"K" Line Holding (Europe) Limited

Report and Financial Statements

31 December 2005

Registered No: 5005018

Directors

F Kawamata (Managing Director)
H Maekawa
H Nagayama

Secretary

R Dowding

Auditors

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

Bankers

Mizuho Corporate Bank Limited
7-11 Finsbury Circus
London
EC2M 7DH

Registered office

River Plate House
7-11 Finsbury Circus
London
EC2M 7EA

Directors' report

The directors present their report and financial statements of the group for the year ended 31 December 2005.

Results and dividends

The results of the group for the year ended 31 December 2005 are shown in the group profit and loss account. The profit for the year after taxation was £7,546,799. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company acts as a holding company. The practical business of the group is that of general shipping agents for container ships and car carriers, ownership and operation of bulk and LNG vessels and road haulage.

On 29 March 2005, the company increased its authorised share capital to £55,000,000 by the creation of 25,000,000 ordinary shares of £1. On the same date, 496,278 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited. On 4 October 2005, 923,077 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited.

Events since the balance sheet date

With effect from 1 January 2006, the K Line group of companies in the UK was re-structured as part of a business reorganisation. As a result, the agency activities of one of the company's subsidiaries, "K" Line (Europe) Limited, were transferred to "K" Line (Europe) 2006 Limited, a newly incorporated company, whilst the bulk and LNG business operations were transferred to other group companies.

On 3 February 2006, "K" Line (Europe) Limited was renamed Polar LNG Shipping (UK) Limited retaining the LNG activities for the Snohvit vessels. On the same date, "K" Line (Europe) 2006 Limited changed its name to "K" Line (Europe) Limited, maintaining the agency activities as its main business.

Directors and their interests

The directors who served the company during the year and subsequently were as follows:

F Kawamata	
F Messerschmidt	(resigned 1 January 2006)
K Terashima	(resigned 1 January 2006)
H Maekawa	(appointed 15 April 2005)
H Nagayama	(appointed 1 January 2006)
R Dowding	(appointed 15 April 2005 and resigned 1 January 2006)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2005, the company had an average of 21 days (2004 - 30 days) purchases outstanding in trade creditors.

Directors' report

Employment policy

The group gives full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities.

The group has a policy of employee involvement by making information available to all employees on matters of concern to them on a regular basis. Information concerning the group's business plans and financial performance is also published on the group's Intranet and Web sites. All employees have access to the group's Intranet site and Internet.

The group has Investor in People accreditation and maintains a policy of encouraging personal development and training.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

R Dowding
Secretary

08 JUN 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

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

We have audited the group's financial statements for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 31 December 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

- 8 JUN 2006

Group profit and loss account

for the year ended 31 December 2005

	Notes	*Year ended 31 December 2005* £	*Period ended 31 December 2004* £
Turnover	2	54,804,609	38,193,964
Cost of sales		(27,415,008)	(20,498,615)
Gross profit		27,389,601	17,695,349
Administrative expenses		(15,887,421)	(14,536,174)
Operating profit	3	11,502,180	3,159,175
Income from investments		665	210
Interest receivable and similar income	6	319,090	91,912
Interest payable and similar charges	7	(398,003)	(135,350)
Profit on ordinary activities before taxation		11,423,932	3,115,947
Taxation	8	(3,877,133)	(1,096,160)
Profit for the financial year		7,546,799	2,019,787

Group statement of total recognised gains and losses

for the year ended 31 December 2005

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	*£*
Profit for the financial year	7,546,799	2,019,787
Exchange difference on retranslation of net assets of subsidiary undertaking	(347,953)	(159,187)
Total recognised gains related to the year	7,198,846	1,860,600

