

Registered no. 05356484

“K” Line LNG Shipping (UK) Limited

Report and Financial Statements

31 March 2022



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Company Information

Directors

H Kato
D Bain
J Narita

Secretary

B Y Ramlalsing

Independent Auditors

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

Bankers

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

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

SMBC Bank International PLC
99 Queen Victoria Street
London EC4V 4EH

Registered Office

6th Floor
200 Aldersgate Street
London EC1A 4HD

Registered No. 05356484

Strategic Report

The Directors present their Strategic Report on “K” Line LNG Shipping (UK) Limited for the financial year ended 31 March 2022.

Results

The loss for the financial year amounted to US\$ 5,138,619 (2021 profit - US\$ 294,194).

Principal activities and review of the business

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

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

	2022 \$000	2021 \$000	Change %
Turnover	97,557	109,648	(11%)
(Loss)/Profit for the financial year	(5,139)	294	(1848%)
Total shareholders' funds	71,872	74,221	(3.2%)
Cash at bank and in hand	1,505	4,429	(66%)

Turnover is generated from the time charter of the owned vessel, vessel management fees and commission.

The reduction in turnover and profit for the financial year is attributed to the reduction of time charter income due to vessel off hire costs for maintenance of the owned vessel, also in vessel management related activities including dry docking costs recharged to the owner.

The ship management operation of LNG vessels performed in line with expectation.

The reduction in cash at bank and in hand is attributed to the K Line group cash pooling arrangement. The cash balance/shortfall is swept overnight from “K” Line LNG Shipping (UK) Limited account to its Parent Company's (Kawasaki Kisen Kaisha, Ltd) NRA bank account at end of each business day.

There were no non-financial KPIs used to monitor business performance in the year.

Principal risks and uncertainties

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

Competitive risks

The ship management industry is characterised by intense competition to secure contracts and profitable fees. 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 laws, UK Bribery Act, low sulphur fuel regulations and shipping legislation, mostly originating from IMO (International Maritime Organisation). These standards are subject to continuous revision.

Covid-19 Impact

The worldwide spread of Covid-19 from January 2020 caused serious disruption in the economic environment both in and outside UK. The company undertook a number of measures to ensure prudent and conservative management of the business and to protect the health of its employees. Performance in the financial year has not indicated any material adverse impact for the business.

Strategic Report (continued)

Brexit, Russia/Ukraine Conflict, and Inflation from energy prices

The Directors have assessed actual impact of Brexit, Russia/Ukraine conflict and Inflation from energy prices and do not consider there is major impact on the business due to its business nature of ship management operations for LNG vessels.

Cyber security risk

Over the years, cyber-attacks have continued to proliferate, escalating in frequency, severity, and impact. The COVID-19 pandemic has accelerated technological adoption yet exposed cyber vulnerabilities and unpreparedness. We rank cyber security as one of our top priority tasks.

Looking at the year ahead, we continue to develop more partnerships with industry experts, regulatory policy makers and educate our employees through e-learning and sessions delivered by senior managers and our digital security consultants. The programme is driving real change in awareness, but we remain vigilant as the threat continues to evolve.

Financial risk management

The financial risks faced by the Company include the residual value of the finance leased vessel at the time of disposal. The Company undertakes an impairment review of the carrying value and useful economic life of the finance leased asset, using value in use assessments.

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's owned vessel is financed by way of a finance lease with a hedged interest rate which has been swapped from floating to fixed.

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

Foreign exchange risk

The Company operates internationally and is exposed to currency risk on sales and purchases, and deposits that are in currencies other than the functional currency. The currencies in which these transactions occur predominantly include GBP, EUR and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Liquidity risk

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

The Company manages its cash flow in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. Surplus funds are put on time deposits ranging from overnight to quarterly intervals.

Strategic Report (continued)

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.

Statement by Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way that they consider, in good faith, would promote the success of the company for the benefit of its members as a whole. Our directors have regard, amongst other matters, to:

The likely consequences of any decision in the long term

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

The Company is wholly owned by Kawasaki Kisen Kaisha, Ltd. Our UK board comprises three Directors, and board meetings are held quarterly as part of the decision-making processes.

