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Business Plan, Opening and Operating a Bistro in Nicosia, Cyprus

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Summary

The purpose of this paper is the development of a business plan to assist a young entrepreneur opening a new bistro restaurant. The objective is to plan ahead and proactively identify and address the different aspects related to the bistro opening and consequently address the risk of failing and suffering a financial loss.

Moreover, the business plan will address and analyse the company’s operations and will be the main instrument for attracting investment and assess the two financial options available, to identify which is the most profitable. Under both financial options explored, the business plan will be the basis for requesting finance from a credit institution and co funding from the European Structural funds.

This thesis sets out to prove that the business plan is worth preparing and provides an extended analysis of the organisation plan, the marketing plan and the best suitable financial option for commencing operations. 200 copies of a questionnaire were circulated to the employees of two large law and audit firms and 130 replies were received. Conclusions were derived regarding target market group preferences and needs. Specifically the results of the questionnaire provide us with an indication of the prices the consumers are willing to pay for specific products. In addition an interview with the manager of a long established restaurant operating in the Limassol district, provided the insight into the different aspects around opening and operating the bistro and compliments the assumptions used in the operational analysis regarding average sale units, sale prices, product mix, average production costs, trustworthy suppliers and profit margins.

Contents

Chapter 1 Introduction

1.1. Topic

Gastro Bistro is a bistro restaurant that will be opening in Nicosia, Cyprus within the next few years. The name derives from the word gastronomy and it is a playful sonorous rhyme with the word Bistro. The bistro will be offering breakfast, light lunch options and sophisticated drinks in an inviting environment designed to offer a unique experience in terms of atmosphere and taste.

The hospitality industry and more specific restaurants, are a very competitive market. The number of food and beverage serving establishments in Cyprus has grown over the period from 2011 to 2017. According to the data from UNWTO, there were around 5,165 food and beverage serving establishments in Cyprus in 2017[1]. Considering that the population of Cyprus is approximately 1.2 million, the competition is intense. Unfortunately, restaurants are among the top businesses most likely to fail. Several factors contribute to the lack of success, with the most distinct being poor business planning and inadequate capitalisation of the business, which lead to severe issues regarding operating cash flows.

1.2. Purpose

The purpose of this paper is to create a business plan for Gastro Bistro and is aiming to reduce the large risk of failing and suffering financial loss. Start-up businesses today invariably need business plans to assist in securing financing options and set goals and strategies to allow the business to succeed (Burke, Fraser, & Greene, 2010). Additionally, the business plan will be developed not only to mitigate the operational risk but also to facilitate operations and attract investment as the two most common reasons restaurants fail are poor planning and undercapitalization (Parsa et al., 2005). Further on, the business plan will be used to assess and explore the most profitable financial option of the two alternatives presented. Under both alternatives, the business plan will be the basis for requesting finance from third parties, from a credit institution and co-funding from the European Structural funds.

1.3. Significance of research

This thesis is expected to prove that a business plan is essential to be constructed and to provide an extended analysis of the relevant conditions and parameters that are necessary to consider prior to the establishment of a new business operating in the food and beverage industry, taking into account the external environment of the industry. In addition, it is meant to minimise the risk of financial loss through careful planning and design of a solid strategic plan and to prove that a successful and profitable business is conceptualised in the planning stage. Nevertheless, a business plan is meant to be dynamic and should reflect not only the external environment and the market conditions but also the current trends and the economic pace of the targeted industry. The ongoing challenges in the market due to the unstable economic conditions caused by high inflation rates in the country and the eurozone are a significant factor of concern for a start-up business. Furthermore, the increasing interest rates provide an additional hurdle that must be taken into account. For these reasons, different financial scenarios will be demonstrated in order to conclude which suits the business best.

Chapter 2 Literature Review

2.1 Business Plan

McKeever (1999) states business plan is a written declaration that describes and analyses a business and gives detailed projections about its future. Prior to the implementation of a start-up business operating in the hospitality industry and more specific the food and beverage market, a careful planning should take place in the form of a business plan. Specific goals should be set, and the parameters should be analysed giving detailed projections about its future. The analysis of a business plan should consider both the internal and external market environment and should produce clear projections on financial flows and assess the viability of the company, by addressing the potential of meeting the goals set in terms of sales as well as operating cash flows.

The business plan is the product of a strategic thinking and planning process. The strategic direction developed in that process can then be communicated in the form of a business plan to lenders, potential investors and associates within your company (Les Nunn, University of Southern Indiana, USA , Brian McGuire, University of Southern Indiana, USA). Moreover, the specific paper gives a clear description of a business plan format and provides a direction towards the implementation of a well-structured business analysis.

2.2 Why is business plan important

Ryan (2003) explains that the business plan is the key to building up a company. As the old saying goes, “there are a lot of people who have climbed the ladder of success only to find on reaching the top that it was leaning against the wrong tree.” The business plan is developed to design the path and minimise the possibilities of losing track, as it provides a clear and structured direction to follow. It is a detailed plan of specific parameters that are analysed in order to identify ‘the what can go wrongs’ and mitigate the possible risks through careful planning, control mechanisms and strategic decisions. This instrument is subsequently used to proceed with a systematic plan of actions, recognize the main problems and struggles at an early stage so that proper corrective measures can be employed.

As Berry (2006) states, the busier you are the more you need to plan. Often people say that they are too busy to plan and many businesses plan only when they have to, so unless a bank or an investor request to review the business plan, there isn't likely to be a plan in place. This is a common misconception of people trying to do business. Good planning should eventually save time and keep the business focus on the important things. Furthermore, reviewing the plan regularly as well as the actual results, will provide insight and will force the business owner to be proactive and ahead of the problems.

Berry (2006) further explains that a business plan is any plan that enables a business to look ahead, allocate resources, focus on key points and prepare for problems. There is no one size fits all. The simple start-up plan is a bare bones plan good for deciding whether to proceed or not with a full-blown analysis, otherwise called a working business plan. However this is not enough. The 'standard' business plan or investment business plan, follows the advice of experts and is prepared for formal presentation to third parties such as banking institutions, angel investors' etc. This will include a description of the company, background, history, what it sells, its market, its strategy, its management team and its financial projections.

Today many business plans are a hybrid plan that incorporates the best parts of each of these plans (Barrow et al., 2009). Rhyne (1986) found that good business plans were created on a planning continuum. This continuum has five points with good business plans incorporating all five pieces, including short term planning, budgeting, annual planning, long-range planning and strategic planning (Rhyne, 1986).

Bracker and Pearson in 1986 stated the eight components of a business plan: setting the objectives, environmental analysis, SWOT analysis (strength, weaknesses, opportunity and threats), strategy formulation, financial projections, and financial budgets, operating performance measures and control and corrective measures. Furthermore, the combined use of these components proves the

usefulness of both working and investment business plan.
Gleeson (2014) explains that careful management of cash flow is a fundamental requirement for all businesses. The reason behind is quite clear. Many businesses fail because eventually they become insolvent. At the beginning the operating model seems to be working, the business is somehow profitable or break even, and because the business is still young it is expected to reach matureness and become profitable. Instead, due to poor cash flow management the business is unable to meet its financial obligations and pay its debts.

2.3 Financing

Another important factor contributing to the viability and longevity of a newly established business is financing. Financing of a restaurant at the start-up phase means adequate starting capital to finance the commencement of operations. At a later stage, depending on the business needs, restaurant financing can be used to make decisions about restaurant expansion, capital structure and firm stability. This kind of planning requires careful consideration of the prospective financial information to ensure that the company will gain the requested financing from a credit institution or another stakeholder and will be able to meet its financial obligations while also being profitable.

Burell (2007) states that credit is the capability to borrow money and the obligation to pay fees and interest on that borrowed money. In order to be able to obtain financing from a financial institution, one must prove that the person requesting the loan is in a financial position to repay its obligations at any given time in the future. In this thesis, the funding in the business plan will be provided through a combination of banking products, shareholders' own funds and funding through the European Union Structural Funds.

