

Code of Practice

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Introduction

Admiral Taverns Limited (Admiral) was formed in 2003 and is an independent tenanted and leased pub company trading throughout England and Wales.

There are different routes of entry into the pub industry for potential licensees. Managed houses are pubs owned by a pub company, but run by employed managers who are paid a salary. Another option is a freehold operation. This route of entry requires a significant capital investment as you will need to buy the property. This type of pub is typically run by private individuals or companies.

We believe we are one of the country's most dynamic and energetic pub companies employing a business strategy based exclusively on a tenanted and leased model whereby we rent pubs to licensees who operate them on their own account.

We have developed a well-founded reputation for working in partnership with tenants to develop their businesses be they community locals or rural premises. At Admiral we believe that the relationship with our licensees is the cornerstone of our business and we invest our resources in providing our tenants with as much support as is necessary to make their business work.

The Admiral ethos is one of development and growth for the benefit of both our licensees and ourselves. We invest in and develop our licensees by training, supporting and guiding their businesses to become more successful. This growth can only be achieved by matching our expertise in the industry with the enthusiasm, commitment and talents of our licensees.

We believe the way to achieve this is to give our licensees the flexibility to run their business their way, on an agreement that is right for them with the support they want and need from us. This can vary from a short term agreement to a 30 year lease. Admiral's licensees can be sure that we are committed to their business and want them to develop and grow with us.

This Code of Practice which adheres to the guidelines produced by the British Beer and Pub Association for the Industry and is accredited by the Industry accreditation panel, British Institute of Innkeeping Benchmarking & Accreditation Services Limited (BIIBAS), is one of the many ways we demonstrate openness and transparency and it gives details of the essential elements of the relationship between Admiral and our licensees.



Before entering an Admiral tenancy agreement

It is important that our licensees find the right deal to suit them before making a commitment of their time, effort and resources.

Our licensee recruitment department deals with all applications to become an Admiral licensee. Applications can be made online via our website www.admiraltaverns.com or you can call one of our licensee recruitment administrators who will discuss the application process and send out an application pack with a prepaid reply envelope. The pack includes an application form, training information and details of pubs available in the area of interest.

The recruitment team can assist in completing the application form and deal with any queries you may have regarding the pub or the application process. If you have made enquiries about a specific property the recruitment team will be glad to provide information in respect of that property.

They will then arrange for a Business Development Manager (BDM) to meet with you and talk through what is right for you based on your experience, expectations, level of commitment and financial status. The BDM will be your mentor and guide through the application and appointment process. The BDM will explain the options available to you in terms of properties, agreement types and your obligations. The BDM will discuss your needs and will help identify the most suitable Admiral property that matches your requirements.

At the meeting our BDM will provide you with an indicative profit and loss (P&L) account which has been prepared in good faith based on reasonable assumptions and will contain sufficient detail as illustrated in Appendix A to enable you to understand how we have estimated the potential profit of the pub. You will then be able to compare this with your own business plan. A precise history of turnover and overheads will often not be available as such information often rests with the existing or former holders of the tenancy. However details of drinks purchased directly from Admiral over the past three years will be provided where available. The BDM will advise you of any tie obligations, initial rent and any discount scheme for the property.

The initial rent will reflect the open market rent of the premises and will take into account the future trading potential of the premises.

We will disclose to you any enforcement action that we know has been taken in the last two years and any other relevant information of which we are aware of involving the statutory authorities.

We will also discuss with you any plans that we may have to develop any nearby Admiral outlets that in our opinion may have an impact on the trade in your pub and any material changes we know to be happening in the locality.

Once the right pub has been found, our in-house licensing team will arrange for the necessary licensing qualifications to be obtained by you and the licensing paperwork will be completed on your behalf to get your business moving.

We strongly recommend that you complete your own independent survey of the property before making any legal commitment. Your repair obligations will begin on completion of your agreement so it is essential for you to understand the nature of the obligation before taking responsibility.

The signing of a lease or tenancy agreement is a serious legal commitment. We need you to demonstrate that you have taken independent professional advice prior to accepting a tenancy or lease, and that you have taken legal and business advice which you have used to prepare an appropriate business plan.

This requirement may be waived, at Admiral's discretion, in cases where Admiral reasonably believes that you are suitably qualified through experience and achievement to rely on your own judgment. If you do not take independent advice we will ensure that you acknowledge this and ask you to confirm the same in writing.