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

The interests of the Company's employees

Our people are our most valuable assets. The Directors put people at the heart of everything they do. The Directors actively promote employee engagement, show genuine interest in colleagues and their well-being. During the year, the Directors provide employees with information about the Company through our regular and ad hoc meetings, telephone, and email communications. Employees have also been encouraged to present their suggestions and views.

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

-Customers

Our customers are central to our business. During the year, we continued to engage with our customers through regular meetings. The Directors continued to meet with customers from across the business which provided the opportunity to gain insights into the issues and challenges facing our customers. One of our corporate goals set out in 2020 is: "Become the Partner of Choice".

-Shareholders

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

Strategic Report (continued)

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

-Suppliers

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

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

The Company follows the "K" Line Group environment policy. One of our specific goals is "to minimize impact on the environment", and in order to achieve this, we follow the "K" Line Group environmental protection policy. We have further demonstrated our commitment by developing a system which conforms with ISO 14001; this has been fully integrated into our Safety Management System and implemented both in our office and onboard our managed vessels.

The "K" Line Group has an Environmental Vision 2050 "Securing Blue Seas for Tomorrow", and more information can be found at:

<https://www.kline.co.jp/en/csr/environment/vision.html>

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

-Establishment and Maintenance of the Internal Control System

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

-Group Governance

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

The need to act fairly as between members of the company

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

By order of the Board



B Y Ramlalsing
Secretary

Date: 1st December 2022

Registered No. 05356484

Directors' Report

The Directors present their Directors' Report and audited financial statements of "K" Line LNG Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2022.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

H Kato
D Bain
J Narita

Dividends and financial risk management

The Directors do not recommend a final dividend (2021 – \$US nil).

Financial risk management disclosure is included in Strategic Report on page 4.

Future developments

The Directors aim to improve the Company's profitability. They consider that the new financial year will provide stable growth in turnover arising from continuing operations because of the continuity of the contract for the time charter of the owned vessel. The Directors have assessed the actual performance in the financial year and note that there has been no immediate decline in demand. The Directors do not foresee a material impact on the business in the foreseeable future.

Going concern

The Company has sufficient 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 and Covid-19 impact.

Notwithstanding the net current liability position of \$20.0m, the Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Directors have received confirmation that Kawasaki Kisen Kaisha Ltd will support the Company for a period of 12 months after these financial statements are signed.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Streamlined Energy and Carbon Reporting (SECR)

As a large unquoted company, the Company is required to report its UK energy use. The Company identified its only energy usage in the UK is related to office operation which falls into Scope 2 – electricity. The office space is shared by its group companies and the office operation is controlled by a fellow UK subsidiary for the year ended 31st March 2022. Based on the legislation, the Company is not required to make full disclosure of energy and carbon information.

Directors' Report (continued)

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the 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 the financial statements, the Directors are required to:

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

The 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.

The Directors 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.

Directors' confirmations

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

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

On behalf of the Board



H Kato
Director

Date: 1st December 2022

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of "K" Line LNG Shipping (UK) Limited for the year ended 31st March 2022 which comprise; the Income Statement, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

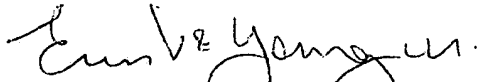
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; Companies Act 2006, Data Protection Act 1998, Proceeds of Crime Act 2002, Money Laundering Regulations 2003, UK Bribery Act, UK Tax Regulation and Health and safety regulations.
- We corroborated our enquiries through our review of board minutes, as well as consideration of the results of our audit procedures and noted that there was no contradictory evidence. We identified management's attitude and tone from the top to embed a culture of honesty and ethical values whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and determined the compliance with the above laws with management.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the business processes, obtaining and reading internal policies, holding enquiries of management as to any fraud risk framework within the entity.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved :
 - Enquiry of management as to any fraud risk framework within the entity.
 - Enquiry of management around actual and potential litigation and claims.
 - We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the risk of management override and identifying revenue to be a fraud risk. We performed journal entry testing and sample tested ship management revenue transactions to specifically address the risk of management override. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
 - Challenging judgements made by management. This included corroborating the inputs and considering contradicting evidence in our work performed over the value in use estimates for vessels at the year-end
 - Reading financial statement disclosures and testing to supporting documentation and performing enquiries with person(s) in charge of legal affairs to assess compliance with applicable laws and regulations.
 - Reviewing minutes of meetings of those charged with governance

