



Goulash Co-operative Limited Business Plan

5 December 2013

Introduction

The Gay Hussar, London's only Hungarian restaurant, has been serving customers for over sixty years. It is part and parcel of a rich culinary, journalistic and political tradition. In late October 2013 its owners, the Corus Hotels Group, announced that they were disposing of this famous landmark and putting the lease up for sale.

Amidst a flurry of publicity on social as well as traditional media the Gay Hussar's customers reacted instantly, forming a co-operative – the Goulash Co-operative Limited - to bid for the restaurant, aimed not only at saving the Gay Hussar, but at maximising the potential its customers all know that it has.

The vendors have imposed an extremely tight timetable for the restaurant's sale, with a deadline of 5 December for initial bids. The co-operative's board of directors has therefore rushed this preliminary business plan into print in support of the appeal for investment funds to purchase the restaurant. Investors will receive shares in the co-operative, entitling them to a vote in elections (one vote per member irrespective of the number of shares held) and to a share in the profits. As with all co-operatives registered under the Industrial and Provident Societies Act, these shares do not increase in capital value but are withdrawable.

The Restaurant

History

The Gay Hussar was originally opened by Victor Sassie in 1953 and quickly developed a following for its Hungarian cuisine and fine service. At the same time it became a favourite of many Labour MPs as well as socialist writers, artists and models. In 1988 Victor sold the restaurant to The Restaurant Partnership, a collection of well-known restaurants, who continued the traditions, retaining the manager and many of the staff who remain today. The Restaurant Partnership was in turn taken over by Corus Hotels, a global business with hotels across the world, including 7 in the UK. The restaurant is still a favourite with politicians, many of whom are depicted in the collection of Martin Rowson cartoons on the walls. The business is for sale as it is considered to be a non-core asset for Corus.

Building

The building dates back to the 1600s and consists of a 4-storey terraced property with basement below. The total area is in the region of 1,883 sq. ft.

Ground floor

The lobbied central entrance leads in to the main restaurant area with fixed upholstered seating to both sides plus loose tables and chairs for up to 50 people. To the end is a small counter servery and stair access to all floors. The room is famed for its caricatures of politicians that adorn the walls and retains many original features including panelled walls and ceiling mouldings.

First floor

The first floor contains the first of two private dining rooms. This area can seat up to 24 people and has its own bar to one end.

Second floor

Further private dining room seating 12 around a central table.

Third Floor

Manager's office, staff changing room, staff WC and store room.

Ancillary areas

Trade kitchens are in the basement and consist of fully fitted commercial kitchens with extraction, dry store, walk-in cold room, linen store and spirit store. On the ground floor to the rear of the restaurant is further store and staff room.

Toilets

Ladies and gents customer toilets are on the first floor.

Ownership and lease

The restaurant's current owners have a 25 year full repair and insurance lease on the building. The lease ends on 25 March 2022, with rent set at market level and a rent review every 5 years, the next and final one on 25 March 2017. The freehold to the building is owned by Hermes Properties Limited, a British Virgin Islands company.

Location

The restaurant is located in the heart of Soho, one of London's premier eating areas. There is excellent access by public transport. For the last couple of years the construction of Crossrail has severely disrupted access to the area, including the closure of adjacent Soho Square, but this will be completed in 2017, at which point the area will be more accessible than ever and will also have benefited from a general improvement.

The business now

The restaurant trades traditional hours and is closed on Sundays:

Lunch - Monday to Saturday, 12.15pm to 2.30pm

Dinner - Monday to Saturday, 5.30pm to 10.45pm

After many years of profitability, the restaurant has made a loss (excluding depreciation) since 2010. Sales declined in 2011, but picked up again in 2012 and are expected to do so again in 2013. The loss of over £40k (before depreciation) in 2011 is expected to be more than halved by the end of 2013 (see Appendix 1). The recession and the disruption of the neighbourhood by Crossrail construction were factors behind this, as perhaps was some loss of interest in the business by its owners. The IBISWorld Full-Service Restaurants Market Research Report (Oct 2013) shows that the industry as a whole showed negative growth of -3.3% between 2009 and 2013.

Recent publicity around the sale has produced a surge in trade, demonstrating that there is much scope for the restaurant to do better.