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Group balance sheet

at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	10	381,059	508,092
Tangible assets	11	49,871,045	26,168,784
Investments	12	47,090	47,090
		50,299,194	26,723,966
Current assets			
Stocks	13	14,825	25,049
Debtors	14	5,245,881	3,616,304
Cash at bank and in hand		22,261,355	7,757,516
		27,522,061	11,398,869
Creditors: amounts falling due within one year	15	(12,545,993)	(18,698,898)
Net current assets/(liabilities)		14,976,068	(7,300,029)
Total assets less current assets/(liabilities)		65,275,262	19,423,937
Creditors: amounts falling due after more than one year	16	(35,117,307)	(975,891)
Provisions for liabilities and charges			
Deferred taxation	20	(3,233,615)	(141,907)
		26,924,340	18,306,139
Capital and reserves			
Called up share capital	21	17,864,894	16,445,539
Profit and loss account	22	9,059,446	1,860,600
Equity shareholders' funds	22	26,924,340	18,306,139

H Nagayama

H Nagayama
Director

0 8 JUN 2006

Balance sheet

at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Investments	12	17,712,717	16,293,362
Current assets			
Debtors	14	1,729	220,000
Cash at bank and in hand		361,180	54,309
		362,909	274,309
Creditors: amounts falling due within one year	15	(41,473)	(37,519)
Net current assets		321,436	236,790
Total assets less current liabilities		18,034,153	16,530,152
Capital and reserves			
Called up share capital	21	17,864,894	16,445,539
Profit and loss account	22	169,259	84,613
Equity shareholders' funds	22	18,034,153	16,530,152

H Nagayama

H Nagayama
Director

0 8 JUN 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Accounting convention

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

Basis of consolidation

The group financial statements consolidate the financial statements of "K" Line Holding (Europe) Limited and its subsidiary undertakings. These financial statements are drawn up to 31 December each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

Statement of cash flows

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

Fixed assets

All fixed assets are initially recorded at cost.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment.

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold building	-	8 - 10 years straight line
Leasehold property	-	over the lease term
Fixtures and fittings	-	5 - 10 years straight line
Tractors and trailers	-	6 - 7 years straight line
Motor vehicles	-	25% reducing balance per annum
Vessels	-	15 years

Assets under construction are not depreciated.

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

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

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

- 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

Company

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Gains and losses on exchange are dealt with in the profit and loss account.

Group

For consolidation purposes, the assets and liabilities and profit and loss accounts of subsidiary undertakings are translated at the closing exchange rates. Exchange differences arising on these translations are taken directly to reserves.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company and group operate a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable.

Notes to the financial statements

at 31 December 2005

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the group's continuing activity as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	*£*
United Kingdom	20,732,017	18,267,524
Rest of Europe	15,048,392	1,317,064
Rest of World	19,024,200	18,609,376
	54,804,609	38,193,964

3. Operating profit

This is stated after charging/(crediting):

		Year ended 31 December 2005	*Period ended 31 December 2004*
		£	*£*
Auditors' remuneration	- audit services	68,337	57,612
	- non-audit services	141,388	82,103
		209,725	139,715
Amortisation of goodwill		127,033	127,022
Depreciation of owned tangible fixed assets		2,272,255	634,439
Depreciation of assets held under finance leases and hire purchase contracts		525,127	373,480
Operating lease rentals	- land and buildings	515,461	435,197
	- plant and machinery	18,311,655	8,684,314
Foreign exchange gains		(947,468)	(5,369)
Profit on disposal of fixed assets		(24,525)	(26,921)

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Notes to the financial statements

at 31 December 2005

4. Directors' remuneration

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	*£*
Emoluments	1,096,856	532,975

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

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	*£*
Emoluments	352,158	338,899

5. Staff costs

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	*£*
Wages and salaries	10,470,193	9,250,082
Social security costs	849,270	717,978
Other pension costs (note 18)	616,347	465,095
	11,935,810	10,433,155

The average weekly number of employees during the year was as follows:

	Year ended 31 December 2005	*Period ended 31 December 2004*
	No.	*No.*
Operational	74	63
Administration	185	169
	259	232

Notes to the financial statements

at 31 December 2005

6. Interest receivable

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	£
Bank interest receivable	319,090	91,912

7. Interest payable

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	£
Bank interest payable	302,694	49,459
Finance charges	95,309	85,891
	398,003	135,350

