

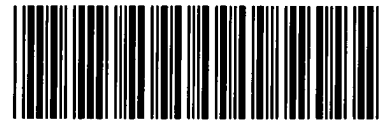
Registered No. 04830352

“K” Line Bulk Shipping (UK) Limited

Report and Financial Statements

31 March 2023

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Company Information

Director

A Misaki
R Kato

Secretary

B Y Ramlalsing

Independent Auditors

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

Bankers

Mizuho Bank Limited
30 Old Bailey
London EC4M 7AU

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

Sumitomo Mitsui Trust Bank, Limited
155 Bishopsgate
London EC2M 3XU

SMBC Bank International PLC
100 Liverpool Street
London EC2M 2AT

Registered Office

6th Floor
5 Aldermanbury Square
London EC2V 7BP

Strategic Report

The Director presents the Strategic report of "K" Line Bulk Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2023.

Results and dividends

The profit for the financial year amounted to US\$29,973,452 (2022: US\$20,951,757). The Director recommends a final dividend of US\$nil (2022: US\$nil).

Principal activities and Review of the business

The principal activities of the Company are the chartering and ownership of bulk vessels.

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

| | 2023 US\$000 | 2022 US\$000 | Change % |
|-------------------------------|-----------------|-----------------|-------------|
| Turnover | 97,934 | 115,775 | (15%) |
| Profit for the financial year | 29,973 | 20,952 | 43% |
| Total shareholders' fund | 138,211 | 108,238 | 28% |
| Cash and cash equivalents | 1,668 | 900 | 85% |

The company experienced a 15% decrease in turnover over the course of the year due to the sale of two vessels in the prior year. One vessel was sold in November 2021, and the other was sold in April 2022. However, despite this decrease, the company achieved a 43% increase in profit for the year. This increase was primarily attributed to the gains from the sale of six "Supermax" vessels, while in the previous year, losses were incurred from the sale of two vessels.

Total shareholders' funds increased by 28% primarily due to profit from operations and sale of vessels.

The increase in cash held in bank and on hand can be attributed to the Euro cash balance received at the end of the year for reimbursement of costs paid in Euro. In addition, K Line group cash pooling arrangement was introduced in January 2021, cash balance/shortfall is swept overnight from the Company's account to its Parent Company (Kawasaki Kisen Kisha Ltd) NRA bank account at end of each business day.

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

Future developments

The current trend in bulk business appears optimistic as the index link rates are increasing. The Company's overall business is expected to perform better over the coming year as compared to last year.

Principal risks and uncertainties

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

Competitive risks

The bulk carrier industry is characterised by intense competition to secure contracts and profitable rates. The Company tries to minimise this risk by entering in medium term contracts with its customers.

Legislative risks

In the UK and Europe, the main legislative risks are EU competition law, employment law, tax law, UK Bribery Act, low sulphur fuel regulations and shipping legislation, mostly originating from IMO (International Maritime Organisation). These standards are subject to continuous revision which the Company will adhere to.

Strategic Report (continued)

Cyber security risk

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

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

Financial risk management

The financial risks faced by the Company include the residual value of owned and finance leased vessels at the time of disposal. The Company undertakes an annual impairment review of the carrying value and useful economic life of all ship assets, using value in use assessments.

Treasury operations and financial instruments

Vessels are financed by way of third-party bank loans, inter-group loans and by way of finance leases. Borrowings are undertaken at variable rates principally in USD and JPY. To the extent not covered by derivative instruments the Company is exposed to fluctuations in interest rates.

The Company operates a treasury function which is responsible for managing the liquidity, credit and market/price risks associated with the Company's activities.

The Company has established a risk and financial management framework whose primary objectives are to mitigate the exposure of the Company to risks that hinder the achievement of the Company's performance objectives.

Market/price risk

The Company uses interest rate swaps to mitigate interest rate exposure by fixing interest payments where payments are variable and hence exposed to interest rate movements. The Company uses foreign currency exchange rate swaps to mitigate currency exchange rate exposure by fixing exchange rate for payments in foreign currency and hence exposed to exchange rate fluctuations.

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 swept overnight into a global cash management system and interest is received on a quarterly basis.