2.4 Marketing

Marketing is the organisational function which consists of a set of processes for creating, communication and delivering value to customers and for managing customer relationships in a way that benefit the organisation and its stakeholders. Kotler explains that Marketing planning begins with formulating an offering to meet target customers' needs or wants. The customer will judge the offering on three basic elements: product features and quality, service mix and quality, and price. Additionally, the known four P's of marketing are important for any new restaurant: Product, Price, Place and Promotion, is the marketing mix used for every new business without exception. Offering the right product at the right price for the market, at the correct location and using the best means for promoting the product can make or break the business.

Marketing for businesses is a crucial factor of success, especially for a new restaurant operating in downtown. Slater, Hult, Olson (2010) explains that it's logical that performance is maximized when a business produces a creative marketing strategy and achieves marketing strategy implementation effectiveness. However, cultural tensions and resource competition may make it difficult, or impossible to achieve both. Furthermore, contingency theory suggests that market and firm level influences may exist that make one or other more important. Consequently, it is stressed that researchers need to investigate these influences to provide the relevant guidance to management regarding resources allocation.

Furthermore, research has shown that there are some specific marketing strategies that are used in the food and beverage industry. Differentiation either through food, service or atmosphere is one of the most common strategies. (Alamanza, Jaffe, & Lin , 1994); (Auty, 1992). Apart from this, an area of interest in restaurant marketing is how appealing is the restaurant to the new generation of diners, the millennials and gen z. Unfortunately there is not much research on the specific topic, however, its wide spread that diners from these generations make an extended use of internet and social media thus social platforms and internet coverage will play a crucial role in marketing strategy and the viability of a new business. In conclusion, the marketing plan will be instrumental for the success of the company.

2.5 The marketing plan

'Marketing chapter describes a very comprehensive list of marketing plan components. These components represent a full spectrum of marketing possibilities' (Pinson, 2008, p.43). It explains, in a detailed manner how the company is going to

get its customers and how you will advertise your restaurant.
Nowadays, there is a huge swift towards the environmental and societal responsibility of a company. The marketing plan will incorporate the societal marketing concept, which includes the good marketing decisions that the company should make by considering consumers' wants, the company's requirements, and society's long-term interests. Philip Kotler defines it as follows, "the societal marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being."

2.5.1 Market analysis

A market analysis is a thorough qualitative and quantitative assessment of the current market. It helps you understand the volume and value of the market, potential customer segments and their buying patterns, the position of your competition, and the overall economic environment, including barriers to entry, and industry regulations.

2.5.2 Marketing strategy

Pinson (2008) describes marketing strategy as the comprehensive approach business will take to achieve its business objective. Furthermore, in a highly competitive market it is more important than ever to create and maintain a powerful marketing strategy. Therefore a marketing strategy must be very well planned, once you have the right roadmap, the chances the company will reach its goal are much higher. Tasks that add to this comprehensive approach are the identification of your business goals. A simple criteria for goal setting is the SMART method, meaning the goals should be specific, measurable, achievable, relevant and time-bound. Research your market, profile your potential customers and competitors, develop strategies to support your marketing goals are only a number of activities to undertake in order to design the best possible marketing strategy.

2.5.3 SWOT analysis

A SWOT analysis is employed to assess aspects of business in terms of the strengths, weaknesses, opportunities, and threats (Jackson et al., 2003; Kim, 2005). SWOT recognizes the important internal and external aspects of attaining a business's goals. The internal aspects refer to the features that are within the control of the business, whereas the external aspects are factors out of the businesses' control (Bull et al., 2016; David et al., 2017; Hill & Westbrook, 1997; Lee & Ko, 2000; Shariatmadari et al., 2013).

It is a very important strategic tool used to evaluate a company's competitive position and develop its strategic planning accordingly. The first two points, Strengths and Weakness are specific to the internal environment of the company while the other two Opportunities and Threats relate to the external environment of the company i.e. the industry, market conditions etc. Using internal and external environment data gathered from the SWOT analysis, the company can formulate a successful strategy. Additionally, an independent SWOT analysis can guide stakeholders in terms of a product's strength. A comprehensive and well-structured SWOT analysis can highlight the business's strengths and minimize the weaknesses to pursue opportunities and avoid threads.

2.5.4 Marketing Mix

After conducting the company SWOT analysis, the design and development of the right marketing mix is essential for the accomplishment of the predetermined goals, beings in this case, the bistro to be profitable, economically viable and able to meet its' financial obligations. Kotler and Armstrong (2001) explain that the marketing mix is a set of tactical marketing tools where all elements can be controlled by the company, aiming to identify the requirements needed from the company's business operations coming from the targeted market. In this theory Kotler explained that there were 7 marketing mix elements consisting of Product, Price, Place, Promotion, People, Process, and Physical evidence.

2.6 Financial Plan

Hurdle explains that the most important element in the financial plan is the critical need for improving several factors that impact the cash flow starting from the inventory turnover and developing inventory management, bringing the gross margin to 25%, depending on the industry because the service revenues offer much better margins. The Financial plan starts and ends with the financial documents that are used to illustrate the numerical data including historic information and projected finances. The major documents that will be prepared and included in the bistro’s business plan will be the following:

- Financial Needs Analysis/Initial Costs Analysis
- Projected Income Statement
- Projected Free Cash Flows
- Projected Balance Sheet
- Exit Strategies
- Ratio Analysis

The financial documents are prepared for the stakeholders. For the purpose of this business plan preparation, the following are considered as the main stakeholders:

(a) The shareholders/investors: The business plan is prepared to be presented to the potential investor who is willing to acquire a percentage of shareholding in exchange for a potential return in a five year horizon.

(b) The financial institution that will grant a loan facility to the company

(c) The Ministry of Industry and Commerce. We assume that the project will be co-financed by the European Structural Funds and the Cyprus Government as part of the Youth Entrepreneurship Plan. Under this plan, 50% of eligible expenses occurred for the establishment of a new business are reimbursed to the owners of the entity subject to conditions specified in the terms (Appendix 1)

Moreover, the financial information is a significant part of the business plan and part of the strategic analysis and planning prior to the establishment of the business. A solid financial plan will assist in the planning stage and will be a point of reference when the operation starts. Financial Statement analysis will be based on projections only since this is a start-up business and will include a 3-year projection and a rough 2 years projection based on the results of the 3rd year.

Chapter 3 Description and Justification of Research Methodology

For the purpose of developing this business plan, 200 copies of a questionnaire were circulated in two big audit and law firms with offices close to the bistro location and 130 replies were received. These two firms have around 400 employees in total, the majority of them belonging in the age group 25-35 which is the Gastro Bistro's target market group. Out of the 130 questionnaires received, 53% were women and 47% were men. The 77% of the sample population is 26-32 years old, and live in Nicosia. 12% of the population is in the age range of 33-39 and 11% belongs to the age range 40-47.

As per the questionnaire results, 58% of the population, is having lunch in a restaurant 2-3 times a week, 22% once a week, 10% less than once a week and the remaining percentage is split between every other day and once every two weeks. Furthermore, the research proofs that youngsters belonging in the age group 26-32 is the preferable target group of the bistro. 52% replied that their food preferences are all of the above i.e. vegan, vegetarian, pescatarian, meat-eater, 30% replied meat-eater and the remaining replies were vegan and vegetarian. In regards to the price they are willing to pay for lunch during workdays the 67% replied €6.51-€8 and 25% €8.01-€9.50. Moreover, concerning the question what do you value most in a restaurant among the top replies was environment, quality and value for money.

Moving forward, regarding the concept of after work drinks, the trend is similar to lunch preferences. 55% of the population replied that they are going for an after-work drink 2-3 times a week, 20% once a week and the remaining percentage less than once a week. 66% replied that their preferable drink is cocktail, 30% wine and the remaining percentage other spirits. The price willing to pay for a drink is for the 60% €8-€10, for the 20% €6-8 and €4-6 for the remaining percentage. 90% of the population replied that they prefer a small menu and 86% replied that they strongly agree that Nicosia needs a new entrance in the restaurant market.

