



# FINANCIAL CRITERIA

## And Reporting Requirements

[Effective 25 November 2004 and updated May 2006 to reflect AIFRS terminology where necessary]

### Applicable to both New Applicants and Participants

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#### Corporate Agencies

- sell travel on credit to corporate or business clients and derive more than 80% of their turnover from those operations.

#### General Sales Agents

- are treated as licensed retail travel agents for the purpose of assessment.

#### Inbound Tour Operators

- link overseas outbound travel agents and wholesalers with the supply of transport, accommodation and tourism packages into Australia. More than 80% of the turnover is derived from these operations. These participants are typically paid after the service has been provided.

#### Shipping & Cruise Operators

- that do not own their own vessels are treated as licensed retail travel agents for the purpose of assessment. If Shipping and Cruise Operators own or control vessels in their own right, they will be assessed in the same manner as Airlines and Bus & Coach Operators.

#### Tour Wholesalers

- carry out the following three activities:-
  - publish and distribute brochures to licensed travel retail travel agents;
  - arrange travel packages, conventions and conferences which include travel arrangements;
  - sell to retailers to whom they pay commission and derive more than 40% of turnover from sales to licensed retail travel agents.

Alternative measures for meeting the TCF Financial Criteria, available to certain categories of travel agents, are detailed at **Part 5**.

## 1. INTRODUCTION

- 1.1 To meet the Financial Criteria licensed travel agents (referred to as 'participants' for TCF purposes) must score at least 10/20 points in Tests 1, 2 and 3, and meet the minimum equity levels in Part 2. This applies to applicants and renewing participants.

This information is provided to assist financial advisers and participants. It explains the required financial standards necessary for commencement or continued participation in the Travel Compensation Fund (the Fund or TCF).

New applicants are required to state the category or categories of the industry in which they will be operating.

Since 1 July 1997, participants have been categorised into industry sectors in order to develop alternative criteria to satisfy the TCF's minimum levels of financial viability. The criteria take account of the risk to the TCF based on the types of assets, pattern of financing and timing of receipt of client funds by TCF participants in industry segments other than retail travel agents.

These categories are: -

#### Airlines

- own and operate aeroplanes and trade as a licensed travel agent

#### Bus & Coach Operators

- own and operate bus & coach facilities and trade as a licensed travel agent

#### Consolidators

- sell airline tickets to licensed retail travel agents and derive more than 80% of the turnover from those operations.

## 1.2 New Applications

The financial and documentation requirements for new applicants are set out in **Part 6**.

The application must be submitted in the name of the legal entity(ies) carrying on the business (e.g. "John Smith & Jane Smith trading in partnership as Smith's Travel", or "ABC Company Pty Ltd As Trustee for The ABC Family Trust trading as ABC Travel") and must be identical to the name of the proposed Licensee. Applicants must meet the Financial Criteria before being eligible for participation.

## 1.3 Review Procedures - Participants

Renewing participants must meet the TCF's minimum criteria, as set out in **Parts 2** and **3**, on a continuing basis.

- 1.4 Each year participants are required to lodge audited financial statements (set out in **Part 4**) and the form of "**Annual Financial Review**" (abbreviated hereafter as "**AFR**") within three months of the end of the adopted financial year, although the Trustees have the power to require audited financial statements to be lodged earlier and more frequently.

**1.5 Self-Assessment**

The "AFR" process requires participants to self-assess points score and complete the financial ratio analysis. Auditors are required to sign the certificate on the "AFR" form. Participants who do not meet the criteria (score less than 10/20) are required to undertake remedial action, which can include provision of a guarantee, or an injection of capital.

The remedial action is intended to be completed within three months of a participant's financial year-end, and should be confirmed by the auditor.

**1.6** Should a participant either fail to lodge audited financial statements and the form of "AFR" or fail to meet the minimum criteria, within three months of its financial year end, additional penalty fees may be imposed. At the Trustees' discretion, early lodgement of the following year's audited financial statements and "AFR" may be required.