Your start-up costs

Your initial investment requirement will vary depending on the pub you decide to take on and the commercial arrangements of the deal you make. Your BDM will let you know exactly what you need to commence trading and how they can help you if raising all the monies up front is initially difficult.
(See Appendix B – start up costs)

To enter into any tenancy agreement you will normally have to consider the following:

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| Personal licence fee | This is the fee applicable to obtaining your personal licence. |
| Trade fixtures and fittings | These are valued on the day you enter the property, although in shorter term agreements they can be rented from us. |
| Deposit | The size of the deposit (or security bond) varies depending on the property and the package agreed. Admiral pays interest on new agreements of 3 years or more at a rate of 1% below the base rate of Admiral’s bank or zero whichever is the higher. |
| Stock and glassware | These are purchased at takeover at an agreed valuation. |
| Legal fees | We use our in-house team to keep these to a minimum. We may insist that all new licensees take independent legal and financial advice before entering into any Admiral agreement. |
| Stamp Duty Land Tax | Stamp Duty Land Tax may be payable depending on the length of agreement you enter and the initial rent. See SDLT calculator at www.hmrc.gov.uk/sdlit/calculate/calculators.htm#2 |
| Working capital | The amount of working capital required varies by pub, as each individual business requires different levels of funding. |
| Independent advice fees | This cost will vary, dependant upon the pub and the type of agreement. |
| Training | Pre-entry awareness Training course provided by the British Institute of Innkeeping is available at £20 plus VAT. |

Your agreement

Our Code of Practice covers the two main types of agreements that we offer. All of our standard agreements of 3 years and above are within the 1954 Landlord and Tenant Act giving you the option to renew your agreement should you desire at the end of its term. Your legal adviser will be able to advise you on the exceptions to renewal. There is no cooling off period within our substantive agreements. Repairing obligations and commitment increase depending on the length of the agreement you enter.
(See Appendix C – repairs matrix)

1. Admiral Lease

The Admiral lease is designed to encourage greater licensee investment by offering more security and flexibility, therefore allowing our tenants to grow their businesses as they choose. Licensees will set the term to suit their business plans in blocks of 5 years from 10 to 30 years.

Rents may increase or decrease annually in line with the Retail Price Index and are also separately reviewed every fifth year of the term. The current Admiral Lease does not have an upward only rent review clause within it. However, some of the Agreements that were entered into before Admiral bought your pub do contain such clauses, but on future rent reviews, as a policy we ignore their effect.* (Please see the **rent review section** for more details).

This means that rent levels are reviewed up and down depending on the realistic needs and potential of the business.

* Does not apply to Free of Tie agreements



Our leases are fully repairing which means you are responsible for all repairs at the property. You are advised to obtain a full survey before entering into a lease as you are required to put and keep the property in a good state of repair and condition so you should know the condition of the building at the outset. Our in-house estates team is always available for advice and assistance.

Once your business is established you may wish to sell your business and your lease to another party. Our lease allows this after 2 years although depending on the circumstances we will be flexible. If you advise us in writing that you wish to assign your lease, we will aim, within 5 working days, to provide you with details of our lease assignment process and information relating to the relevant fees and associated costs.
(See Appendix D – assignments)

2. Admiral 3 or 6 Year Tenancy Agreement

This is a fixed 3 or 6 year Tenancy Agreement. It may not be assigned, but may be renewed at the end of the term in line with the provisions of the Landlord and Tenant Act should you desire.

The rent may be increased or decreased annually based on the Retail Price Index. Your repairing obligations are less than the Admiral Lease due to the more short term nature of the 3 year Agreement and you are not responsible for structural defects. (See Appendix C – repairs matrix).



Your agreement continued

The 6 year agreement is similar save that there is a rent review after 3 years and there is responsibility for additional repairs as indicated on the repairs matrix found in Appendix C.

In certain circumstances and with the agreement of both parties, we may offer a non-standard 3 year Tenancy Agreement which is excluded from the security of tenure provisions of the Landlord and Tenancy Act 1954. In this instance you agree to contract out of your right to renew your business agreement allowing both parties the option to give 6 months notice to terminate the agreement.

Important matters impacting on all agreements

Licensing arrangements

The Premises Licence is the document that specifies the licensing hours, responsibilities and conditions which attach to a specific property. Admiral's policy is to hold the Premises Licence on all our pubs so that we can ensure the properties are responsibly managed and we are actively working towards that target. Irrespective of the agreement option chosen, our BDM will

discuss and explain the conditions on the Premises Licence with you. It is crucial to your business and the community that these conditions are adhered to.