"K" Line LNG Shipping (UK) Limited

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Mohan Pandian (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditors

London

Date: 2nd December 2022

Income Statement

for the year ended 31 March 2022

		Year ended 31 March 2022 US\$	Year ended 31 March 2021 US\$
	Note		
Turnover	2	97,557,044	109,648,319
Cost of sales		(91,564,753)	(99,131,921)
Gross profit		5,992,291	10,516,398
Administrative expenses		(9,582,078)	(8,113,500)
Exceptional items	3	(1,062,184)	-
Operating (loss)/profit	4	(4,651,971)	2,402,898
Interest receivable and similar income	8	2,305	6,339
Interest payable and similar expenses	9	(1,766,331)	(2,043,305)
(Loss)/profit before taxation		(6,415,997)	365,932
Tax on (loss)/profit	10	1,277,378	(71,738)
(Loss)/profit for the financial year		(5,138,619)	294,194

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 31 March 2022

	Year ended 31 March 2022 US\$	Year ended 31 March 2021 US\$
(Loss)/profit for the financial year	(5,138,619)	294,194
Other comprehensive income/(expense):		
<i>Items that are or may be recycled subsequently to the Income Statement</i>		
Movement in fair value of cash flow hedges	2,789,301	1,479,115
Other comprehensive income for the year net of tax	2,789,301	1,479,115
Total comprehensive (expense)/income for the year	(2,349,318)	1,773,309

The notes on pages 16 to 31 form an integral part of these financial statements.

“K” Line LNG Shipping (UK) Limited

Balance Sheet

as at 31 March 2022

		31 March 2022	31 March 2021
	Note	US\$	US\$
Fixed assets			
Tangible assets	11	85,223,155	92,846,295
Investments	12	49,677,709	49,677,709
Other fixed assets	13	1,484,042	-
Total fixed assets		<u>136,384,906</u>	<u>142,524,004</u>
Current assets			
Debtors (including US\$1,099,410 (2021: US\$ nil) falling due after more than one year)	14	25,170,395	16,538,156
Cash at bank and in hand		<u>1,505,246</u>	<u>4,428,526</u>
		26,675,641	20,966,682
Creditors: amounts falling due within one year	15	<u>(46,788,722)</u>	<u>(34,929,173)</u>
Net current liabilities		<u>(20,113,081)</u>	<u>(13,962,491)</u>
Total assets less current liabilities		<u>116,271,825</u>	<u>128,561,513</u>
Creditors: amounts falling due after more than one year	16	(44,400,000)	(54,162,402)
Provisions for liabilities	10(c)	-	(177,968)
Net assets		<u>71,871,825</u>	<u>74,221,143</u>
Capital and reserves			
Called up share capital	18	40,900,233	40,900,233
Hedging reserve		1,484,042	(1,305,259)
Retained earnings		<u>29,487,550</u>	<u>34,626,169</u>
Total shareholders' funds		<u>71,871,825</u>	<u>74,221,143</u>

The notes on pages 16 to 31 form an integral part of these financial statements

The financial statements on pages 13 to 31 were approved by the Board of Directors and signed on their behalf by:



H Kato

Director

Date: 1st December 2022

Company Registration Number: 05356484

Statement of Changes in Equity

for the year ended 31 March 2022

	Called up share capital US\$	Other reserves US\$	Retained earnings US\$	Total equity US\$
At 1 April 2021	40,900,233	(1,305,259)	34,626,169	74,221,143
(Loss) for the year	–	–	(5,138,619)	(5,138,619)
Other comprehensive income for the year	–	2,789,301	–	2,789,301
Total comprehensive income/(expenses)	–	2,789,301	(5,138,619)	(2,349,318)
At 31 March 2022	40,900,233	1,484,042	29,487,550	71,871,825

