

Temporary changes to IATA UK financial criteria

In response to the ongoing Covid-19 situation, IATA has announced a temporary relaxation of its UK financial criteria, which will apply to financial reviews conducted between **1 November 2021** and **31 October 2022**.

Agents' accounts are evaluated based on five financial ratios. Normally, all must be passed in order to score an overall pass on the financial review assessment.

However, IATA has agreed to temporarily relax the operating and net profit tests, provided that the agent maintains positive net equity and satisfies the "elevated" quick and cash cover ratios as set out in the table below. The requirement to be profitable in the trading periods prior to the onset of Covid-19 has been removed.

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.