"K" Line (Europe) Limited

Report and Financial Statements

31 December 2010

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COMPANIES HOUSE

Registered No 05639474

Directors
K Terashima
E Murakami
P Bertrand
G King
D Wakeling
T Kido
N Tani
P Menzel

Secretary
P Rogers

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

Bankers
National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

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

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

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

Registered Office
5th Floor
River Plate House
7-11 Finsbury Circus
London EC2M 7EA

Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

Results and dividends

The profit for the year after taxation amounted to £501,557 (2009 – profit of £481,171) The directors do not recommend a final dividend (2009 – £nil)

Principal activities and review of the business

The principal activity of the company during the year was that of general shipping agents for containerships and car carriers throughout Europe

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

	2010	*2009*	*Change*
	£000	*£000*	*%*
Turnover	15,523	15,757	-1%
Profit after tax	502	481	4%
Shareholders' funds	2,610	2,108	24%
Cash at bank	3,349	3,298	2%

Turnover is attributed to agency activities which attract a percentage of commission The decrease in turnover for the year reflects the continuous cost saving campaign within the company in relation to the economic climate that prevailed during 2010

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years They consider that 2011 will show a similar pattern

Directors

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

K Terashima
E Murakami (appointed 1 April 2010)
P Bertrand
G King
D Wakeling
K Mori (resigned 30 Sept 2010)
T Kido (appointed 1 October 2010)
S Murakami (resigned 31 December 2010)
N Tani (appointed 1 January 2011)
P Menzel
T Shimizu (resigned 31 March 2010)

Directors' report (continued)

Principal risks and uncertainties

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

Competitive risks

In the UK, the company is not subject to any major competitor risk as the main income is supported by a service fee agreement with its ultimate parent company located in Japan

Legislative risks

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

Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities

The company does not enter into derivative transactions and is not exposed to significant foreign currency exchange risk

The company's principal financial instruments include its leasing agreements The purpose of these is to raise finance for the company's operations In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations

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

Interest rate risk

The company is not exposed to significant interest rate risk as it is not heavily reliant on variable interest rate borrowings

Foreign currency risk

The company has no significant exposure to foreign currency risk

Credit risk

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

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

Directors' report (continued)

Going concern

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

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

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

Disclosure of information to the auditors

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

Auditors

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

By order of the Board

P Rogers

Secretary

3 1 MAR 2011

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditors' report

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

We have audited the financial statements of "K" Line (Europe) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

Date 21 APR 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover	2	15,522,601	15,757,027
Administrative expenses		(14,761,045)	(15,017,030)
Operating profit	3	761,556	739,997
Interest receivable	7	5,007	5,696
Interest payable and similar charges	8	(802)	(2,444)
Profit on ordinary activities before taxation		765,761	743,249
Tax	9	(264,204)	(262,078)
Profit for the financial year	16	501,557	481,171

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the profit of £501,557 (2009 – profit of £481,171) attributable to the shareholders for the year ended 31 December 2010

Balance sheet

at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible fixed assets	10	983,741	1,249,846
Current assets			
Debtors	11	13,145,215	13,182,991
Cash at bank		3,349,291	3,298,111
		16,494,506	16,481,102
Creditors amounts falling due within one year	12	(14,868,212)	(15,622,470)
Net current assets		1,626,294	858,632
Total assets less current liabilities		2,610,035	2,108,478
Capital and reserves			
Called up share capital	15	10,001	10,001
Profit and loss account	16	2,600,034	2,098,477
Shareholders' funds	16	2,610,035	2,108,478

These financial statements which comprise of the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes were approved by the Board of Directors and were signed on its behalf by

K Terashima

Director and Chief Executive Officer

Date 31 MAR 2011

Company registered number 05639474

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

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

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 Financial Reporting Standard No 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 company publishes group financial statements

Tangible fixed assets

All fixed assets are initially recorded at cost

Depreciation

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 useful life, as follows

Leasehold property	–	20% per annum
Furniture and equipment	–	15% – 33% per annum

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

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

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

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

Operating lease agreements

Rentals paid under operating leases are charged to the profit and loss account as they fall due

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Pension costs

Payments to the company's defined contribution pension scheme are included in the profit and loss account as incurred

Revenue recognition

Turnover is based on the recharge of costs for services provided to group companies with a 5% markup Invoices are issued on a regular basis as the service is provided

2. Turnover

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

	2010	*2009*
	£	*£*
United Kingdom	760,555	671,366
Rest of the World	14,762,046	15,085,661
	15,522,601	15,757,027

3. Operating profit

This is stated after charging/(crediting)

		2010	*2009*
		£	*£*
Auditors' remuneration (note 4)		45,424	89,493
Depreciation of owned fixed assets		547,758	556,544
Gain on disposal of fixed assets		-	(8,244)
Operating lease rentals	– land and buildings	693,868	627,229
	– plant and machinery	89,335	98,802
		783,203	726,031
Foreign exchange loss		28,925	14,382

4. Auditors' remuneration

	2010	*2009*
	£	*£*
Audit of the financial statements	12,836	11,422
Other fees to auditors – taxation services	32,588	78,071
	45,424	89,493

Notes to the financial statements

at 31 December 2010

5. Staff costs

	2010	*2009*
	£	*£*
Wages and salaries	8,493,147	8,671,559
Social security costs	527,093	526,369
Other pension costs (note 13)	639,241	645,005
	9,659,481	9,842,933

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

	No	*No*
Administrative staff	198	196

6. Directors' emoluments

The remuneration paid to directors was

	2010	*2009*
	£000	*£000*
Emoluments	1,145	1,656
Company contributions paid to personal money purchase pension schemes	–	–