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 for doubtful debts is made where necessary. The Company does not suffer from significant bad debt.

Covid-19 Impact

The worldwide spread of Covid-19 from January 2020 caused serious disruption in the economic environment both in and outside UK. In March 2020, we successfully implemented our business continuity plan. The Directors have assessed the actual and projected impact of Covid-19 on our business. As the group companies still require the services of the Company as an investment and holding company, we saw no decline or change in risk based on business activity during the year. The Directors do not foresee a material impact on the business in the foreseeable future

Strategic Report (continued)

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

The Directors have assessed actual impact of Brexit, Russia/Ukraine conflict and Inflation from energy prices and do not consider there is major impact on the business. This is due to the business nature of time charter out of the tonnage to others, which covers worldwide trades.

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

The likely consequences of any decision in the long term

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

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

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

The interests of the company's employees

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

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

-Customers

Our customers are central to our business. During the year, we continued to engage with our customers through regular virtual meetings which provided the opportunity to gain insights into the issues and challenges facing our customers.

-Shareholders

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

-Suppliers

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

Strategic Report (continued)

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

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

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

<https://www.kline.co.jp/en/sustainability/environment/management.html#002>

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

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

-Establishment and Maintenance of the Internal Control System

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

-Group Governance

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

The need to act fairly as between members of the company

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

By order of the Board



B Y Ramlalsing
Secretary

Date: 27 October 2023

Registered No. 04830352

Director's Report

The Director presents the Director's Report and audited financial statements of "K" Line Bulk Shipping (UK) Limited (the "Company") for the financial year ended 31 March 2023.

Director

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

A Misaki
R Kato (Appointed 1st April 2023)

Dividends and financial risk management

Dividends and financial risk management disclosures are included in the Strategic Report on pages 3 and 4.

Future developments

The Company's overall business is expected to remain in a similar position over the coming year. More details are given in the Strategic Report on page 3. The trend for the freight rate is moving in a positive direction.

Going concern

The Company has adequate financial resources together with existing contracts with a number of customers and suppliers across different geographic areas and industries. Covid-19 is not having an adverse impact on the business as the market trend for freight rate is moving in a positive direction. As a consequence, the Director believes that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Directors have received confirmation that Kawasaki Kisen Kaisha Ltd will support the Company for at least a period of 12 months from the date of approval of the balance sheet.

Director's indemnities

As permitted by the Articles of Association, the Director has 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 Director's and Officers' liability insurance in respect of itself and its director.

Streamlined Energy and Carbon Reporting (SECR)

As a large unquoted company, the Company is required to report its UK energy use. The Company identified its only energy usage in the UK is related to office operation which falls into Scope 2 – electricity. The total electricity usage for year ending 31st March 2023 is less than 40MWH. Based on the legislation, the Company is not required to make full disclosure of energy and carbon information as a low energy user.

Director's Report (continued)

Statement of Director's Responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

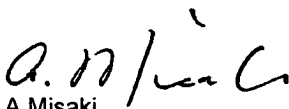
The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Director's confirmation

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

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

On behalf of the Board


A Misaki
Director

Date: 27 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF "K" Line Bulk Shipping (UK) Limited

Opinion

We have audited the financial statements of "K" Line Bulk Shipping (UK) Limited for the year ended 31st March 2023 which comprise; the Income Statement, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st March 2023 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.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from the date of approval of the balance sheet.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

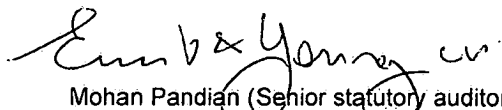
"K" Line Bulk Shipping (UK) Limited

- o Reading financial statement disclosures and testing to supporting documentation and performing enquiries with person(s) in charge of legal affairs to assess compliance with applicable laws and regulations.
- o Reviewing minutes of meetings of those charged with governance

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

Use of our report

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



Mohan Pandian (Senior statutory auditor)