**1.7 Notification Obligation of Participants**

Participants are required to formally advise the TCF, in writing, within fourteen days of any change occurring in any of the following categories:

- Travel Agent Licence details.
- Directors, shareholders (not applicable to a public company), trustees, trust beneficiaries,
- Authorised person, nominated TCF contact person or auditor.
- A change in partners - this will require a new application for participation from the remaining partner(s).
- Trading names, addresses, telephone and facsimile contact numbers of head office and/or branch locations.
- Head office and/or branch locations commencing or ceasing to trade.

Immediate formal written advice is required of:

- Any defalcation or fraud occurring against or within a participant.
- Any participant, or officer thereof, becoming insolvent, being unable to pay debts as and when they fall due, entering into any arrangement with creditors, entering into any arrangements of "external administration" pursuant to either the Corporations Law or Bankruptcy Act.

**2. MINIMUM CAPITAL AND RESERVES - EQUITY**

**2.1** Participants must maintain a minimum level of equity (**Part 2.3**) dependent upon the scale of operations measured by the annual turnover (both travel and non-travel).

Turnover	Minimum Capital & Reserves
<b>For Participants admitted from 1 January 2005</b>	
Less than or equal to \$1.5 million	\$25,000
Greater than \$ 1.5 Million	\$35,000
<b>For Participants admitted before 1 January 2005</b>	
Less than or equal to \$1.5 million	See note
Greater than \$ 1.5 Million	\$35,000

**Note:** the Board of Trustees has resolved that for Participants admitted prior to 1 January 2005 with a turnover of not more than \$1.5 million, the minimum Capital and Reserves is to be phased in over 3 years as follows: \$15,000 in 2005; \$20,000 in 2006; and \$25,000 for 2007 and onwards.

**2.2 Definition of Turnover**

Turnover is defined as the gross value of a participant's sales transactions (not just commission earnings) of all products and services sold in the course of carrying on business as a licensed travel agent (as defined by all State or Territory Travel Agent Acts) at all locations, and gross turnover from other business conducted by a participant, shown separately.

**2.3 Definition of Capital and Reserves / Equity**

Will vary depending on the entity and as outlined below. Regardless of the entity the following are deducted from equity:

- Intangibles - goodwill, etc.
- Deferred tax assets where the business is trading at a loss or the related provisions are listed as non-current liabilities.
- Loss provision - with the exception of the initial trading year, if a loss is incurred provision is made for a similar loss in the next year, subject to **Part 4.13**.
- Loans to and investments in related parties - subject to **Part 4.9**.

**2.3.1** Company having a share capital - for TCF purposes, equity consists of the sum of:

- Paid-up share capital
- Realised capital profits reserve(s)
- Asset revaluation reserve(s)
- Retained earnings
- Guarantees provided to the TCF
- Share capital as defined under the Corporations Law and amendments

**Notes and Exceptions:**

- Paid-up redeemable shares are only permitted if the Company's Constitution prohibits redemption without the written approval of Trustees of the TCF.
- Despite recent changes to Corporations Law, no capital reduction is permitted without prior written consent of the Trustees of the TCF.
- Revaluation reserves are only permitted if supported by a recent written valuation from an independent licensed valuer.

**Note:**

- For TCF Financial Criteria requirements, bank and insurance guarantees held by TCF are treated as notional paid-up capital.
- If the Trustees accept an insurance guarantee to satisfy remedial action requirements, it is a condition that, when due, the guarantee renewal fee will be paid.
- If a Participant is insolvent, the Trustees may exclude guarantees from the calculation of notional paid-up capital.

**2.3.2 Sole Trader or Partnership**

Equity consists of proprietor's or partners' capital, current accounts, and asset revaluation reserve. The "business balance sheet" should comprise only those assets and liabilities directly related to the operation of the travel agency business.