Any variations to the Premises Licence will be made following agreement between both parties.

Our in-house licensing team arrange for up-front training and the obtaining of Personal Licences at a very competitive rate for you and your employees. They also arrange for any change of Designated Premises Supervisor or changes to the Premises Licence at no cost to you – save for the fixed fee charged by the local authority. The annual renewal fee is included within the service charge on our standard agreements where Admiral holds the Premises Licence.

Purchasing obligations

As with most other tenanted and leased pub companies, in return for a lower rent and other commercial benefits, there is a purchasing obligation ("the tie") in our agreements for most of the drinks sold in your pub. However we may agree to release you from the tie in part or in full in exchange for increased rent. The prices you pay for your drinks may be higher under the tie than what is available on the open market.

The extent of the tie is flexible depending on the type of agreement and package your BDM agrees with you for your property, but options range from ties on all draught and bottled beers (including lager, stout and cider), bottled alcoholic drinks, wines, spirits and minerals to no tie at all. The most common tie adopted is beer, cider and flavoured alcoholic beverages known as

'FABS'. In the normal course of business we do not allow you to purchase guest beers outside the tie. However, our involvement in the SIBA direct delivery scheme allows you to source a range of locally brewed cask beers from local brewers benefiting from progressive beer duty.

The tie is a fundamental part of the relationship between Admiral and our licensees and we view any breach of the contract between us as an extremely serious matter. Your pub is at risk if you breach the tie and therefore you must make sure you are fully aware of your purchasing obligations.

The BDM will discuss with you the options available for the particular pub and the parties will decide the appropriate tie and level of barrelage discount to make your business work. You will be given a copy of the company's current and relevant price list including notification about any imminent changes.

Ordering stock – Admiral Taverns' commitment to you

Every pub will have a weekly scheduled delivery day and a time window during which our nominated distributor will attempt to make your delivery. Your Admiral Taverns Telesales Operator will endeavour to contact you 3 or 4 days ahead of your delivery day to take your drinks order and advise you of the latest offers available from Admiral Taverns. This telesales call will be on the same day each week and around the same time of day so that you can plan and prepare your order to ensure you have sufficient stock and the right range of drinks. Note: Your normal order and delivery days will not change unless following discussion

and agreement between you, your Admiral BDM and our nominated distributor.

Emergency deliveries

Services can be offered for emergency deliveries, i.e. order and delivery on days other than your standard order and delivery day. However these are limited and subject to conditions. Dependent upon the circumstances charges may apply to emergency or additional deliveries that you request. These charges start at £48.50 for a 2 working day lead time from order to delivery and increase for shorter lead times and courier deliveries.

Emergency deliveries are subject to an 'all day' time window so you need to be prepared to be available at your pub all day until your emergency delivery arrives.

Reporting faulty drinks

All products ordered from Admiral Taverns should arrive in perfect condition. If you find that your drinks are in anything less than perfect condition you should not accept them at the point of delivery and mark this on the delivery note. Any instances of missing labels or faulty seals should be reported upon delivery.

In the case of draught beers and ciders it is not always possible to tell if there is a fault upon delivery. If you discover a keg or cask with a fault you should take the product off-sale immediately and report the fault to the Admiral telesales team as soon as you can. We will liaise with our distributor to arrange uplift of the faulty stock from your pub and arrange full credit subject to the container having the minimum contents required to allow for credit.



Your agreement continued

Minimum contents

In the same way that you would expect a customer to report a 'bad' pint to you within the first couple of mouthfuls rather than once they have nearly finished it, any faulty containers are subject to having a minimum contents volume before any credit will be given. If the container you return is above the minimum contents volume and the original correct label is intact, so long as the beer was in date at the time it was reported faulty you will be given credit for the full nominal contents regardless of the reported fault. You are given 14 litres (just over 24 pints) per container as a reasonable volume to use in assessing whether a keg/cask is faulty.

Your Admiral Taverns telesales operator will be able to give you full details of the faulty beer process and you can find practical tips and useful advice in our exclusive to Admiral guide to serving drinks 'Do Drinks'. Ask your BDM for a copy.

Machines

By "Machines" we mean Amusement with Prizes machines (AWP's), Skill with Prizes machines (SWP's), Pool Tables, Juke boxes and other similar machines.