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

London

Date: 27 October 2023

Income statement

for the year ended 31 March 2023

| | | Year ended 31 March 2023 | Year ended 31 March 2022 |
|--|------|--------------------------------|--------------------------------|
| | Note | US\$ | US\$ |
| Turnover | 2 | 97,934,506 | 115,775,058 |
| Cost of sales | | <u>(64,884,596)</u> | <u>(80,923,878)</u> |
| Gross Profit | | 33,049,910 | 34,851,180 |
| Administrative expenses | | (3,035,278) | (4,691,646) |
| Exceptional items | 3 | <u>2,154,888</u> | <u>(10,400,773)</u> |
| Operating Profit | 4 | 32,169,520 | 19,758,761 |
| Interest receivable and similar income | 8 | 2,156,969 | 4,676,863 |
| Interest payable and similar expenses | 9 | <u>(4,645,193)</u> | <u>(3,550,336)</u> |
| Profit before taxation | | 29,681,296 | 20,885,288 |
| Tax credit on profit | 10 | <u>292,157</u> | <u>66,469</u> |
| Profit for the financial year | | <u>29,973,453</u> | <u>20,951,757</u> |

All amounts relate to continuing activities

Statement of comprehensive income

for the year ended 31 March 2023

| | | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|--|--------------------------------|--------------------------------|
| | | US\$ | US\$ |
| Profit for the financial year | | 29,973,453 | 20,951,757 |
| Other comprehensive income: | | | |
| <i>Items that are or may be recycled subsequently to the Income statement</i> | | | |
| Movement in fair value of cash flow hedges | | - | - |
| Other comprehensive income for the year net of tax | | - | - |
| Total comprehensive income for the year | | <u>29,973,453</u> | <u>20,951,757</u> |

The notes on pages 16 to 30 form an integral part of these financial statements.

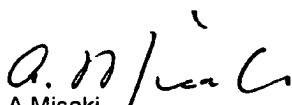
Balance sheet

as at 31 March 2023

| | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|--------------------------------|--------------------------------|
| Note | US\$ | US\$ |
| Fixed assets | | |
| Tangible assets | 11 63,059,869 | 177,969,208 |
| Current assets | | |
| Stocks | 12 421,957 | 736,050 |
| Debtors (including US\$7,146,828 (2022: US\$ nil) falling due more than one year) | 13 132,111,350 | 41,183,132 |
| Cash and cash equivalents | 1,668,488 | 899,924 |
| Assets held for sale | - | 35,602,969 |
| | <u>134,201,795</u> | <u>78,422,075</u> |
| Creditors: amounts falling due within one year | 14 <u>(42,490,419)</u> | <u>(72,270,570)</u> |
| Net current assets | <u>91,711,376</u> | <u>6,151,505</u> |
| Total assets less current liabilities | 154,771,245 | 184,120,713 |
| Creditors: amounts falling due after more than one year | 15 <u>(16,560,000)</u> | <u>(75,882,921)</u> |
| Net assets | <u>138,211,245</u> | <u>108,237,792</u> |
| Capital and reserves | | |
| Called up share capital | 17 93,101,833 | 93,101,833 |
| Retained earnings | 45,109,412 | 15,135,959 |
| Total shareholders' funds | <u>138,211,245</u> | <u>108,237,792</u> |

The notes on pages 16 to 30 form an integral part of these financial statements.

The financial statements on pages 13 to 30 were approved by the Director and were signed by:


A Misaki
Director

Date: 27 October 2023

Company Registration Number : 04830352

Statement of changes in equity

for the year ended 31 March 2023

| | Called up share capital US\$ | Retained earnings US\$ | Total shareholders' funds US\$ |
|---|---------------------------------------|------------------------------|---|
| Balance as of 1 April 2021 | 93,101,833 | (5,815,798) | 87,286,035 |
| Profit and total comprehensive income for the year | - | 20,951,757 | 20,951,757 |
| Balance as of 31 March 2022 | <u>93,101,833</u> | <u>15,135,959</u> | <u>108,237,792</u> |
| Profit and total comprehensive income for the year | - | 29,973,453 | 29,973,453 |
| Balance as of 31 March 2023 | <u>93,101,833</u> | <u>45,109,412</u> | <u>138,211,245</u> |

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies

General Information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 6th Floor, 5 Aldermanbury Square, London, EC2V 7BP.