Details of non-travel agency assets and liabilities are to be provided in the "Statement of Personal Assets & Liabilities" or "Statement of Personal Net Worth". This statement is a part of both application and renewal forms. Do not double-count assets and liabilities that relate to the "business" in this section and vice-versa.

If reliance on meeting the Financial Criteria is to be placed on the personal net worth, TCF assessing staff will take this into account when calculating points scored for the test in **Parts 3.3 and 3.4**.

A certificate confirming the independent confirmation of non-travel agency assets and liabilities, including

contingent liabilities and capital expenditure commitments is to be prepared by an accountant or auditor.

The certificate must include the words “...from my own personal knowledge and / or from documentary evidence supplied, I declare that the Statement of Personal Assets and Liabilities fairly states the Australian domiciled net worth position - exclusive of investment in the related travel agency - of...”

**Notes:**

- Do not include furniture, household and personal effects and preserved superannuation benefits as assets in the statement of personal assets.
- Partnerships involving one or more companies in partnership or a partnership involving natural persons and a company(s) require the detail related to companies and partners - refer to **Part 4.1**.

**2.3.3 Trusts**

**Corporate Trustee**

For a trust with a corporate trustee, the minimum equity required is the sum of the capital & reserves of the trustee and the trust.

**Unincorporated Trustee(s)**

Minimum equity requirements, where the trustee is a natural person the minimum equity is the capital and reserves of the trust. Where the required minimum is not met the Statement of Personal Assets and Liabilities of the trustee(s) will be reviewed to determine net worth.

**2.3.4 Company Limited by Guarantee**

Minimum equity comprises accumulated funds & reserves, as detailed in **Part 2.3.1**, plus the value of members guarantees available on winding-up.

**2.3.5 Incorporated Associations, Co-Operative Societies & Other Participants**

Minimum equity comprises accumulated funds and reserves.

**3. FINANCIAL RATIO ANALYSIS**

**3.1** In addition to the minimum capital and reserves criteria, the review of an agent's Financial Statement involves the allocation of points for working capital and net tangible asset ratios. Additional points are allocated for maintenance of a client or trust bank account. Maximum points are 20 and at least 10 points are required for renewal of participation and admission of new applicants.

**3.2 Test 1: Client Travel Account (or Trust Account) (4 points)**

The Trustees consider it desirable that any money entrusted to a Travel Agent by an intending traveller should be held separately from the participant's general funds until they are paid to principals or refunded on cancellation.

4 points will be awarded for a properly maintained client travel account (or trust account). To be eligible for these points the agent must comply with all of the following:

1. A pre-numbered receipt must be issued for all payments received in advance of travel arrangements, and monies be banked within 2 working days of receipt into a separate bank account in the name of the participant - titled "**Client Travel Account**" or "**Client Trust Account**".

2. Interest bearing or term deposit accounts may be opened with any recognised financial institution.
3. Any such account as mentioned in 1 and 2 must be used exclusively for client funds.
4. All monies deposited to the client account must remain in the client bank account until:
  - a) they are paid to principals on behalf of the client from whom they were received; or
  - b) they are refunded to the client; or
  - c) after completion of travel by the client.
5. Any such bank account must not be subject to a right of set off or any encumbrance, including any floating charge.
6. Commission earned is not to be withdrawn until the balance has been paid to principals on behalf of clients from whom they were received, or after completion of travel by the client. Cancellation charges may be deducted from refunds.
7. A disbursement from the client travel or trust account on behalf of a customer who has not lodged funds (e.g. sale on credit) is not permitted. Such a disbursement should be made from the "general" or "working" account of the agent.
8. Use of client funds to finance loans or advances to related parties or others is a breach of the conditions for maintaining a client account - **Part 4.9**.
9. The client bank account and the liability for client funds held should be clearly identified on the balance sheet, or in the notes to the accounts, and in the "**AFR**".

**Notes and Exceptions:**

- The 4 points score for operation of a client travel or trust account is not available to applicants on entry as a participant. The 4 points will only be awarded when the "**AFR**" is lodged and auditor certification confirms operation in accordance with **Part 3.2**.

