



TTCAA Advisory CIRCULAR

Subject: FINANCIAL ASSESSMENT
TTCAA Advisory Circular TAC-020A
Date: 05/04/11

PURPOSE

1. (1) The purpose of this TTCAA Advisory Circular (TAC) is to guide applicants for and AOC on the information required by the TTCAA for the financial assessment of an applicant prior to the issue of an air operator certificate.

(2) TAC-020A replaces and supercedes TAC-020 which is now cancelled and should be destroyed.

REQUIREMENTS FOR FINANCIAL ASSESSMENT

2. TTCAR No.3:6(1)(f) requires the applicant for an air operator certificate to demonstrate that he has sufficient financial resources to conduct safe operations. TTCAA Advisory Circular TAC-001 advises an applicant that the assessment of financial resources of a prospective air operator, required under TTCAR No. 3: 6(1)(f) would be based on an audit of the applicant's assets and liabilities and a thorough evaluation of financial and statistical records and other pertinent data.

TYPES OF ASSESSMENTS

3. (1) An applicant is required to complete a monthly cash flow forecast for the proposed operation over the next three years and identify how the organization will cover any forecast cash shortfalls. The applicant is required to provide the following information:

- (a) Details of any person, company, entity or organization that has potential to control or influence the day-to-day operations or the strategic direction of the AOC applicant or AOC holder, including but not limited to:
 - (i) The names of the companies, organizations or persons involved;
 - (ii) Shareholdings or equity interests;
 - (iii) The names of directors, officers or persons involved;
 - (iv) The extent to which directors or officers in these companies or organization or other persons can control or influence the operational direction and the day-to-day operations of the AOC applicant; and

- (v) Any other information essential for the TTCAA to understand the organizational and personnel inter-relationships impacting upon the AOC applicant.
- (b) Existing Companies:
 - (i) Audited financial statements for the last three (3) years;
 - (ii) Performa income statement and balance sheet for the next three (3) years
- (c) New Companies:
 - (i) Performa income statement and balance sheet for the next three (3) years
- (d) Detailed cash flow forecasts and explanations supporting the submission;
- (e) If the AOC applicant is a corporate entity, a copy of the latest financial statements (preferably audited) for the AOC applicant including profit and loss statement and balance sheet together with any accompanying notes or qualifications;
- (f) If the corporate entity is part of a larger corporate group, a copy of the latest consolidated financial statements (preferably audited) for the group of companies including profit and loss statement and balance sheet together with any accompanying notes or qualifications; and
- (g) If the applicant is not a corporate entity and is applying, for example, as a sole trader or member of a partnership, details of any competing demands that will be placed upon the applicant's funds in the applicant's aviation business.

Note: Some of the information may be already available and can be provided in some other form for example as part of an existing Strategic Plan. Irrespective of the format in which the applicant decides to present the information, it is essential that the applicant identifies and explains significant types of safety-related expenditure and the respective amounts that the applicant intends to expend so as to comply with the safety requirements of the Civil Aviation Act and the Regulations.

- (h) Applicants should indicate the basis upon which key forecast assumptions have been made, in particular whether any market research has been carried out, or other investigations made into market demand, revenue and expenditure aspects of the proposed AOC operation, and if so the findings.

ASSESSMENT PROCESS

4. (1) For AOC applications the DGCA will involve the TTCAA Executive Manager Corporate Services in the assessment of the application who will liaise directly with the AOC applicant and the person assigned by the Accountable manager to provide the information required for the financial assessment.

REQUIREMENTS FOR ACCURACY

5. The information is one of the elements used to assess the eligibility of an applicant to hold an AOC and to determine if an AOC should be subject to express conditions imposed under TTCAR No.3. The issue of an AOC may be subject to conditions requiring the holder to notify the TTCAA of specific variations from forecasts or changes in management, based on information supplied by the applicant.

CONFIDENTIALITY OF INFORMATION

6. Financial and organizational information provided by an AOC applicant will be treated as 'Commercial-in-Confidence', and will not be disclosed to any other party for any other purpose, other than for any lawful purpose.

ASSESSMENT FORM

7. An example of a cash flow forecast format in support of the applicant's submission is attached. The completed form should also contain an explanation of how the applicant will cover any forecast cash shortfalls.

Ramesh Lutchmedial
Director General of Civil Aviation

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EXAMPLE FORMAT OF A CASH FLOW FORECAST

Name of Applicant	ASSESSMENT OF FINANCIAL RESOURCES TO CONDUCT SAFE OPERATIONS
Instructions:	
1. Insert monthly cash flows in the categories specified.	
2. Where the cumulative Net Cash Flow is negative, include explanation for the shortfall and coverage of the cash shortfall in the area provided for "Explanatory Notes and Assumptions" (For Example – "Shortfall is as a result of major engine overhaul on B737 and is financed by an overdraft facility")	

YEAR 1			JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	→
Variable	Cash Inflow	A											
	Cash Outflow	B											
	Net Cash Flow	C=A-B											
Fixed		D											
		E											
		F=D-E											
Total Monthly	Net Cash Flow	G=C+F											
Cumulative Net Cash Flow		H											

YEAR 2			JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	→
Variable	Cash Inflow	A											
	Cash Outflow	B											
	Net Cash Flow	C=A-B											
Fixed		D											
		E											
		F=D-E											
Total Monthly	Net Cash Flow	G=C+F											
Cumulative Net Cash Flow		H											

YEAR 3			JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	→
Variable	Cash Inflow	A											
	Cash Outflow	B											
	Net Cash Flow	C=A-B											
Fixed		D											
		E											
		F=D-E											
Total Monthly	Net Cash Flow	G=C+F											
Cumulative Net Cash Flow		H											