Numbers of directors in respect of whom contributions were made in the year

	No	*No*
Pension contributions	–	–

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

	2010	*2009*
	£000	*£000*
Emoluments	400	222
Company contributions paid to personal money purchase pension schemes	–	–

7. Interest receivable

	2010	*2009*
	£	*£*
Bank interest receivable	5,007	5,696

Notes to the financial statements

at 31 December 2010

8. Interest payable and similar charges

	2010	208
	£	£
Bank interest payable	-	246
Other interest payable	802	2,198
	802	2,444

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010	2009
	£	£
Current tax		
Group relief payable	286,846	252,770
Adjustments in respect to previous periods	2,242	(525)
Total current tax (note 9(b))	289,088	252,245
Deferred tax		
Origination and reversal of timing differences	(24,884)	9,833
Total deferred tax (note 9(c))	(24,884)	9,833
Tax on profit on ordinary activities	264,204	262,078

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are reconciled below

	2010	2009
	£	£
Profit on ordinary activities before tax	765,761	743,249
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	214,413	208,110
Disallowed expenses and non taxable income	41,629	54,493
Capital allowances in arrears of depreciation	30,804	(17,953)
Other timing differences	-	8,120
Adjustments in respect to previous periods	2,242	(525)
Current tax for the year (note 9(a))	289,088	252,245

Notes to the financial statements
at 31 December 2010

9. Tax (continued)

(c) Deferred tax

The deferred tax asset included in the balance sheet is as follows

	2010	*2009*
	£	*£*
Included in debtors (note 11)	201,840	176,956

	2010	*2009*
	£	*£*
Decelerated capital allowances	194,010	168,836
Other timing differences	7,830	8,120
	201,840	176,956
At 1 January	(176,956)	(186,789)
Profit and loss account movement arising during the year	(24,884)	9,833
At 31 December	(201,840)	(176,956)

The UK Government announced in its Emergency Budget in June 2010 that the headline rate of UK corporation tax was to be reduced from 28% to 24% over the course of the next four years The first reduction to 27% (effective from 1 April 2011) had been enacted by the balance sheet date and therefore the closing deferred tax liability reflects this reduced rate The 2009 liability was based on a single rate of 28%

In addition, the UK Government announced in its 2011 Budget on 23 March 2011 that the rate was to be reduced to 26% from 1 April 2011, this impact and the impact of the further reductions in the rate to 23% has not been reflected in the deferred tax figures as these have not been substantively enacted at the balance sheet date

A reduction to 23% would give rise to a reduction in the deferred tax asset of £29,902

Notes to the financial statements

at 31 December 2010

10. Tangible fixed assets

	Furniture and equipment £	*Leasehold property* £	*Total* £
Cost			
At 1 January 2010	4,746,143	415,206	5,161,349
Additions	281,653	–	281,653
At 31 December 2010	5,027,796	415,206	5,443,002
Depreciation			
At 1 January 2010	3,603,125	308,378	3,911,503
Provided during the year	495,806	51,952	547,758
At 31 December 2010	4,098,931	360,330	4,459,261
Net book value			
At 31 December 2010	928,865	54,876	983,741
At 1 January 2010	1,143,018	106,828	1,249,846

11. Debtors

	2010 £	*2009* £
Trade debtors	10,167,591	10,680,998
Amounts owing from group undertakings	1,210,172	1,011,415
Other debtors	515,144	455,056
Prepayments and accrued income	759,879	858,566
Corporation tax receivable	290,589	–
Deferred taxation (note 9(c))	201,840	176,956
	13,145,215	13,182,991

12. Creditors: amounts falling due within one year

	2010 £	*2009* £
Bank overdraft	55,705	78,326
Trade creditors	3,316,518	2,736,606
Corporation tax payable	–	279,633
Other taxation and social security	718,412	304,237
Accruals and deferred income	488,643	443,934
Amounts owing to group undertakings	10,288,934	11,779,734
	14,868,212	15,622,470

Notes to the financial statements

at 31 December 2010

13. Defined contribution pension scheme

The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £639,241 (2009 – £645,005) The amount of outstanding contributions at the year end was £nil (2009 – £nil)

14 Commitments under operating leases

At 31 December 2010, the company had annual commitments under non-cancellable operating leases as follows

		2010		*2009*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*
Operating leases which expire				
Within one year	–	50,565	–	15,293
Between two and five years	581,068	65,182	581,068	65,791
In more than five years	112,800	–	112,800	–
	693,868	115,747	693,868	81,084

15. Issued share capital

		2010		*2009*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	10,001	10,001	10,001	10,001

16. Reconciliation of shareholders' funds and movements on reserves:

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	*£*	*£*
At 1 January 2009	10,001	1,617,306	1,627,307
Profit for the year	–	481,171	481,171
At 1 January 2010	10,001	2,098,477	2,108,478
Profit for the year	–	501,557	501,557
At 31 December 2010	10,001	2,600,034	2,610,035

Notes to the financial statements

at 31 December 2010

17. Related party transactions

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

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 December are as follows

Related party	*Income from related party* £	*Purchases from related party* £	*Amounts owed from related party* £	*Amounts owed to related party* £
Polar LNG Shipping (UK) Limited				
2010	–	–	11,708	–
2009	–	–	40,095	–
SAL GmbH & Co KG				
2010	20,825	–	39,685	–
2009	22,129	–	56,654	–

"K" Line Holding (Europe) Limited owns 42 5% of the ordinary shares in Polar LNG Shipping (UK) Limited

"K" Line Heavy Lift (UK) Limited owns 50% of the interest in SAL GmbH & Co KG

18. 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, Hibiya Central Buildings, 2-9 Nishi-Shinbashi 1 - chome, Minato-ku, Tokyo 105-8421, Japan