The Plan

Goulash Co-operative Ltd will purchase the Gay Hussar and continue to run it in its current format. There will be a programme of investment to improve the condition and performance of the business. The existing manager and staff will be retained, with terms and conditions of service protected by the TUPE regulations. Greater involvement and input from them will lead to increased operational efficiency and a more successful business.

The Lease

In order for the co-operative to acquire the Gay Hussar business its existing owners, Corus Hotels, will have to assign the lease to the co-operative, which requires the landlord's consent. The lease contains a number of provisions that apply to any such assignment, requiring the new tenants to be of high financial standing and to provide rental guarantees. In the event that Corus Hotels wish to sell the Gay Hussar business to the co-operative the directors will use their best endeavours to satisfy the landlord's requirements in order for the sale to go ahead.

Investment and development

The co-operative will invest in a gradual programme of careful refurbishment to improve the standard of décor and general appearance, develop the menu and make the restaurant more attractive, thereby ensuring profitability. Care will be taken not to spoil the restaurant's treasured ambience and patina built up over the last 60 years, so as not to alienate the restaurant's loyal customers – including members of the co-operative.

In addition new equipment will be installed in the kitchen and there will be improvements to the accommodation to increase dining capacity, by extending and improving the second floor dining area into the existing small bar and kitchen and creating a new, exclusive dining area on the third floor

Expanding the business

The co-operative has a host of proposals to increase sales on the back of these improvements and other new initiatives, including:

- Extending trading over the weekend and into Sundays
- Afternoon trading, serving snacks, coffee, etc
- More private events, such as weddings, including the possibility of the restaurant becoming a licenced for civil marriage and partnership ceremonies.
- Culinary and media events – for example, joint ventures with Politicos Publishing, The Guardian, New Statesman, Tribune, etc.
- Meet the Editors; sponsored dinners with editors of national press, broadcasters and social media
- Leaders lunch; sponsored annual lunch for political and trade union leaders
- Seasonal dinners for trade union executives.

The Gay Hussar's menu has, famously, been unchanged in living memory. Whilst all the familiar and much loved dishes will – we promise – remain, they will be augmented by some new ones, specials and a lighter summer menu. A high food quality will be maintained and the restaurant will not be allowed to rest on its culinary laurels.

Marketing

The co-operative will make renewed efforts to promote the restaurant, making only limited use of discounting schemes that erode its commercial viability.

The Gay Hussar has always thrived on word of mouth and network marketing. That is sure to continue, augmented by the fact that as a co-operative its members will be more likely to use and spend money in a restaurant they part-own and from which, if successful, they will receive interest and dividends.

There will be a programme of press releases to print, online, and on-air media, locally and regionally.

There will also be a new website, including online booking, and extensive use of Facebook and Twitter to circulate information electronically among our supporters.

Other proposals include:

- A lunch and sitting with award winning cartoonist and Gay Hussar habitué, Martin Rowson, where customers' framed caricatures will join the restaurant's 'hall of fame' – for a consideration!
- Sponsorship opportunities, eg each dining room to be named in perpetuity after customers who provide the co-operative with substantial funds; personalised brass plaques from those prepared to sponsor individual banquettes

Further member benefits will be developed in collaboration with the membership.

Staff

There is currently a team of 4 restaurant staff, 7 kitchen staff and a manager, employed by Corus Hotels. The plan is that all of these staff will be retained. Casual staff are also used as necessary. The staff are fully in support of the co-operative's bid for the restaurant and are, of course, crucial to the future success of the Gay Hussar. Motivating and supporting the staff is a major priority for Board members, who will aim to raise their wage levels and conditions of employment, possibly including a bonus scheme for meeting or exceeding targets.

Business Forecast

The co-operative's directors are confident that with an injection of capital and with ownership by its customers and staff the Gay Hussar can flourish for many years to come.

Appendix 1 contains financial projections running through to the end of 2021, three months before the current lease is due to end. Financial projections are based on the following assumptions:

Sales of food, drink and functions:

2014 are forecast estimates. Thereafter 5% increase each year

Gross margins:

2014 are forecast estimates at 75%, a marginal improvement on 2012 levels. Maintained at the 2014 levels thereafter

Staff costs:

2014 are forecast estimates. Thereafter 5% increase each year

Overheads (other than rent):

2014 are forecast estimates. Thereafter 5% increase each year

Rent:

Fixed to 25 March 2017, thereafter increase to £100,000 a year.

