



International Air Transport Association

1203, Harcourt House,
39 Gloucester Road,
Wanchai, Hong Kong.
Tel: (852) 2528-9321 Fax: 2520-0329 Email: cshkg@iata.org

Criteria of Financial Assessment – Cargo Agency Registration

The purpose of financial assessment is to ascertain whether the Agent is solvent and its ability to remain solvent and pay bills is sound.

1. Basis of Financial Assessment

a. Financial statements

A certified complete set of audited financial statements which should not be older than six months at the time of assessment.

b. Auditors' opinion

An unqualified true and fair view is mandatory.

2. Definitions

a. Encumbrance

Encumbrance means any asset of the Agent which has been pledged to any person for the security of any arrangement granted by any person for the benefit of any person other than the Agent.

b. Related party

A related party means any shareholder or director and their immediate families, trustees or partners, associated and subsidiary companies, holding companies and their associated and subsidiary companies, or related company.

c. Intangible

Intangible includes goodwill, trademarks, royalty, deferred expenses, deferred cost of advertising etc.

d. Contingent liability

Contingent liability does not include bank guarantee provided for trade creditors of the Agent.

e. Tangible net worth

Tangible net worth is the aggregate amount of:

- paid up share capital;
- reserves;
- professional property revaluation reserves; and
- retained profits;

minus

- retained losses;
- intangibles;
- encumbrances;
- deferred tax assets;
- contingent liabilities; and
- net amount of loans to related parties.

3. Financial Criteria

a. Working capital ratio

$$\frac{\text{Total current assets less encumbrances and loans to related parties}}{\text{Total current liabilities}}$$

(minimum requirement = 1.00:1)

b. Liquidity ratio

$$\frac{\text{Total current assets less encumbrances, deposits, prepayment, stock in trade, and loans to related parties}}{\text{Total current liabilities less bank overdraft, loans from related parties}}$$

(minimum requirement = 0.80:1)

c. Paid up share capital

The minimum requirement is HKD1,000,000.00.

d. Tangible net worth

A minimum requirement of HKD1,000,000.00 or 150% of the amount of net loss after tax for the immediately preceding financial year. The loss must be increased by the amount of expenses which in normal circumstances should have been charged, for example, the fair market price of rent for office premises provided rent-free.

e. Trade debtors' turnover

A trade debtors' turnover of more than six months' average sales turnover should be considered excessive. Additional information may be required to ascertain the adequacy or requirement of provision for bad and doubtful debt.

f. Other matters

- the general nature of preferential claim on assets
- paid up share capital to be commensurate with assets
- seasonal fluctuations

A general basic treatment could not be formalized at the outset for every Agent has its own circumstances. Due consideration would be taken into account.

4. Financial Standing

a. Satisfactory without condition

Where the Agent fully meet the financial criteria.

b. Satisfactory subject to provision of financial support

Where the Agent does not fully meet the financial criteria set provision of financial support would be required as a temporary measure to ensure a satisfactory financial standing.

c. Unsatisfactory

Where the Agent's financial standing has not been found satisfactory without condition and request to provide financial support has not been complied with on or before the deadline.

5. Financial Support

d. Injection of paid up share capital; or

e. Bank guarantee or insurance bond

The amount of bank guarantee should be for an average sales turnover of 6 weeks of the total international export air cargo on IATA members and airlines.

6. Exemption

Agent who is 100% nationalized would be exempted.

7. Financial Discretion

It is recognized that different interpretations of financial accounts are possible and do occur. Accordingly IATA shall have discretion as to the most appropriate classification in accordance with standard accounting practice for all items included in financial statements.

It is in the Agent's best interest to supply to IATA any additional information that has a bearing on the assessment.

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