Registered.no. 5356484

"K" Line LNG Shipping (UK) Limited

Report and Financial Statements

31 March 2019

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Company Information

Directors
H Kato
D Bain
J Narita

Secretary
B Y Ramlalsing

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The Bank of Tokyo-Mitsubishi UFJ, Limited.
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Registered No. 5356484

Strategic Report

The Directors present their Strategic Report and Financial Statements of "K" Line LNG Shipping (UK) Limited for the financial year ended 31 March 2019.

Results

The loss for the financial year amounted to US$2,868,029 (2018–US$3,935,988).

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:

	31 March 2019 $000	*31 March 2018 $000*	*Change %*
Turnover	89,048	64,669	38%
Loss for the financial year	(2,868)	(3,936)	(27%)
Total Shareholders' funds	75,835	80,866	(6%)
Cash and cash equivalents	13,194	9,832	34%

Turnover is generated from the time charter of the owned vessel, vessel management fees and commission. The increase in turnover is attributed to 3 new vessels under ship management compared to previous years. The decrease in loss for the financial year is attributed to change in the time charter contract of the owned vessel.

Cash and cash equivalents increased as no dividend was paid in the year compared to 2018.

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.

The maritime industry is now in preparation for IMO 2020 sulphur cap regulation, which might affect possible increase of fuel price. The company has not suffered significantly from fuel price increases.

IMO 2020 sulphur cap regulation focus on reduction of GHG emission from vessels. Reduction of GHG emissions is linked to reduction of fuel consumption by vessels which will has positive impact for the market. International Monetary fund has generally optimistic view in World Economic Outlook in April 2019.

The implication of Brexit is unclear at the moment and will be continually monitored.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Financial risks

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 owned ship 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 variable level of interest rate which is not expected to change significantly in the foreseeable future.

The Company has established a risk and financial management framework whose primary objectives are to mitigate the exposure of the Company to risks that hinder the achievement of the Company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk.

Market/price risk

The variable interest rate on the finance lease does expose the Company to a price risk – please refer to note 15 for further details.

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.

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.

By order of the Board

B Y Ramlalsing
Secretary
Date: 22 August 2019

Registered No. 5356484

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 2019.

Directors

The Directors who served the Company during the year and as at the date of this report are as follows:
H Kato (Appointed 1st January 2019)
D Bain (Appointed 1st January 2019)
J Narita
Y Goto (Resigned 13th February 2019)

Dividends and financial risk management

The Directors do not recommend a final dividend (year ended 31 March 2018 – $7,000,000).

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

Future developments

The Directors aim to maintain the management direction which aim to improve the Company's profitability. They consider that the new financial year will provide a more stable growth in turnover arising from continuing operations because of the continuity of the contract for the time charter of the owned vessel and the restructuring of the finance lease.

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.

Notwithstanding the net current liability position of $9.6M, the Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continue financial support of the ultimate parent company. The Directors have received confirmation that Kawasaki Kisen Kaisha Ltd intend to support the Company for at least one year 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.

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

Directors' Report (continued)

Statement of Directors' responsibilities (continued)

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.

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 auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Company's auditors, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board

H Kato
Director
Date: 22 August 2019

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

Report on the audit of the financial statements

Opinion
In our opinion, "K" Line LNG Shipping (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2019; the Income statement, the Statement of comprehensive income, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Kevin McGhee

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 August 2019

Income statement

for the year ended 31 March 2019

	Note	*Year ended 31 March 2019 US$*	*Year ended 31 March 2018 US$*
Turnover	2	89,048,355	64,669,235
Cost of sales		(80,722,361)	(57,932,887)
Gross profit		8,325,994	6,736,348
Administrative expenses		(9,479,433)	(8,249,287)
Operating loss	3	(1,153,439)	(1,512,939)
Interest receivable and similar income	7	1,086,583	370,779
Interest payable and similar expenses	8	(3,379,216)	(2,635,974)
Loss before taxation		(3,446,072)	(3,778,134)
Tax on loss	9	578,043	(157,854)
Loss for the financial year		(2,868,029)	(3,935,988)

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 March 2019

	Year ended 31 March 2019 US$	*Year ended 31 March 2018 US$*
Loss for the financial year	(2,868,029)	(3,935,988)
Other comprehensive (expense)/ income:		
Items that are or may be recycled subsequently to the Income statement		
Movement in fair value of cash flow hedges	(2,162,752)	1,580,588
Other comprehensive (expense)/income for the year	(2,162,752)	1,580,588
Total comprehensive expense for the year	(5,030,781)	(2,355,400)

The notes on pages 12 to 26 form an integral part of these financial statements.