The principal activities of the Company are the chartering and ownership of bulk vessels.

Statement of compliance

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

Summary of significant accounting policies

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

Basis of preparation

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

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure 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 the ultimate parent company, includes the Company's cash flows;
- ii) from providing the financial instruments disclosures set out in sections 11 and 12 of FRS 102;
- iii) 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);
- iv) from disclosing the Company's key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

Going concern

The Company has adequate financial resources together with existing contracts with a number of customers and suppliers across different geographic areas and industries. Covid-19 is not having an adverse impact on the business as the market trend for freight rate is moving in a positive direction. As a consequence, the Director believes that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company. The Directors have received confirmation that Kawasaki Kisen Kaisha Ltd will support the Company for at least a period of 12 months from the date of approval of the balance sheet.

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation commences from the point when the assets are available for use. Vessels under construction are not depreciated.

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

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

| | | |
|-------------------------|---|----------------|
| Vessels | – | 15 to 20 years |
| Furniture and equipment | – | 3 to 5 years |

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

Capitalisation of interest

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

Impairment of tangible fixed assets

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

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

The first step in this process is the determination of the lowest level at which largely independent cash flows are generated, starting from the individual asset level. A CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets or groups of assets. In identifying whether cash inflows from an asset or group of assets are largely independent, and therefore determining the level of the CGUs, the Company considers many factors including management's trading strategies, how management makes decisions about continuing or disposing of the assets, nature and terms of contractual arrangements and actual and predicted employment of the vessels. Based on the above the Company has determined at the reporting date that each CGU comprises of an individual vessel.

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

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (Continued)

Impairment of tangible fixed assets (Continued)

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

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

Stocks

Stocks consist of bunker fuel oil and diesel fuel oil which are ascertained on a "first-in-first-out" basis. These are stated at the lower of cost and estimated selling price.

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 Director considers 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.

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 a finance lease liability. 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 denominated in a currency other than the functional currency are revalued at year end.

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 year.

Operating leases

Rents payable under operating leases are charged on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (Continued)

Foreign currencies

i) Functional and presentation currency:

The Company's functional and presentation currency is USD.

ii) Transactions and balances

Transactions in GBP Sterling and other foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the US dollar are retranslated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the income statement.

The authorised and issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were authorised.

The exchange rate between GBP and USD was 1.2364 at 31 March 2023 (31 March 2022 – 1.3167).

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call or with maturities of less than 3 months with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

Financial instruments

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

i) Financial assets

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

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

ii) Financial liabilities

Basic financial liabilities, including trade creditors and other creditors and short term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. 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.

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (Continued)

Financial instruments (continued)

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

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 offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) Hedging arrangements

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

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

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

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

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 profit or loss when liabilities are derecognised or impaired, as well as through the amortisation process.

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.

Time Charter, bareboat charter and brokerage income

Turnover is recognised on a straight-line basis over the period of the contract.

Voyage Charter income

Voyage charter income and related profits from the Company's vessel chartering activities (including any demurrage) is recognised on completion of the voyage.

Interest and similar income

Interest is recognised as interest accrues using the effective interest method.

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (Continued)

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Provision for liabilities

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

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the "K" Line group. It does not disclose transactions with members of the same group that are wholly owned.

Joint ventures and arrangements

The joint venture E&K Amanda Partners ended on 12th March 2021.

On the same day, the Company entered into a new agreement with "Paloma Enterprise SA" to procure and subsequently time charter a Capesize bulk carrier. The vessel is co-owned by the two parties. The Company and Paloma Enterprise SA established a trade partnership, T&K Amanda Partners which is responsible for the day to day running of the vessel and charters out the vessel to Kawasaki Kisen Kaisha Ltd. The partnership is registered at 6th Floor, 5 Aldermanbury Square, London, EC2V 7BP.

The Company recognises its 50% share of revenues and costs, assets and liabilities from the partnership activities for the financial year in its Income statement and Balance sheet.