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	£
Current tax:		
UK corporation tax on the profit for the year	760,803	1,123,430
Adjustment in respect of prior periods	22,909	(24,191)
Total current tax (note 8(b))	783,712	1,099,239
Deferred tax:		
Origination and reversal of timing differences	3,093,421	(58,469)
Effect of change in tax rate	–	55,390
	3,093,421	(3,079)
Tax on profit on ordinary activities	3,877,133	1,096,160

Notes to the financial statements

at 31 December 2005

8. Tax (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2004 – higher) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Year ended 31 December 2005	*Period ended 31 December 2004*
	£	£
Profit on ordinary activities before tax	11,423,932	3,115,947
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	3,427,180	934,784
Effects of:		
Disallowable expenses and non-taxable income	172,590	163,493
(Accelerated)/decelerated capital allowances	(3,084,929)	66,227
Group relief for nil consideration	–	(41,074)
Short term timing differences	245,962	–
Adjustments in respect of prior periods	22,909	(24,191)
Current tax for the year (note 8(a))	783,712	1,099,239

(c) Deferred tax

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

	2005	*2004*
	£	£
Included in debtors (note 14)	80,270	81,983
Included in provisions for liabilities and charges (note 20)	(3,233,615)	(141,907)
	(3,153,345)	(59,924)

	2005	*2004*
	£	£
Decelerated capital allowances	80,270	81,983
Accelerated capital allowances	(3,233,615)	(141,907)
	(3,153,345)	(59,924)

	£
At 1 January 2005	(59,924)
Profit and loss account movement during the year	(3,093,421)
At 31 December 2005	(3,153,345)

Notes to the financial statements

at 31 December 2005

9. Profit attributable to members of parent company

The profit dealt with in the financial statements of the parent company was £84,646 (2004 - £84,613).

10. Intangible fixed assets

Group	*Goodwill*
	£
Cost:	
At 1 January 2005 and 31 December 2005	635,114
Amortisation:	
At 1 January 2005	127,022
Provided during the year	127,033
At 31 December 2005	254,055
Net book value:	
At 31 December 2005	381,059
At 1 January 2005	508,092

Notes to the financial statements

at 31 December 2005

11. Tangible fixed assets

Group

	Vessels	*Vessel under construction*	*Leasehold property and improvements*	*Plant and machinery, fixtures and fittings*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost:						
At 1 January 2005	–	23,063,040	316,359	6,990,394	138,408	30,508,201
Exchange adjustments	–	(671,629)	–	–	–	(671,629)
Additions	–	25,270,642	2,414	1,889,997	43,394	27,206,447
Transfers	29,163,031	(29,163,031)	–	–	–	–
Disposals	–	–	–	(322,770)	(90,582)	(413,352)
At 31 December 2005	29,163,031	18,499,022	318,773	8,557,621	91,220	56,629,667
Depreciation:						
At 1 January 2005	–	–	88,336	4,183,770	67,311	4,339,417
Provided during the year	1,723,815	–	44,292	1,008,500	20,775	2,797,382
Disposals	–	–	–	(322,770)	(55,407)	(378,177)
At 31 December 2005	1,723,815	–	132,628	4,869,500	32,679	6,758,622
Net book value:						
At 31 December 2005	27,439,216	18,499,022	186,145	3,688,121	58,541	49,871,045
At 1 January 2005	–	23,063,040	228,023	2,806,624	71,097	26,168,784

The net book value of plant and machinery above includes an amount of £2,372,812 (2004 - £1,826,432) in respect of assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2005

12. Investments

Group

	Unlisted investments
	£
Cost:	
At 1 January 2005 and 31 December 2005	47,090

Company

	Investment in Subsidiary undertakings	*Unlisted investments*	*Total*
	£	*£*	*£*
Cost/fair value:			
At 1 January 2005	16,246,272	47,090	16,293,362
Acquired during the year	1,419,355	–	1,419,355
At 31 December 2005	17,665,627	47,090	17,712,717

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal values of the class of share capital are as follows:

Name of company	*Holding*	*Proportion of voting rights held*	*Nature of business*
Polar LNG Shipping (UK) Limited (formerly "K" Line (Europe) Limited)	Ordinary shares	100%	Shipping
"K" Line Bulk Shipping (UK) Limited	Ordinary shares	100%	Shipping
"K" Line LNG Shipping (UK) Limited	Ordinary shares	100%	Shipping
James Kemball Limited	Ordinary shares	100%	Road haulage

The group and company also own 10% of the issued share capital of "K" Line Air Services (UK) Limited which was acquired on 1 January 2004 for £6,642 and less than 1% of the issued share capital of Baltic Exchange Company Limited which was acquired on 1 January 2004 for £40,447.

On 23 February 2005 the group acquired "K" Line LNG Shipping (UK) Limited. This company was dormant at the date of acquisition. "K" Line LNG Shipping (UK) Limited generated a loss in the period ended 31 December 2005 of £951,481. There was no goodwill arising on acquisition.

Notes to the financial statements

at 31 December 2005

13. Stocks

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Raw materials and consumables	14,825	25,049	–	–

14. Debtors

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Amounts owed to group undertakings	576,215	–	–	–
Trade debtors	824,413	1,108,473	–	–
Other debtors	267,437	971,760	1,470	220,000
Prepayments	3,497,546	1,454,088	259	–
Deferred taxation (note 8(c))	80,270	81,983	–	–
	5,245,881	3,616,304	1,729	220,000

15. Creditors: amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank loans (note 17)	2,209,403	9,150,992	–	–
Overdraft	37,465	33,657		–
Obligations under finance leases and hire purchase contracts (note 19)	900,886	602,103	–	–
Trade creditors	366,462	772,054	–	–
Amounts owed to group undertakings	4,467,567	4,803,775	16,473	6,500
Current corporation tax	501,745	1,028,916	–	–
Other taxes and social security costs	867,356	742,381	–	–
Other creditors	160,197	1,530	–	–
Accruals and deferred income	3,034,912	1,563,490	25,000	31,019
	12,545,993	18,698,898	41,473	37,519

The bank overdraft is secured by a mortgage over the leasehold property of a subsidiary company.

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Notes to the financial statements

at 31 December 2005

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

		Group		Company
	2005	2004	2005	2004
	£	£	£	£
Obligations under finance leases and hire purchase contracts (note 19)	910,583	975,891	–	–
Bank loans (note 17)	33,506,132	–	–	–
Accruals and deferred income	700,592	–	–	–
	35,117,307	975,891	–	–

17. Bank loans

		Group		Company
	2005	2004	2005	2004
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	2,209,403	9,150,992	–	–
In more than one year but not more than two years	2,366,732	–	–	–
In more than two years but not more than five years	7,710,989	–	–	–
In more than five years	23,428,411	–	–	–
	35,715,535	9,150,992	–	–
Less: included in creditors: amounts falling due within one year	2,209,403	9,150,992	–	–
	33,506,132	–	–	–

All of the loans are not wholly repayable within five years.

One loan of ¥4,436,000,000 is repayable by 2012 in 24 equal instalments of ¥88,000,000 and 1 final instalment of ¥2,324,000,000. The rate of interest payable on the loan is 0.5% above LIBOR. The loan is secured by a fixed charge over the vessels.

One loan of ¥1,700,000,000 is repayable by 2016 in 39 equal instalments of ¥31,875,000 and 1 final instalment of ¥456,875,000. The rate of interest payable on the loan is 0.17% above LIBOR. The loan is secured by a fixed charge over the vessels.

One loan of ¥1,100,000,000 is repayable by 2017 in 80 equal instalments of ¥13,750,000. The rate of interest payable on the loan is 0.4% above LIBOR. The loan is secured by assignment of the company's right as lessee in the lease agreement of the vessel.

18. Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund.