**3.3 Test 2: Working Capital Available to Meet Overheads (Expressed in months coverage)**

This test is the ratio of working capital to average monthly overheads. Working capital is the surplus of current assets over current liabilities. A travel agency should have sufficient working capital to meet at least 1 month's overhead expenditure to ensure adequate working capital commensurate with the size of its operations. Intangible assets, loans to or investments in related parties and any assets used as security for loans which do not appear on the balance sheet or for guarantees on behalf of third parties are excluded from the test.

Months Coverage	Points
Greater than 2 months	8
1 to 2 months	5
Less than 1 month	2
No working capital or negative Working capital	-3

**3.4 Test 3: Net Tangible Asset to Turnover Ratio (Expressed as %)**

This ratio equates the net tangible assets of a travel agency with its turnover and recognises that the greater the turnover of an organisation the greater should be its tangible net worth.

Turnover is defined as gross annual sales (not just commission). Whereas a tangible net worth of \$30,000 may

be adequate for a travel agent with an annual turnover of \$1 million it may be totally inadequate for an agent with a turnover of \$10 million, or even \$5 million.

This test recognises that a ratio of 1.5% is considered 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 2.5%.

All tangible assets of the applicant or participant, after deducting long term and current liabilities (**refer Part 4.9**), are considered in assessing net worth. Accordingly, intangible assets such as goodwill, formation costs etc., which may only be realisable on sale of the business, are excluded from the test. Also excluded are loans to or investments in related parties and any assets used as security for loans that do not appear on the balance sheet or for guarantees on behalf of third parties.

Ratio (as a %)	Points
Greater than 2.5%	8
From 1.5% & up to & including 2.5%	5
Greater than 0.75% but less than 1.5%	2
From 0% & up to & including 0.75%	0
Deficiency in Net Tangible Assets	-3

**4. EXPLANATORY NOTES**

**4.1 Financial Statements & Reports - RENEWALS**

The financial statements for all renewing participants must include a balance sheet, income statement, detailed profit & loss account and audit report. Companies must also provide a directors' statement and report, and notes to the financial statement required under the Corporations Law. The "AFR" imposes additional reporting obligations.

**Reporting entities must report all requirements under AIFRS and non reporting entities must provide statements which meet the following standards:**

- AASB 101 Presentation of Financial Statements**
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors**
- AASB 110 Events After Balance Date**
- AASB 124 Related Party Disclosures**
- AASB 1031 Materiality**
- AASB 1048 Interpretation and Application of Standards**

**and Other Applicable Standards.**

Where the entity is a trust with a corporate trustee, audited financial statements of BOTH the trust and the trustee must be submitted.

Where the entity is a partnership that includes one or more incorporated entities, audited financial statements must be provided for the partnership and for each incorporated entity, as well as a certified statement of assets and liabilities for each unincorporated partner.

The financial statements of the travel business of a sole trader or partnership should not include any private assets or liabilities of the proprietor(s). A separate statement of assets and liabilities should be provided for each principal, as noted in **Part 2.3.2**.

**4.2** The information required to complete the "AFR" is to be sourced from the audited financial statements. Turnover should include both travel and non-travel activities, irrespective of whether travel represents the primary activity of the organisation.

**4.3 Income Recognition**

For "AFR" purposes, the following rules govern the principle of income recognition.

1. If booking conditions stipulate a cancellation fee, then a deposit received can be taken up as income, to the extent that it equals the cancellation fee.
2. When full payment has been received, the total commission due may only be recognised as income when airline tickets, or redeemable value vouchers have been issued, or when the principal (airline, wholesaler, consolidator, etc) has been paid. This rule applies whether or not a client travel account / trust bank account is operated.
3. **With the exception of 1 and 2 above, deposits received for future travel arrangements should be recorded as a client liability and not included in sales or turnover.**

**The basis of recognition of income earned must be explained in the notes to the accounts.**

**4.4 CCCF Credit Card Sales**

Credit Card Charge Form (CCCF) and similar facilities in which the principal or consolidator (and not the travel agent) act as merchant, pose no risk to the TCF. Consumers' money does not pass through the agent's bank account and commission only is subsequently credited to the agent. These transactions may be excluded from turnover in the "AFR" calculations but must be separately stated.