The co-operative's directors are aware that making these assumptions real will require considerable management effort - eg to increase sales and gross margins and to control overheads - but are confident they are achievable.

Based on these modest and realistic assumptions the projections show the restaurant returning to profit in 2014 and generating a total surplus over the period 2014-2021 of £373, 619, ample to repay the investors and to allow scope for the payment of a modest level of share interest and dividends as well as reinvestment in the business.

It is also important to note that at the end of the lease the co-operative will either:

- have an option to take a new lease at market rent or;
- be entitled to compensation of between 10% and 200% of the rateable value, which is £70,000.

Risk analysis

Risks fall into two categories: those associated with the intended purchase and those associated with running the restaurant in the event that the bid is successful.

Purchase

Only nominal sums of money are being spent in putting together and submitting the bid for the Gay Hussar. None of the co-operative's directors is receiving any payment or expenses for her or his work on the bid and nor are any of the others involved, eg the author of the website. No debts are being incurred. Investors' money in the co-operative's Unity Trust bank account is reserved exclusively for the purchase of the restaurant and can only be released on the authorisation of two directors. In the event of the bid failing it will be returned in full to investors. The level of financial risk at the bidding stage is therefore considered minimal.

Running the restaurant

It is at this stage that significant risks occur. Principal risks, their significance and mitigation measures are outlined below.

| Risk | Likelihood x importance (0-3) | Mitigation |
|--|-------------------------------|--|
| Sales in 2014 are below target | $2 \times 3 = 6$ | Directors and manager will give close attention to marketing and to financial management in year 1. |
| Operating costs in 2014 are above target | $2 \times 3 = 6$ | Directors and manager will give close attention to monitoring and controlling costs year 1. |
| Refurbishment costs are above target and work overruns | $2 \times 2 = 4$ | Directors will give close attention to monitoring and controlling the refurbishment, if necessary altering the plans. |
| Business performance in | $1 \times 3 = 3$ | Directors and manager will closely monitor the restaurant's performance and take steps to counter any falling away in performance, eg by |

| | | |
|--|-----------|--|
| subsequent years is below forecast | | improving quality, seeking more trade and controlling costs |
| Investors' shareholding falls in value | 1 x 3 = 3 | This would follow from sustained poor business performance and consequent trading losses. Directors will correct this, as above, and keep investors fully informed about the state of the business |
| Investors' returns are lower than expected | 1 x 3 = 3 | This too would follow from poor business performance and would be countered as above. Directors would have the option of raising the level of returns as compensation once the business had returned to health |

Further analysis of risks and their mitigation will be undertaken as the bid progresses.

Legal structure

Goulash Co-operative Ltd is registered with the Financial Conduct Authority (FCA) as an Industrial & Provident Society (IPS) under the 1965 I&PS Act, number 32257R.

IPSs have been the tried and tested legal form for co-operatives since the mid-19th century, and are still dominant not just for co-operatives but for working men's clubs, housing associations and similar organisations.

The co-operative use a standard set of 'model rules' agreed between Co-operatives UK, the trade body for all co-operatives in the UK, and the FCA, which align with the internationally agreed co-operative values and principles (see Appendix 2). It is a 'multi-stakeholder' co-operative, which means that there is more than one category of member:

- Consumer members – the Gay Hussar's customers and potential customers
- Employee members – the Gay Hussar's staff
- Supporter members – anyone else (including an organisation) that has an interest in supporting the co-operative without necessarily being a Gay Hussar customer.

As with a company, an IPS has a Board of directors. The consumer members elect up to ten directors, the employee members up to two and the supporter members one.

The full rules are available to download on the co-operative's website www.goulash.coop.

IPS shares

IPS shares are 'par value' shares, ie they do not increase in value as the net worth of the business increases. They may, however, be withdrawn without penalty, subject to the discretion of the board under the co-operative's rules. In contrast to a share company, each IPS shareholder (usually described as a member) has only one vote, irrespective of how many shares he or she (or it in the case of a corporate body) owns.

IPS shares may carry a dividend – known as share interest – enabling the members a share of the business's profits. In keeping with the co-operative values and principles (see Appendix 2) share interest will be no greater than is sufficient to attract and retain the investment.

Traditionally, consumer co-operatives also distributed some of their profits in the form of dividends – ‘the divi’ – which were allocated in proportion to the amount that the member bought from the co-operative. Goulash Co-operative will consider adopting a scheme of this type.