Balance sheet

as at 31 March 2019

	Note	31 March 2019 US$	31 March 2018 US$
Fixed assets			
Tangible assets	10	105,496,658	111,514,826
Investments	11	49,677,709	43,842,587
Total fixed assets		155,174,367	155,357,413
Current assets			
Debtors	12	8,369,736	9,806,535
Cash and cash equivalents		13,194,199	9,832,352
		21,563,935	19,638,887
Creditors: amounts falling due within one year	13	(31,131,810)	(15,901,885)
Net current (liabilities)/assets		(9,567,875)	3,737,002
Total assets less current liabilities		145,606,492	159,094,415
Creditors: amounts falling due after more than one year	14	(69,771,429)	(78,228,571)
Net assets		75,835,063	80,865,844
Capital and reserves			
Called up share capital	16	40,900,233	40,900,233
Other reserves		2,749,224	4,911,976
Retained earnings		32,185,606	35,053,635
Total shareholders' funds		75,835,063	80,865,844

The notes on pages 12 to 26 form an integral part of these financial statements

The financial statements on pages 9 to 26 were approved by the Board of Directors and signed on their behalf by:

H Kato

Director

Date: 22 August 2019

Statement of changes in equity

for the year ended 31 March 2019

	Called-up share capital US$	Other reserves US$	Retained earnings US$	Total equity US$
At 1 April 2018	40,900,233	4,911,976	35,053,635	80,865,844
Loss for the year	–	–	(2,868,029)	(2,868,029)
Other comprehensive expense for the year	–	(2,162,752)	–	(2,162,752)
Total comprehensive expense	–	(2,162,752)	(2,868,029)	(5,030,781)
At 31 March 2019	40,900,233	2,749,224	32,185,606	75,835,063

	Called-up share capital US$	Other reserves US$	Retained earnings US$	Total equity US$
At 1 April 2017	40,900,233	3,331,388	45,989,623	90,221,244
Loss for the year	–	–	(3,935,988)	(3,935,988)
Dividend paid	–	–	(7,000,000)	(7,000,000)
Other comprehensive income for the year	–	1,580,588	–	1,580,588
Total comprehensive income/(expense)	–	1,580,588	(10,935,988)	(9,355,400)
At 31 March 2018	40,900,233	4,911,976	35,053,635	80,865,844

Notes to the financial statements

for the year ended 31 March 2019

1. Accounting policies

General Information

The Company is a private company limited by shares, 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 held at fair value through profit and loss.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, 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

Notwithstanding the net current liability position of $9.6M, the Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continue financial support of the ultimate parent company. The Directors have received confirmation that Kawasaki Kisen Kaisha Ltd intend to support the Company for at least one year 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.

i) Charter hire income

The time charter equivalent of 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.

Notes to the financial statements (continued)

for the year ended 31 March 2019

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and impairment losses. Depreciation commences from the point when the assets are available for use. 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 is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected economic useful life, as follows:

Vessel	–	30	years
Dry docking	–	2.5 – 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. Amortisation of cost is allocated over the period until the next dry-docking which can range from 2 – 5 years.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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, other fixed assets and intangible assets may have suffered an impairment loss. If any indication exists, the Company estimates thc 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 income-generating unit ("IGU") 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. An IGU 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 IGUs, 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 it has IGUs comprising of individual vessels.

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.

Notes to the financial statements (continued)

for the year ended 31 March 2019

1. Accounting policies (continued)

If the recoverable amount is less than the carrying amount of the asset or IGU, 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 IGU 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$.

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 exchange rate between GBP and USD was 1.3031 at 31 March 2019 (31 March 2018 – 1.3774).

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 group 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 participates in a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Notes to the financial statements (continued)

for the year ended 31 March 2019

1. Accounting policies (continued)

Financial instruments

i) Financial assets

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

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 statement of income and retained earnings.

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 fair value of derivatives are recognised in the statement of income and retained earnings in finance costs or finance income as appropriate, unless they are included in a hedging arrangement when the changes in fair value are recognised in the Statement of changes in equity.

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.

