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**Hong Kong Aviation Capital (UK) Limited**

**Directors' Report and Financial Statements  
For the year ending 31 December 2011**

Registered number: 07108590

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## **Hong Kong Aviation Capital (UK) Limited**

### **Directors Report and Financial Statement For the year ending 31 December 2011**

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## **Hong Kong Aviation Capital (UK) Limited**

### **Directors and other information For the year ending 31 December 2011**

#### **Directors**

Stewart Smith (United Kingdom)  
Russell Hubbard (United Kingdom)  
(appointed 14 November 2011)  
Peter Watson (United Kingdom)  
(resigned 08 April 2011)

#### **Registered office**

18 Charles Street  
Mayfair  
London  
W1J 5DU  
United Kingdom

#### **Independent auditor**

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

#### **Bankers**

HSBC UK  
8 Canada Square  
London E14 5HQ  
United Kingdom

#### **Solicitors**

Allen and Overy  
1 Bishops Square  
London E1 6AO  
United Kingdom

## **Hong Kong Aviation Capital (UK) Limited**

### **Directors' Report**

#### **For the year ending 31 December 2011**

The Directors present their Report together with the audited Financial Statements for the year ending 31 December 2011

#### **Principal Activity**

The principal activity of Hong Kong Aviation Capital (UK) Limited, (the "Company") is to provide advisory services to HNA Group (Hong Kong) Co , Limited whose business is to provide aircraft sale, management and leasing solutions to the aviation industry. The Company was incorporated on 18 December 2009.

#### **Review of Business**

During the year ending 31 December 2011, the Company continued to provide advisory service to HNA Group (Hong Kong) Co , Limited around current and existing transactions. In addition, The Company entered into new employment contracts with UK based individuals. These employees commenced providing aviation advisory services to HNA Group (Hong Kong) Co Limited under the existing service agreement.

#### **Future Development**

The Company is expected to continue operating in the current manner for the foreseeable future.

#### **Results and dividends**

During the year ending 31 December 2011, the Company made a profit after taxation of £ 23,918 (period 18 December 2009 to 31 December 2010 £42,124) during the same year. No dividends were declared or paid.

#### **Financial Risk Management**

##### *Credit risk*

The Company operates as a supplier to group companies who in turn act as a supplier to airlines. The airline industry is cyclical, economically sensitive and highly competitive. The Company's ability to succeed is indirectly dependent on the financial strength of its customers and their ability to react to and cope with the volatile competitive environment in which they operate. If its customers experience financial difficulties this may result in defaults or the early termination of leases.

##### *Foreign Exchange Risk*

The company is exposed to foreign exchange risk in the normal course of business, principally on expenses incurred in US dollars.

#### **Post balance sheet events**

No events of note impacting the results shown in the accounts have taken place since the end of the financial period.

#### **Directors**

The Directors of the Company, who served during the year, are as shown below -

Stewart Smith (appointed 18 December 2009)  
Russell Hubbard (United Kingdom) (appointed 14 November 2011)  
Peter Watson (resigned 08 April 2011)

None of the Directors had any interests as defined by the Companies Act 2006, in the shares of the Company throughout the year.

## **Hong Kong Aviation Capital (UK) Limited**

### **Directors' Report**

**For the year ending 31 December 2011**

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards 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 these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### **Disclosure of information to auditors**

So far as the Directors are each 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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Independent Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 485 of the Companies Act 2006 and a resolution that they be reappointed will be proposed at the next annual general meeting.

#### **Going concern**

The Directors are satisfied that the Company can continue in operational existence for the foreseeable future. The parent of the Company HNA Group (Hong Kong) Co., Limited has the capacity to meet any expenses arising to which Hong Kong Aviation Capital (UK) Limited has insufficient resources to meet. For this reason they adopt the going concern basis in preparing the Financial Statements.

#### **Political donations**

The Electoral Act 1997 requires companies to disclose all political donations over £2,000 in aggregate made during the financial year. The Directors, on enquiry, have satisfied themselves that no such donations have been made by the Company during the financial year.

## **Hong Kong Aviation Capital (UK) Limited**

### **Directors' Report**

**For the year ending 31 December 2011**

#### **Books of account**

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons

**By order of the Board of Directors:**

A handwritten signature in black ink, appearing to be 'Stewart Smith', written over a horizontal line.

