Registered No 6165964

"K" Line Heavy Lift (UK) Limited

Report and Financial Statements

31 March 2013

Company Information

Directors
K Terashima
E Tomioka
T Suzuki

Secretary
P Rogers

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

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

Registered Office
6th Floor
200 Aldersgate Street
London EC1A 4HD

Registered No 6165964

Directors' report

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

Results and dividends

The profit for the period after taxation amounted to €164,042 (year ended 31 December 2011 – €1,624,181) The directors do not recommend a final dividend (year ended 31 December 2011 – €nil)

Principal activities and review of the business

The principal activity of the company was the provision of finance to an overseas subsidiary undertaking

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

	15 month period ended 31 March 2013	*Year ended 31 December 2011*	*Change*
	€000	*€000*	*%*
Turnover	–	3,516	(100%)
Profit after tax	164	1,624	(90%)
Shareholders' funds	3,686	3,522	5%
Cash at bank and in hand	807	1,867	(57%)

No turnover arose during the year as the main income consisted of interest receivable

Future developments

Following the sale of all of its investments in the SAL group of entities, it is expected that the level of business activities will be reduced significantly

Principal risks and uncertainties

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

Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law, tax law and UK Bribery Act 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

Directors' report (continued)

Principal risks and uncertainties (continued)

Financial instrument risks

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

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

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 parties 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 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

Going concern

The business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to price, credit, liquidity and cash flow risk are described in the business review above

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future The directors continue to adopt the going concern basis in preparing the financial statements

Directors

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

K Terashima	
T Suzuki	(appointed 1 April 2012)
E Tomioka	(appointed 1 July 2012)
N Ando	(resigned 30 June 2012)
T Shimizu	(resigned 31 March 2012)

Directors' report (continued)

Disclosure of information to the auditor

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

Auditor

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

On behalf of the Board of Directors

P Rogers
Secretary

Date 26 APR 2013

Statement of directors' responsibilities

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

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

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

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

Independent auditor's report

to the members of "K" Line Heavy Lift (UK) Limited

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

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report (continued)

to the members of "K" Line Heavy Lift (UK) Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

Date 0 2 MAY 2013

Profit and loss account

for the period ended 31 March 2013

	Notes	15 month period ended 31 March 2013 €	Year ended 31 December 2011 €
Share of profit		–	3,515,612
Administrative expenses		(519,405)	(614,901)
Operating (loss)/profit	2	(519,405)	2,900,711
Interest receivable and similar income	5	2,016,997	1,543,078
Interest payable and similar charges	6	(1,647,643)	(2,166,186)
Loss/(profit)on ordinary activities before taxation		(150,051)	2,277,603
Tax	7	314,093	(653,422)
Profit for the financial period	13	164,042	1,624,181

Statement of total recognised gains and losses

for the period ended 31 March 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of €164,042 in the period ended 31 March 2013 (year ended 31 December 2011 – €1,624,181)

Balance sheet

at 31 March 2013

	Notes	31 March 2013 €	31 December 2011 €
Current assets			
Debtors amounts falling due within one year	8	107,046,498	12,571,211
Debtors amounts falling due more than one year	8	–	104,000,000
Cash at bank and in hand		807,495	1,866,795
Net current assets		107,853,993	118,438,006
Creditors amounts falling due within one year	9	(104,167,654)	(10,915,709)
Total assets less current liabilities		3,686,339	107,522,297
Creditors amounts falling due after more than one year	10	–	(104,000,000)
Net assets		3,686,339	3,522,297
Capital and reserves			
Called up share capital	12	46,670,542	46,670,542
Profit and loss account	13	(42,984,203)	(43,148,245)
Shareholders' funds	13	3,686,339	3,522,297

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

K Terashima

Director

Date **26 APR 2013**

Company number 6165964

Notes to the financial statements

at 31 March 2013

1. Accounting policies

Basis of preparation

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

The directors consider that the parent undertaking's functional and reporting currency is the Euro because its main source of income and significant expenses are in Euro

Going concern

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future The directors continue to adopt the going concern basis in preparing the financial statements