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 judgements in the following area:

Leases: The Company is party to several arrangements involving the use of assets, some of which contain a lease. Accounting for lease arrangements first involves making a determination, at inception of a lease arrangement, whether a lease is classified an operating lease or a finance lease. A key judgement required when making the distinction in lease classification is to determine whether substantially all of the risks and rewards of ownership of the asset have passed to the Company. Where it is assessed that substantially all of the risks and rewards have transferred to the Company, a finance lease exists.

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

Useful life of vessel: The Company has estimated that its vessels will be disposed in 11 to 16 years based on their expected economic life and the fact that it may prove difficult to find charterers willing to charter a vessel of their then age.

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (Continued)

Impairment: At the year-end, the Company undertook an assessment to determine whether there were any triggers for impairment of vessels. This included the consideration of a number of internal and external factors including market conditions, time charter rates and forecast future operating results. The consideration of these factors requires management's judgement, and no impairment triggers were noted except for Cape Amanda, the Company's jointly controlled vessel, on account of the change in joint venture partner. A discounted future cash flow analysis has then been performed to determine if the vessel is impaired. See further detail of the assumptions used in this assessment in note 11.

2. Turnover

Turnover, which arises on continuing activities, represents the amounts receivable for services during the year, exclusive of VAT and other sales taxes or duty.

An analysis of turnover by geographical market is given below:

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|-------------------------------------|--|--|
| United Kingdom | 1,675,770 | 5,113,776 |
| Europe | 6,707,635 | 10,850,124 |
| Rest of the world | <u>89,551,101</u> | <u>99,811,158</u> |
| | <u>97,934,506</u> | <u>115,775,058</u> |
| | | |
| Income from time charter activities | 96,069,325 | 109,801,438 |
| Other income | <u>1,865,181</u> | <u>5,973,620</u> |
| | <u>97,934,506</u> | <u>115,775,058</u> |

3. Exceptional items

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|--------------------------------------|--|--|
| Disposal of fixed assets gain/(loss) | 2,154,888 | (5,997,804) |
| Impairment for asset held for sale | - | (4,402,969) |
| | <u>2,154,888</u> | <u>(10,400,773)</u> |

Notes to the financial statements for the year ended 31 March 2023

4. Operating profit

This is stated after charging /(crediting)

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|---------------------------------------|--|--|
| Auditors' remuneration | 202,290 | 137,595 |
| Depreciation of owned assets | 18,302,185 | 20,932,445 |
| Depreciation of leased assets | - | 2,100,283 |
| Operating lease rentals – vessel hire | 23,301,124 | 31,662,667 |
| Inventories recognised as an expense | 564,088 | 1,220,549 |
| Foreign exchange (gain)/loss | (553,653) | 890,177 |
| Exceptional items (note 3) | <u>2,154,888</u> | <u>10,400,773</u> |

5. Auditors' remuneration

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|--|--|--|
| Audit of the financial statements for the current year | <u>202,290</u> | <u>137,595</u> |

6. Director's remuneration

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|--------------|--|--|
| Remuneration | <u>457,427</u> | <u>478,570</u> |

No pension contributions were paid by the Company on behalf of the Director during the year (2022 – US \$nil). No social security is payable in relation to the Director.

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

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|--------------|--|--|
| Remuneration | <u>457,427</u> | <u>478,570</u> |

The Director is also a director of other UK subsidiaries. 50% of his remuneration has been borne by a fellow subsidiary company.

Notes to the financial statements for the year ended 31 March 2023

7. Staff costs

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|-----------------------|--|--|
| Wages and salaries | 1,384,093 | 1,381,173 |
| Social security costs | 83,574 | 68,456 |
| Other pension costs | 65,372 | 66,226 |
| | <u>1,533,039</u> | <u>1,515,855</u> |

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

| | <i>Year ended 31 March 2023 No.</i> | <i>Year ended 31 March 2022 No.</i> |
|----------------|---|---|
| Administration | <u>8</u> | <u>8</u> |

8. Interest receivable and similar income

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|---|--|--|
| Bank interest receivable | 201 | 145 |
| Foreign exchange gain on retranslation of loans | 65,543 | 4,592,950 |
| GCMS interest receivable | 2,091,225 | 83,768 |
| | <u>2,156,969</u> | <u>4,676,863</u> |