We have a tie in our standard agreement which covers Machines. However we may agree to release you from the machine tie in exchange for increased rent. The standard sharing arrangement is a 50/50 split between licensee/Admiral of net cash in box after deduction of float, claims, VAT, machine supplier income and licence duty. Your share is not included when we calculate the rent for the pub. A royalty payment is received by

Admiral on some Machines which contributes to the support services we and our machine suppliers provide.

The terms and conditions of supply along with details of the share calculations are explained in the Machine Consent document issued with each new or renewed agreement with Admiral.

If you wish, your share can be offset against building a deposit (if you don't have one) or paying for fixtures and fittings. The suppliers we use have all undergone a strict selection process and are all checked to be operating legally. We ensure that all licences and permits are in order and that the supplier operates to our very high standards.

Admiral's Machines Manager ensures that all our suppliers work with us, and our licensees, to maximise machine income, reduce downtime of machines and ensure that all machines are right for the position they fill.

The benefit of our suppliers installing these machines means that they are obliged to hold the operators licence, that they are insured, and you are not obliged to personally sign a lengthy contract with the supplier.

We strongly believe that our arrangements with our business partners/machine suppliers helps maximise machine income by ensuring that the latest and the correct types of machines are available for our pubs, that excellent machine maintenance teams are on permanent standby and suppliers have dedicated account managers to support you.

Collections are arranged on a regular basis to suit you.

Service charge

A service charge is applied to many of our agreements (a higher rate applies when the Premises Licence is held and the annual renewal fee is paid by Admiral). See Appendix B for further details.

Where Admiral's standard service charge applies, this covers the provision of the following which are essential to the operation of your pub:

- Periodic inspection, testing and certification of fixed gas and fixed electrical installations to ensure that they comply with current statutory requirements. This includes an annual service of the boiler. Additionally, cellar cooling equipment will receive an annual service (please note that the service charge does not cover the cost of any repair or parts that are your responsibility under the terms of the tenancy or lease).
- A rating consultancy service from an established firm of professional rating advisers, who review the rateable value of your premises and submit an appeal on your behalf if this is considered to be excessive.
- The annual renewal of the premises licence (where the premises licence is held in Admiral's name).

Insurance

We insure the buildings against the usual risks and re-charge this to you. We believe the rates we offer are competitive based on our group purchasing power. In the event that you are able to obtain the same level of cover



from a reputable insurer at a lower premium, then Admiral will reduce the level of its recharge accordingly. A copy of the insurance summary we provide is available from your BDM on request.

We will endeavour to repair as quickly as possible any damage to buildings caused by insured risks unless it is not practical to do so due to statutory or other constraints, or where it would be economically unviable to do so.

You are obligated to arrange your own business insurance and provide us with a copy of your cover, which should include cover for public and employer's liability, the trade inventory, stock, glassware, windows and loss of profit to provide for the period when a property can not trade following an insured loss. We also advise that you insure your own domestic contents and any cash in the Machines.

There is currently a £1,000 maximum policy excess for any claims made against the Admiral policy which will be re-charged against your account. This excess is subject to review depending upon market conditions, and you will be informed of any changes at renewal of the policy.

What we will do for you

Our employees

Business Development Managers

The Business Development Manager (BDM) is your main point of contact with us. The dealings you have with your BDM will develop into the key relationship during your time as an Admiral licensee. A large number of our BDMs have previously been licensees themselves and are therefore able to bring to you an in depth knowledge of the pub industry, practical “hands on” advice and support as and when you need it. Most of our BDMs hold Personal Licences and have also taken the ‘Introduction to Licensed Retail Operations’ qualification which allows them to provide an even greater level of experience and assistance. We try to keep the number of pubs our BDMs have to deal with at a level which enables them to concentrate on ensuring that you get the time and service your business deserves.

We are also committed to their continuous professional development and your BDM will also complete the British Institute of Innkeeping Business Development Manager initial training course (the BIIAB certificate for Multiple Retail Management (Licensed Hospitality) .

Your BDM will be able to provide you with advice and support in the following areas:

- Product range, product mix and pricing recommendations for your pub.
- Legislative and statutory obligations including licensing.
- Business controls to enhance the profitability of your business.
- Development of marketing and promotional plans with you.
- Evaluating the financial status of your business and help you plan cash flow.