Additionally, a thorough research was performed through the internet, by evaluating the organisation plans of companies with similar operations. Since the online delivery platforms, company websites and social media platforms have a lot of information regarding company operations, marketing plans and actions, this information was used to derive conclusions regarding the construction of the menu, the pricing policy and marketing strategy. Moreover, an interview with Mr. Nicos Georgiou manager of a long established restaurant operating in the Limassol district, gave us an insight of the different aspects around opening and operating the bistro. Specifically, useful conclusions were extracted regarding average sale units, sale prices, products variety, average costs, trustworthy suppliers and profit margins.

An analysis of his organisations plan was performed in order to provide insight regarding important decisions for the organisation, such as the location, legal structure, management, personnel and other administrative parts of the operation.

Furthermore, a SWOT and marketing mix analysis were performed in order to assess the various parameters of the marketing plan and analyse the internal and external environment of the company. Finally, the financial analysis assessing the two main financial options was performed to identify the most profitable and viable option. Two different exit strategies were explored and a risk assessment was performed in order to identify the possible risks, their likelihood of occurrence and the severity of the possible hazard.

Chapter 4 Gastro Bistro Business Plan

4.2 The organisation plan

Gastro Bistro is a small bistro restaurant situated in the centre of Nicosia, a couple of meters northeast of Makariou Avenue and close to Pindarou Street. The area is a combination of a corporate district, dining, and entertainment. Gastro Bistro main purpose is to provide a memorable experience to the clients, offering fresh food, made through locally sourced ingredients and carefully prepared meals. A number of freshly made dishes inspired from local and international cuisine but with a twist, will be prepared daily together with a special dish for each day. Opening from early in the morning until the evening, the bistro will be a place serving coffee, breakfast, lunch, and drinks. A place for gathering and mingling in the early and late hours.

Gastro Bistro will be offering a limited number of dishes at specific hours with emphasis on the quality of the ingredients, locally sourced and where possible organic. The food menu will be developed in a collaboration with a well-known Chef who is going to have an ongoing consulting role. Similarly, the cocktails' menu will be carefully developed for a unique tasting experience. All these will feature, in a relaxed environment with a combination of industrial modern decorative.

4.2.1 Location

The bistro will be located in the centre of Nicosia, adjacent to Kypranoros Street, 100 meters west of Digeni Akrita and 200 meters northeast of Makariou Avenue. It will be ideally located to serve the professionals working in the area, while being in an up and coming area that is gaining popularity amongst the young people. It is one of the best possible locations for a bistro as it is convenient for dine in, take away and delivery. The recent regeneration of the city centre, specifically the redevelopment of the main avenues next to the bistro make it ideal for a short walk-visit during any time of the year. Additionally, the redesign of Makariou Avenue has improved the traffic problem that the city was facing facilitating the use of takeaway and delivery services by providing convenient access to the bistro.

4.2.2 Legal structure

For the purposes of establishing the Gastro Bistro a limited liability company will be incorporated with two shareholders. The company will have a share capital and the liability of its members will be limited by its memorandum of association, to any unpaid amount, for the shares they hold respectively. Formation expenses up to €1.000 are estimated and an annual levy fee of €350 must be paid. Moreover the company will need to be registered at the VAT authorities in Cyprus. Given the increasing regulations and compliance/reporting requirements set by the Authorities in the last years, the Company will be liable of fulfilling its obligations deriving from the relevant Laws and Regulations to avoid any disputes and unnecessary administrative cost. Specifically, the company should prepare Financial Statements in accordance with the International Financial Reporting Standards (IFRS) and the Financial Statements must be audited by an independent registered auditor Cyprus in accordance with International Standards of Auditing (ISA's).

Moreover, the company is required to submit their annual return to the Registrar of Companies, process quarterly vat returns and an annual tax assessment must also be submitted. Additionally, the company has an obligation for the total social insurance fee (20.3%) regarding the salaried personnel. The12% fee is regarded as employer's contribution and the remaining 8.3% the contribution of the employee. Employer's contributions include the Social Insurance Fee (8.3%), Redundancy Fund (1.2%), HR Development Authority Fund (0.5%) and the Social Cohesion Fund (2%).

4.2.3 Management and Personnel

The personnel composition will be a store manager with a minimum of 2 years of experience in a similar position, 1 cashier, 1 kitchen staff, and 2 cleaners working on a shift basis. Moreover, one of the owners is going to have an active role in the operations and will be involved in the bistro's management and supervision.

4.2.4 Accounting and Legal

Accounting responsibilities will be outsourced to an external consultant with a monthly fee of €150, giving a total of €1.800 per annum. Also, audit fees for the statutory audit of the financial statements are estimated to be €1.000. Furthermore, as one of the shareholders is a lawyer he is going to provide legal advice whenever necessary. As the necessity for legal advice is assessed as very low, the amount is considered as insignificant and is not accounted for the purposes of the business plan.

4.3 The Marketing Plan

SWOT Analysis

Strengths

1. Location: The bistro will be centrally located in a prestigious area with year-round traffic and very easy access. The specific area is a few meters away from Makariou and Digeni Akrita Avenues, and close to the business districts which have numerous company offices in the area. Additionally, the area is getting popularity among the younger generations and has enjoyed significant developments during the recent years.

2. Menu: Carefully designed with the assistance of a specialist in the field to deliver a unique experience to its clientele as well as designed to satisfy different tastes and nutritional preferences, including veganism, vegetarianism and pescetarianism. A selection of sophisticated cocktails will be offered during the evening as well as platters with cheese, cold cuts and fruits. Moreover the menu design will be customized to attract targeted customers.

3. Fresh and organic ingredients: freshly and locally produced fruits and vegetables will be used in the both the food and cocktail production.

4. Restaurant software: Investment in a restaurant tailored software will be made in order to facilitate the operations in the best possible way. Easy, fast and user-friendly online delivery will be offered to the customers, and the website will interface with the restaurant software so that the order is automatically

placed and processed.

5. Self-service tool available/ordering application: For dine-in/take away, ordering will be possible through a custom made mobile application available to be downloaded for free in the store by scanning a bar code. Therefore, serving time will be minimised. Users will place their order with options for dine in or take away.

6. Modern and attractive interior and exterior: An interior designer will be hired to undertake the shop’s renovation in order to create the ideal atmosphere for the bistro.

7. Business Plan: A well prepared business plan prior to the commencing the operations will facilitate the accomplishment of the company goals and will keep the business in track.

8. Use of online-delivery platforms: The Bistro will utilise the online delivery platforms available in the market such as Foody/Wolt/Fetch to offer delivery services and have an active presence by facilitating the ordering process through the client’s preferable way. Furthermore, these platforms provide the possibility of special offers, which is a feature that can be efficiently used by newly established companies.

9. The property is located on the ground floor of a 9-storey building which has recently applied for the installation of solar panels under the government scheme that sponsors part of the installation for properties constructed prior to 2000. It is expected that by the time that renovations will finish and the company will commence operations, solar panels will be fully installed, thus a significant expense of electricity will be minimised.

Weaknesses

1. Investment in software will increase the initial amount of investment necessary for the commencement of the business, furthermore, it will take

longer for the shareholders to receive return of their investment and longer for the business to achieve break even.

2. Menu selection will be limited thus the risk of not satisfying the dietary preferences of specific people is increased.

3. Lack of experience in the food and beverage industry increases the possibility of a potential failure in the operations that could result in inability to create the required cash flows.

4. No chef in charge: As services of a chef will be acquired in order to construct the menu and the kitchen staff will then be responsible to cook the meals, consequently there is an increased risk of not following the exact recipes and the final product being different than the one the chef has designed.

Opportunities

1. There is no extensive competition in the direct area and it seems that there is some space in the market to enter as this kind of businesses are very popular in Nicosia.

2. By researching the social media platforms such as Facebook and Instagram, it can be deducted that there is a general trend towards healthy and fresh eating. Nowadays the growth of more mindful eating takes over and it appears to be the new trendy lifestyle. This trend is mostly popular among millennials and gen z thus the bistro will facilitate their needs and they will be the main targeted customer segment.

