



section 9

financial and business plan

Financial and Business Plan

9.1 Overall Financial Strategy

The overall financial strategy of ROCK RADIO100.3 is to establish and operate a successful station which is financially independent in as short a time frame as possible, consistent with its programming and marketing objectives. The promoters will support the project financially to ensure that the station can achieve its key objectives in accordance with its business plan but also providing for unforeseen circumstances, if such arise.

The promoters expect that the station will make trading losses in its first two years on air, with breakeven occurring in year three and profits beginning from year four onwards. Over the ten years of the proposed licence the promoters anticipate an internal rate of return on their investment of 8%.

Financial control will be achieved by having comprehensive and effective accounting and internal control systems accurately recording and measuring the performance of the business.

The key measures of performance will be:

- Listenership targets
- Revenue targets and margins
- Cost control and budgetary analysis
- Profitability

Performance of the station will be reviewed by the board of directors under these headings at monthly meetings for the first year with quarterly reviews after year 2.

9.2 Investment Proposal

The total funding requirement for ROCK RADIO 100.3 is €3 million, of which €2.5 million will be required before going on-air with a further €0.5 of overdraft facility being required in year two of broadcasting

funding	Euro
Share Capital	1,5m
Loan Stock	800,000
Medium/Long Term Borrowing	N/a
Leasing/HP Facility	200,000
Bank overdraft	500,000
Other	N/a
TOTAL	3m

funding	Euro
Capital Expenditure (including capital value of leases)	340,000
Other pre-operational Expenditure	260,000
Working Capital (at on-air date)	1.9m
TOTAL	2.5m

9.3 Sources of Funding and Expenditure

- (i) The initial Share Capital will be ordinary fully paid shares totalling €1.5 million. The promoters will provide a further €0.8 million of unsecured loan stock. Certain transmission, studio and office equipment will be funded by a three year finance lease of €0.2 million. The overdraft required in year two will be secured by a standard invoice discounting arrangement.
- (ii) A comprehensive shareholders agreement will be signed immediately after announcement of the award of the licence. The initial ordinary share capital of €1.5 m will be subscribed at that stage. The loan stock and lease finance will be put in place two months before going on-air. The overdraft facility will be obtained early in year two of broadcasting.
- (iii) Capital expenditure breaks down as follows:

	Proportion
Transmission	20%
Studio Building	35%
Studio Equip.	30%
Office Equip. & Fit-out	15%
TOTAL	100%

9.4 Projections

Detailed projected profit and loss accounts, projected expenditure by areas of activity, projected balance sheets and projected monthly cashflows for the first three years on air are contained in APPENDIX 9. These are summarised as follows:

(i) Summarised Projected Profit & Loss Accounts

€000s	Year 1 (09/10)	Year 2 (10/11)	Year 3 (11/12)
Turnover	1,833	2,382	3,342
Direct costs	(329)	(428)	(599)
Overheads	(2,535)	(2,578)	(2,722)
(Loss)/Profit	(1,031)	(623)	21

(ii) Summarised Projected Expenditure by activity

€000s	Year 1 (09/10)	Year 2 (10/11)	Year 3 (11/12)
Administration	341	354	362
Marketing	1,056	936	963
Programming	1,138	1,288	1,397
Total	2,535	2,578	2,722

iii) Summarised Projected Balance Sheets

€000s	Year 1 (09/10)	Year 2 (10/11)	Year 3 (11/12)
Fixed Assets	301	262	223
Net Current Assets	777	123	183
TOTAL	1,078	385	406
Share Capital	1,500	1,500	1,500
Reserves	(1,291)	(1,915)	(1,894)
Loan Stock	800	800	800
Leasing	69	0	0
TOTAL	1,078	385	406

(v) Summarised Projected Cashflows

€000s	Year 1 (09/10)	Year 2 (10/11)	Year 3 (11/12)
Receipts	435	2,225	3,085
Payments	(2,821)	(2,974)	(3,267)
Opening Balance	1,900	514	(235)
Closing Balance	514	(235)	(417)

(iv) Assumptions

The key assumptions underlying the financial projections are stated in detail in Appendix...

(v) Profitability

Profitability will be achieved during the third year on air, with a small overall profit being earned for the third full year.