

Extension of temporary changes to IATA UK financial criteria

IATA has confirmed its relaxed UK financial criteria will remain in place for financial assessments carried out up to **30 June 2023**. It means agents with financial years ending up to 30 December 2022 will benefit from additional breathing space as they recover from the effects of the Covid-19 pandemic.

Agents' accounts will continue to be evaluated based on five financial ratios. However, IATA has agreed to temporarily relax the operating and net profit tests. Agents who do not meet the profit tests can still pass IATA's financial assessment as long as they maintain positive net equity and meet the "elevated" quick and cash cover ratios set out in the table below. Agents no longer need to have been profitable prior to the onset of Covid-19.

Agents whose accounts do not satisfy the financial criteria are likely to be asked to provide financial security in one of IATA's accepted forms.

The financial ratios are:

i. Positive net equity ii. Operating profit iii. Net profit	Ratios I, II and III must simply be positive/ greater than 0*
iv. Quick ratio	$\frac{\text{Cash + cash equivalents + trade debtors}}{\text{Trade creditors}}$
v. Cash cover ratio	$\frac{\text{Cash + cash equivalents + remaining overdraft/ RCF}}{\text{BSP Outstanding at the year-end}}$

Ratios IV and V are assessed as a pair:

If both quick and cash cover ratios score:		Pass or fail	Settlement frequency and security requirement.
Normal ratio	Elevated ratio		
> 1	> 1.1	Pass	Can settle BSP twice per month.
0.75-1	0.85-1.1	Pass	Must settle BSP at least every 10 days or provide security to settle less frequently.
0.5-0.75	0.6-0.85	Pass	Must settle BSP at least four times per month or provide security to settle less frequently
< 0.5	< 0.6	Fail	Must provide security



Things to think about

IATA will assess the new financial ratios based on information provided in your financial accounts. You may need to discuss enhanced disclosures with your accountants/auditors. Your financial accounts should:

- contain all necessary figures to complete the financial tests
- show the BSP outstanding at the year-end
- disclose any remaining unused or undrawn overdraft or revolving credit facility (if you wish to rely on it when calculating Cash Cover)
- disclose the nature of debtors, split between trade debtors, related parties etc.