3. The other shareholder of the bistro is a young professional with a partnership in one of the big 4 audit firms that have their offices in the area. He will be a strategic partner and will use his network to promote the new business. The bistro will promote its products by serving platters and catering for corporate events and will increase its exposure in the targeted crowd of young professionals.

4. Strategic partnerships will be established in order to boost marketing and sales through paid advertisements in social media such as Instagram and Facebook, as well as promote offers through Bolt/Foody.

Threats

1. The lack of working experience by the shareholders in the food and beverage industry increases the possibility of missing the early weaknesses in the operations and this could lead to the lack of proactive mechanisms to prevent the failure of the operation.

2. The high consumer prices caused by the recent inflation pressure, combined with the major economic regression in the world economy increases the possibility of a negative impact to a start-up company which has not yet established business relationships.

3. Bottlenecks in the supply chains and shortage of raw materials in the market is a possible threat both to the establishment of the new business as well as to the operations.

4. The moderate profit margins of the industry require careful cost management with also being vigilant in not compromising quality. The high risk of possible compromise in quality of the product/service in an attempt to increase the profit margins imposes a viability threat to the operation.

5. Heavy reliance in marketing/advertising, which can make or break the business, means that a poorly executed marketing campaign might cause irreversible problems to the operation.

6. Regarding the second financial option, in which the company will be renting the property there is the possibility of a significant change in the rental charge if the leasehold agreement is for a short timeframe. Consequently, a major increase in rental expense could potentially have a significant financial impact

in the company’s profit and loss account.

7. Regarding the budgeted renovation expense that the company has accounted in the initial costs presented in the financial documents below, there is risk of underestimating the renovation costs with a potential financial impact on the company’s profit and loss account affecting the cash flow position of the company and its ability to finance its operations. This might be caused by the significant increases in the construction industry the last few years.

Marketing Mix

The following is an initial analysis of the marketing mix for the Gastro Bistro. The business plan is a dynamic procedure and the marketing strategy will be revisited from time to time to ensure that the marketing mix will evolve in a manner that will serve the changing customer needs. This will be accomplished through customer satisfaction surveys, competition observation and benchmark analysis within our targeted industry.

Product

Gastro Bistro is the new establishment launched in the market that is offering exceptional Mediterranean and international dishes facilitating the eating habits and nutritional needs of consumers of different tastes, including vegans, vegetarians and pesceterians. The research performed prior to the development of this business plan, concluded that the target market group is a mixture of various tastes and needs that whose needs need to be satisfied. Seasonal ingredients and organic raw materials will be used in the production of all foods and cocktails.

The menu will constitute from a variety of fresh salads, two of them being meat based, two vegetarian, two vegan and two with fish. Additionally, two hot pots of the day will be served as well as a daily pie selection. There will be a variety of freshly made wraps and sandwiches made with slow sourdough bread. In total three hot and five cold sandwiches/wraps will be offered. The menu will also include freshly ground organic coffee, teas and cold pressed juices.

During the evening, between the hours 17.00-20.00 the bistro will offer a limited number of cocktails made from premium drinks and 2 choices of platters, one with cold cut, cheese and fruits and one with only fruits.

For the menu design and the recipes used in production, consulting services will be acquired from a well-known chef in the Cypriot and Greek Market.
Packaging will be environmentally friendly, biodegradable whenever possible and when this option is not feasible recyclable materials will be used instead.

Price

A market research was performed to understand the pricing model of the direct competitors. A general observation is that prices fluctuate from €5 to €12 per food item depending on the selection of ingredients. For example, restaurants using organic products and use a selling point of using only seasonal fresh and locally produced ingredients are on the higher bracket of the pricing range. The bistro pricing strategy will be addressed according to the target group that has a high interest in the quality of the ingredients. Additionally the conclusions of the questionnaire denote that an average price that the clients are willing to pay for lunch is €6.50-€8.00.

An average salad price with meat protein will be €7.50 - €8.50, with vegan protein €5.50 - €6.50, with eggs and diary €6.50 - €7.50 and the two poke balls offered with tuna and wild salmon will be priced at €8.50 and €9.50 respectively. The two hot pots and the pie of the day will be offered at €5.00 as these will be produced in higher volume that will result to lower cost. Sandwiches will be priced from €4.10 up to €5.50.

Coffee and juices will be sold at an average price of €2.50 - €4.00 depending on the type and the variety. Cocktails with premium spirits will be offered at the price of €8 - €9.

Profit margins and further analysis of the product pricing will be explained in the financial section of this business plan.

Promotion

Promotion will take place mainly through social media such as facebook.com and Instagram.com. Partnerships with influencers of the social media platforms will be established and at least once a week a post from an influencer will be made. Additionally, paid advertising will be used both in Facebook and Instagram.
During the hours 7:00 -16:00 a discount will be offered for the customers who will bring their own utensil and with every 5 buys from the fridge for an amount over €6 euro a free coffee will be served. For every 7 a free hot pot and for every 10 a free salad. Between the hours 16:00 – 17:00 all prepared meals in the fridge will be offered at half price in order to minimise food waste.

People

The company will employee people of different nationalities and locals fluent in English and Greek language since there are a lot of English speaking professionals working in the area. All employees will undertake in-house training and development according to their position and will also participate in sponsored seminars of the Human Resource and Development authority if they wish to. Also, staff will have issued a food and handling certificate from the healthy authorities. Employees' remuneration will be fair and according to the market rates in the industry. The target group-clientele of the bistro will be young professionals working in the area who appreciate quality and ethics in business.

Place

Location, location, location is a phrase often mentioned regarding retail operations and indeed is an essential part of the mix. The bistro is centrally located with very easy access and close to the business district. Additionally, sale channels will be established online as well, using the company's website and online delivery services such as foody.com, wolt.com and bolt.com.

Process

The bistro, will have at the very least, processes in place for business end delivery, customer service, complaint resolution, customer incentives, returns & refunds etc. Prior to the commencement of business, a manual will be drafted describing the processes mentioned above and the relevant process owners. The employee manual will be circulated to the employees of the bistro and will be revised accordingly whenever necessary.

Moreover, since the business is a start-up and the resources are limited, technology will be utilised to strike the right balance between keeping customers happy and profitability. For instance, when it comes to business end delivery a customer service chat will be operating online in the social media and the company’s website resolving any potential issues, customer service and resolutions.

Physical evidence

Physical evidence is used to refer to actual physical items in the form of interactions: products, stores, receipts, packaging, bags etc. Equally important with the quality and the selection of ingredients used in the production, is the eco-friendly packaging and the use of biodegradable and recyclable materials wherever possible. Furthermore, branding will be consistent across communication, focusing on an ethical, green and sustainable business model.

4.4 Financial Documents

Information and data used in this part of the business plan, are based on the data gathered through the circularised questionnaires as well as through the interview of Mr. Nicos Georgiou manager of a long established restaurant operating in the Limassol district, in a close proximity to the business district which is populated by several companies that are employing hundreds of young professionals. Similar to the Gastro Bistro, this company is offering morning snacks, coffee and healthy lunch options. Forecasted figures regarding the data used, e.g. amount of dishes sold per day or costs of running a restaurant are based on the interview. Information regarding bank products were collected from the Bank of Cyprus website.

For the purpose of this business plan, two options will be assessed. The first option consists the acquisition of the property and the second one relates to renting the property. The profitability and viability of the two options will be assessed to choose the optimal strategy. Under both scenarios, the company will receive funding for the 50% of the eligible expenses as a beneficiary of the co-financed project by the Republic of Cyprus and the European Regional Development Fund of the EU within the framework of the Business Program "Competitiveness & Sustainable Development".

The application for the financial programme of youth entrepreneurship was based in the first invitation of the plan published on February 2015 by the Ministry of Energy and Industry (Appendix 1). As per the published plan, beneficiaries are young men and women aged 20 to 40, unemployed or employed at the date of submission of their proposal who were not engaged in business activity for at least six (6) months prior to the date of submission of their proposal.
According to the programme, business activity means starting a profession as self-employed or participating in a business as a partner with a percentage of more than 25%. For the purpose of this business plan the shareholding percentage among the two shareholders is 60% and 40% and both shareholders fulfil the eligibility criteria of the programme.