**4.5 Audit**

A Registered Company Auditor must audit the financial statements in accordance with applicable Australian Auditing Standards.

**4.6** Audit reports for corporations must be in the form required under the Corporations Law and Statements of Auditing Practice or Standards. Reports for non-corporate entities must comply with Statement of Auditing Practice or Standards issued by the Institute of Chartered Accountants in Australia and the Australian Society of CPAs. A signed audit report on the Financial Statements of the agent is required in addition to the "statement of auditor" forming part of the "AFR".

**4.7** The audit should embrace financial transactions relating to monies received from or on behalf of intending travellers including those transacted through a client travel account / trust bank account. A deficiency in client travel account / trust bank account should be recorded either on the balance sheet or on notes to the accounts. The deficiency should also be recorded as a reduction in capital and a current liability in the "AFR".

**4.8** The Renewal Application and Declaration in the "AFR" must be signed by the appropriate officer depending on the legal nature of the trading entity:

- |  |   |
|--|---|
| • Company  | - Director(s)   |
| • Corporate Trustee  | - Director(s)   |
| • Non-incorporated Business i.e., sole trader, partnership (natural person(s)) | - Proprietor Partner(s)                               |
| • Partnerships involving a company(ies) and a natural person(s)                | - Partner/director(s) and a natural person(s)         |
| • Any other type of organisation   | - Consult your Auditor or contact TCF Assessing staff |

In addition, the statement of auditor must be executed by the auditor.

**4.9 Related Party Loans and Investments**

A related party is an individual or corporation defined as either an associate in terms of section 26AAB(14) of the Income Tax Assessment Act 1936 and equivalent sections in the 1997 Act, or as a related party defined in AASB 124 of the Australian Accounting Standards Board regulations. TCF applies the following criteria:

**a) Liabilities**

Loans from directors and other related parties are **NOT** excluded from liabilities in the "AFR" calculations unless it can be adequately demonstrated that the loans are a long-term commitment to the business. The loan will be excluded for calculation of points scored for the test in **Part 3.4** only if the auditor confirms that a loan of a substantially similar amount has existed throughout the whole financial year and does not represent balance date "window dressing."

**b) Assets**

Loans to or investments in related parties are excluded as assets in the "AFR" calculations.

**4.10 Encumbrances**

Should balance sheet assets be used as security for "off balance sheet" loans (e.g. third party loan to directors), the value of such loans will be deducted from assets. Details of these encumbrances must be disclosed in the "AFR" and notes to financial statements.

**4.11** Fixed and floating charges registered over assets securing "off balance sheet" or third party loans, or guarantees require immediate disclosure to the TCF at the time of their creation. A failure to notify the creation of a charge will be regarded as a serious breach of the Financial Criteria.

**4.12** The participant's assets should **NOT** be used as security for the provision of guarantees to the TCF or any other party. If this occurs, assessment of the "AFR" will result in a reduction of the assets equal to the value of security given. Details of these encumbrances must be disclosed in the "AFR" and notes to financial statements.

**4.13 Loss Making Businesses**

If a participant has incurred a loss for the financial year under review it should provide an auditor's confirmation of measures taken to eliminate losses for the ensuing period or, otherwise, make provision for a loss of the same magnitude when calculating the Capital and Reserves and points scores.

A provision for future loss will not be required at the end of the first year's operations of a new travel agent. However, any deficiency in meeting the Criteria arising from losses sustained in the first year of operations must be rectified.

