



AUSTRALIA

Financial Evaluation

The Applicant shall provide audited financial statements prepared in accordance with standard accounting practices. Such statements shall be evaluated pursuant to the financial standards and financial ratio analysis established from time to time by the General Assembly and set forth in this Attachment. To obtain a satisfactory evaluation, the applicant may be required to provide additional Paid-up Capital. Alternatively an Agent may provide additional financial support in the form of a Bank Guarantee, Insurance Bond, from an insurance company acceptable to IATA or at the discretion of IATA, a Cash Deposit hereafter referred to as "Security". Cash Deposits will attract an interest rate of 0.5% per annum (flat), to be paid and reviewed annually to take into account movement in interest rates.

Late or incomplete submission of such financial statements will attract a penalty as determined by the General Assembly from time to time.

1. NOTES TO FINANCIAL EVALUATION

1.1 Definition of Share Capital and Reserves

The Share Capital and Reserves shall be determined as follows according to the type of the applicant's entity:

1.1.1 Company having a share capital — the sum of:

Paid-up Share Capital

Minimum of \$10,000 paid-up ordinary capital (forming part of the minimum share capital and reserves) regardless of the existence of other reserves (e.g. issued share capital of \$5,000 and capital profits reserve of \$5,000 would not be acceptable). If less than \$10,000, security for the shortfall will be required.

Realised Capital Profits Reserve

Asset Revaluation Reserve (only if supported by a written valuation from an independent licensed valuer; i.e. Director's valuation will not be accepted).

Share Premium Reserve

Accumulated Profits

- Less:
1. Accumulated losses,
 2. Provision for future losses,
 3. Intangibles including Goodwill, Future Tax Benefits, etc.
 4. Loans to and Investments in Related Parties.

1.1.2 Sole Trader/Partnership

Proprietorship (including reserves) less intangibles, adjusted by those items detailed in Subparagraph 1.1.1 above.

Statement(s) of assets and liabilities of the principal(s), verified by their solicitor, auditor or bank manager from their own personal knowledge of their clients' affairs or from documentary evidence supplied must be submitted for consideration.

1.1.3 Trust

Corporate Trustee

Either the settled sum of the Trust or the paid-up capital of the Corporate Trustee adjusted by those items detailed in Subparagraph 1.1.1 above.

Note: The total of settled sum or units and paid-up capital of the corporate trustee must be a minimum of \$10,000 forming part of the minimum share capital and reserves regardless of existence of other reserves. If less than \$10,000, security for the shortfall will be required.

Unincorporated Trustee

The settled sum of the Trust adjusted by those items detailed in Subparagraph 1.1.1 above. Where the required minimum is not met the statement of personal assets and liabilities of the Trustee(s) as detailed in Subparagraph 1.1.2 above will be reviewed to determine the net worth.

1.1.4 Company limited by Guarantee

Accumulated Funds and Reserves (as detailed in Subparagraph 1.1.1 above).

Total guarantees available in the event of a winding up, i.e. the liability of each member multiplied by the number of members at balance date.



Local Criteria for the Approval and Retention of Agents

1.1.5 Incorporated Association, Cooperative, etc.

Accumulated Funds and Reserves (as detailed in Subparagraph 1.1.1 above).

1.1.6 Health Fund, Building Society, Credit Union

Members' Funds and Reserves (as detailed in Subparagraph 1.1.1 above).

1.2 Definition of a Related Party

A Related Party is an individual or company defined as an associate in terms of Section 26 AAB (14) of the Income Tax Assessment Act and includes shareholders, directors, trustees, partners, proprietors or their immediate family.

Loans from a Related Party. If the Agent provides satisfactory documentary evidence that the loan is in the form of a long-term commitment to the agency, such loan may be deducted from the liabilities of the Agent. If such evidence is not available loans from a Related Party will be considered a liability of the agency.

Loans to and investments in a Related Party will not be considered as assets of the agency for the purposes of the financial evaluation.

However if the Agent is able to provide satisfactory documentary evidence that:

- the Loan or Investment is readily able to be converted to cash and,
- will be repaid should the working capital position of the Agent decline, such assets may be considered.

1.3 Encumbrances

Should any Balance Sheet assets of an applicant be used as security for loans which do not appear on the Balance Sheet, (e.g. third party loan to directors) those loans will be deducted from assets, up to the maximum amount of the liability secured by the applicant's assets. Details of such encumbrances will require disclosure in the "Annual Financial Review".

All charges over an applicant's assets, both fixed and floating, require immediate disclosure to IATA at the time of their creation. Failure to notify the creation of a charge will be regarded as a serious departure from these financial requirements. Creation of and retirement of all charges during the year should also be notified to IATA.

2. FINANCIAL STANDARDS

The financial assessment is based on four Tests and the allocation of applicable points to each Test. Maximum points are 20 and a total of 10 points or more is considered satisfactory provided the applicant maintains the minimum level of share capital and reserves (refer Test 1).

2.1 Test 1 — Minimum Share Capital & Reserves (2 points)

All applicants must maintain a minimum level of share capital and reserves (as defined in Paragraph 1.1 hereof) dependent on the scale of operations of each enterprise as measured by the annual turnover (both travel and non travel).