	Called up share capital US\$	Other reserves US\$	Retained earnings US\$	Total equity US\$
At 1 April 2020	40,900,233	(2,784,374)	34,331,975	72,447,834
Profit for the year	–	–	294,194	294,194
Other comprehensive expense for the year	–	1,479,115	–	1,479,115
Total comprehensive income	–	1,479,115	294,494	1,773,309
At 31 March 2021	40,900,233	(1,305,259)	34,626,169	74,221,143

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies

General Information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 6th Floor, 200 Aldersgate Street, London, EC1A 4HD.

The principal activity of the Company continues to be the ownership of one LNG vessel and ship management operations of LNG vessels.

Statement of compliance

The financial statements of "K" Line LNG Shipping (UK) Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention, modified by revaluation of financial assets and liabilities held at fair value.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemption, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows prepared by ultimate parent company, includes the Company's cash flows;
- ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv);
- iii) from disclosing the Company key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

Going concern

The Company has sufficient financial resources together with existing contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believed that the Company is well placed to manage its business risks successfully despite the Covid-19 impact.

Notwithstanding the net current liability position of \$14.0m, the Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Directors have received confirmation that Kawasaki Kisen Kaisha, Ltd will support the Company for a period of 12 months after these financial statements are signed.

Turnover recognition

Turnover is recognised on an accruals basis following the provision of the related goods or services. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Turnover recognition (continued)

i) Charter hire income

The time charter income from the Company's vessel chartering activities is 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 accumulated depreciation and impairment losses. Depreciation commences from the point when the assets are available for use. Vessels under construction are not depreciated.

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

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

Vessel	–	30	years
Dry docking	–	5	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. Depreciation 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.

Capitalisation of interest

Interest incurred on borrowings to finance the construction/acquisition of vessels is capitalised. Once the vessel is delivered, the interest is no longer capitalised.

Impairment of tangible fixed assets

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. At the end of each financial reporting period, the Company assesses whether there is any indication that its vessels and other fixed assets may have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount.

The assessment of whether there is an indication that an asset is impaired is made with reference to trading results, predicted trading results, market rates, technical and regulatory changes and market values. If any such indication exists, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated in order to determine the extent of any impairment loss.

The first step in this process is the determination of the lowest level at which largely independent cash flows are generated, starting from the individual asset level. A CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets or groups of assets. In identifying whether cash inflows from an asset or group of assets are largely independent, and therefore determining the level of the

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Impairment of tangible fixed assets (continued)

CGUs, the Company considers many factors including management's trading strategies, how management makes decisions about continuing or disposing of the assets, nature and terms of contractual arrangements and actual and predicted employment of the vessels. Based on the above the Company has determined at the reporting date that each CGU comprises of an individual vessel.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined as the amount at which assets may be disposed of on a willing seller, willing buyers' basis less directly associated costs of disposal. In estimating fair value, the Company considers recent market transactions for similar assets, and the views of reputable shipbrokers.

If the recoverable amount is less than the carrying amount of the asset or CGU, the asset is considered impaired and an expense is recognised equal to the amount required to reduce the carrying amount of the vessel or the CGU to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Such reversal is recognised in profit or loss.

Investments

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

Taxation

i) Current tax

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

ii) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the 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

i) Functional and presentation currency:

The Company's functional and presentation currency is US\$.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

ii) Transactions and balances

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

The GBP/USD exchange rate was 1.3167 on 31 March 2022 (31 March 2021 - 1.3797).

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Pension contributions

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.

Financial instruments

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

i) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and other creditors and short-term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current creditors. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the cash flow hedges are taken through the Statement of Comprehensive Income.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Financial instruments (continued)

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) Hedging arrangements

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

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

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

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

Operating leases

Rental payments under operating leases are charged to profit or loss 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 statement of income and retained earnings over the term of the relevant lease so as to produce a constant periodic rate of change on the remaining balance of the obligation for each accounting period.

