May 2014 and our previous report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report.



Mohan Pandian (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 24 NOV 2014

## Revised profit and loss account

for the year ended 31 March 2014

		<i>Year ended 31 March 2014</i>	<i>15 month period ended 31 March 2013</i>
	<i>Notes</i>	<i>US\$</i>	<i>US\$</i>
<b>Turnover</b>	2	78,419,823	92,881,554
Cost of sales		<u>(52,710,514)</u>	<u>(62,020,188)</u>
<b>Gross profit</b>		25,709,309	30,861,366
Administrative expenses		<u>(8,559,506)</u>	<u>(8,124,239)</u>
<b>Operating profit</b>	3	17,149,803	22,737,127
Exceptional items	16	(31,141,785)	–
Interest receivable and similar income	6	150,997	223,530
Interest payable and similar charges	7	(2,357,319)	(3,862,926)
Foreign exchange gain on retranslation of loans		<u>6,038,486</u>	<u>29,746,625</u>
<b>(Loss)/Profit on ordinary activities before taxation</b>		(10,159,818)	48,844,356
Tax	8	<u>(235,519)</u>	<u>(702,729)</u>
<b>(Loss)/Profit for the financial period</b>	15	<u>(10,395,337)</u>	<u>48,141,627</u>

All amounts relate to continuing activities.

## Revised statement of total recognised gains and losses

for the year ended 31 March 2014

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of US\$10,395,337 for the year ended 31 March 2014 (period ended 31 March 2013 – profit of US\$48,141,627).

## Revised balance sheet

at 31 March 2014

		31 March 2014	31 March 2013
	Notes	US\$	US\$
<b>Fixed assets</b>			
Tangible fixed assets	9	128,757,715	135,752,742
<b>Current assets</b>			
Debtors	10	57,764,667	60,014,577
Cash at bank		20,264,604	4,236,251
		78,029,271	64,250,828
<b>Creditors:</b> amounts falling due within one year	11	(21,548,312)	(22,079,869)
<b>Net current assets</b>		56,480,959	42,170,959
<b>Total assets less current liabilities</b>		185,238,674	177,923,701
<b>Creditors:</b> amounts falling due after more than one year	12	(141,200,000)	(123,489,690)
<b>Net assets</b>		44,038,674	54,434,011
<b>Capital and reserves</b>			
Called up share capital	14	40,900,233	40,900,233
Profit and loss account	15	3,138,441	13,533,778
<b>Shareholder's funds</b>	15	44,038,674	54,434,011

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



Y Goto  
Director

Date: 19 NOV 2014

Company registered number: 5356484

## **Revised notes to the financial statements**

**at 31 March 2014**

### **1. Accounting policies**

#### ***Basis of preparation***

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

The directors consider that the company's functional currency is the US dollar because its business contracts are in US\$. The financial statements are presented 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***

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

##### **(i) Charter hire income**

The time charter equivalent of income from the company's vessel chartering activities are recognised on a straight line basis over the period of the contract.

##### **(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 commences from the point when the assets are available for use.

The cost of tangible fixed assets includes expenditures that are incurred during construction, delivery, modification and capitalised finance costs. The commencement date for capitalisation of costs occurs when the company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

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

Vessel	–	30 years
Equipment	–	3 years

The Company's vessel is required to undergo periodic dry dockings for replacement of certain components, major repairs and maintenance of other components. Dry-docking costs are recognised and capitalised at the total amount incurred at completion date. Amortisation of cost is allocated over the period until the next dry-docking which can range from 2 – 5 years

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.

## **Revised notes to the financial statements**

**at 31 March 2014**

### **1. Accounting policies (continued)**

#### ***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. 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 1.667 at 31 March 2014 (31 March 2013 – 1.518).

#### ***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 has not elected to apply the fair value provision of UK GAAP and the company does not recognise them at fair value.