9. Interest payable and similar expenses

| | <i>Year ended 31 March 2023 US\$</i> | <i>Year ended 31 March 2022 US\$</i> |
|---|--|--|
| Bank loan and swap interest payable | 4,645,193 | 2,022,823 |
| Finance lease interest payable | - | 1,275,642 |
| Loss on change in fair value of derivatives | - | 251,871 |
| | <u>4,645,193</u> | <u>3,550,336</u> |

Notes to the financial statements for the year ended 31 March 2023

10. Tax credit on profit

(a) Tax credit on profit

The tax credit is made up as follows:

| | Year ended 31 March 2023 US\$ | Year ended 31 March 2022 US\$ |
|--|--|--|
| Current tax: | | |
| UK corporation tax on the profit for the year | - | (26,821) |
| Group relief | 877,777 | - |
| Adjustment in respect of previous periods | 7,180,791 | (39,648) |
| Total current tax | <u>8,058,568</u> | <u>(66,469)</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | - | - |
| Adjustment in respect of previous periods | (7,146,828) | - |
| Effect of changes in tax rates | (1,203,897) | - |
| Total deferred tax | <u>(8,350,725)</u> | <u>-</u> |
| Total tax per Income statement (note 10(b)) | <u>(292,157)</u> | <u>-</u> |

(b) Factors affecting tax credit for the year

The tax assessed for the year is the standard rate of corporation tax in the UK of 19% (year ended 31 March 2022 – 19%). The differences are explained below:

| | Year ended 31 March 2023 US\$ | Year ended 31 March 2022 US\$ |
|---|--|--|
| Profit before taxation | <u>29,681,296</u> | <u>20,885,288</u> |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 March 2022 – 19%) | 5,639,446 | 3,968,204 |
| Effects of: | | |
| Non-deductible expenses | 4,338 | 838,715 |
| Adjustment in respect of previous periods | 33,964 | (39,648) |
| Deferred tax not recognised | (5,969,905) | (4,841,475) |
| Withholding tax | - | 7,735 |
| Total tax credit for the year (note 10(a)) | <u>(292,157)</u> | <u>(66,469)</u> |

Factors affecting current and future tax charges

In October 2022, the government announced changes to the Corporation Tax rate from 1 April 2023, increasing the main rate of Corporation Tax to 25%, which will impact the rate at which the deferred tax liabilities reverse and the effects have been reflected in the financial statements.

Notes to the financial statements for the year ended 31 March 2023

11. Tangible assets

| | <i>Vessels</i> | <i>Dry-Docking</i> | <i>Furniture and equipment</i> | <i>Total</i> |
|--|---------------------|--------------------|------------------------------------|---------------------|
| | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> |
| Cost: | | | | |
| At 1 April 2022 | 358,019,343 | 10,159,981 | 43,711 | 368,223,035 |
| Additions | 165,744 | 3,640,285 | - | 3,806,029 |
| Disposal | (219,212,730) | (9,005,648) | (10,730) | (228,229,108) |
| At 31 March 2023 | <u>138,972,357</u> | <u>4,794,618</u> | <u>32,981</u> | <u>143,799,956</u> |
| Accumulated Depreciation and Impairment | | | | |
| At 1 April 2022 | (185,553,900) | (4,676,707) | (23,220) | (190,253,827) |
| Opening balance - restatement | 4,247,836 | (15,568) | - | 4,232,268 |
| Charge for the year - owned assets | (13,913,464) | (4,378,066) | (10,655) | (18,302,185) |
| Disposals | 117,064,786 | 6,508,141 | 10,730 | 123,583,657 |
| At 31 March 2023 | <u>(78,154,742)</u> | <u>(2,562,200)</u> | <u>(23,145)</u> | <u>(80,740,087)</u> |
| Net book value: | | | | |
| At 31 March 2023 | <u>60,817,615</u> | <u>2,232,418</u> | <u>9,836</u> | <u>63,059,869</u> |
| At 31 March 2022 | <u>172,465,443</u> | <u>5,483,274</u> | <u>20,491</u> | <u>177,969,208</u> |

At the year end, the Company undertook an assessment to determine whether there were any triggers for impairment of vessels. None were noted.