Notes to the financial statements (continued)

for the year ended 31 March 2022

1. Accounting policies (continued)

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company has critical accounting estimates and judgements in the following areas:

Useful life of vessel: The Company has estimated that the vessel will be scrapped in 30 years based on today's industry experience and the fact that it may prove difficult to find charterers willing to charter a vessel of this age.

Impairment: At each reporting date fixed assets are reviewed to determine whether there is an indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. The fixed assets were reviewed in the year and no impairment indicators were noted.

2. Turnover

Turnover, which arises on continuing activities, represents the amounts receivable for ship management services and time charter income for the entity's owned vessel earned during the year, exclusive of VAT.

An analysis of turnover by geographical market is given below:

	Year ended 31 March 2022 US\$	Year ended 31 March 2021 US\$
UK	2,482,139	5,506,609
Rest of the World	95,074,905	104,141,710
	<u>97,557,044</u>	<u>109,648,319</u>

	Year ended 31 March 2022 US\$	Year ended 31 March 2021 US\$
Income from commission receivable	1,245,840	1,405,231
Income from time charter	16,764,295	18,301,381
Income from ship management	77,919,589	89,916,012
Other income	1,627,320	25,695
	<u>97,557,044</u>	<u>109,648,319</u>

Notes to the financial statements (continued)

for the year ended 31 March 2022

3. Exceptional items

	<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
	<i>US\$</i>	<i>US\$</i>
Impairment of fixed assets	<u>1,062,184</u>	<u>-</u>

An impairment charge of \$1,062,184(2021: \$nil) was recognised against the carrying value of the assets. Refer to Note 11 for further details.

4. Operating (loss)/profit

This is stated after charging/(crediting):

	<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
	<i>US\$</i>	<i>US\$</i>
Depreciation of owned assets	26,471	28,211
Depreciation of leased assets	6,544,597	6,542,320
Net (gain) on foreign currency translation	<u>(41,752)</u>	<u>(301,369)</u>

5. Auditors' remuneration

	<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
	<i>US\$</i>	<i>US\$</i>
Audit of the financial statements	120,772	105,490
	<u>120,772</u>	<u>105,490</u>

6. Directors' remuneration

	<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
	<i>US\$</i>	<i>US\$</i>
Remuneration	<u>945,646</u>	<u>890,145</u>

No pension contributions were paid by the Company on behalf of the Directors during the year (2021: none). £198,514 (2021: £198,603) of the total remuneration has been recharged to fellow subsidiary companies.

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

	<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
	<i>US\$</i>	<i>US\$</i>
Remuneration	<u>439,972</u>	<u>396,310</u>

Notes to the financial statements (continued)

for the year ended 31 March 2022

7. Staff costs

	<i>Year ended 31 March 2022 US\$</i>	<i>Year ended 31 March 2021 US\$</i>
Wages and salaries	4,645,898	4,201,975
Social security costs	415,191	338,228
Other pension costs	293,728	266,288
	<u>5,354,817</u>	<u>4,806,491</u>

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

	<i>No.</i>	<i>No.</i>
Administrative staff	<u>37</u>	<u>43</u>

8. Interest receivable and similar income

	<i>Year ended 31 March 2022 US\$</i>	<i>Year ended 31 March 2021 US\$</i>
Bank interest receivable	2,305	6,339
Swap interest receivable	-	-
	<u>2,305</u>	<u>6,339</u>

9. Interest payable and similar expenses

	<i>Year ended 31 March 2022 US\$</i>	<i>Year ended 31 March 2021 US\$</i>
Interest payable on loans	173,113	226,057
Interest payable on swap	780,881	656,883
Finance lease interest	812,337	1,160,365
	<u>1,766,331</u>	<u>2,043,305</u>

Notes to the financial statements (continued)

for the year ended 31 March 2022

10. Tax on (loss)/profit

(a) Tax on (loss)/profit

The tax charge is made up as follows:

	<i>Year ended 31 March 2022 US\$</i>	<i>Year ended 31 March 2021 US\$</i>
Deferred tax:		
Origination and reversal of timing differences	(1,013,520)	71,738
Effect of changes in tax rates	(263,858)	-
Total deferred tax (note 10(c))	<u>(1,277,378)</u>	<u>71,738</u>
Total tax per Income statement	<u>(1,277,378)</u>	<u>71,738</u>

(b) Factors affecting tax charge for the year

The tax assessed on the profit is higher (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are reconciled below:

	<i>Year ended 31 March 2022 US\$</i>	<i>Year ended 31 March 2021 US\$</i>
(Loss)/Profit before taxation	<u>(6,415,997)</u>	<u>365,932</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%)	(1,219,039)	65,527
Effects of:		
Expenses not deductible	205,519	2,211
Tax rate changes	(263,858)	-
Total tax (credit)/charge for the year (note 10(a))	<u>(1,277,378)</u>	<u>71,738</u>

Notes to the financial statements (continued)

for the year ended 31 March 2022

10. Tax on profit (continued)

Factors affecting current and future tax charges

In the Spring Budget 2021, the Government announced that the corporation tax rate will increase to 25% from 1 April 2023. The corporation tax rate increase was included in the Finance Bill 2021 and substantively enacted on 24 May 2021. Subsequently, on 23 September 2022, the government announced that the increase in the Corporation Tax main rate to 25% from 1 April 2023 (previously announced at Spring Budget 2021) would no longer go ahead. The Corporation Tax main rate will, therefore, remain at 19% from 1 April 2023. As such, there is no impact on deferred tax as the change in tax rate was not substantively enacted at the balance sheet date and is also no longer going ahead.

(c) Deferred tax

The deferred tax (assets)/liabilities arising on fixed assets timing difference in the balance sheet is as follows:

	31 March 2022 US\$	31 March 2021 US\$
Deferred tax (assets)/liabilities	(1,099,410)	177,968
	2022 US\$	2021 US\$
Deferred (assets)/liabilities at 1 April	177,968	106,230
Deferred tax (credit)/charge to Income Statement for the year (note 10(a))	(1,277,378)	71,738
Deferred tax (assets)/liabilities at 31 March	(1,099,410)	177,968

11. Tangible assets

	Vessel US\$	Dry docking US\$	Equipment US\$	Total US\$
Cost:				
At 1 April 2021	163,573,229	5,268,220	518,335	169,359,784
Additions	-	-	1,572	1,572
Disposals	-	-	(17,667)	(17,667)
At 31 March 2022	163,573,229	5,268,220	502,240	169,343,689
Accumulated depreciation and impairment:				
At 1 April 2021	72,007,679	4,038,969	466,841	76,513,489
Charge for the year	6,544,597	1,053,644	26,471	7,624,712
Disposals	-	-	(17,667)	(17,667)
At 31 March 2022	78,552,276	5,092,613	475,645	84,120,534
Net book value:				
At 31 March 2022	85,020,953	175,607	26,595	85,223,155
At 31 March 2021	91,565,550	1,229,251	51,494	92,846,295

Notes to the financial statements (continued)

for the year ended 31 March 2022

11. Tangible assets (continued)

The owned vessel with net book value of US\$85,020,953 (2021 - US\$91,565,550) has been placed as security under a finance lease arrangement.

An impairment charge of \$1,062,184 (2021: US\$ nil) was recognised against the carrying value of the owned vessel. After considering its last year's financial result and forthcoming upgrade cash outflow for dry dock in May 2022, we performed a full impairment assessment for the year ended 31 March 2022.

12. Investments

	31 March 2022	31 March 2021
	US\$	US\$
Investment in joint ventures	49,677,709	49,677,709
	<u>49,677,709</u>	<u>49,677,709</u>

"K" Line LNG Shipping (UK) Limited invested \$22.5m in Artemis Gas 1 Shipping Inc (Registered address: c/o The Trust Company of The Marshall Islands, Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH-L MH96960, Marshall Islands) which represents a share of 30% for the co-ownership of an LNG vessel "Patris" which was delivered in late 2017.