Both share interest and dividends are a pre-tax expense for the business

There is a ceiling of £20,000 to the amount of shares in an IPS that anyone (except another IPS) can buy.

One feature of an IPS of this type is that the offer of withdrawable share capital is currently exempt from regulation under the Financial Services and Market Act 2000 and its associated Regulatory Orders. IPSs are permitted to sell shares to the public without complying with the financial promotion rules, which would otherwise require an authorised person to approve the material communicated.

The Board

Bill Hagerty

Bill Hagerty is a journalist with extensive experience as an editor, writer and critic. Twice an editor of Fleet Street newspapers, and previously acting editor of the Daily Mirror, he subsequently edited the highly-praised media magazine British Journalism Review, of which he is now chairman, and all four volumes of the unexpurgated Alastair Campbell diaries.

He travelled widely as a writer for the Daily Mirror, covering music and film and spending much time in Hollywood and New York, Australia and Africa. A widely-published theatre critic, he has also written two books on the British media. He is a director of the London Press Club and was chairman of The Journalists’ Charity, 2011-12.

Chris Kaufman

36 years national official of the Transport and General Workers Union, Unite and Agricultural Workers Union. Author of Portrait of a Poison describing the unions' battle to control agrochemicals. Member of the Bett Committee on Higher Education industrial relations and tripartite committee on HE Finance. Former editor Landworker and T&G Record, currently in collective editing Country Standard. Chairman of the Enfield Alliance Against the Cuts. Founder member of the Standby Me Club and the putative Campaign for Real Beigels. Cut his journalistic teeth at the Labour Monthly, claiming his appointment was indirectly down to Lenin. A crate of Bulls Blood arrived every year, mysteriously from Hungary. The Gay Hussar now fills that gap from which he plays a leading role with the Anjou Lunch Club continuing to meet and debate upstairs from 1990 with its galaxy of guest speakers.

Julia Langdon

Julia Langdon has worked at Westminster for more than 40 years and first became a customer of the Gay Hussar shortly beforehand when John Junor recommended the 7/6 set price lunch to his staff. She has been political editor of the Daily Mirror, the Sunday Telegraph and the short-lived London Daily News, was the political correspondent of The Guardian, worked for the Labour Party newspaper Labour Weekly and now writes and broadcasts about anything for anyone. An accomplished cook, her goulash is particularly admired.

Mark Seddon

Mark Seddon is a journalist and author. He is the former UN Correspondent for al Jazeera English TV and a former Editor of Tribune. He was a member of the Labour Party's National Executive Committee for eight years when Tony Blair was leader of the Labour Party, which

explains why he felt the need to escape to the Gay Hussar with ever more frequency as the years went by.

Martin Rowson

Martin Rowson is an award-winning cartoonist and writer whose work appears regularly in The Guardian, The Daily Mirror and many other publications. His books include several graphic novels as well as "Stuff", a memoir which was long-listed for the Samuel Johnson Prize. He is also chairman of the British Cartoonists' Association, has twice been a vice-president of the Zoological Society of London and is currently a trustee of the British Humanist Association, The Cartoon Museum and the Powell-Cotton Museum of Natural History & Ethnography. He and his wife live in Lewisham, and have two children in their twenties.

Tom Watson MP

Tom Watson has been the Member of Parliament for West Bromwich East since 2001. He has held a number of government positions, including Parliamentary Secretary for the Cabinet Office and Parliamentary Under-Secretary of State at the Ministry of Defence as well as spending time in the whips' office. He was Deputy Chair of the Labour Party and the Party's Campaign Co-ordinator from 2011 to mid-2013. Tom is author of 'Dial M for Murdoch' which chronicles the News International phone hacking and bribery scandal.

John Goodman (also secretary)

John has spent most of his working life in the co-operative movement: as an active co-operator in the bookselling, publishing and catering trades, later as a business adviser and latterly as the head of Policy at Co-operatives UK, the trade association for all types of co-operative.

Future Board membership

In future, directors will be elected by the members, a third each year, who should be aiming at a mix of skills, including financial, personnel and marketing skills, although these can also be bought in. The Board will set targets for management, for example sales, gross margin, staffing and other variable costs.

Directors will also be considering a strengthening of the Board by the co-option of an experienced restaurateur and the appointment of a financial adviser.