## Revised notes to the financial statements

at 31 March 2014

### 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>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
UK	41,877,047	44,693,880
Rest of the World	36,542,776	48,187,674
	<u>78,419,823</u>	<u>92,881,554</u>
Income from charter hire	<u>29,402,085</u>	<u>34,723,905</u>

### 3. Operating profit

This is stated after charging/(crediting):

	<i>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
Auditors' remuneration – audit of the financial statements	32,943	41,631
Other fees to auditors – taxation services	39,281	26,780
– other taxation services	<u>26,431</u>	<u>69,996</u>
Depreciation of owned assets	18,887	25,752
Depreciation of leased assets	7,011,659	7,902,907
Net (gain)/loss on foreign currency translation	<u>111,542</u>	<u>(81,635)</u>

## Revised notes to the financial statements

at 31 March 2014

### 4. Directors' remuneration

	<i>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
Remuneration	<u>469,891</u>	<u>513,166</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>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
Remuneration	<u>334,907</u>	<u>380,946</u>

### 5. Staff costs

	<i>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
Wages and salaries	3,198,633	3,599,411
Social security costs	249,594	279,625
Other pension costs	246,081	241,012
	<u>3,694,308</u>	<u>4,120,048</u>

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

	<i>No.</i>	<i>No.</i>
Administrative staff	<u>28</u>	<u>27</u>

## Revised notes to the financial statements

at 31 March 2014

### 6. Interest receivable and similar income

	<i>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
Bank interest receivable	24,951	10,760
Loan interest receivable from group undertakings	126,046	212,770
	<u>150,997</u>	<u>223,530</u>

### 7. Interest payable and similar charges

	<i>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
Bank interest payable	395,183	12,243,463
Finance lease net of interest rate swap	1,962,136	(8,090,961)
Other interest payable	—	(289,576)
	<u>2,357,319</u>	<u>3,862,926</u>

The Finance lease interest payable for year ended 31 March 2014 is \$2,012,407 (15 month period ended 31 March 2013: \$918,370).

### 8. Tax

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

The tax charge is made up as follows:

	<i>Year ended 31 March 2014 US\$</i>	<i>15 month period ended 31 March 2013 US\$</i>
<b>Current tax:</b>		
UK corporation tax on the (loss)/profit for the year	287,680	571,544
Adjustment in respect of previous periods	(52,161)	131,185
Total current tax (note 8(b))	<u>235,519</u>	<u>702,729</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	—	—
Tax on profit on ordinary activities	<u>235,519</u>	<u>702,729</u>



## Revised notes to the financial statements

at 31 March 2014

### 8. Tax (continued)

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

The tax assessed for the period is the higher (15 months ended 31 March 2013 – lower) standard rate of corporation tax in the UK of 23% (15 months period ended 31 March 2013 – 24.4%). The differences are explained below:

	Year ended 31 March 2014 US\$	15 month period ended 31 March 2013 US\$
(Loss)/profit on ordinary activities before tax	(10,159,818)	48,844,356
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (year ended 31 March 2013 – 24.4%)	(2,336,758)	11,918,023
<i>Effects of:</i>		
Non-taxable loss/(income)	2,624,438	(11,346,479)
Adjustments in respect of previous periods	(52,161)	131,185
Expenses not deductible for tax purposes	–	–
Current tax for the year (note 8(a))	235,519	702,729

#### (c) Deferred tax

The company is in the UK Tonnage Tax regime. Accordingly, the company's tax charge is based upon the tonnage of the vessels operated by the company and not the amount of profits arising from the operation of vessels. Income and expenses falling outside of the UK Tonnage Tax regime are subjected to corporation tax at the statutory rate for the period.

#### (d) 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. There is no impact on the tax charge as a result of these changes.

## Revised notes to the financial statements

at 31 March 2014

### 9. Tangible fixed assets

	<i>Vessel</i> US\$	<i>Dry docking</i> US\$	<i>Equipment</i> US\$	<i>Total</i> US\$
Cost:				
At 1 April 2013	160,876,062	3,716,621	115,182	164,707,865
Additions	830	17,973	16,716	35,519
Disposals	—	—	—	—
At 31 March 2014	<u>160,876,892</u>	<u>3,734,594</u>	<u>131,898</u>	<u>164,743,384</u>
Depreciation:				
At 1 April 2013	28,408,131	454,254	92,738	28,955,123
Charge for the year	5,515,624	1,496,035	18,887	7,030,546
Disposals	—	—	—	—
At 31 March 2014	<u>33,923,755</u>	<u>1,950,289</u>	<u>111,625</u>	<u>35,985,669</u>
Net book value:				
At 31 March 2014	<u>126,953,137</u>	<u>1,784,305</u>	<u>20,273</u>	<u>128,757,715</u>
At 1 April 2013	<u>132,467,932</u>	<u>3,262,367</u>	<u>22,443</u>	<u>135,752,742</u>

Vessel with net book value of US\$126,953,136 (31 March 2013 – US\$132,467,932) has been placed as security under finance lease arrangement.