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 profit or loss 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 2019

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 judgement in the following area:

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: The Company performs a discounted future cash flow analysis on its vessel which is held under finance lease, to determine if the vessel is impaired. The principal assumptions used in the discounted future cash flow analysis consist of forecast future operating result of time charter, the estimated residual values and a weighted average cost of capital.

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 2019 US$	*Year ended 31 March 2018 US$*
UK	5,508,145	26,875,294
Rest of the World	83,540,210	37,793,941
	89,048,355	64,669,235

	Year ended 31 March 2019 US$	Year ended 31 March 2018 US$
Income from commission receivable	1,201,011	1,131,973
Income from time charter	17,542,040	12,670,801
Income from ship management	70,217,287	50,662,589
Other income	88,017	203,872
	89,048,355	64,669,235

Notes to the financial statements (continued)

for the year ended 31 March 2019

3. Operating loss

This is stated after charging:

	Year ended 31 March 2019 US$	*Year ended 31 March 2018 US$*
Depreciation of owned assets	63,502	69,912
Depreciation of leased assets	6,497,053	6,315,052
Net loss on foreign currency translation	136,568	97,657

4. Auditors' remuneration

	Year ended 31 March 2019 US$	*Year ended 31 March 2018 US$*
Audit of the financial statements for the current year	55,642	60,320
	55,642	60,320

5. Directors' remuneration

	Year ended 31 March 2019 US$	*Year ended 31 March 2018 US$*
Remuneration	937,000	749,000

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

	Year ended 31 March 2019 US$	*Year ended 31 March 2018 US$*
Remuneration	384,000	424,000

Notes to the financial statements (continued)

for the year ended 31 March 2019

6. Staff costs

	Year ended 31 March 2019 US$	Year ended 31 March 2018 US$
Wages and salaries	4,231,632	3,747,710
Social security costs	393,993	299,444
Other pension costs	256,615	226,203
	4,882,240	4,273,357

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

	No.	No.
Administrative staff	35	36

7. Interest receivable and similar income

	Year ended 31 March 2019 US$	Year ended 31 March 2018 US$
Bank interest receivable	281,244	172,546
Swap interest receivable	805,339	-
Loan interest receivable from group undertakings	-	198,233
	1,086,583	370,779

8. Interest payable and similar expenses

	Year ended 31 March 2019 US$	Year ended 31 March 2018 US$
Finance lease and other interest payable	3,379,216	2,635,974
	3,379,216	2,635,974

The Finance lease interest payable for year ended 31 March 2019 is $3,105,052 (2018: $2,387,182).

Notes to the financial statements (continued)

for the year ended 31 March 2019

9. Tax on loss

(a) Tax on loss

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

	Year ended 31 March 2019 US$	Year ended 31 March 2018 US$
Current tax:		
UK corporation tax on the loss for the year	-	7,016
Group relief payable	-	(73,212)
Adjustments in respect of previous periods	(12,377)	(5,420)
Total current tax	(12,377)	(71,616)
Deferred tax:		
Origination and reversal of timing differences	(641,968)	(151,352)
Adjustments in respect of previous periods	8,727	364,890
Effect of changes in tax rate on opening balance	67,575	15,932
Total deferred tax (note 9(c))	(565,666)	229,470
Total tax per Income statement	(578,043)	157,854

9. Tax on loss (continued)

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

The tax assessed on the loss is lower (2018: higher) than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	Year ended 31 March 2019 US$	Year ended 31 March 2018 US$
Loss before taxation	(3,446,072)	(3,778,134)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	(654,754)	(717,845)
Effects of:		
Non-taxable income	12,788	493,282
Adjustments in respect of previous periods	(3,652)	359,470
Tax rate changes	67,575	15,932
Tonnage tax profit	-	7,015
Total tax for the year (note 9(a))	(578,043)	157,854

Non-taxable income principally relates to activities falling within the UK Tonnage Tax regime.