The share offer

Individuals and corporate bodies are invited to become members of the co-operative by purchasing £1 shares in blocks of £500, with a minimum investment of £500 and a maximum of £20,000 (except for other IPSs, which may invest an unlimited amount).

The co-operative aims to raise £250,000. The majority of this will be used to buy the Gay Hussar business from Corus Hotels and the balance will be used for refurbishment of the restaurant and for working capital.

As the co-operative is bidding for the restaurant in competition with other would-be buyers, directors do not consider it prudent to reveal the amount of the bid at this stage. They have a number of factors to bear in mind when deciding how much to bid for the Gay Hussar:

- although the restaurant was profitable until 2011 it has made losses in the last two years
- the lease only has eight years to run

- the fixtures and fittings are of modest value and the premises are in need of some TLC to restore them to vibrant health
- on the other hand its legendary status, 60-year trading history and fiercely loyal clientele make it a valuable property with considerable goodwill

The agent's indicative asking price is £500,000. Directors consider this to be far more than is justified on the basis of the above considerations.

This is a time bound offer, which means that the target amount has to be raised by a fixed date in order that the co-operative has sufficient funds to purchase and then operate the restaurant. At the moment this date is 31 January 2014, but this is subject to review by the Board in the light of progress with the purchase. If the deadline is extended, existing investors will be offered the opportunity to withdraw their investment.

Enterprise Investment Scheme

Under this HMRC scheme 30% of the amount invested by a member can be offset against personal income tax liabilities in the year the business starts trading. The shares must be held by the investor for at least three years. All shares must be paid up in full and the minimum investment is £500. Goulash Co-operative expects that investors will be able to claim tax relief under this scheme but cannot guarantee it until such time as assurance – which we shall apply for – is received from HMRC. Enterprise Investment Scheme tax relief.

Financial Services Compensation Scheme

As IPS shares are equity investments not deposits they are not protected by the Financial Services Compensation Scheme. In the event of the business failing investors will lose some or all of their money. This may make it an inappropriate place to invest savings. The co-operative, unlike banks, is not subject to prudential regulation by the Prudential Regulation Authority.

Financial Ombudsman Service

The Service does not apply to share accounts or to members' relationship with the co-operative, but under the co-operative's rules any dispute may be the subject of arbitration by an independent arbitrator.

Appendix 1. Financial projections

| | | 2009 | 2010 | 2011 | 2012 | 2013 (est) |
|-----------------------------------|-------------------------------------|---------|---------|---------|---------|------------|
| Sales: | | | | | | |
| Food | | 386,895 | 373,166 | | | |
| | Lunch | | | 108,717 | 121,421 | 130,000 |
| | Dinner | | | 223,549 | 268,584 | 275,000 |
| Drink | | 217,893 | 201,423 | | | |
| | Lunch | | | 57,442 | 62,818 | 68,000 |
| | Dinner | | | 116,357 | 151,843 | 170,000 |
| Room hire, banqueting & functions | | | | 46,079 | 42 | |
| | | 604,788 | 574,589 | 552,144 | 604,708 | 643,000 |
| Gross margin: | | | | | | |
| | Food | 71% | 72% | 69% | 72% | 72% |
| | Drink | 72% | 73% | 70% | 73% | 73% |
| Cost of sales: | | | | | | |
| | Food | 111,414 | 106,208 | 102,354 | 109,631 | 113,846 |
| | Drink | 60,142 | 55,307 | 51,965 | 58,841 | 65,238 |
| | | 171,556 | 161,515 | 154,319 | 168,472 | 179,085 |
| Gross profit: | | | | | | |
| | Food | 275,481 | 266,958 | 229,912 | 280,374 | 291,154 |
| | Drink | 157,751 | 146,116 | 121,834 | 155,820 | 172,762 |
| Room hire & functions | | - | - | 46,079 | 42 | - |
| | | 433,232 | 413,074 | 397,825 | 436,236 | 463,915 |
| Staff costs: | | | | | | |
| | Restaurant | | | 97,984 | 128,132 | 140,000 |
| | Kitchen | | | 123,244 | 118,821 | 120,000 |
| | | 226,314 | 231,814 | 221,228 | 246,953 | 260,000 |
| Overheads: | | | | | | |
| | Entertainment & complimentaries | | | 15,293 | 19,314 | 20,000 |
| | Professional fees (inc consultancy) | | | 5,109 | 10,588 | 9,000 |
| | Other direct costs | 54,392 | 50,147 | 31,071 | 28,852 | 25,000 |
| | Rent | 77,750 | 78,000 | 78,000 | 89,325 | 90,000 |
| | Rates | 31,846 | 36,387 | 32,508 | 34,202 | 34,500 |
| | Utilities | 16,292 | 19,681 | 16,345 | 17,357 | 18,500 |
| | Telephone | 23 | | 2,655 | 2,908 | 3,000 |
| | Sales & marketing | 3,499 | 5,299 | 18,628 | 6,160 | 5,000 |
| | Finance (inc credit card charges) | - | 81 | 8,916 | 7,028 | 8,000 |
| | Maintenance | 6,621 | 10,188 | 4,914 | 5,605 | 6,000 |
| | Insurance | | | 4,874 | 4,557 | 4,750 |
| | Depreciation | 10,837 | 11,066 | 12,596 | 12,993 | 14,000 |
| | | 201,202 | 210,849 | 230,909 | 238,889 | 237,750 |
| Profit | | 5,716 | 29,589 | 54,312 | 49,606 | 33,835 |
| EBITDA | | 16,553 | 18,523 | 41,716 | 36,613 | 19,835 |