Group financial statements

The financial statements contain information about "K" Line Heavy Lift (UK) Limited as an individual undertaking, and do not contain group financial information as the parent of a group The company is exempt under Companies Act 2006 from the requirement to prepare group financial statements as it is included by full consolidation in the financial statements of its parent, "K" Line Holding (Europe) Limited, a company incorporated and registered in UK

Statement of cash flows

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

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 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

Notes to the financial statements

at 31 March 2013

1. Accounting policies (continued)

Share of profits

The share of profits represents the share of pre-disposal profits on the investments in partnerships in Germany, exclusive of VAT

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 Euro 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 Euro was 1 183 at 31 March 2013 (year ended 31 December 2011 – 1 197)

Loans payable

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process

Loans receivable

Loans and receivables are non-derivative financial instruments which have a fixed or easily determinable value They are recognised at cost, less any provisions for impairment in their value

2. Operating (loss)/profit

This is stated after charging

		15 month period ended 31 March 2013	*Year ended 31 December 2011*
		€	€
Auditors' remuneration	– audit of the financial statements	12,129	44,934
	– taxation compliance services	12,756	28,808
	– other services relating to taxation	200,796	86,903
Gain on disposal of investment		–	(28,000)
Foreign exchange loss		18,814	4,527

Notes to the financial statements

at 31 March 2013

3. Directors' remuneration

	15 month period ended 31 March 2013	*Year ended 31 December 2011*
	€	*€*
Remuneration	–	–
Company contributions paid to defined contribution pension scheme	–	–

A management charge of €105,186 (€101,922 for 2011) in respect of administration costs has been charged by "K" Line (Europe) Ltd (a subsidiary undertaking within the same group) which includes the directors' remuneration which it is not possible to identify separately

4. Staff costs

	15 month period ended 31 March 2013	*Year ended 31 December 2011*
	€	*€*
Wages and salaries	–	201,031

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

	No	*No*
Professional staff	–	–
Finance and administration	–	2
	–	2

5. Interest receivable and similar income

	15 month period ended 31 March 2013	*Year ended 31 December 2011*
	€	*€*
Bank interest receivable	1,839	11,917
Interest receivable from group undertaking	2,015,158	1,531,161
	2,016,997	1,543,078

Notes to the financial statements

at 31 March 2013

6. Interest payable and similar charges

	15 month period ended 31 March 2013	*Year ended 31 December 2011*
	€	*€*
Interest on loans	1,647,538	2,023,665
Interest on tax	105	142,521
	1,647,643	2,166,186

7. Tax

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

The tax (credit)/charge is made up as follows

	15 month period ended 31 March 2013	*Year ended 31 December 2011*
	€	*€*
Current tax:		
UK corporation tax charge for the period	–	124,680
Group relief recoverable	(36,612)	(470,674)
Adjustments in respect of previous periods	(112,285)	(152,975)
Foreign tax in respect of previous periods	(165,196)	1,152,391
Tax on (loss)/profit on ordinary activities (note 7(b))	(314,093)	653,422

Notes to the financial statements

at 31 March 2013

7. Tax (continued)

(b) Factors affecting tax (credit)/charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 24 4% (year ended 31 December 2011 – 26 5%) The differences are explained below

	15 month period ended 31 March 2013	*Year ended 31 December 2011*
	€	€
(Loss)/profit on ordinary activities before tax	(150,050)	2,277,603
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 4% (year ended 31 December 2011 – 26 5%)	(36,612)	603,565
Effects of		
Disallowable expenses	–	153,585
Capital allowances in excess of depreciation	–	(2,313,576)
Adjustments in respect of previous periods	(277,481)	991,526
Unrelieved tax losses carried forward	–	7,890
Tax charge	–	1,210,432
Current tax for the period (note 7(a))	(314,093)	653,422

(c) Factors that may affect future tax charges

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

Notes to the financial statements

at 31 March 2013

8. Debtors

	31 March 2013 €	*31 December 2011* €
Other debtors	2,330	–
Amounts owed from group undertakings	2,886,001	3,356,664
Loan receivable from group undertaking	104,000,000	112,000,000
Interest receivable from group undertaking	158,167	1,214,547
	107,046,498	116,571,211

