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**"K" LINE AIR SERVICE (UK) LIMITED**

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**ABBREVIATED ACCOUNTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2004**



**"K" LINE AIR SERVICE (UK) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO "K" LINE AIR SERVICE (UK) LIMITED**  
**Under section 247B of the Companies Act 1985**

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We have examined the abbreviated accounts of "K" Line Air Service (UK) Limited for the year ended 31 December 2004 set out on pages 2 to 5, together with the financial statements of the company for the year ended 31 December 2004 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the registrar and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

**BASIS OF OPINION**

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

**OPINION**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246 (5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.

*Barnes Roffe LLP*

**Barnes Roffe LLP**

Chartered Accountants  
Registered Auditors  
Leytonstone House  
Leytonstone  
London E11 1HR

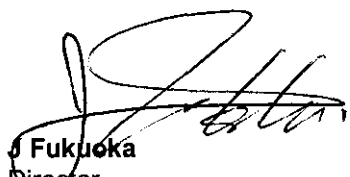
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**"K" LINE AIR SERVICE (UK) LIMITED**

**ABBREVIATED BALANCE SHEET**  
As at 31 December 2004

	Note	£	2004	£	£	2003	£
<b>FIXED ASSETS</b>							
Tangible assets	2			225,589			61,735
<b>CURRENT ASSETS</b>							
Debtors			707,772			1,157,188	
Cash at bank			64,771			64,052	
			<u>772,543</u>			<u>1,221,240</u>	
<b>CREDITORS:</b> amounts falling due within one year	3		<u>(749,411)</u>			<u>(1,016,557)</u>	
<b>NET CURRENT ASSETS</b>				23,132			204,683
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				<u>248,721</u>			<u>266,418</u>
<b>CREDITORS:</b> amounts falling due after more than one year	3			<u>(148,658)</u>			<u>(200,000)</u>
<b>NET ASSETS</b>				<u>£ 100,063</u>			<u>£ 66,418</u>
<b>CAPITAL AND RESERVES</b>							
Called up share capital	4			200,000			200,000
Profit and loss account				<u>(99,937)</u>			<u>(133,582)</u>
<b>SHAREHOLDERS' FUNDS</b>				<u>£ 100,063</u>			<u>£ 66,418</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the board on and signed on its behalf.

X  7/03/2005  
J Fukuda  
Director

The notes on pages 3 to 5 form part of these abbreviated accounts.

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**NOTES TO THE ABBREVIATED ACCOUNTS**  
**For the year ended 31 December 2004**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company meets its day to day working capital requirements through a bank loan and an inter company loan from its parent undertaking. The company has made net profits in the last three financial years. The directors expect the company to continue making profits in the future. The company's parent undertaking continues to guarantee for the company's bank borrowings and bank guarantee facilities and will do so for the next twelve months.

**1.2 Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of value added tax.

***Previous accounting policy***

Turnover and cost of sales were grossed up for import Duty and VAT charged to customers and paid over to H M Customs and Excise on their behalf.

***Change in accounting policy***

Under the guidance of Application note G of Financial Reporting Standard 5, K Line Air Service (UK) Limited is effectively acting as an agent and collecting import Duty and VAT from customers and paying over the amounts to the principal, H M Customs and Excise. Per Financial Reporting Standard 5 Application note G, in this case, the import Duty and VAT should not be included in the company's turnover and cost of sales.

Accordingly, the prior year balances for turnover and cost of sales have been reduced by £4,868,797, resulting in a £Nil effect on net profit.

Had the accounting policy not been changed, current year sales and cost of sales would have included import Duty and VAT totalling £2,646,684.

**1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following annual bases:

Short leasehold improvements	-	Over the life of the lease
Plant and machinery	-	15% reducing balance
Fixtures and fittings	-	15% reducing balance
Computer software	-	33% straight line

**1.4 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**1.5 Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

**"K" LINE AIR SERVICE (UK) LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS**  
**For the year ended 31 December 2004**

**1.6 Deferred taxation**

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

**1.7 Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**1.8 Pensions**

The company makes contributions to personal pension schemes and the pension charge represents the amounts payable by the company to the schemes in respect of the year. The assets of the schemes are held separately from those of the company in independently managed funds. At the balance sheet date there were no outstanding contributions (2003 - £Nil).

**2. TANGIBLE FIXED ASSETS**

	£
<b>Cost</b>	
At 1 January 2004	223,473
Additions	181,593
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At 31 December 2004	405,066
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<b>Depreciation</b>	
At 1 January 2004	161,738
Charge for the year	17,739
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At 31 December 2004	179,477
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<b>Net book value</b>	
At 31 December 2004	£ 225,589
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At 31 December 2003	£ 61,735
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**3. CREDITORS**

Included within trade creditors is an amount of £53,005 (2003 - £88,240) in respect of duty deferment. The Mizuho Corporate Bank Limited has provided a guarantee against this amount.

The finance lease obligations £76,463 (2003 - £Nil) are secured over the assets to which they relate.

The company's parent undertaking has provided a guarantee for the bank borrowings and bank guarantee facilities for the next twelve months.

"K" LINE AIR SERVICE (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS  
For the year ended 31 December 2004

4. SHARE CAPITAL

	2004 £	2003 £
<b>Authorised</b>		
800,000 Ordinary shares of £1 each	£ 800,000	£ 800,000
<b>Allotted, called up and fully paid</b>		
200,000 Ordinary shares of £1 each	£ 200,000	£ 200,000

5. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling entity is Kawasaki Kisen Kaisha, a company incorporated in Japan. Copies of the financial statements of Kawasaki Kisen Kaisha can be obtained from Hibiya Central Building, 2-9 Nishi-Shinbasi 1-Chrome, Minato-ku, Tokyo 105, Japan.