| | | 2014 | 2015 | 2016 | 2017 |
|-----------------------|-------------------------------------|----------------|----------------|----------------|----------------|
| Sales: | | | | | |
| Food | | | | | |
| | Lunch | 140,000 | 147,000 | 154,350 | 162,068 |
| | Dinner | 300,000 | 315,000 | 330,750 | 347,288 |
| Drink | | | | | |
| | Lunch | 70,000 | 73,500 | 77,175 | 81,034 |
| | Dinner | 180,000 | 189,000 | 198,450 | 208,373 |
| | Room hire, banqueting & functions | 20,000 | 21,000 | 22,050 | 23,153 |
| | | <u>710,000</u> | <u>745,500</u> | <u>782,775</u> | <u>821,914</u> |
| Gross margin: | | | | | |
| | Food | 75% | 75% | 75% | 75% |
| | Drink | 75% | 75% | 75% | 75% |
| Cost of sales: | | | | | |
| | Food | 110,000 | 115,500 | 121,275 | 127,339 |
| | Drink | 62,500 | 65,825 | 68,906 | 72,352 |
| | | <u>172,500</u> | <u>181,125</u> | <u>190,181</u> | <u>199,690</u> |
| Gross profit: | | | | | |
| | Food | 330,000 | 346,500 | 363,825 | 382,016 |
| | Drink | 187,500 | 196,875 | 206,719 | 217,055 |
| | Room hire & functions | 20,000 | 21,000 | 22,050 | 23,153 |
| | | <u>537,500</u> | <u>564,375</u> | <u>592,594</u> | <u>622,223</u> |
| Staff costs: | | | | | |
| | Restaurant | 150,000 | 157,500 | 165,375 | 173,644 |
| | Kitchen | 130,000 | 136,500 | 143,325 | 150,491 |
| | | <u>280,000</u> | <u>294,000</u> | <u>308,700</u> | <u>324,135</u> |
| Overheads: | | | | | |
| | Entertainment & complimentaries | 15,000 | 15,750 | 16,538 | 17,364 |
| | Professional fees (inc consultancy) | 5,000 | 5,250 | 5,513 | 5,788 |
| | Other direct costs | 30,000 | 31,500 | 33,075 | 34,729 |
| | Rent | 90,000 | 90,000 | 90,000 | 97,500 |
| | Rates | 36,000 | 37,800 | 39,690 | 41,675 |
| | Utilities | 19,000 | 19,950 | 20,948 | 21,995 |
| | Telephone | 3,000 | 3,150 | 3,308 | 3,473 |
| | Sales & marketing | 10,000 | 10,500 | 11,025 | 11,576 |
| | Finance (inc credit card charges) | 9,000 | 9,450 | 9,923 | 10,419 |
| | Maintenance | 6,000 | 6,300 | 6,615 | 6,946 |
| | Insurance | 5,000 | 5,250 | 5,513 | 5,788 |
| | Depreciation | 15,000 | 15,750 | 16,538 | 17,364 |
| | | <u>243,000</u> | <u>250,650</u> | <u>258,683</u> | <u>274,617</u> |
| Profit | | <u>14,500</u> | <u>19,725</u> | <u>25,211</u> | <u>23,472</u> |
| EBITDA | | 29,500 | 35,475 | 41,749 | 40,836 |