We recognise that there can be significant changes to the trading situation of a pub during the term of a tenancy and in some situations you may need to approach us for assistance when you are experiencing business difficulties which are beyond your control. It is your BDM that you should contact for help and advice. Your BDM will try to arrange a meeting to complete a business assessment with you within two weeks of your call. This assessment will provide an opportunity to review financial performance, business controls, marketing plan and retail standards. This assessment may provide an opportunity to improve current practices and /or identify a need for financial support from Admiral. The method of support, any agreed action plan and a timescale for that support will be discussed with you by your BDM.

Property Help Desk (PHD)

The Property Help Desk is the place to turn to when you have a property related query. Based at our Head Office in Chester, the team takes telephone calls from licensees and deals with a range of queries including; the reporting of insurance claims, general property queries and, importantly, being available to deal with property repair issues.

The PHD team, through the use of our network of approved contractors, ensures that repairs are undertaken in a prompt and efficient manner.

They can also arrange for repair work to be undertaken that is your responsibility under the terms of your tenancy agreement. In these instances the costs will be re-charged to your account.

Food Team

We have our own food team to offer advice to you should you wish to develop your current food offering or if you are thinking about starting to offer food.

The team includes an experienced chef who can offer advice on everything from the type and style of food to offer, sourcing food, environmental health regulations, menu compilation and design. Admiral’s own bespoke food website www.mypubfood.co.uk is available to all of our licensees. The service our food team provides is available free of charge.

Legal and Licensing Department

Our in-house licensing team will deal with your basic licensing requirements at no charge to you, save for the fixed fee charged by the local authority. The annual renewal fee is included within the service charge where Admiral holds the Premises Licence. If licensing costs are incurred as a result of you breaching the terms of your Premises Licence or your agreement eg a review, then we may re-charge this to you.

The licensing team can be contacted directly at the Chester Head Office.

Training

Training courses are available for all of our licensees. If you are new or a relative newcomer to the licensed trade we recommend and indeed may insist upon the British Institute of Innkeeping recognised “Introduction to Licensed Retail Operations” course as a good introduction to the Industry and get you off to the best possible start.

For people wishing to enter the pub industry for the first time we offer the “National Certificate for Personal Licence Holders” course. Both of these courses are run by recognised, top quality training providers and are available throughout the country.

All of our training courses are offered at competitive, affordable rates.



What we will do for you continued

Group buying benefits

As a large company we can obtain significant discounts on your behalf, discounts that you may be unable to achieve as an individual. In particular they may be available on the purchase of new kitchen and catering equipment, outside smoking solutions, as well as health and safety equipment.

Capital investment

At Admiral, we employ a team of surveyors who, working in liaison with you and your BDM, undertake property improvement and refurbishment schemes in order to increase the trading levels and value of your business.

Once a viable scheme is briefed, the team will seek your involvement and input. They will keep you informed throughout the

process from project inception through to project completion. Works will be undertaken by a proven network of building contractors and design teams to ensure that projects are delivered on time, within budget and to a high quality.

Your BDM will be on hand to answer any of your queries and agree with you the amount of rental increase required and if appropriate any expected volume uplift to reflect the level of investment employed. Any rental uplift will be confirmed in writing prior to the commencement of the works.

If you as tenant wish to undertake improvements to the property yourself then our consent is required as landlord and we will discuss the proposal with you in advance of consent being granted.

Your initial responsibilities

For the partnership to work we need honesty at all levels with both parties committing to the project and carrying out their key obligations. From the outset you need to:

- Complete an application form and consent to be credit approved. This is standard practice and will help us assess what is the best option for you to take.
- Take professional legal and business advice which should be used to prepare an appropriate business plan.
- Demonstrate that you have taken proper independent professional advice prior to accepting a tenancy/lease.
- If you are to be Designated Premises Supervisor then you must hold a Personal Licence. We will assist you with your Personal Licence training.
- Ensure the monies you are committed to are available in cleared funds for the date of entry into the property.
- Obtain accredited pre-entry training by completing the Pre Entry Awareness Training provided by the British Institute of Innkeeping (BII) to enable you to evaluate the contract in which you wish to enter. This course is available on a low cost online basis through the BII.



Your trading responsibilities

Rent and trade

You commit to pay your rent and trade accounts in accordance with the terms of your agreement and as stipulated in your offer letter which forms part of your starter pack. It is important that you do this as discounts may be withdrawn if terms are consistently not met.