The restatement adjusts the opening balance of the fixed asset to correct the historical cost error.

12. Stocks

| | <i>31 March 2023</i> | <i>31 March 2022</i> |
|--------|--------------------------|--------------------------|
| | <i>US\$</i> | <i>US\$</i> |
| Stocks | <u>421,956</u> | <u>736,050</u> |

Stocks consist of bunker fuel oil and diesel fuel oil.

The amount of stock recognised as an expense during the year ended 31 March 2023 is US\$ 275,984 (2022: US\$ 1,220,549).

Notes to the financial statements for the year ended 31 March 2023

13. Debtors

| | 31 March 2023 US\$ | 31 March 2022 US\$ |
|------------------------------------|--------------------------|--------------------------|
| Trade debtors | 29,302 | 538,743 |
| Amounts owed by group undertakings | 1,618,276 | 7,652,956 |
| Prepayments and accrued income | 7,555,492 | 6,430,372 |
| Other debtors | 122,908,280 | 26,561,061 |
| | <u>132,111,350</u> | <u>41,183,132</u> |

The other debtors balance of \$ 122,908,280 (2022: US\$26,561,061) relates to the cash receivable under the Group's cash pooling arrangement and Joint Venture balance. At the end of each business day, the cash balance/shortfall in the Company's bank accounts is swept into its Parent Company's NRA bank account. There is a doubtful debt provision against amounts owed by group undertakings in the current financial year of US\$ nil (2022: US\$ nil).

14. Creditors: amounts falling due within one year

| | 31 March 2023 US\$ | 31 March 2022 US\$ |
|-------------------------------------|--------------------------|--------------------------|
| Bank loans and overdrafts (note 16) | 26,141,827 | 42,056,323 |
| Trade creditors | 460,389 | 1,128,071 |
| Amounts owed to group undertakings | 7,985,867 | 102,890 |
| Derivative financial instruments | - | 279,579 |
| Corporation tax payable | - | 22,446 |
| Other creditors | 18,008 | 629,424 |
| Accruals and deferred income | 7,884,328 | 8,101,837 |
| Group Loans | - | 19,950,000 |
| | <u>42,490,419</u> | <u>72,270,570</u> |

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

Accruals and deferred income include services to be provided to Kawasaki Kisen Kaisha Ltd, the ultimate parent company, amounting to \$2,858,327 (2022: \$1,700,264).

Notes to the financial statements for the year ended 31 March 2023

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

| | 31 March 2023 | 31 March 2022 |
|-------------------------------------|-------------------|-------------------|
| | US\$ | US\$ |
| Bank loans and overdrafts (note 16) | 16,560,000 | 75,882,921 |
| | <u>16,560,000</u> | <u>75,882,921</u> |

16. Bank loans

| | 31 March 2023 | 31 March 2022 |
|---|-------------------|--------------------|
| | US\$ | US\$ |
| Amounts repayable: | | |
| In one year or less or on demand | 26,141,827 | 42,056,323 |
| In more than one year but not more than two years | 1,380,000 | 66,222,921 |
| In more than two years but not more than five years | 15,180,000 | 9,660,000 |
| | <u>42,701,827</u> | <u>117,939,244</u> |

The Company has 3 loans secured against 3 individual vessels as follows:

- The first loan of \$5,411,827 (JPY720,260,000) ((2022: \$7,760,577 (JPY941,940,000)) is repayable by April 2023 in 4 equal instalments of \$501,538 (JPY55,420,000) and 1 final instalment of \$6,518,190 (JPY720,260,000). The rate of interest payable on the loan is 0.4875% above LIBOR. The loan is secured by a guarantee provided by the ultimate group company. The carrying amount of the respective vessel is \$14,227,205 at as 31 March 2023 (2022: \$15,377,810).
- The second loan of \$19,350,000 (2022: \$21,150,000) is repayable by December 2023 in 6 equal instalments of \$450,000 and 1 final instalment of \$18,450,000. The rate of interest payable on the loan is 1.58% above LIBOR. The loan is secured by a guarantee provided by the ultimate group Company. The carrying amount of the respective vessel is \$21,042,839 at as 31 March 2023 (2022: \$22,778,618).
- The third loan of \$17,940,000 (2022: \$19,320,000) is repayable by January 2026 in 11 equal instalments of \$345,000 and 1 final instalment of \$14,145,000. The rate of interest payable on the loan is 0.68% above LIBOR. The loan is secured by a fixed charge over the vessel. The carrying amount of the respective vessel is \$23,285,424 at as 31 March 2023 (2022: \$24,906,087).