Stewart Smith

Director

Date 17 September 2012

18 Charles Street

Mayfair

London

W1J 5DU

United Kingdom



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONG KONG AVIATION CAPITAL (UK) LIMITED**

We have audited the financial statements of Hong Kong Aviation Capital (UK) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I D E Box No 137  
T +353 (0) 1 792 6000, F +353 (0) 1 792 6200, [www.pwc.com/ie](http://www.pwc.com/ie)*

Chartered Accountants



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONG KONG AVIATION CAPITAL (UK) LIMITED – continued**

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.

A handwritten signature in black ink, appearing to read 'Ronan Doyle'.

**Ronan Doyle**  
Senior Statutory Auditor  
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Auditor  
Dublin

**17 September 2012**



**Hong Kong Aviation Capital (UK) Limited**  
**Profit and loss account**  
**For the year ending 31 December 2011**

	<i>Note</i>	<b>Year ending 31 Dec 2011</b>	<b>For the period 18 Dec 2009 to 31 Dec 2010</b>
		<b>£</b>	<b>£</b>
Fee income	4	634,898	1,240,794
Employee benefits expense	5	(341,896)	(947,063)
Office and administration costs		(175,638)	(44,071)
Travel and entertainment		(44,688)	(132,368)
Office rent		(46,807)	(55,870)
Depreciation	7	(1,874)	(1,441)
Other gains/(losses)		<u>3,646</u>	<u>(543)</u>
<b>Profit from ordinary activities before taxation</b>		<b>27,641</b>	<b>59,438</b>
<b>Tax on profit on ordinary activities</b>			
Current tax expense	6	(4,310)	(16,959)
Deferred tax benefit/(expense)	6	587	(355)
<b>Profit after taxation</b>		<u><b>23,918</b></u>	<u><b>42,124</b></u>

Operating profit is derived from continuing activities

There were no recognised gains or losses other than the profit for the year, and therefore no separate statement of total recognised gains and losses has been presented

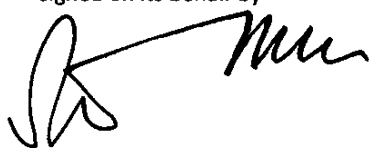
There is no difference between the results as reported and the results on an unmodified historical cost basis

The above profit and loss account should be read in conjunction with the accompanying notes

**Hong Kong Aviation Capital (UK) Limited**  
**Balance Sheet**  
**As at 31 December 2011**

	<i>Note</i>	<b>31 Dec 2011</b> £	<b>31 Dec 2010</b> £
<b>Non-current assets</b>			
Property, plant and equipment	7	6,924	12,030
<b>Total non-current assets</b>		<u>6,924</u>	<u>12,030</u>
<b>Current assets</b>			
Cash and cash equivalent	8	41,617	1
Deferred tax asset	9	232	-
Other receivables	10	119,377	134,315
<b>Total current assets</b>		<u>161,226</u>	<u>134,316</u>
<b>Total assets</b>		<u>168,150</u>	<u>146,346</u>
<b>Current liabilities</b>			
Other payables	11	100,045	86,907
Current tax liability	12	2,062	16,959
Deferred tax liability	9	-	355
<b>Total current liabilities</b>		<u>102,107</u>	<u>104,221</u>
<b>Net current assets</b>		<u>59,119</u>	<u>30,095</u>
<b>Total assets less current liabilities</b>		<u>66,043</u>	<u>42,125</u>
<b>Capital and reserves</b>			
Share capital	13	1	1
Retained earnings	14	66,042	42,124
<b>Shareholders funds</b>		<u>66,043</u>	<u>42,125</u>

The Financial Statements were approved by the Board of Directors on 17 September 2012 and were signed on its behalf by



Stewart Smith  
Director

# Hong Kong Aviation Capital (UK) Limited

## Notes to the Financial Statements

### 1 Summary of significant accounting policies

#### Basis of accounting

The Financial Statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and under the historical cost accounting rules

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements

#### Foreign currency

##### (i) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency is Pounds Sterling (GBP). The Financial Statements are presented in sterling rates of exchange, which is also the Company's presentation currency

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

#### Taxation

Deferred tax is provided in full in respect of timing differences that have originated but not reversed at the balance sheet date, except where the likelihood of a deferred tax liability crystallising in the foreseeable future is remote. Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the Financial Statements. Deferred tax is not provided on permanent differences. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable. Deferred tax is not discounted.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activity as follows

##### *Fee revenue*

Fee revenue is derived from services performed under the service agreement and is recognised on an accruals basis.