Notes to the financial statements (continued)

for the year ended 31 March 2019

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 on 6 September 2016. These include reductions to the main rate to reduce to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

(c) Deferred tax

The deferred tax asset/(liability) included in the balance sheet is as follows:

	31 March 2019	*31 March 2018*
	US$	*US$*
Deferred tax asset/(liability)	354,640	(211,026)

	2019	*2018*
	US$	*US$*
Deferred tax (liability)/asset at 1 April	(211,026)	18,444
Adjustments in respect of previous periods	-	(364,890)
Deferred tax credit to income statement for the year (note 9(a))	565,666	135,420
Deferred tax asset/(liability) at 31 March	354,640	(211,026)

Notes to the financial statements (continued)

for the year ended 31 March 2019

10. Tangible assets

	Vessel US$	*Dry docking US$*	*Equipment US$*	*Total US$*
Cost:				
At 1 April 2018	162,591,922	5,306,305	433,916	168,332,143
Additions	571,912	-	8,560	580,472
Disposals	-	(38,085)	-	(38,085)
At 31 March 2019	163,163,834	5,268,220	442,476	168,874,530
Accumulated depreciation:				
At 1 April 2018	55,587,051	884,384	345,882	56,817,317
Charge for the year	5,449,757	1,047,297	63,501	6,560,555
At 31 March 2019	61,036,808	1,931,681	409,383	63,377,872
Net book value:				
At 31 March 2019	102,127,026	3,336,539	33,093	105,496,658
At 31 March 2018	107,004,871	4,421,921	88,034	111,514,826

The owned vessel with net book value of US$102,127,027 (2018 – US$107,004,871) has been placed as security under a finance lease arrangement. Management has undertaken an impairment assessment of the vessel as at the balance sheet date and no indicators for impairment have been noted.

11. Investments

	31 March 2019 US$	*31 March 2018 US$*
Investment in joint venture	49,677,709	43,842,587
	49,677,709	43,842,587

During the year "K" Line LNG Shipping (UK) Limited additionally contributed US$ Nil (year ended 31 March 2018 – US$3.9M) to a joint venture investment – Artemis Gas 1 Shipping Inc. This investment represents a share of 30% for the co-ownership of a LNG vessel (Patris) which was delivered in late 2017. The joint venture currently has the following shareholding structure:

"K" Line LNG Shipping (UK) Ltd 30%

Maritank Holding Inc 50%

(Registered address: c/o LISCR Trust Company, 80 broad street, Monrovia, LR-MG, Liberia)

Shipping and Intermodal Investment Fund II LLC 20%

(Registered address: Ajeltake Rodad, MH96960, Majuro, Marshall Islands)

Notes to the financial statements (continued)

for the year ended 31 March 2019

11. Investments (continued)

During the year "K" Line LNG Shipping (UK) Limited additionally contributed US$5.8M (year ended 31 March 2018 – US$4.8M) to a second joint venture investment – Danae Gas Shipping Inc. This investment represents a share of 37.5% for the co-ownership of new LNG vessel (Kinisis) delivered in late 2018. The joint venture currently has the following shareholding structure:

"K" Line LNG Shipping (UK) Ltd	37.5%
Maritank Holding Inc	57.5%
(Registered address: c/o LISCR Trust Company, 80 broad street, Monrovia, LR-MG, Liberia)	
Shipping and Intermodal Investment Fund II LLC	5%
(Registered address: Ajeltake Rodad, MH96960, Majuro, Marshall Islands)	

12. Debtors

	31 March 2019 US$	*31 March 2018 US$*
Trade debtors	26,664	2,321,657
Amounts owed by related party undertakings	604,366	609,786
Amounts owed by group undertakings	165,994	172,226
Corporation tax receivable	13,765	14,916
Other debtors	1,889,011	1,265,762
Derivative financial instruments	2,749,224	4,911,976
Deferred tax	354,640	-
Prepayments and accrued income	2,566,072	510,212
	8,369,736	9,806,535

Amounts owed from group undertakings and related parties are unsecured, with no interest and no fixed repayment date. Loans amounts falling due after more than one year included above are Derivative financial instruments amounting to $2,749,224 (2018: $4,911,976).

13. Creditors: amounts falling due within one year

	31 March 2019 US$	*31 March 2018 US$*
Trade creditors	3,428,033	3,544,543
Amounts owed to group undertakings	28,134	162,411
Amounts owed to related party undertaking	228,267	212,275
Loans payable to related party undertaking	12,148,026	-
Obligations under finance leases and hire purchase contracts (note 15)	8,457,143	8,457,143
Deferred tax	-	211,026
Accruals and deferred income	6,842,207	3,314,487
	31,131,810	15,901,885

Amounts owed to group undertakings and related parties are unsecured, with no interest and no fixed repayment date. Loans payable to group undertakings are unsecured, with LIBOR flat interest rate and 3 month rolling contract.