Business obligations

You commit to uphold the conditions of the Premises Licence and to run the business in a professional and efficient manner. This will allow you to maximise the opportunities available to you and your business.

Repairing obligations

These vary in accordance with the terms of your Agreement and as set out in APPENDIX C.

Financial Openness

Where you are seeking financial support from Admiral, you will be required to provide us with copies of your annual returns and accounts to allow us to assess the conditions your business operates in and where necessary be flexible with rent and discounting policy.

Co-operation

Your BDM will arrange regular review meetings with you which are targeted to develop your business. The meetings will usually be conducted on a quarterly basis, but this will vary depending on your needs, for example, there will usually be more frequent meetings held at the start of your tenure.

Beer monitoring equipment

It is Admiral's policy to install flow metering equipment which allows us to ensure compliance by measuring and monitoring the throughput of beer in your pumps. This information is also available to you to assist your business and system efficiency, stop wastage and allow you to assess your busiest periods. Admiral's procedure for the use of flow monitoring equipment is set out in Appendix E.

Employment

You will be the employer of all staff working at your premises and must comply with all current employment regulations which will include the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Rent assessment



It is not in Admiral's interest to set your rent at an unsustainable level and our Code of Practice aims to ensure that:

- Initial rents and subsequent rent reviews are assessed fairly and that you are kept fully informed about how any proposed rent is calculated.
- We agree rents that are sustainable and allow our licensees to be competitive and successful in the market place.
- Rents are assessed in accordance with the guidelines established by the Royal Institution of Chartered Surveyors (RICS). Any changes to the guidelines arising from a review by the RICS or new legislation will be adopted by Admiral for the purpose of future rent assessments.
- Rents are based on open market value, having regard to fair maintainable trade (FMT) and the future trading potential of the premises. This entails an assessment of the turnover and profitability that a reasonably efficient operator would be expected to achieve, with reasonable allowances being made for costs and sustainable trade.
- Historic and actual trade at your premises, the terms of your agreement, market conditions and rental evidence of comparable properties will be considered as part of the rent assessment.
- Rent is calculated as an appropriate percentage of the estimated profit before rent and fairly reflects the risk and opportunity of running the business at the property.
- When assessing potential profits, the actual prices you pay for tied products will be used.
- The actual rates payable by you will be also used when estimating potential profits, whether or not the rateable value is subject to appeal. If for any reason the rateable value is not available, then an estimate will be made on the basis of FMT.
- Where Machine income is shared between us, this income will be excluded for the purposes of assessing the rental value of your premises.
- Any assumptions that are made for the purpose of assessing the rental value, together with any matters that are to be either taken into account or disregarded will be explained to and discussed with you.



Disclosure and transparency

For the purpose of our discussions with you regarding a new agreement or subsequent rent reviews, we will disclose to you our assessment of the fair maintainable trade and our calculation of the rent. This will comprise a 'shadow' profit and loss account which will be prepared by us in good faith and will be based on reasonable assumptions. A hard copy summary will be made available.

The 'shadow' profit and loss account will show our estimate of the following:

- Turnover (broken down into drinks, food, machines, accommodation and other sources of income).
- Gross profit (taking into account actual prices paid for tied products or available discounts for other products).
- The costs of running the business (broken down into wages, utilities, rates, insurance, repairs and maintenance, operational costs, and other expenses).
- Interest on capital employed.

We will provide you with details of our own drinks sales to the premises over the last three years where these are available.

We will advise you of the availability of any relevant industry benchmarking reports (for example the ALMR reports) which may assist you with the preparation of your business plan.

We will try to supply you with any further relevant information, as identified in Appendix F, that you request, and if we are unable to do so we will explain the reason why.

It should be noted that whilst this is the most accurate information on the business available to us at this time it provides no guarantee as to the future income of the site.

* Not applicable to Free of Tie agreements

Rent reviews



Rent reviews are a pivotal part of our relationship with you and we work at being as open and as fair as possible during these negotiations.

- Our leases do not include upwards only provisions. Furthermore we will not enforce upwards only provisions on future rent reviews where we have inherited agreements through acquisition from other companies*. We will be happy to provide a letter or deed of variation to this effect, although we may ask you to contribute towards any legal costs involved.
- Where a tenancy or lease provides for annual index-linked rent reviews, adjustments to the rent payable may be upwards or downwards according to the movement of the Retail Price Index at the time.
- Any personal goodwill attributable to you (where your exceptional efforts, business skills or personal qualities take the trade beyond reasonable expectations) will be disregarded for the purposes of the rent review.
- Although we assume that the repair and redecoration obligations within the lease have been complied with, the added value that you have created through your own authorised improvements will also be disregarded for the purposes of a rent review.
- You are encouraged, should you wish, to take independent advice.