Notes to the financial statements for the year ended 31 March 2023

17. Called up share capital

| Ordinary shares of £1 each | 2023 | | 2022 | |
|--|------------|------------|------------|------------|
| Allotted, called up, issued and fully paid | No. | US\$ | No. | US\$ |
| At 1 April | 65,468,675 | 93,101,833 | 65,468,675 | 93,101,833 |
| At 31 March | 65,468,675 | 93,101,833 | 65,468,675 | 93,101,833 |

The issued share capital is denominated in GBP and has been translated into US\$ at the historic rates ruling on the respective dates when the shares were issued.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

18. Financial instruments

| | 31 March 2023 US\$ | 31 March 2022 US\$ |
|--|--------------------------|--------------------------|
|--|--------------------------|--------------------------|

The Company has the following financial instruments:

Financial assets measured at amortised cost

| | | |
|--|------------------|------------------|
| Trade debtors (note 13) | 29,302 | 538,743 |
| Amounts owed by group undertakings (note 13) | 1,618,276 | 7,652,956 |
| | <u>1,647,578</u> | <u>8,191,699</u> |

Financial liabilities measured at amortised cost:

| | | |
|--|-------------------|--------------------|
| Trade creditors (note 14) | 460,389 | 1,128,071 |
| Bank loans (note 16) | 42,701,827 | 117,939,244 |
| Amounts owed to group undertakings (note 14) | 7,985,867 | 102,890 |
| Other creditors (note 14) | 18,008 | 629,424 |
| Group loans | - | 19,950,000 |
| | <u>51,166,091</u> | <u>139,749,629</u> |

Financial liabilities at fair value through profit and loss

| | | |
|--|---|---------|
| Derivative financial liabilities (note 14) | - | 279,579 |
|--|---|---------|

The valuation was adjusted to reflect selected market risks. It was not adjusted to reflect credit risk, liquidity, model risk, operational cost, or other factors. Rather, it is meant to represent our best estimate of mid-market pricing as of the close of business on the valuation date. As this represents mid-market pricing, the actual price at which on any valuation date it would (subject to the agreement) be possible to 'close-out' the position would be adjusted for bid/offer spreads and market liquidity.

19. 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\$65,371 (2022 – US\$66,226). The amount of outstanding contributions at the year-end was US\$nil (2022 – US\$nil).

Notes to the financial statements for the year ended 31 March 2023

20. Other financial commitments

The Company has entered into several non-cancellable contracts with vessel owners. At 31 March, the future minimum lease payments under these non-cancellable operating leases are as follows:

| | 31 March 2023 | 31 March 2022 |
|--------------------------------|---------------------|---------------------|
| | Vessel hire US\$ | Vessel hire US\$ |
| Operating leases which expire: | | |
| Within one year | 22,704,186 | 27,753,950 |
| In two to five years | 8,890,312 | 40,539,476 |
| | <u>31,594,498</u> | <u>68,293,426</u> |

The Company has also entered into several non-cancellable contracts with charterers for its vessels. The minimum future operating lease income to be received is shown in the table below:

| | 31 March 2023 | 31 March 2022 |
|--------------------------------|---------------------|---------------------|
| | Vessel hire US\$ | Vessel hire US\$ |
| Operating leases which expire: | | |
| Within one year | 18,313,300 | 29,305,723 |
| In two to five years | - | 6,127,500 |
| | <u>18,313,300</u> | <u>35,433,223</u> |

21. Related party transactions

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

22. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is "K" Line Holdings (Europe) Limited, a private limited company which is incorporated in UK. The ultimate parent undertaking and controlling party is Kawasaki Kisen Kaisha Ltd, which is incorporated in Japan.

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