The loan receivable from group undertaking includes an amount of €104,000,000 which is due in year 2013 (2011 - €104,000,000 loan receivable is due in year 2013)

9. Creditors: amounts falling due within one year

	31 March 2013 €	*31 December 2011* €
Bank loans (note 11)	104,000,000	8,000,000
Amounts owed to group undertakings	24,142	45,703
Accruals and deferred income	143,512	1,457,275
Corporation tax	–	1,412,731
	104,167,654	10,915,709

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

	31 March 2013 €	*31 December 2011* €
Bank loans (note 11)	–	104,000,000

11. Loans

	31 March 2013 €	*31 December 2011* €
Bank loans	104,000,000	112,000,000

The loan was drawn down from a total loan facility of €136,000,000 from syndication banks arranged by Mizuho Corporate Bank Ltd The first repayment on this facility was made on 15 July 2009 and will be followed by 3 equal annual payments of the same amount and a final payment of €104m The rate of interest payable on the loan is 0 23% above Euro base rate The maturity date for all outstanding loans against the facility is 15 July 2013 and the loan is secured by a guarantee from the ultimate parent undertaking

Notes to the financial statements

at 31 March 2013

11. Loans (continued)

	31 March 2013 €	31 December 2011 €
Amounts repayable		
In one year or less or on demand	104,000,000	8,000,000
In more than one year but not more than two years	–	104,000,000
	104,000,000	112,000,000

12. Issued share capital

		31 March 2013		31 December 2011
Allotted, called up and fully paid	*No*	*€*	*No*	*€*
Ordinary shares of €1 each	46,670,542	46,670,542	46,670,542	46,670,542

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital €	*Profit and loss account* €	*Total share-holders' funds* €
At 1 January 2011	32,670,542	(44,772,426)	(12,101,884)
Shares issued during the year	14,000,000	–	14,000,000
Profit for the year	–	1,624,181	1,624,181
At 1 January 2012	46,670,542	(43,148,245)	3,522,297
Profit for the period	–	164,042	164,042
At 31 March 2013	46,670,542	(42,984,203)	3,686,339

14. 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

During year 2011, the company disposed of all its investments in various entities which now form part of the Kawasaki Kisen Kaisha Limited group

There were no transactions entered into during the 15 month period or trading balances outstanding as at 31 March 2013

Notes to the financial statements

at 31 March 2013

14. Related party transactions (continued)

	Shares of profit/(loss) from related party	*Dividends received from related party*	*Amounts owed from related party*	*Amounts owed to related party*
	€	*€*	*€*	*€*
SAL GmbH & Co KG				
2011	(450,392)	–	–	–
HLL Sea Lion GmbH & Co KG				
2011	208,711	–	–	–
HLL Sea Tiger GmbH & Co KG				
2011	(137,523)	–	–	–
HLL Sea Hawk GmbH & Co KG				
2011	144,356	–	–	–
HLL Sea Eagle GmbH & Co KG				
2011	210,558	–	–	–
HLL Annette GmbH & Co KG				
2011	318,977	–	–	–
HLL Maria GmbH & Co KG				
2011	1,115,534	–	–	–
HLL Grietje GmbH & Co KG				
2011	(199,890)	–	–	–
HLL Annegret GmbH & Co KG				
2011	(56,923)	–	–	–
HLL Paula GmbH & Co KG				
2011	147,183	–	–	–
HLL Wiebke GmbH & Co KG				
2011	24,538	–	–	–
HLL Carrier GmbH & Co KG				
2011	285,906	–	–	–
HLL Project GmbH & Co KG				
2011	184,175	–	–	–
HLL Trina GmbH & Co KG				
2011	21,847	–	–	–
HLL Regine GmbH & Co KG				
2011	821,107	–	–	–
HLL Svenja GmbH & Co KG				
2011	1,227,757	–	–	–
HLL Lone GmbH & Co KG				
2011	(350,309)	–	–	–
2011 Total	3,515,612	–	–	–

Notes to the financial statements

at 31 March 2013

15. 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 represents 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 represents the largest group in which the company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Iino Building, 1-1, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8540, Japan