**4.14 Financial Discretion/ Review**

It is recognised that different interpretations of financial accounts are possible and do occur. Accordingly, the Trustees shall have absolute discretion as to the most appropriate accounting classification for all items included in financial statements or "AFR". The Trustees retain William Buck, Chartered Accountants, Sydney, to arbitrate disputed interpretations of accounting standards. Participants are at liberty to seek an independent opinion from that firm **at their own cost**.

**5. ALTERNATIVE MEASURES FOR MEETING THE FINANCIAL CRITERIA AVAILABLE TO SPECIFIC CATEGORIES OF TRAVEL AGENTS ON RENEWAL OF THEIR PARTICIPATION**

**5.1 Provision of a bank or approved insurance guarantee equal to 150% of clients' deposits held as certified by an auditor.**

If Airlines, Bus & Coach Operators, Consolidators, Corporate Agencies and Inbound Tour Operators hold minimal client deposits for future travel arrangements, in relation to their overall activities, they have the option of meeting the Financial Criteria for renewal by providing a bank or insurance guarantee for 150% of maximum client funds held at any time throughout the previous year as certified by their auditor.

Consolidators, Corporate Agencies and Inbound Tour Operators adopting the 150% option must lodge audited financial statements with the TCF.

Participants who fall in any of the above categories, and meet the requirements of this alternative, will be allocated 16 points, i.e., maximum points for Tests 2 and 3, **Part 3.3 and 3.4**.

Airlines and Bus & Coach Operators whose travel agent operations are only an adjunct to their point to point services may adopt the 150% bank or insurance guarantee option and are relieved of the necessity to conduct an audit purely for the TCF. Accounts prepared for taxation or management purposes must, however, be lodged with the TCF. However, if an audit is conducted for other purposes, those audited accounts must be lodged as part of the "AFR".

**5.2 Airlines and Bus & Coach Operators**

An airline will meet the Criteria if it has net tangible assets of \$100 million and its audited financial statements have no negative audit qualifications, providing it is not subject to insolvency proceedings. It will be allocated 16 points i.e., maximum points for Tests 2 and 3. **Part 3.3 and 3.4**.

**5.3** An airline or a bus company with equity (after deleting intangibles) of at least 20% of total tangible assets will be allocated 16 points.

**6. NEW APPLICANTS  
General Notes**

- **Please read carefully as failure to submit adequate information will delay approval for admission as a participant of the TCF.**
- Applications are handled in order of receipt and no priority can be given.
- Application for a Travel Agent's Licence should be submitted on or about the same time as the TCF application is lodged to facilitate speedy approval of licence issue. Licence applications are dealt with by different Ministries or Departments in each State. Applicants should consult local State Government offices for details.
- State Licensing authorities **will not** issue a travel agent's licence until TCF advises that the applicant has been approved by TCF as eligible to become a Participant in the TCF.

**6.1 Financial Statements & Detailed Information Required - All Applicants**

- The Financial Statements accompanying the application must be submitted in the name of the intended licensee.
- It is a requirement that applicants appoint an auditor as certified financial information must be provided each year. Applicants should contact an accountant or auditor to assist in providing the financial information together with a letter confirming the following:

- i) The auditor's appointment AND
- ii) The auditor's awareness of the requirement for the applicant to lodge audited Financial Statements with the TCF within three months of each subsequent financial year-end and the requirements outlined at **Part 4** of the Financial Criteria.

- Applicants need to satisfy the TCF that they have adequate equity and liquidity to carry on business as a travel agent, scoring a minimum of 5 points in each of Tests 2 (**Part 3.3**) and Test 3 (**Part 3.4**), after funding the acquisition and commencement costs and allowing a provision for initial overhead expenses and/or trading losses.

## 6.2 Category of Applicant

- Company or trust which does not operate a non-travel business**

Applicants must provide an audited balance sheet which meets the minimum financial guidelines outlined in **Parts 2 and 3** of the Financial Criteria. For a business, which has not traded, this should be a relatively simple and inexpensive matter. If the application is on behalf of a trust audited financial statements of both the trust and the trustee must be submitted. If the trustee is not a company, a verified statement of the trustee's assets and liabilities must be provided.

