

CHANGES TO LOCAL FINANCIAL CRITERIA LATVIA

Submitted by APJC Latvia

Background Information

Following the PAPGJC/48 and PSG/129 meetings held in March 2023, the APJCs were invited to review the number of days from the end of the Sales Period to the Remittance Date and to align this period with the Resolution 812.

Proposed Solution

The APJC Latvia met on the 22nd of May 2024 and agreed to change the reporting period from 7 calendar days to 5 working days for the remittance frequency Four times per month.

In addition, the APJC members agreed to amend the calculation of the Financial Security in Section 4.1.1.2 of the Local Financial Criteria to align it with the new reporting period of 5 working days.

The APJC Latvia voted unanimously in favor of these changes.

Proposed Action

Conference to adopt the amendments to the Local Financial Criteria as shown in Attachment 'A' and Attachment 'B' with effective date of 1 September 2024.

LATVIA

(Effective 1 September ~~2022~~ 2024, MV/XXX)

1. GENERAL RULE

All IATA Accredited Agents must remit four (4) times per month.

2. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

Applicants

2.1 Financial statements must show a positive balance of current assets over current liabilities.

Existing Agents

2.1 Profitability

An Agent is required to show profit before tax at the end of the financial year.

However, a loss in a particular year will not result in negative financial standing for established IATA agents with at least three full years as accredited agent and if the outcome of the previous financial review was satisfactory.

2.2 Equity Capital

Equity capital = Total Equity / Total Assets = min 6%

2.3 Solvency

Rate of liquidity = $\frac{\text{Current assets}}{\text{Current liabilities}}$ = min 1.0

Current liabilities

2.4 The financial review result will be considered as PASS/SATISFACTORY when the financial tests in sections 2.1-2.4 are met.

3. ANNUAL FINANCIAL REVIEWS

3.1 Subject to Latvian Law, Agents will be required to submit either Audited or Certified financial statements, depending on the size of the company.

3.2 Agents must submit a full set of Audited financial statements, including balance sheet, profit and loss account, notes to financial statements, for their company for the most recent financial year, only if they are classified as:

3.2.1 Big company and on the balance sheet date has met at least 2 of the below criteria:

- 1) total balance sheet exceeds 20 000 000 euro;
- 2) net turnover exceeds 40 000 000 euro;
- 3) average employees per year exceeds 250.

3.2.2 Medium company and on the balance sheet date is not a small company and has met at least 2 of the below criteria:

- 1) total balance sheet does not exceed 20 000 000 euro;

2) net turnover does not exceed 40 000 000 euro;

3) average employees per year does not exceed 250.

3.3 Agents, classified as Micro Companies and Small Companies are entitled to present Certified financial statements if they meet below criteria:

3.3.1 Micro company which on balance date has met at least 2 of the below criteria:

1) total balance sheet does not exceed 350 000 euro;

2) net turnover per year does not exceed 700 000 euro;

3) average employees per year does not exceed 10.

3.3.2 Small company which on the balance sheet date has met at least 2 of the below criteria:

1) total balance sheet does not exceed 4 000 000 euro;

2) net turnover per year does not exceed 8 000 000 euro;

3) average employees per year does not exceed 50.

In case a Small Company exceeds 2 criteria as per point 3.3.2 for 2 consecutive years, such company will need to present full set of audited financial statement as per point 3.2.

3.4 Notwithstanding the above provisions, Agents falling in any of the above group, for which audited accounts are mandatory, and who fail to present full set of Audited financial statements, will have the financial review result FAIL/UNSATISFACTORY and will need to provide a Financial Security in accordance with Resolution 812, regardless of the result of the financial tests in section 2 of these criteria. Such Financial Security will be kept by IATA until an assessment is performed on the Agent's Audited financial statements and the outcome is satisfactory, and the Agent meets other provisions of Resolution 812.

New Applicants

3.5 New Applicants must submit documents required, depending on the type of company as per point 3.2.

3.6 In case the New applicant is a micro company, it is entitled to present certified accounts only, as per point 3.3.

3.7 The financial statements must be produced by a nationally approved Public Auditor in accordance with International Accounting Standards.

3.8 The financial statements must not be older than 6 months at the time of submission to IATA.

3.9 IATA has the right to request the annual report including balance sheet and profit and loss accounts in original.

3.10 New Applicants which have been established as a company for less than one year must submit a copy of a certified opening balance sheet.

Existing Agents

3.11 Accredited Agents (classified as per point 3.2) must provide IATA with a full set of audited financial statements, including balance sheet, profit and loss account, notes to financial statements, for their company for the most recent financial year their audited balance sheet and profit and loss Accounts in accordance with the time frame for filing reports required by the local authorities (currently 6 months after financial year end).

3.12 The financial statements must be produced by a nationally approved Public Auditor in accordance with International Accounting Standards.

4. FINANCIAL SECURITY

Financial Securities must be drafted in the English language, using a standard text provided by IATA.

4.1 Amount of Financial Security required

All Agents must provide Financial Security for the minimum amount of EUR 35,000 during the first two (2) years as IATA accredited Agent.

4.1.1 Other than Applicants

The amount of the Financial Security for Agents that have been IATA accredited for more than two (2) years will be calculated using the provisions in sections 4.1.1.1-4.1.1.3:

4.1.1.1 Agents with Risk Status A

For Agents with Risk Status A no Financial Security is required.

4.1.1.2 Agents with Risk Status B

For Agents with Risk Status B the amount of the Financial Security required must cover at a minimum ~~five point three per cent (5.3%)~~ four point seven per cent (4.7%) of the calculated annual average cash sales or EUR 35,000, whichever is the higher.

4.1.1.3 Agents with Risk Status C

Agents with Risk Status C must provide a Financial Security in accordance with the provisions of Resolution 812, with a minimum amount of EUR 35,000.

RESOLUTION 812

Attachment 'I'

Operation	Frequency	Number of Days in a Sales Period	End of Sales Period to Remittance Date	Note:
Latvia	Four times per Month	Refer to BSP Calendar	7 <u>5</u>	If the remittance frequency so established is four times monthly, Remittances shall be made so as to reach the Clearing Bank not later than its close of business on the 7th calendar day from the Reporting Date.