The business plan is a requirement for the application in the Youth Entrepreneurship Plan. As per the plan guidelines, eligible expenditure include costs incurred for Equipment, Special Facilities, Buildings - Setting up spaces, Training, Promotion, other expenses and working capital.

Financial Option 1

Table #1 Initial Costs

Initial Acquisition Costs	Own Resources	External Resources	Youth Entercpt. Plan	Total
Property Acquisition	€15.000	€15.000	€30.000	€60.000
Renovations	€15.000	€0	€15.000	€30.000
Furniture and Equipment	€5.500	€0	€5.500	€11.000
Incorporation expenses	€3.000	€0	€0	€3.000
Working capital	€30.000	€30.000	€0	€60.000
Totals	**€68.500**	**€45.000**	**€50.500**	**€164.000**

Under the first scenario a new company will be established with two shareholders, one with a 60% shareholding and the other one with 40% shareholding. The company will issue 1000 shares at a nominal value of €1.000 and a shareholding contribution of a total amount of €32.500 will be used for the financing of the company operations.
As demonstrated above, the remaining amount of €45.000 required for the investment will be partly financed from a loan facility and the other 50% of the property value will be financed from the Youth Entrepreneurship Plan.

For the purpose of obtaining the loan facility the company will establish its business relationships with Bank of Cyprus Ltd. The amount of loan facility requested for the acquisition of the real estate property is €15.000. In addition to this, an overdraft account of a total €30.000 will be established to facilitate the working capital of the company.

The selected property will be acquired from a real estate management company. An independent valuation of the property was obtained and its estimated Fair Value is €80,000 with a Forced Sale Value €64.000. The property is listed below market value due to the absence of a separate title deed because of the construction of an illegal warehouse at the side of the building and some other minor additions that were constructed throughout the years. The amount of bringing the property at their initial format was estimated to be €3.500. This amount was derived in consultation with the interior designer and the structural engineer who will undertake the project.

Since the amount of own contribution represents more than 20% of the acquisition price of the loan, and the Loan to Value Ratio (FV/Loan value) is €15.000/€80.000 = 19% it is not expected that a significant premium will be added to the interest rate of the loan facility. Additionally, since the company is a start up with no historic financial information the business plan will be provided to the bank in order to assess the creditworthiness of the company. Nevertheless, shareholders will negotiate a fixed interest rate set around 4.25% and the property will be provided as a collateral to the loan. Moreover, shareholders will provide personal guarantees if requested by the bank, or a floating charge on company's assets.

The underlying property has an effective building permit and planning permission from the Nicosia Municipality which is a prerequisite for the receipt of the advance payment under the Youth Entrepreneurship Plan. Consequently, it is expected that half of the acquisition price will be paid from the receipt of the advance payment received from the Entrepreneurship Plan. Nevertheless, the property will have all the permissions set to immediately begin the renovations.

Sales and costs projections were determined based on the conclusions derived from the distributed questionnaires, the interview with Mr. Georgiou, as well as through a market research of the menus of other restaurants with similar products. The projections were decreased by 10% compared to Mr. Georgiou suggestions in order to follow a more conservative approach. Demonstrated below is a table with the detailed calculations of the sales projections for the six month period ending 31 December 2023.

Table #2 Sales projection for the period July - December 2023

Sales projections									
					2023				Totals
		June	July	August	Sept	Oct	Nov	Dec	1st semester
	Assumptions		**15%**	**-10%**	**15%**	**16%**	**17%**	**18%**	
Unit Volume Meals	*500*		*575*	*518*	*595*	*690*	*808*	*953*	*4139*
Unit Price	*€6,50*	€3.250,00	€3.737,50	€3.363,75	€3.868,31	€4.487,24	€5.250,07	€6.195,09	€26.901,97
Unit Volume Coffees	*450*		*518*	*466*	*536*	*621*	*727*	*858*	*3725*
Unit Price	*€2,50*	€1.125,00	€1.293,75	€1.164,38	€1.339,03	€1.553,28	€1.817,33	€2.144,45	€9.312,22
Unit Volume Cocktails	*300*		*345*	*311*	*357*	*414*	*485*	*572*	*2483*
Unit Price	*€8,50*	€2.550,00	€2.932,50	€2.639,25	€3.035,14	€3.520,76	€4.119,29	€4.860,76	€21.107,70
Gross Sales			**€7.963,75**	**€7.167,38**	**€8.242,48**	**€9.561,28**	**€11.186,70**	**€13.200,30**	**€57.321,88**

June is the base month used for our projections, and it is expected that 500 meals will be sold for an average price of €6.50, 450 drinks for an average price of €2.50 and 300 cocktails for an average price of €8.50. The estimations are prudent compared to the figures that were derived from the interview since the calculation of the unit volumes and prices was limited to 90% of Mr. Georgiou suggestion as well as lower that the average spending trend extracted through the questionnaires. Furthermore, the projections did not account for the platters offered during evening hours since this is not included in the critical operations and a different assessment will performed in a later stage of the business cycle.

Table #3 Annual Sales Projection 2024-2026

Annual Sales Projections						
	2024 units	2024 totals	2025 units	2025 totals	2026 units	2026 totals
Unit Volume Meals	8443		8612		8784	
Unit Price	€6,50	€54.880,01	€6,75	€58.130,60	€6,75	€59.293,21
Unit Volume Coffees	7599		7751		7906	
Unit Price	€2,50	€18.996,93	€2,75	€21.314,55	€2,75	€21.740,84
Unit Volume Cocktails	5066		5167		5271	
Unit Price	€8,50	€43.059,70	€9,00	€46.504,48	€9,00	€47.434,57
Gross Sales		**€116.936,64**		**€125.949,62**		**€128.468,62**

For the annual sales projections for the years 2024 - 2026 a conservative approach was followed. Figures for the year 2024 were calculated by doubling the 2023 figures of the 6 month period demonstrated in table #2 plus a 2% increase in unit volume. Unit prices remain constant in 2024.

In 2025, a 2% increase in the unit volume was calculated for meals, coffees and cocktails as the bistro is expected to gain popularity. A percentage increase of 3.8% and 5.8% is calculated in lunch unit price and cocktails unit price respectively which is considered reasonable and prudent based in the continuously increasing prices in the products and services observed in the market during the last two years. Moreover, the assumptions used for the base year are conservative and prudent thus a unit price increase is reasonable to match the market prices of our competitors.

In 2026, the unit volume increase is in line with prior year's increase and gives a total 8.784 meal units, 7.906 coffee units and 5.271 cocktails.

Costs (fixed and variable) are going to be explained in the next tables

Table #4 General and Administrative expenses

General and Administrative Expenses	6 months period 2023	2024	2025	2026
Marketing	€2.000	€3.000	€2.800	€1.500
Loan repayment	€1.818	€3.636	€3.636	€3.636
Water costs	€300	€500	€500	€500
Electricity	€1.500	€3.000	€3.000	€3.000
Salaries	€27.360	€54.720	€54.720	€54.720
Software	€2.500	€300	€300	€300
Insurance	€250	€500	€500	€500
Repairs	€500	€1.000	€1.000	€1.000
Accounting and audit	€900	€2.800	€2.800	€2.800
Telephone and internet	€300	€600	€600	€600
Website	€1.500	€250	€250	€250
Ofiice expenses	€4.586	€9.355	€10.076	€10.277
Totals	**€43.514**	**€79.661**	**€80.182**	**€79.083**

Marketing expenses for the 6 month period ending 31 December 2023 are estimated to be €2.000. The amount includes a monthly payment of 300€ to a freelancer specialised in the advertising and social media promotion and a smaller monthly figure of €10-€15 euro paid to google for prioritising the bistro's website when someone googles the name Gastro Bistro.

The loan instalment calculation was performed based on a 4.25% interest rate and with the assumption that the loan will be repaid in 5 years.