### 10. Debtors

	<i>31 March</i> <i>2014</i> US\$	<i>31 March</i> <i>2013</i> US\$
Amounts owed from group undertakings	193,104	—
Amounts owed from related party undertakings	1,531,511	2,564,830
Prepayments and accrued income	3,741,761	3,321,570
Loans receivable from group undertaking	40,715,873	47,624,214
Corporation tax receivable	—	4,644
Other debtors	<u>11,582,418</u>	<u>6,499,319</u>
	<u>57,764,667</u>	<u>60,014,577</u>

## Revised notes to the financial statements

at 31 March 2014

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

	31 March 2014 US\$	31 March 2013 US\$
Trade creditors	2,708,897	2,974,115
Amounts owed to group undertakings	76,057	498,349
Amounts owed to related party undertakings	1,579,552	189,773
Corporation tax payable	37,601	–
Accruals and deferred income	6,403,348	9,436,563
Obligations under finance leases and hire purchase contracts (note 13)	10,742,857	8,981,069
	<u>21,548,312</u>	<u>22,079,869</u>

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

	31 March 2014 US\$	31 March 2013 US\$
Obligations under finance leases and hire purchase contracts (note 13)	<u>141,200,000</u>	<u>123,489,690</u>

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

Amounts due under finance leases:

	31 March 2014 US\$	31 March 2013 US\$
Amounts payable:		
Within one year	13,319,017	9,593,494
In two to five years	51,411,709	38,412,480
In more than five years	100,257,667	93,710,968
	<u>164,988,393</u>	<u>141,716,942</u>
Less: finance charges allocated to future periods	(13,045,536)	(9,246,183)
	<u>151,942,857</u>	<u>132,470,759</u>

Analysis of present value of finance lease liabilities:

	31 March 2014 US\$	31 March 2013 US\$
In one year or less or on demand	10,742,857	8,981,069
In more than one year but not more than five years	42,971,429	35,924,273
In more than five years	98,228,571	87,565,417
	<u>151,942,857</u>	<u>132,470,759</u>

## **Revised notes to the financial statements**

**at 31 March 2014**

### **13. Obligations under finance leases and hire purchase contracts (continued)**

During the year, the Company terminated its finance lease arrangement related to the Celestine River and entered into a new finance lease arrangement with two of the three original lenders who were party to the previous finance lease arrangement via a new third party company ("the counter party"). The counter party which is beneficially owned by two Japanese banks (two of the original lenders) entered into a loan financing arrangement with these banks to finance the new finance lease arrangement with the Company.

Under the terms of the new finance lease arrangement, the counter party has the right to terminate the arrangement in the case that it suspends payments of its debts or is unable to continue paying its debts to the Japanese banks. Upon occurrence of such an event, the counter party is entitled to transfer the title of the vessel to the Company and the Company is obliged to purchase the vessel and repay the amounts due under the new finance lease arrangement. In addition to this, the new finance lease arrangement conditionally provides for the counter party's ability to refinance the bank loan at its maturity date which is determined at seven years following the first drawdown date. The inability of the counter party to refinance the bank loan at its maturity date is contracted in the new finance lease arrangement as the "Early termination date" upon which the Company is obliged to repay certain amounts calculated based on the outstanding loan amount between the Japanese banks and the counter party whereas in the contrary case the Company and the counter party are to adjust the charter hire payments to reflect the conditions of the refinanced bank loan.

The substance of the above terms is that the counter party which is the contractual party of the new finance lease arrangement is acting as a special purpose vehicle on behalf of the banks and the transaction effectively represents a secured bank loan with a maturity of 7 years, despite the fact that the term of the finance lease is until 2037.

The rate of interest payable on the finance lease is 0.315% above LIBOR.

### **14. Issued share capital**

		<i>31 March 2014</i>		<i>31 March 2013</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>US\$</i>	<i>No.</i>	<i>US\$</i>
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.