Notes to the financial statements

at 31 December 2005

19. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

Group and company	*2005*	*2004*
	£	£
Amounts payable:		
Within one year	900,886	602,103
In two to five years	910,583	975,891
	1,811,469	1,577,994

Annual commitments under non-cancellable operating leases are as follows:

Group		*2005*		*2004*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	£	£	£
Operating leases which expire:				
Within one year	–	29,329	–	125,306
Between two and five years	73,170	2,101,718	76,120	6,941,656
Over five years	556,863	18,687,974	556,863	2,697,638
	630,033	20,819,021	632,983	9,764,600

During the year the group held leases for eight vessels (4 vessels) for the purposes of trading in its bulk division.

20. Provisions for liabilities and charges

The movement in the deferred taxation provision during the year was:

	£
At 1 January 2005	141,907
Profit and loss account movement arising during the year	3,091,708
At 31 December 2005 (note 8(c))	3,233,615

Notes to the financial statements

at 31 December 2005

21. Share capital

				Authorised
				2004
				£
Ordinary shares of £1 each			55,000,000	30,000,000

	Allotted, called up and fully paid			
		2005		*2004*
	No.	*£*	*No.*	*£*
Ordinary shares of £1 each	17,864,894	17,864,894	16,445,539	16,445,539

On 29 March 2005, the company increased its authorised share capital to £55,000,000 by the creation of 25,000,000 ordinary shares of £1. On the same date, 496,278 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited. On 4 October 2005, 923,077 ordinary shares of £1 were allotted to Kawasaki Kisen Kaisha Limited.

22. Reserves

Group	*Share capital*	*Profit and loss account*	*Total*
	£	*£*	*£*
Retained profit for the period	–	2,019,787	2,019,787
Exchange difference on retranslation of net assets of subsidiary undertaking	–	(159,187)	(159,187)
Other movements			
New equity share capital issued	16,445,539	–	16,445,539
At 31 December 2004	16,445,539	1,860,600	18,306,13
Retained profit for the year	–	7,546,799	7,546,799
Exchange difference on retranslation of net assets of subsidiary undertaking	–	(347,953)	(347,953)
Other movements			
New equity share capital issued	1,419,355	–	1,419,355
At 31 December 2005	17,864,894	9,059,446	26,924,340

Notes to the financial statements

at 31 December 2005

22. Reserves (continued)

Company

	Share capital £	*Profit and loss account* £	*Total* £
Retained profit for the period	–	84,613	84,613
Other movements			
New equity share capital issued	16,445,539	–	16,445,539
At 31 December 2004	16,445,539	84,613	16,530,152
Retained profit for the year	–	84,646	84,646
Other movements			
New equity share capital issued	1,419,355	–	1,419,355
At 31 December 2005	17,864,894	169,259	18,034,153

23. Post balance sheet events

With effect from 1 January 2006, the K Line group of companies in the UK was re-structured as part of a business reorganisation. As a result, the agency activities of one of the company's subsidiaries, "K" Line (Europe) Limited, were transferred to "K" Line (Europe) 2006 Limited, a newly incorporated company, whilst the bulk and LNG business operations were transferred to other group companies.

On 3 February 2006, "K" Line (Europe) Limited was renamed Polar LNG Shipping (UK) Limited retaining the LNG activities for the Snohvit vessels. On the same date, "K" Line (Europe) 2006 Limited changed its name to "K" Line (Europe) Limited, maintaining the agency activities as its main business.

24. Capital commitments

The group had capital commitments contracted but not provided for in the financial statements of £33,555,900 (2004 - £56,469,688).

25. Related party transactions

The company has taken advantage of the exemption available in FRS 8 from disclosing transactions with related parties, 90% or more of whose voting rights are controlled within the Kawasaki Kisen Kaisha Limited group.

26. Ultimate parent company

The ultimate parent company and controlling party is Kawasaki Kisen Kaisha Limited, which is incorporated in Japan.

The financial statements of Kawasaki Kisen Kaisha Limited, which represents the largest group in which the company is consolidated, are available from Kawasaki Kisen Kaisha Limited, Hibiya Central Buildings, 2-9 Nishi-Shinbashi 1 – chome, Minato-ku, Tokyo 105, Japan.