



Finance Plan

When preparing a finance plan the applicant for an air service licence should always bear in mind that every licensee is required to operate a safe and reliable air service. These are the two fundamental criteria that the finance plan, independently as well as collectively with the rest of the application will be evaluated against.

A Finance plan that has been prepared properly should display the following characteristics.

- a) Credibility
- b) Reflection of a relationship between revenues and costs
- c) Completeness in respect of expense categories related to the business.

As prescribed, the finance plan shall consist of projections of the income statement, cash flows and balance sheet in respect of the air service to be provided for a period of three years following the date of application.

This document is intended to be a guideline on the preparation of a finance plan by an enterprise whose air service operation is relatively simple and also to identify what information is deemed to be critical in the preparation and evaluation of a finance plan.

It is preferable that monthly income statements, cash flows forecasts and balance sheets be prepared in year and thereafter the forecasts can be annualised.

GUIDELINE AIRWAYS (PTY) LTD
PROJECTED INCOME STATEMENT FOR YEAR 1

	Note	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9
<u>Revenue</u>										
Passenger	1									
Cargo	2									
Aircraft hire	3									
Other	4									
<u>Expenditure</u>										
Accounting & Audit fees										
Advertising	5									
Aircraft hire										
Bank charges										
Borrowing costs	6									
Catering										
Cleaning and staff refreshments										
Commissions	7									
Depreciation										
Electricity & water										
Employment costs	8									

Fuel & Oil (aircraft)										
Insurance										
Landing fees										
Licence fees										
Maintenance	10									
Aircraft-General										
Motor Vehicle expenses										
Parking										
Passenger handling										
Printing & Stationery										
Rental-Buildings-Equipment										
Subscriptions										
Substances & traveling										
Telephone, fax & postage										
RSC levies										
Net income(loss) for the period										
Taxation										
Net income after tax										

NOTES TO THE PROJECTED INCOME STATEMENT

1. PASSENGER REVENUE

Number of passengers flown	xxx	
Airfare per passenger	xxx	
Number of passengers x airfare		xxx

2. CARGO REVENUE

Cargo carried in kg/tons	xxx	
Tariff per kg/ton	xxx	
Cargo kgs x tariff		xxx

3. AIRCRAFT HIRE

Hours flown	xxx	
Hire rate per hour	xxx	
Hours flown x hire rate		xxx

4. OTHER REVENUE

Where the amount of other revenue is significant, Details of its composition should be supplied, e.g. Interest received

The variables making up the various categories of revenue will more often than not differ in accordance with the nature of the air service conducted by the applicant. The applicant should therefore use those variables that are applicable to the air

service conducted by him, in calculating the estimated revenue.

5. AIRCRAFT HIRE

Number of hours/kilometres flown	xxx
Hire rate per hour/kilometre	xxx
Hours/kilometers flown x hire rate	

xxx

The hire agreement between the licensee and the owner of the aircraft should stipulate the operating costs that are included in the hire rate, such as the following (if applicable)

- a) the cost of hull insurance and uninsurable excesses
- b) major airframe, engine and component overhauls.
- c) Routine maintenance costs including costs of consumable spares, rotatable components and tyres.
- d) the cost of fuel & oil.
- e) Landing fees and hangerage

It would also be advisable that the hire agreement reflects a contractual undertaking by the aircraft owner that in the event of a total loss resulting from an accident, the owner will use the proceeds of an insurance claim to purchase a replacement aircraft, thereby ensuring that the licensee will be able to maintain the service.

A signed hire agreement or a letter of intent from the owner of the aircraft covering the matters stipulated above, should be submitted together with the finance plan.

10. MAINTANCE –AIRCRAFT

A breakdown of the maintenance costs for aircrafts should be provided e.g

- rotatable components	xxx
- consumable spares	xxx
- tyres	xxx
consumable materials	xxx
provisions for air frame, engines and other major component overhauls	xxx

GUIDELINE AIRWAYS (PTY) LTD
PROJECTED CASH FLOW FRO YEAR 1

	NOTE	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8
<u>Cash received</u>									
Share capital									
Members interest									
Loans raised									
Passenger revenue									
Cargo revenue									
Aircraft hire									
Other revenue									
Receipts from debtors									
<u>Cash payments</u>									
Acquisition of assets									
Accounting									
Auditing fee									
Advertising									
Aircraft hire									
Bank charges									
Catering									

Cleaning & staff Refreshment Commissions										
Electricity and water Employment costs Fuel & Oil Insurance Interest on overdraft Landing fees Leasing charges Loan repayments Maintenance -Aircraft -General Motor vehicle Expenses Parking Passenger handling Printing & Stationery Rental -Building -Equipment Subscriptions Subsistence & traveling Telephone fax & postage Taxation RSC levies										
Net cash flow for the period Bank balance brought forward										
Bank balance at end period										

GUIDELINES AIRWAYS (PTY) LTD

PROJECTED BALANCE SHEET FOR YEAR 1

CAPITAL EMPLOYED	NOTE	Month 1	Month 2	Month 3	Mont h 4	Month 5	Mont h 6	Mont h 7	Mont h 8	Mon h 9
Share capital/memb										

ers contributions										
Retained Income										
Longterm liabilities										
Deferred Taxation	1									
Employment of capital										
Fixed Assets	2									
Investments										
Current assets										
Stock	3									
Debtors										
Cash and bank balances										

GUIDELINES AIRWAYS (PTY) LTD

PROJECTED BALANCE SHEET FOR YEAR 1 (cont)

	Note	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9
Current Liabilities										
Creditors										
Bank overdraft										
Provision for taxation										
Current portion of long term liabilities										
Net current assets										