Turnover	Minimum Share Capital	
	2 Points	1 :Point
Less than \$750,000	\$20,000	\$15,000
\$750,000 to less than \$1.5 million	\$30,000	\$25,000
\$1.5 million to less than \$4 million	\$50,000	\$40,000
\$4 million to less than \$10 million	\$80,000	\$60,000
\$10 million to less than \$50 million	\$100,000	\$80,000
\$50 million or greater	\$150,000	\$120,000

A minimum of 1 point must be obtained from this test regardless of the overall point score achieved from other Tests. A Security or additional Paid-up Capital for any shortfall will be required. Minimum share capital may be expected to increase from time to time.

2.2 Test 2 Client Travel Account (2 points)

A Client Travel Account is a bank account maintained by the applicant to separately receipt all client funds and the subsequent disbursement of those funds to travel principals

2.2.1 Two points will be allocated for a properly maintained Client Travel Account. To be eligible for these points the applicant must comply with all of the following:

2.2.1.1 All money received from clients, in advance of the issue of tickets, must be banked within 2 days of receipt into a separate account in the name of the applicant — suitably titled "Client" or "Trust" Travel Account.



Local Criteria for the Approval and Retention of Agents

2.2.1.2 Interest bearing or term deposits may be opened with any recognised financial institution.

2.2.1.3 Any such account as mentioned in 2.2.1.1 and 2.2.1.2 must be used exclusively for clients funds.

2.2.1.4 Any such account must not be subject to a right of set off or any encumbrance, including any floating charge.

2.2.1.5 All deposits to the Client Travel Account must remain in the account until:

- they are paid to the principals on whose behalf they have been received; or
- they are refunded to the client who paid the same.

2.2.1.6 Commission earned is not to be withdrawn until the balance has been paid to principals on whose behalf it has been received.

2.2.1.7 Disbursements from the Clients Travel Account on behalf of a customer who has not lodged funds (e.g. sale on credit) is not permitted. These should be made from the "General" or "Working" account of the applicant.

2.2.1.8 Use of clients funds to finance loans or advances to Related Parties or others, does not comply with the conditions for maintaining a Client Travel Account.

2.2.1.9 The Client Travel Account and liability for client funds held should be clearly identified on the Balance Sheet or Notes to the Accounts.

2.3 Test 3 — Working Capital to Meet Overheads (8 points)

This test is the ratio of working capital in dollars to average monthly overheads. An applicant should have sufficient working capital in dollar terms to meet overhead expenditure. This requirement is necessary to ensure the applicant has adequate working capital commensurate with the size of their operations and sufficient to meet seasonal fluctuations.

Should the Agent have experienced trading losses in the most recent financial year, provision for continued losses will be calculated unless the Agent provides satisfactory documentary statements that action has been taken to bring the agency to a satisfactory trading position.

Months Coverage	Points
Greater than 2 months	8
1 to 2 months	5
Less than 1 month	2
No working capital	0
Deficiency in working capital	-3

2.4 Test 4 — Net Tangible Assets to Turnover Ratio (8 points)

This ratio equates the net tangible assets of the applicant with its turnover and recognises that the greater the turnover of an organization the greater should be its tangible net worth. Whereas a tangible net worth of \$30,000 may be adequate for an applicant with a turnover of \$1 million, it may be totally inadequate for a \$10 million or even \$5 million applicant. This test recognises that a ratio of 1.5% is adequate and allocates the majority of the available points (5 out of 8) for this ratio. However in recognition of the greater margin of safety afforded by a higher ratio, maximum points are allocated for a ratio of 3%.

All tangible assets (excluding loans from related parties) of the applicant together with long term and current liabilities excluding loans from related parties are considered in assessing net worth. Accordingly assets such as goodwill, formation costs, etc. which may only be realisable on sale of the applicant's business, and which may be open to subjective valuations are excluded from the tests.

Should the Agent have experienced trading losses in the most recent financial year, provision for continued losses will be calculated unless the Agent provides satisfactory documentary statements that action has been taken to bring the agency to a satisfactory trading position.

Ratio (as a %)	Points
Greater than 3%	8
1.5% to 3%	5
0 to 1.5%	2
Deficiency in Net Tangible Assets	-3

2.5 Points Summary

Test 1 Minimum Share Capital & Reserves	2
Test 2 Client Travel Account	2
Test 3 Working Capital to Meet Overheads	8
Test 4 Net Tangible Assets to Turnover Ratio	8
TOTAL	20



3. FINANCIAL DISCRETION

It is recognised that different interpretations of financial accounts are possible and do occur. Accordingly, IATA shall have absolute discretion as to the most appropriate accounting classification for all items included in Financial Statements or Annual Financial Reviews.

4. SECURITY

Recognising that the Travel Compensation Fund apply similar criteria, where a Security is required to meet the above criteria, IATA will require an amount equivalent to the percentage share of airline sales to turnover (e.g. if the criteria require provision of a Security of \$100,000 and 60% of the applicant's turnover is for air travel, then IATA will require a Security for \$60,000). Such Security amount however, shall be not less than the amount required by the applicant to meet the minimum level in Paragraph 2.1 of Section 2 hereof.