The audit report accompanying the balance sheet must be in the format required by the Trustees, as stated at **Parts 4.1, 4.5 and 4.6**.

If, for any reason, the financial statements fail to satisfy the Financial Criteria, remedial action to overcome the deficiency, e.g. **share issue** or an **approved guarantee**, will be required before the application may be approved. A letter from the applicant's auditor confirming the details of the share issue should be submitted with the application.

- Applicant operating an existing non-travel business** (e.g., real estate agent starting up a travel agency).

Provide audited financial statements as in i) above, if available, otherwise, provide the most recent unaudited financial statements. A copy of the income tax return for the financial year ended immediately prior to the date of application, together with a Tax Agent's Statement confirming that the return is a true copy of that lodged with the Australian Taxation Office, or a copy of the tax assessment should be provided.

All financial statements must be signed and include statutory reports, i.e. director's statement and report for incorporated applicants. The financial statements should include, inter alia, a balance sheet, a detailed trading and profit & loss account revealing gross sales of all businesses conducted by the applicant.

Existing businesses must also meet the requirements outlined in **Parts 2 and 3** of the Financial Criteria. If, for any reason, the financial statements fail to satisfy the Financial Criteria, remedial action to overcome the

deficiency, e.g. **share issue** or an **approved guarantee**, will be required before the application may be approved. A letter from the applicant's auditor confirming the details of the share issue should be submitted with the application.

- Applicant is an unincorporated entity** (i.e. sole proprietor/partnership).

Provide an audited balance sheet as at the date of application, listing all assets, liabilities and owner's / partners' capital accounts. **Compliance with the TCF's Financial Criteria will be calculated based on this balance sheet relative to the size of turnover to the business being purchased. Alternatively, if a new business is being commenced, it will be based on the budgeted turnover.**

If the applicant's (sole trader or partnership) business balance sheet does not meet the Financial Criteria then reliance **can not** be placed on personal net worth to assist in satisfying the Financial Criteria.

**Please also refer to Part 2.3.2 and 3.0, the same criteria apply on renewal and application.**

- Purchase of an existing travel business, or** where there is a change in legal entity, include a letter from the vendor re client deposits confirming whether the liability for client monies held by the existing business has been / will be transferred to the new applicant, together with a corresponding amount of cash to enable the applicant to meet the liabilities transferred. Furthermore, the value paid for the goodwill of the business will be deducted from capital and reserves in determining whether the capital and reserves requirements are met and it will not be taken into account as an asset of the travel agency -**Part 2.3**.

## 6.3 Financial Detail - All Applicants

A detailed monthly budgeted trading/profit & loss account for the initial 12 months of operations. The budget must be set out in a spreadsheet format and for each month must include:

- i) Turnover (gross sales);
- ii) Commission;
- iii) Detailed operating expenses, which should include proprietor(s) drawings, salary and/or directors' fees. If these are NIL, please say so.

A statement of acquisition and commencement costs detailing capital expenditure on fixed assets, non recurring commencement expenses and any amount paid for intangibles, such as franchise entry costs or goodwill if the applicant is acquiring an existing business.

Applicants must also advise how these acquisition and commencement expenses are to be funded.

If sufficient liquid funds are **not** reflected in the balance sheet provided, documentary evidence regarding the source of funds to meet these costs is required.

IF IN DOUBT OF ANY OF THE ABOVE CRITERIA, PLEASE CONTACT YOUR ACCOUNTANT, AUDITOR OR THE ASSESSING STAFF OF THE TCF.

THIS DOCUMENT IS ISSUED BY RESOLUTION OF THE BOARD OF TRUSTEES MADE 25 NOVEMBER 2004 PURSUANT TO CLAUSE 9.4 OF THE TCF TRUST DEED (UPDATED MAY 2006 TO REFLECT AIFRS TERMINOLOGY WHERE NECESSARY).