Salariy expenses include the following: 1 store manager €1000, 1 cashier/service €900, 1 kitchen staff €900 and two part time cleaners working on a shift basis €500 each. The total amount of the 6 month period of 2023 is (1.000+(2*900)+(2*500))*6

plus a 20% for employer contribution expenses in the Social Insurance Fund. The amount is doubled for the years 2024 – 2025.
Software expenses includes an amount of €1.500 for the self-service online application build and €1,000 for the ERP system application used in the store. Following the commencement year, an annual support fee of €300 was calculated.
Annual insurance amount relates to €200 property insurance and €300 employee insurance for professional indemnity.
Website expenses of €1.500 on the first year relate to the website development. The estimated amount is on the high end of the range charged for website development as the company's website is more sophisticated to facilitate online ordering and will be integrated with the ERP system.

Office expenses were calculated as a percentage of the gross sales, and the rough estimation of 8% was selected based on the discussions with Mr. Georgiou.

Table #5 Income Statement

Income Statement	6 month period 2023	2024	2025	2026
Income				
Deferred income	22.348	27.152	0	0
Gross Sales	57.322	116.937	125.950	128.469
(Returns and Allowances)	-1.146	-2.339	-2.519	-2.569
Net Sales	78.523	141.750	123.431	125.899
Cost of Goods	-11.464	-23.387	-25.190	-25.694
Gross Profit	67.059	118.363	98.241	100.206
General and admin exps	-46.514	-79.661	-80.182	-79.083
Net Profit	20.545	38.702	18.059	21.122

The Income statement above illustrates the revenue stream.
Gross sales derive from the calculations presented in Table#2 and Table #3.
Returns and Allowance amount represents 2% of gross sales and is constant throughout the projected years.
Deferred income represents the co-funding of the Youth Entrepreneurship Plan and represents the reimbursement of 50% of the general and administration expenses as presented in Table#4 minus the loan instalment.
Based on the estimations presented above, the company appears to have a healthy revenue stream with a net profit of €20k for the first six months, €38k in 2024, €18k

in 2025 and €21k in 2026.

A significant insight metric of the financial health of the company is the free cash flows. The free cash flows is the cash a company generates after taking into consideration cash inflows and the outflows that support its operations and maintain its capital assets. In other words, free cash flow is the cash left over after the company pays for its operating expenses and capital expenditures. The more free cash flow a company has, the more it can allocate to dividends, paying down debt, and growth opportunities.

Table #6 Free cash flow

Free cash flow	6 months period 2023	2024	2025	2026
Cash Inflow				
Cash and cash equivalent balance b/f	68.500	52.399	88.762	104.302
Loan received	15.000			
Deferred income -50% of expenditure	22.348	27.152	-	-
Defered income -50% asset acquisition	30.000	-	-	-
Deferred income -50% renovations	15.000	-	-	-
Defered income -50% furniture & equip	5.500	-	-	-
Gross Sales	56.175	114.598	123.431	125.899
Totals	**212.523**	**194.149**	**212.192**	**230.201**
Cash Outflow				
Property acquisition	-60.000	-	-	-
Renovations	-30.000	-	-	-
Furniture and Equipment - own funds	-11.000	-	-	-
Expenses	-59.125	-105.387	-107.891	-107.347
Total cash outflows	**-160.125**	**-105.387**	**-107.891**	**-107.347**
Free cash flow	**52.399**	**88.762**	**104.302**	**122.854**

Free cash flow calculation was performed using operating and capital expenditure cash flows. The company is receiving finance from the Youth entrepreneurship Plan thus 50% of the operating expenses are eligible for funding, this amount is limited to €49,500 as the maximum eligible amount of funding is €100.000 and is fully utilised during the 18 month period ending 31/12/2024 with the property acquisition. According to the IFRSs this amount is presented as a deferred income in the profit & loss account when it relates to the reimbursement of operating cost.
Cash and cash equivalents amount relates to the shareholders contributions of a

total amount €68.500 and represents the initial cost for the commencement of operations presented in the Table#1 Initial cost.
Cash outflows include the capital expenditure incurred for property acquisition, renovations and furniture and equipment acquisition, as well as working capital expenses. The overdraft amount was not included in the above calculation as it is assumed that if the company's liquidity is adequate then the overdraft will not be utilised.

During the first 6 months of 2023 the free cash flow is €52k due to the initial investment of the shareholders and the cash inflow from the Youth Entrepreneurship Plan. In the next three years the company has a positive free cash flow of €88k, €104k and €122k respectively thus there is no concern regarding the ability of the company to operate as a going concern.

The free cash flows over the years indicate a viable company that will be able to finance its operations and be able to distribute the profits to the shareholders. During 2024 the company's projected free cash flow is €88k and a percentage increase of 18% and 17% is expected in the next two years respectively.
Shareholders are expected to receive their initial investment of €68.500 until year 2027 and moving forward they will receive an annual dividend income from the profits.

Table #7 Balance Sheet

Balance Sheet	6 months period 2023	2024	2025	2026
Assets				
Non Current Assets				
Building	75.000	75.000	75.000	75.000
Government grant	-45.000	-45.000	-45.000	-45.000
Furniture and Equipment	-	-	-	-
Current Assets				
Cash and cash equivalent balance b/f	11.000	40.431	54.854	72.340
Total Assets	**41.000**	**70.431**	**84.854**	**102.340**
Capital and Reserves				
Share Capital	1.000	1.000	1.000	1.000
Reserves	20.545	59.247	77.306	98.428
Total Capital and Reserves	**21.545**	**60.247**	**78.306**	**99.428**
Liabilities				
Non Current Liabilities				
Loan payable	13.182	9.546	5.910	2.274
Current Liabilities	6.273	638	638	638
Total Liabilities	**19.455**	**10.184**	**6.548**	**2.912**
Total Liabilities and Equity	**41.000**	**70.431**	**84.854**	**102.340**

The above table demonstrates the financial position of the company for the years 2024 – 2026. The company's non-current assets include the property acquired, for the purpose of this business plan the asset is presented at cost plus the renovation expenses minus the amount received as a government grant which decreases the value of the asset. At the end of the 18 month period ending 31 December 2024 the financial statements will be prepared and the asset will be accounted at Fair Value, it is expected that the company will recognise a revaluation surplus thereon since the asset was acquired below market value and the real estate prices at the area are rising.

According to PWC Cyprus report on Cyprus Real Estate Market (February 2022) (Appendix 2), The Real Estate & Construction sector constituted 16% to the country's GVA during the 12 month period to 30 September 2021. Despite the disruption caused by the pandemic and the termination of the Cyprus Investment Program (CIP), as of 1 November 2020, the sector's GVA output increased by 4% during the 12 month period to 30 September 2021, maintaining it as one of the fastest growing economic sectors of Cyprus, highlighting its resilience and importance to the overall economy.

Ratio Analysis

For the purpose of assessing the profitability and the ability of the company to continue as a going concern and in order to decide whether it is worthy to proceed with the investment, a ratio analysis was performed and is presented below. Furthermore, the ratio analysis will also be used to facilitate the loan application for the requested facility and the overdraft granting.

#Table 8 Ratio Analysis

Profitability Ratios	**2024**	**2025**	**2026**
1) Gross profit percentage	78,00%	78,00%	78,00%
2) Net profit percentage	33,10%	14,34%	16,44%
3) Return on Equity	38,70	18,06	21,12
Liquidity Ratios	**2024**	**2025**	**2026**
1) Current Ratio	63,37	85,98	113,39
Gearing Ratios	**2024**	**2025**	**2026**
1) Debt to Equity	15,84	7,55	2,29
2) Debt ratio	13,554	6,965	2,222

Gross profit margin for the years 2024-2026 is on the high range of 78%. Whilst this is a good indication that the company is operating efficiently, it’s the net profit margin that will tell you how much is going into your pocket after you factor in all the costs associated with running your restaurant. The Net profit margin for the year 2024 is 33% as it includes a cost reimbursement of €27k received from the Youth Entrepreneurship plan. For the years 2025 and 2026 the net profit margin is14% and 16% respectively which is more representative of the company’s profitability.