## Revised notes to the financial statements

at 31 March 2014

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

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholder's funds</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At 1 January 2012	40,900,223	(34,607,849)	6,292,384
Profit for the period	–	48,141,627	48,141,627
At 1 April 2013	40,900,233	13,533,778	54,434,011
Loss for the year	–	(10,395,337)	(10,395,337)
At 31 March 2014	<u>40,900,233</u>	<u>3,138,441</u>	<u>44,038,664</u>

### 16. Exceptional item

	<i>Year ended</i>	<i>Period ended</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
	<i>US\$</i>	<i>US\$</i>
Lease restructuring costs	31,141,785	–
	<u>31,141,785</u>	<u>–</u>

The lease restructuring costs represent primarily payments made to the lenders on termination of the original finance lease of the Celestine River.

### 17. 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\$246,081 (period ended 31 March 2013 – US\$241,012). The amount of outstanding contributions at the period end was US \$nil (period ended 31 March 2013 – US \$nil).

### 18. 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 (which were not recognised in the financial statements), determined by reference to their market values, are as follows:

	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
	<i>US\$</i>	<i>US\$</i>
Interest rate swaps	<u>–</u>	<u>(2,738,613)</u>

## Revised notes to the financial statements

at 31 March 2014

### 19. 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 2014, are as follows:

<i>Related party</i>	<i>Income from related party US\$</i>	<i>Amounts owed from related party US\$</i>	<i>Amounts owed to related party US\$</i>
<b>Polar LNG Shipping Limited</b>			
31 March 2014	12,511,445	—	838,549
31 March 2013	15,136,998	978,346	—
<b>J5 Nakilat No.3 Limited</b>			
31 March 2014	5,754,076	972,847	—
31 March 2013	11,539,635	—	135,145
<b>J5 Nakilat No.7 Limited</b>			
31 March 2014	9,746,037	—	241,279
31 March 2013	7,185,210	351,383	—
<b>Peninsula LNG No.2 Limited</b>			
31 March 2014	5,753,194	—	499,724
31 March 2013	6,577,403	—	54,629
<b>Trinity LNG Transport S.A</b>			
31 March 2014	13,380,675	558,664	—
31 March 2013	15,800,121	1,235,101	—
<b>Total at 31 March 2014</b>	<b>47,145,427</b>	<b>1,531,511</b>	<b>1,579,552</b>
<b>Total at 31 March 2013</b>	<b>56,239,367</b>	<b>2,564,830</b>	<b>189,773</b>

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

## **Revised notes to the financial statements**

**at 31 March 2014**

### **20. Revised financial statements**

The Revised Reports and Revised Financial Statements replace the original Report and Financial Statements for the financial year ended 31<sup>st</sup> March 2014.

The Revised Report and Revised Financial Statements are now the statutory report and statutory financial statements of the Company for the financial year ended 31<sup>st</sup> March 2014.

The Revised Report and Revised Financial Statements have been prepared as at the date of the original Report and Financial Statements (27<sup>th</sup> May 2014) and not as at the date of revision 18 November 2014 and accordingly do not deal with events between these dates.

Subsequent to the original date of approval of the financial statements and related notes and the Strategic and Directors' Reports, the directors identified that the accounting treatment of the transaction relating to the restructuring of the finance lease on the Celestine River did not comply with the provisions of UK GAAP. The directors decided to revise the original financial statements by replacement as represented above. The revised accounting treatment of the aforementioned transaction resulted in an amount of US\$ 28,815,727 which was originally capitalised as part of the vessel cost, to be removed from "Tangible fixed assets" (Note 9) being charged to profit and loss "Exceptional items" (Note 16). As a result of the amendment, depreciation charged on the previously capitalised US\$ 28,815,727 amounting to \$745,234 has been reversed. The combined effect of these revisions resulted in a decrease of the originally reported profit for the year of US\$17,675,156 by US\$ 28,070,493, resulting in a loss for the period of US\$10,395,337. The key performance indicators and related commentary in the Strategic Report have also been corrected for this.

In addition to the above, additional disclosures have been included in Note 13, "Obligations under finance leases and hire purchase contracts" detailing the structure of the finance lease arrangement with the third party which qualifies as such but in substance the arrangement represents a "Secured Bank Loan".

### **21. 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, Iino Buildings, 1-1 Uchisaiwaicho 2 – Chome, Chiyoda-ku, Tokyo 100-8540, Japan.