# **Hong Kong Aviation Capital (UK) Limited**

## **Notes to the Financial Statements**

### **1. Summary of significant accounting policies (continued)**

#### **Employee benefits expense**

Expenses in respect of employee entitlements are recognised in the profit and loss account

##### *Salaries and wages*

Salaries and wages are recognised on an accrual basis. Included in these amounts are expenses related to annual leave provisioning.

##### *Bonuses*

Bonuses are of both a contractual and discretionary nature. They are recognised only when the Company has declared them or is contractually obliged.

##### *Termination payments and other*

Termination benefits are payable when employment is terminated before the normal retirement date or an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination payments when it is demonstrably committed to either terminating the employment of contract or an offer for voluntary redundancy has been accepted by the employee.

#### **Property, plant and equipment**

Property, plant and equipment is stated at historical cost. Items of computer software are depreciated according to their individual asset functions over a period of 4 years, to nil residual value.

Other items of furniture, fittings and equipment are depreciated according to their individual asset functions over periods of between 3 and 4 years, to nil residual value.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and cash at bank.

#### **Other receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost.

#### **Other payables including taxation**

Payables are recognised initially at fair value and subsequently measured at amortised cost. They include liabilities for annual leave that are expected to be settled within 12 months.

#### **Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

#### **Share Capital**

Ordinary shares are classified as equity.

#### **Cash flow statement**

The company is a wholly-owned subsidiary of HNA Group (Hong Kong) Co., Limited and is included in the consolidated Financial Statements of HNA Group (Hong Kong) Co., Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

# Hong Kong Aviation Capital (UK) Limited

## Notes to the Financial Statements

### 1. Summary of significant accounting policies (continued)

#### Accounting period

Hong Kong Aviation Capital (UK) Limited was incorporated on 18 December 2009. The comparative accounting period runs from 18 December 2009 to 31 December 2010.

### 2. Directors' emoluments

The Directors did not receive any fees specific in respect of their services as directors of the Company during the year. However, in addition to being directors of the Company, certain Directors were also employees during the year, as such their emoluments were as follows:

	Year ending 31 Dec 2011	For the period 18 Dec 2009 to 31 Dec 2010
	£	£
Fees	-	-
Salary	65,636	160,000
Bonus	3,099	189,942
Retirement benefit costs	-	52,708
	<u>68,735</u>	<u>402,650</u>

### 3. Auditors remuneration

	Year ending 31 Dec 2011	For the period 18 Dec 2009 to 31 Dec 2010
	£	£
Profit on ordinary activities is stated after charging		
Auditors remuneration	16,547	10,000
Tax services	-	-
Total auditors remuneration	<u>16,547</u>	<u>10,000</u>

### 4. Fee income

	Year ending 31 Dec 2011	For the period 18 Dec 2009 to 31 Dec 2010
	£	£
Service fee income	<u>634,898</u>	<u>1,240,794</u>
	<u>634,898</u>	<u>1,240,794</u>

### 5. Employee benefits expense

	Year ending 31 Dec 2011	For the period 18 Dec 2009 to 31 Dec 2010
	£	£
Salaries and wages	291,850	796,080
Social security costs	50,046	90,728
Termination payments and other	-	60,255
	<u>341,896</u>	<u>947,063</u>

## Hong Kong Aviation Capital (UK) Limited

### Notes to the Financial Statements

#### 6. Tax on profit on ordinary activities

	Year ending 31 Dec 2011	For the period 18 Dec 2009 to 31 Dec 2010
	£	£
<b>a) Analysis of the charge for the period</b>		
The charge for taxation comprises		
UK corporation tax charge at 26.5% (2010: 28%)		
Current year	7,803	16,959
Adjustment for current tax of prior periods	(3,493)	-
Current tax charge	4,310	16,959
Deferred tax (benefit)/expense	(587)	355
<b>Tax on profit on ordinary activities</b>	<b>3,723</b>	<b>17,314</b>
<b>b) Factors affecting the tax charge for the current period</b>		
Profit on ordinary activities before tax	27,641	59,438
Current tax at average rate of 26.5% (2010: 28%)	7,323	16,643
Expenses not currently deductible for tax purposes	480	316
Adjustment in respect of prior periods	(3,493)	-
<b>Tax on profit on ordinary activities</b>	<b>4,310</b>	<b>16,959</b>