Return on equity in 2024 is 38,70 due to the cost reimbursement, while the following years the ROE is steady between 18-21 which is generally considered a good indication as the higher the percentage the more money is returned to investors. In addition, ROE, is also a factor in stock valuation, in association with other financial ratios. Consequently, at the time that the shareholders may decide to sell the business, ROE will be used as an indicator for the selling price of the company’s stock.

Regarding Current Ratio (Current assets/current liabilities), results vary from 2024 to 2026. In 2024 the current ratio is 63,37 because of the €6k overdraft amount in current liabilities, as the operating and capital expenses during the 18 month period from the commencement of the business are on the high range. During 2025 the current ratio is 85 which is very satisfactory and well above the minimum requirements set by the bank to grant a loan facility which is usually 70:30. In 2026 the company has an improved position, as it is profitable and cash generating which results to a current ratio is 113.

The Gearing ratio analysis consists of the Debt to Equity ratio and the Debt ratio. D/E ratio for 2024 is 15,84 and the amount is decreasing to 2.29 in 2026 since the company's debt is mostly repaid and the company's loan exposure is not heavy, as the operations are funded from the shareholders' contributions and the funds received from the Youth Entrepreneurship Plan. The Debt ratio, is similar to the Debt to Equity ratio, but it alternatively measures total debt against total assets. This ratio provides a measure for the degree that the business's assets are financed by debt. Similarly, the ratio is decreasing throughout the three year period to 2.22 and in 5 years the loan will be repaid in full.

Exit Strategy

Under the terms of the signed agreement of the Youth Entrepreneurship Plan, from the date of the approval of the proposal and up to the completion of three years (3 years) from the date of issuance of the decision of final certification of the project any sale or transfer of the business or change of corporate/equity composition or sale/transfer for any reason or lease of fixed assets of the assets that have been granted without prior approval to modify the initial approval decision will result to a correction of the fiscal year and recovery of the amount paid plus interest.

Taking this into account, the assumption made in the analysis below is that of exiting the business at Year 5 of operation which is Year 2028. The potential exit strategy of is a planned liquidation as the shareholders are expecting a return on their investment in a 5 year horizon. Nevertheless, the following parameters demonstrated in the below table are considered regarding the planned liquidation in 2028.

Table #9 Exit Strategy

Exit Strategy	6 months period 2023	2024	2025	2026	2027	2028
Reserves	20.545	44.865	31.518	30.578	28.183	19.010
Profit distribution	14.382	31.406	22.063	21.404	19.728	15.208
Disposal of asset						80.000
Totals						**204.190**
% of shareholding interest						
Shareholder A						**122.514**
Shareholder B						**81.676**
Investment						
Shareholder A	**41.100**					
Shareholder B	**27.400**					
Overall Return						
Shareholder A						**81.414**
Shareholder B						**54.276**

In the above table we assume a 70% profit distribution in order to meet the 70% threshold of deemed distributed profits which is subject to 17% Special Defence Contribution to maximise the tax efficiency for the shareholders. The company will declare an appropriate amount of dividends each year. For years 2024 to 2027 a 70% profit distribution was calculated. The approach is considered as a conservative one since the remaining percentage of 30% of the yearly reserve amount remains in the company to be able to finance its operations.

In 2028, the last year of operations, we distribute the remaining 80% of the reserve amount and an amount of €4k remains in the company's reserves to facilitate the liquidation. The fixed asset is disposed at a market value of 80k and the profits are distributed to the shareholders. Shareholder A, who holds 60% of the company shares receives €122k and Shareholder B who holds the remaining 40% receives €81k. If we deduct the initial investment this gives an overall net return to shareholder A €81k and €54k to shareholder B.

Financial Option 2

The second financial option is exploring the possibility to rent the property and proceed with the renovation and the furniture and equipment acquisition. This option requires a smaller amount of initial capital compared to the first option. Below is the table demonstrating the necessary investment for the commencement of business.

Table #10 Initial Cost

Initial Acquisition Costs	Own Resources	External Resources	Youth Enterpt. Plan	Total
Renovations	€15.000	€0	€15.000	€30.000
Furniture and Equipment	€5.500	€0	€5.500	€11.000
Incorporation expenses	€3.000	€0	€0	€3.000
Working capital	€32.500	€30.000	€0	€62.500
Totals	**€56.000**	**€30.000**	**€20.500**	**€106.500**

Similar to the first option, figures are the same for renovations and furniture and equipment acquisition and half of it will be co-funded by the Youth Entrepreneurship Plan. Under this option, the working capital contribution from the shareholders will be €32.5k to account for the rent advance and the remaining €23.5 to finance renovation works and furniture and equipment expenses. Rental expense will be €700 monthly and the leasehold agreement will be renewed annually. The property owner did not agree for a longer leasehold agreement.

Sales figures derive from the calculation presented in Table#2 presented under the Financial Option 1. This means that we make the assumption that the Sales revenue for the period under review is identical under the options.

Table #11 General and Administration expenses

General and Administrative Expenses	6 months period 2023	2024	2025	2026
Marketing	€2.000	€3.000	€2.800	€1.500
Rent expense	€4.200	€8.820	€9.261	€9.724
Water costs	€300	€500	€500	€500
Electricity	€1.500	€3.000	€3.000	€3.000
Salaries	€27.360	€54.720	€54.720	€54.720
Software	€2.500	€300	€300	€300
Insurance	€250	€500	€500	€500
Repairs	€500	€1.000	€1.000	€1.000
Accounting and audit	€900	€2.800	€2.800	€2.800
Telephone and internet	€300	€600	€600	€600
Website	€1.500	€250	€250	€250
Ofiice expenses	€4.586	€9.355	€10.076	€10.277
Incorporation expenses	€3.000	€0	€0	€0
Totals	**€48.896**	**€84.845**	**€85.807**	**€85.172**

The table above makes the same assumptions presented in the first option with the difference of the rent expense which is calculated at €700 per month for the first six months and a 5% increase on the rental amount for the following years since the leasehold agreement will expire every year and we assume that the owner will pursue for a rent increase.

Office expenses are calculated based on the gross sales at 8% and although there is are solar panels installed at the building we do include an electricity expense of €3.000 annually in order to be prudent. In case this amount is not used as an electricity expense then it can be utilised to cover other extraordinary costs that may come up.

Table #12 Income Statement

Income Statement 6 month period	2023	2024	2025	2026
Income				
Deferred income	24.448	42.422	12.630	0
Gross Sales	57.322	116.937	125.950	128.469
(Returns and Allowances)	-1.146	-2.339	-2.519	-2.569
Net Sales	80.623	157.020	136.061	125.899
Cost of Goods	-11.464	-23.387	-25.190	-25.694
Gross Profit	69.159	133.633	110.871	100.206
General and admin exps	-48.896	-84.845	-85.807	-85.172
Net Profit	20.263	48.788	25.064	15.034

Table #13 Free cash flow

Free cash flow	6 months period 2023	2024	2025	2026
Cash Inflow				
Cash and cash equivalent balance b/f	56.000	54.617	101.066	123.611
Deferred income -50% of expenditure	24.448	42.422	12.630	-
Deferred income -50% renovations	15.000	-	-	-
Defered income -50% furniture & equip	5.500	-	-	-
Gross Sales	56.175	114.598	123.431	125.899
Totals	**157.123**	**211.637**	**237.127**	**249.510**
Cash Outflow				
Renovations	-30.000	-	-	-
Furniture and Equipment - own funds	-11.000	-	-	-
Expenses	-61.507	-110.571	-113.516	-113.435
Total cash outflows	**-102.507**	**-110.571**	**-113.516**	**-113.435**
Free cash flow	**54.617**	**101.066**	**123.611**	**136.075**

Free cash flows under the financial option 2 are positive. In the calculations the overdraft amount is not presented, but since the free cash flow is well above the working overdraft amount it is assumed that it will be repaid promptly will no additional interest.