The joint venture currently has the following shareholding structure:

Company	Share Holding	Registered office address
"K" Line LNG Shipping (UK) Limited	30%	6 th Floor, 200 Aldersgate Street, London, UK
Maritank Holding Inc	50%	C/o LISCOR Trust Company, 80 Broad Street, Monrovia, Liberia
Shipping and Intermodal Investment Fund II LLC	20%	Ajeltake Road, MH96960, Majuro, Marshall Islands

"K" Line LNG Shipping (UK) Limited invested \$27.2m in Danae Gas Shipping Inc (Registered address: c/o The Trust Company of The Marshall Islands, Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH-L MH96960, Marshall Islands) which represents a share of 37.5% for the co-ownership of an LNG vessel "Kinisis" which was delivered in late 2018.

The joint venture currently has the following shareholding structure:

Company	Share Holding	Registered office address
"K" Line LNG Shipping (UK) Limited	37.5%	6 th Floor, 200 Aldersgate Street, London, UK
Maritank Holding Inc	57.5%	C/o LISCOR Trust Company, 80 Broad Street, Monrovia, Liberia
Shipping and Intermodal Investment Fund II LLC	5%	Ajeltake Road, MH96960, Majuro, Marshall Islands

13. Other fixed assets

	31 March 2022	31 March 2021
	US\$	US\$
Derivative financial assets	1,484,042	-
	<u>1,484,042</u>	<u>-</u>

Notes to the financial statements (continued)

for the year ended 31 March 2022

14. Debtors

	31 March 2022 US\$	31 March 2021 US\$
Trade debtors	3,227,723	4,297,369
Amounts owed by related party undertakings	6,705	1,400,347
Amounts owed by group undertakings	6,087,157	160,510
Other debtors	9,517,958	8,824,419
Prepayments and accrued income	5,231,442	1,855,511
Deferred tax	1,099,410	-
	<u>25,170,395</u>	<u>16,538,156</u>

Amounts owed by group undertakings and related party understandings are unsecured, with no interest and no fixed repayment date.

15. Creditors: amounts falling due within one year

	31 March 2022 US\$	31 March 2021 US\$
Trade creditors	5,796,778	8,313,160
Amounts owed to group undertakings	65,408	9,261,258
Loans payable to group undertakings	25,000,000	-
Obligations under finance leases and hire purchase contracts (note 17)	8,457,143	8,457,143
Other creditors	4,002,599	87,168
Accruals and deferred income	3,466,794	8,810,444
	<u>46,788,722</u>	<u>34,929,173</u>

Amounts owed to group undertakings are unsecured, with no interest and no fixed repayment date. Loans payable to group undertakings are unsecured, with an interest rate of the lender's procurement interest rate + 0.25% and 3 month rolling contract.

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

	31 March 2022 US\$	31 March 2021 US\$
Obligations under finance leases and hire purchase contracts (note 15)	44,400,000	52,857,143
Derivative financial instruments	-	1,305,259
	<u>44,400,000</u>	<u>54,162,402</u>

Notes to the financial statements (continued)

for the year ended 31 March 2022

17. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases:

	31 March 2022 US\$	31 March 2021 US\$
Amounts payable:		
Within one year	9,225,687	9,356,450
In two to five years	35,596,734	36,119,785
In more than five years	10,612,628	19,315,264
	<u>55,435,049</u>	<u>64,791,499</u>
Less: finance charges allocated to future periods	<u>(2,577,906)</u>	<u>(3,477,213)</u>
	<u>52,857,143</u>	<u>61,314,286</u>

Analysis of present value of finance lease liabilities:

	31 March 2022 US\$	31 March 2021 US\$
In one year or less or on demand	8,457,143	8,457,143
In more than one year but not more than five years	33,828,571	33,828,571
In more than five years	10,571,429	19,028,572
	<u>52,857,143</u>	<u>61,314,286</u>

In September 2015, the Company terminated its finance lease arrangement related to the owned vessel, repaid a \$28m loan to the lenders, and entered into a new finance lease arrangement with the two 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.