#### 7. Property, plant and equipment

	Furniture, fittings and equipment £	Computer software £	Total £
<b>Cost</b>			
At 1 January 2011	12,902	569	13,471
Disposal	(3,226)	(6)	(3,232)
<b>At 31 December 2011</b>	<b>9,676</b>	<b>563</b>	<b>10,239</b>
<b>Accumulated depreciation</b>			
At 1 January 2011	1,416	25	1,441
Charge for the period	2,831	142	2,973
Disposal	(1,098)	(1)	(1,099)
<b>At 31 December 2011</b>	<b>3,149</b>	<b>166</b>	<b>3,315</b>
<b>Net book amount</b>			
<b>At 31 December 2011</b>	<b>6,527</b>	<b>397</b>	<b>6,924</b>
At 31 December 2010	11,486	544	12,030

## Hong Kong Aviation Capital (UK) Limited

### Notes to the Financial Statements

#### 8. Cash and cash equivalents

	31 Dec 2011 £	31 Dec 2010 £
Cash on hand	1	1
Cash at bank	41,616	-
	<u>41,617</u>	<u>-</u>

#### 9. Deferred tax asset and liability

	31 Dec 2011 £	31 Dec 2010 £
Opening deferred tax asset/(liability) balance	(355)	-
Deferred tax asset/(liability) charged to profit and loss account during the year	587	(355)
Closing deferred tax asset/(liability)	<u>232</u>	<u>(355)</u>
The deferred tax asset/(liability) balance is composed of Capital allowances in excess of depreciation	947	(1,268)
Deferred tax asset/(liability) at average rate of 26.5% (2010: 28%)	<u>232</u>	<u>(355)</u>

#### 10. Other receivables

	31 Dec 2011 £	31 Dec 2010 £
Office space deposits	13,031	2,778
VAT receivable	3,873	2,925
Receivable from related parties	101,767	128,612
Other receivables	706	-
	<u>119,377</u>	<u>134,315</u>

#### 11. Other payables

	31 Dec 2011 £	31 Dec 2010 £
Accrued expenses	72,349	12,875
Salaries payable	17,498	51,719
Social security costs payable	6,058	15,270
Provision for annual leave	4,140	7,043
	<u>100,045</u>	<u>86,907</u>

#### 12. Current tax asset and liability

	31 Dec 2011 £	31 Dec 2010 £
Overpayment of tax	5,741	-
Current tax liability	<u>(7,803)</u>	<u>(16,959)</u>
Current tax liability	(2,062)	(16,959)

## Hong Kong Aviation Capital (UK) Limited

### Notes to the Financial Statements

#### 13. Share capital

	31 Dec 2011	31 Dec 2010
	£	£
<b>Authorised</b>		
1 ordinary share of £1 each	1	1
<b>Allotted and fully paid:</b>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

#### 14 Retained earnings

	31 Dec 2011	31 Dec 2010
	£	£
At the beginning of year/period	42,124	-
Profit for the financial year/period	<u>23,918</u>	<u>42,124</u>
Retained profit for the year/period	66,042	42,124
Closing retained earnings	<u>66,042</u>	<u>42,124</u>

#### 15. Number of employees

	31 Dec 2011	31 Dec 2010
Number of employees for the year	<u>3</u>	<u>3</u>
Average number of people employed		
Sales and commercial	1	2
Technical	1	1
Risk	<u>1</u>	<u>-</u>
Total average headcount	<u>3</u>	<u>3</u>

#### 16 Contingent liabilities

The Company has no contingent liabilities as at 31 December 2011

#### 17. Parent undertaking and ultimate parent company

The ultimate parent company and controlling party is HNA Group (Hong Kong) Co , Limited, which is the parent company of the largest group that presents group accounts HNA Group (Hong Kong) Co , Limited is incorporated in Hong Kong HNA Group (Hong Kong) Co Limited is the largest company for which consolidated Financial Statements are prepared The Financial Statements can be obtained at Suite 6511-13,65/F, The Centre, 99 Queens Road Central, Central, Hong Kong



## **Hong Kong Aviation Capital (UK) Limited**

### **Notes to the Financial Statements**

#### **18 Related Parties**

The Hong Kong Aviation Capital ("HKAC") group consists of companies that are headed by HNA Group (Hong Kong) Co , Limited The Company provides advisory services to HNA Group (Hong Kong) Co , Limited for a fee under a services agreement

Stewart Smith and Russell Hubbard are also directors of other companies within the HKAC group

The Company is a wholly-owned subsidiary of HNA Group (Hong Kong) Co , Limited and is included in the consolidated Financial Statements of HNA Group (Hong Kong) Co , Limited, which are publicly available Consequently, the company has taken advantage of the exemption from disclosing related-party transactions with entities that are part of HNA Group (Hong Kong) Co , Limited under the terms of FRS 8

#### **19. Capital and other commitments**

The Company has no capital or other commitments as at 31 December 2011