| | | 2018 | 2019 | 2020 | 2021 |
|--|-------------------------------------|----------------|----------------|----------------|----------------|
| Sales: | | | | | |
| Food | | | | | |
| | Lunch | 170,171 | 178,879 | 187,813 | 198,994 |
| | Dinner | 364,652 | 382,884 | 402,029 | 422,130 |
| Drink | | | | | |
| | Lunch | 85,085 | 89,340 | 93,807 | 98,497 |
| | Dinner | 218,791 | 229,731 | 241,217 | 253,278 |
| Room hire, banqueting & functions | | 24,310 | 25,526 | 26,802 | 28,142 |
| | | <u>863,009</u> | <u>906,160</u> | <u>951,468</u> | <u>999,041</u> |
| Gross margin: | | | | | |
| | Food | 75% | 75% | 75% | 75% |
| | Drink | 75% | 75% | 75% | 75% |
| Cost of sales: | | | | | |
| | Food | 133,706 | 140,391 | 147,411 | 154,781 |
| | Drink | 75,969 | 79,768 | 83,756 | 87,944 |
| | | <u>209,675</u> | <u>220,159</u> | <u>231,166</u> | <u>242,725</u> |
| Gross profit: | | | | | |
| | Food | 401,117 | 421,173 | 442,232 | 464,343 |
| | Drink | 227,907 | 239,303 | 251,268 | 263,831 |
| Room hire & functions | | 24,310 | 25,526 | 26,802 | 28,142 |
| | | <u>653,335</u> | <u>686,001</u> | <u>720,301</u> | <u>756,316</u> |
| Staff costs: | | | | | |
| | Restaurant | 182,326 | 191,442 | 201,014 | 211,065 |
| | Kitchen | 158,016 | 165,917 | 174,212 | 182,923 |
| | | <u>340,342</u> | <u>357,359</u> | <u>375,227</u> | <u>393,988</u> |
| Overheads: | | | | | |
| | Entertainment & complimentaries | 18,233 | 19,144 | 20,101 | 21,107 |
| | Professional fees (inc consultancy) | 6,078 | 6,381 | 6,700 | 7,036 |
| | Other direct costs | 36,465 | 38,288 | 40,203 | 42,213 |
| | Rent | 100,000 | 100,000 | 100,000 | 100,000 |
| | Rates | 43,758 | 45,946 | 48,243 | 50,656 |
| | Utilities | 23,095 | 24,249 | 25,462 | 26,735 |
| | Telephone | 3,647 | 3,829 | 4,020 | 4,221 |
| | Sales & marketing | 12,155 | 12,763 | 13,401 | 14,071 |
| | Finance (inc credit card charges) | 10,940 | 11,487 | 12,061 | 12,664 |
| | Maintenance | 7,293 | 7,658 | 8,041 | 8,443 |
| | Insurance | 6,078 | 6,381 | 6,700 | 7,036 |
| | Depreciation | 18,233 | 19,144 | 20,101 | 21,107 |
| | | <u>285,972</u> | <u>295,271</u> | <u>305,035</u> | <u>315,286</u> |
| Profit | | <u>27,020</u> | <u>33,371</u> | <u>40,040</u> | <u>47,042</u> |
| EBITDA | | 45,253 | 52,516 | 60,141 | 68,149 |

Appendix 2. Co-operative Values and Principles

The Statement on Co-operative Identity was adopted at the 1995 General Assembly of the International Co-operative Alliance (ICA), held in Manchester on the occasion of the Alliance's Centenary. The Statement was the product of a lengthy process of consultation involving thousands of co-operatives around the world.

The International Co-operative Alliance: Statement on the Co-operative Identity

DEFINITION A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically- controlled enterprise.

VALUES Co-operatives are based on the values of self-help, self- responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

PRINCIPLES The co-operative principles are guidelines by which co-operatives put their values into practice.

1st PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd PRINCIPLE: DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.

3rd PRINCIPLE: MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th PRINCIPLE: AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th PRINCIPLE: EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public -- particularly young people and opinion leaders -- about the nature and benefits of co-operation.

6th PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th PRINCIPLE: CONCERN FOR COMMUNITY

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

Adopted in Manchester (UK) 23 September 1995