The substance of the above terms is that the counterparty 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 12 years from the date of finance lease arrangement, until 2027.

The rate of interest payable on the finance lease is 1.2% above LIBOR. The lease agreement includes fixed lease payments of \$2,114,286 on a quarterly basis until the end of the lease term on 27 June 2027 with final balance of \$8,457,143.

Notes to the financial statements (continued)

for the year ended 31 March 2022

18. Called up share capital

		31 March 2022		31 March 2021
<i>Allotted, called up and fully paid</i>	No.	US\$	No.	US\$
Ordinary shares of \$1.60 (2021: \$1.60) each	25,488,646	40,900,233	25,488,646	40,900,233

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.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

19. Financial instruments

	31 March 2022	31 March 2021
	US\$	US\$
The Company has the following financial instruments:		
Financial assets at fair value through OCI		
Derivative financial assets	1,484,042	-
Financial assets that are debt instruments measured at amortized cost:		
Trade debtors (note 14)	3,227,723	4,297,369
Amounts owed by group undertakings (note 14)	6,087,157	160,510
Amounts owed by related party undertakings (note 14)	6,705	1,400,347
	<u>9,321,585</u>	<u>5,858,226</u>
Financial liabilities measured at amortized cost:		
Trade creditors (note 15)	5,796,778	8,313,160
Amounts owed to group undertakings (note 15)	65,408	9,261,258
Loans payable to group undertakings (note 15)	25,000,000	-
Obligations under finance leases and hire purchase contracts (note 16)	52,857,143	61,314,286
	<u>83,719,329</u>	<u>78,888,704</u>
Financial liabilities at fair value through OCI		
Derivative financial liabilities (note 16)	-	1,305,259

20. Pensions

The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost and charge represent contributions payable by the Company to the fund and amounted to US\$293,728 (2021 – US\$266,288). The amount of outstanding contributions at the year-end was US \$nil (2021 – US \$ nil).

Notes to the financial statements (continued)

for the year ended 31 March 2022

21. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 from disclosing transactions with related parties, which are 100% owned and controlled within the Kawasaki Kisen Kaisha, Ltd group.

Other related party transactions

During the year 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, are as follows:

Related party	<i>Income from related party US\$</i>	<i>Costs paid to related party US\$</i>	<i>Amounts owed by related party US\$</i>	<i>Amounts owed to related party US\$</i>
Northern LNG Transport Co., 1 Limited				
31 March 2022	9,218,480	–	–	–
31 March 2021	13,093,292	–	–	–
Northern LNG Transport Co., 2 Limited				
31 March 2022	12,861,744	–	–	–
31 March 2021	8,363,941	–	2,100	–
Trinity LNG Transport S.A				
31 March 2022	5,601,984	–	4,002	–
31 March 2021	10,271,352	–	9,300	–
Artemis Gas 1 Shipping Inc				
31 March 2022	7,289,062	–	–	–
31 March 2021	6,665,003	–	591,671	–
Danae Gas Shipping Inc				
31 March 2022	7,427,661	–	2,703	–
31 March 2021	5,226,319	–	797,276	–
Marine Radio Service Limited				
31 March 2022	–	1,026	–	–
31 March 2021	–	1,387	–	489
Total at 31 March 2022	<u>42,398,931</u>	<u>1,026</u>	<u>6,705</u>	<u>–</u>
Total at 31 March 2021	<u>43,619,907</u>	<u>1,387</u>	<u>1,400,347</u>	<u>489</u>

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

22. Cash pooling arrangement

The company entered a cash pooling arrangement with its ultimate parent company Kawasaki Kisen Kaisha, Ltd on 21 December 2020. At the balance sheet date, a total of \$6,046,534 in favour of the company included in Debtors (Note 14) (2021: US\$9,066,243 included in Creditors) to the ultimate parent company under the cash pooling arrangement.

Notes to the financial statements (continued)

for the year ended 31 March 2022

23. Ultimate parent undertaking and controlling party

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

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