Table #13 Balance sheet

Balance Sheet	6 months period 2023	2024	2025	2026
Assets				
Non Current Assets				
Furniture and Equipment	-	-	-	-
Current Assets				
Cash and cash equivalent balance b/f	21.263	70.051	95.115	110.149
Total Assets	**21.263**	**70.051**	**95.115**	**110.149**
Capital and Reserves				
Share Capital	1.000	1.000	1.000	1.000
Reserves	20.263	69.051	94.115	109.149
Total Capital and Reserves	**21.263**	**70.051**	**95.115**	**110.149**
Liabilities	**-**	**-**	**-**	**-**
Non Current Liabilities	-	-	-	-
Current Liabilities	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**
Total Liabilities and Equity	**-**	**-**	**-**	**-**

In the above table, the fixed assets value is zero since the renovation expenditure is capitalised and the reimbursement of the 50% of the renovation expenses decreases the asset cost. Similarly, furniture and equipment have a zero fair value because the grant is deducted from the cost on the face of the balance sheet. The company has a strong liquidity position and the reserves amount is increasing throughout the years.

Exit Strategy

For the second financial option the option of selling the company to an interested third party is explored. The time frame of this exit strategy is similar to the first one, the 3 year constrain of keeping the business under the same shareholding structure remains the same thus we are assessing the possibility of selling at year 5, this means year 2028.

Table #14 Exit Strategy

Exit Strategy	6 months period 2023	2024	2025	2026	2027	2028
Reserves	20.263	54.867	41.524	27.491	13.531	16.237
Profit distribution	14.184	38.407	29.067	19.244	9.471	14.613
Totals						**124.986**
Company valuation						**60.000**
						184.986
% of shareholding interest						
Shareholder A						**110.992**
Shareholder B						**73.994**
Investment						
Shareholder A	**33.600**					
Shareholder B	**22.400**					
Overall Return						
Shareholder A						**77.392**
Shareholder B						**51.594**

Under this option, the company distributes 70% of the profits during the first period ending 31/12/2026. The estimation for 2027 net profit is 90% of the previous year profit since we assume a market decline, the same was calculated for 2028. In 2028 the remaining profits are distributed to the shareholders.

Company valuation is based on a 5 years profit time frame (we assume a 12k profit each year). The company is valued at €60.000. Additionally, since there is no long term leasing contract in place, business continuity insecurity is reflected in the company's valuation. Shareholders' overall return is €77k for shareholder A and €51k for shareholder B.

4.5 Risk Analysis

Risk Matrix			
	SEVERITY		
LIKELIHOOD	**1**	**2**	**3**
1	Low	Low	Medium
2	Low	Medium	High
3	Medium	High	High

Risk analysis is performed in order to assess the impact of the possible risks based on the severity and the likelihood of occurrence. The 3x3 matrix presented above contains the following values:

Severity:

1. **Low:** The hazard may either be controlled, or would commonly result in less than minor, illness, injury or system damage.
2. **Medium:** The hazard may commonly cause severe injury or illness or major system damage, requiring immediate corrective action.
3. **High:** The hazard may commonly cause death or major system loss, requiring immediate cessation of the unsafe activity or operation.

Probability:

1. **Improbable:** Unlikely but possible to occur during standard operations
2. **Occasional:** Likely to occur sometime during standard operations
3. **Probable:** Likely to occur often during standard operations

By multiplying a risk's likelihood and severity values, it is calculate the acceptability level of its risk.

Identified Risks:

High Risks Identified:

Pricing: Mistakes in pricing policy could result either in targeting the wrong customers or pricing too low may result in inability of the company to operate as a going concern. This is high risk because the severity of the risk could threaten the viability of the company, the market conditions are extraordinary, prices are inflated and forecasts are difficult to be accurate.

Medium Risks Identified:

Location: Location is central and close to the business district however the bistro will be located on a side road of the main street, Pindarou, where the vast majority of the competitors are located and there is the possibility of location not be as good as predicted. Nevertheless, the likelihood assigned is 2 and the severity of the possible risk 2, this assigns a medium risk in the location.

Cybersecurity: The Company's operations will rely heavily on technology since orders will be placed online via the company's website, the food delivery applications, and there will be a mobile application available for dine in. Consequently, the risk of a cybersecurity incidence may result to a possible financial impact for the company.

Low Risks Identified:

Reputation risk: it is the damage that can occur to the business if it fails to meet the expectations of its stakeholders and is thus negatively perceived. Reputation risk is assessed as low since both shareholders will be actively involved in the management and operations of the company. The main shareholder will have a hands on involvement and the other one will be working on the networking and branding of the company.

Insufficient cash flows: underestimating the amount of time the bistro needs to establish itself to become profitable may result to poor cash flow position and may be forced to operate for months or maybe years before it starts generate enough revenue to cover its operating costs. This is categorised as low risk mainly because the company is receiving 50% of the operating and capital expenditures as a co-funding from the European structural funds, improving the improving the odds in its favour.

Risk of a potential health violation, especially regarding the regulations for the containment of the covid -19 pandemic and the relevant laws in place.

Chapter 5 Conclusions and Recommendations

The development of the Gastro Bistro business plan was performed with the main assumption that half of the initial investment and half of the working capital will be financed by the European Structural Funds under the Youth Entrepreneurship Plan. This has provided a financial comfort to the stakeholders since a significant amount necessary to operate the business is obtained as a grant. The total amount eligible for funding from the Youth Entrepreneurship Plan is €100k and we assume full utilisation of the grant and an existing open invitation during the years.

Furthermore, the content of this business plan includes a technical analysis of the organisation and marketing plan and the application of the analysis to the bistro. The thesis focuses mainly on the financial viewpoint. An analysis for the period July 2023 to 31 December 2026 is performed consisting of the initial costs, projected sales, income statement, free cash flows, balance sheet, ratios analysis and exit strategies. Two financial options are explored in order to decide which one fits better to the shareholders of the company. Information stated in the financial documents regarding sales volume and pricing is based on the data extracted from the circularised questionnaires and from the interview with the manager of a long established restaurant with similar operations with the Gastro Bistro adjusted for prudency reasons. Additionally, a research in the internet was performed regarding the pricing of the competitors to ensure that pricing policy of the bistro is in line with the market prices.

Under the first financial option it is assumed that the company will acquire the property in which the bistro will be located. The overall shareholders' contributions to finance the company's operations is going to be €68.500, a loan facility of €15.000 will be obtained and an overdraft of €30.000 will be established for the working capital needs. The funding received under the Youth Entrepreneurship plan is €100.000. The exit strategy of this option is the planned liquidation of the company and the disposal of the asset at year 5 from the commencement of the operations. Under the financial analysis performed of option 1, an overall return of €81k for shareholder A and €54k for shareholder B is calculated.

Under the option 2 analysis, the shareholders will contribute €56k as an initial investment, an overdraft account of €30k will be established and cost reimbursements of €100k will be received from the Youth Entrepreneurship Plan during the years 2023, 2024 and 2025. Exit Strategy calculations were performed based on the assumption of disposing the company’s share capital. The company’s value estimation was calculated to be €60.000 and derives from the multiplication of net profit with the 5 year period estimation to exit the business. The overall return of option 2 is €77k for shareholder A and €51k for Shareholder B.

In conclusion, this thesis proves that the preparation of a business plan can potentially predict the company´s performance and can assist in the identification of the critical factors for successful operations. Moreover, if the idea of the business plan is realised then the company will be profitable. Regarding the two financial options, both options are profitable but shareholders should decide on their own criteria which one is the most suitable for them.

Option 1 has the highest return, however it requires a largest shareholding contribution and a loan facility thus a largest credit exposure. Moreover, there are some additional costs, such as the property alterations necessary to issue the property title deed in order to have a highest marketability at the end of year 2028. Nevertheless, any additional costs that might incur concerning the property are the responsibility of the shareholders and owners of the property.

Overall return under option 2 is €128k which is only €7k lower than option 1. Furthermore, this options requires €12,5k less investment and there are no risks associated with the immovable property alterations and the issue of the title deed. Additionally, any costs that may come up in relation to the maintenance of the property will be a responsibility of the owner. Consequently, the shareholders might consider the second financial option.

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Appendices

12.000 words