Notes to the financial statements (continued)

for the year ended 31 March 2019

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

	31 March 2019 US$	*31 March 2018 US$*
Obligations under finance leases and hire purchase contracts (note 15)	69,771,429	78,228,571

15. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases:

	31 March 2019 US$	*31 March 2018 US$*
Amounts payable:		
Within one year	9,621,020	9,748,738
In two to five years	37,165,886	37,690,370
In more than five years	37,112,825	46,209,361
	83,899,731	93,648,469
Less: finance charges allocated to future periods	(5,671,159)	(6,962,755)
	78,228,572	86,685,714

Analysis of present value of finance lease liabilities:

	31 March 2019 US$	*31 March 2018 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	35,942,858	44,400,000
	78,228,572	86,685,714

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 counter party which is the contractual party of the new finance lease arrangement is acting as a special purpose vehicle on behalf of the banks and the transaction effectively represents a secured bank loan with a maturity of 14 years, until 2037.

The rate of interest payable on the finance lease is 1.2% above LIBOR.

Notes to the financial statements (continued)

for the year ended 31 March 2019

16. Called up share capital

Allotted, called up and fully paid	*No.*	*31 March 2019 US$*	*No.*	*31 March 2018 US$*
Ordinary shares of $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.

Dividends	*31 March 2019 US$*	*31 March 2018 US$*
Equity - ordinary		
Final paid: nil per share (2018: $0.27 per share)	-	7,000,000
Total	-	7,000,000

17. Financial instruments

The Company has the following financial instruments:	*31 March 2019 US$*	*31 March 2018 US$*
Financial assets at fair value through profit and loss		
Derivative financial assets	2,749,224	4,911,976
Financial assets that are debt instruments measured at amortized cost:		
Trade debtors (note 12)	26,664	2,321,657
Amounts owed by group undertakings (note 12)	165,994	172,226
Amounts owed by related party undertakings (note 12)	604,366	609,786
	797,024	3,103,669
Financial liabilities measured at amortized cost:		
Trade creditors (note 13)	3,428,033	3,544,543
Amounts owed to group undertakings (note 13)	28,134	162,411
Loans payable to group undertakings (note 13)	12,148,026	-
Amounts owed to related party undertakings (note 13)	228,267	212,275
Obligations under finance leases and hire purchase contracts (note 15)	78,228,572	86,685,714
	94,061,032	90,604,943

18. 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$256,615 (2018 – US$226,203). The amount of outstanding contributions at the year-end was US $nil (2018 – US $ nil).

Notes to the financial statements (continued)

for the year ended 31 March 2019

19. 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 Limited 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 2019, are as follows:

Related party	*Income from related party US$*	*Amounts owed from related party US$*	*Amounts owed to related party US$*
Polar LNG Shipping Limited			
31 March 2019	1,780,001	–	–
31 March 2018	12,210,880	457,866	–
Northern LNG Transport Co., 1 Limited			
31 March 2019	6,042,250	–	–
31 March 2018	–	–	–
Northern LNG Transport Co., 2 Limited			
31 March 2019	4,392,171	–	–
31 March 2018	–	–	–
J5 Nakilat No.3 Limited			
31 March 2019	12,830,153	–	212,548
31 March 2018	6,719,353	–	212,275
J5 Nakilat No.7 Limited			
31 March 2019	13,204,054	434,744	–
31 March 2018	6,794,407	79,303	–
Peninsula LNG No.2 Limited			
31 March 2019	5,725,897	8,794	–
31 March 2018	5,198,272	15,922	–
Trinity LNG Transport S.A			
31 March 2019	12,202,411	130,202	–
31 March 2018	14,574,358	56,695	–
Chandris (Hellas) Inc.			
31 March 2019	39,723	19,498	–
31 March 2018	1,118,266	–	–
Artemis Gas 1 Shipping Inc			
31 March 2019	4,912,670	11,128	–
31 March 2018	–	–	–
Danae Gas Shipping Inc			
31 March 2019	2,257,780	–	15,719
31 March 2018	–	–	–
Total at 31 March 2019	63,387,110	604,366	228,267
Total at 31 March 2018	46,615,536	609,786	212,275

Notes to the financial statements (continued)

for the year ended 31 March 2019

19. Related party transactions(continued)

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

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is "K" Line Holdings (Europe) Limited, which is incorporated in the UK. 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 smallest and largest group in which the Company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Iino Buildings, 1-1 Uchisaiwaicho 2 – Chome, Chiyoda-ku, Tokyo 100-8540, Japan.