Our process is as follows:

- We will write to you at least 6 months before any review date advising of our intention to review the rent.
- Your BDM will arrange a meeting with you and our Estate Manager, where appropriate, who will explain our proposed figures and how they were reached, be they increased or decreased. We will aim to have this meeting not later than two months before the date of the rent review.
- We will provide you with a shadow profit and loss account for your pub, based on our assessment of the fair maintainable trade at the premises. Please see the Disclosure and Transparency section above for further details.
- You should be prepared to discuss information and provide documentation relevant to your turnover and your business costs providing supporting evidence. Your willingness to do so will greatly facilitate our discussions and help us to agree a fair and sustainable rent for the property.
- We will give you time, if it is needed, to consider the information provided and, if necessary, re-convene to negotiate further.
- If the rent is agreed, we will prepare the rent review memorandum at no cost to you and forward them for signature.



If we are unable to agree...

If the rent is not agreed, we will explain the procedure for review by an external party and commence that process. You should be ready to show a copy of the previous year's audited accounts to help us agree a fair rent should the matter need to be determined by a third party. Notwithstanding the terms of your lease or tenancy agreement we will offer you the option of appointing an independent expert rather than incurring the potentially higher costs of appointing an arbitrator.

You also have the right to make use of the Pubs Independent Rent Review Scheme (PIRRS) where the costs of determination by a third party surveyor will be fixed at a low cost and in advance at a fair level for both parties. Upon jointly agreeing to resolve a rent review dispute via the PIRRS, both parties will be required to renounce any right to arbitration by signing a deed of variation and will be bound by the decision.

Licensees should be aware that where their lease agreement is in a company name all guarantors for the company must sign the deed of variation.

We are fully committed to the PIRRS which we believe offers an approachable and fair rent resolution service. Further details of the scheme can be found on the website www.pirrscheme.com

Assignment of Leases

The assignment of a lease places obligations on both Admiral and you (the assignor). This is to ensure that the potential purchaser of the lease (the assignee) is supplied with the same information as supplied by Admiral to you at the commencement of the lease. This will enable the assignee to take proper business decisions about the business being offered.

Assignor obligations:

Lessees wishing to assign their lease must ensure that any assignee of their lease receives the same financial information disclosed to the assignor by Admiral or the previous assignor at the commencement of the assignor's interest including actual trading figures and accounts for the preceding three years where appropriate. Where the information is unavailable the reason for this must be disclosed.

The assignor must disclose information as if they were the original landlord and will inform a prospective assignee that they must:

- Demonstrate they have complied with pre-entry training.
- Obtain qualified professional advice and produce a business plan.



In certain circumstances we may exercise our right to refuse the sale of your lease to a person if we feel they are unsuitable for the future of the pub. The grounds for refusal may include but are not limited to, a lack of a Personal Licence, insufficient funding or excessive borrowing, unachievable business plan, lack of professional advice, lack of accredited training or poor credit history.

Admiral's obligations are set out in detail in Appendix D.

Surrendering your Agreement*

There are times when we are prepared to release you from your obligations to complete the duration of your lease or tenancy agreement. However, this can be a very costly exercise. We therefore reserve the right to make a charge to reflect this cost, which could be the value of between six and twelve months' rent, although depending on the circumstances, it can be less.

* Not applicable to Free of Tie agreements

Change of Landlord

In the same way that you may be able to sell your agreement to another party, Admiral can also sell the freehold or assign our leasehold interest of your pub.

As all our standard agreements of 3 years and longer are within the Landlord and Tenant Act your agreement is protected by law. Where we hold a deposit, we will transfer it net of any outstanding debt owed by you to us, to the purchaser of your pub. Where you are purchasing fixtures and fittings from us over a period of time, this agreement will transfer to the new landlord.

This Code of Practice is personal between Admiral and you, and the commitments of the Code will not transfer with the sale of your pub.

It is generally not our policy to sell a pub with a restrictive covenant on it. However, in exceptional circumstances we reserve the right to do this giving due regard to the needs of the local community and the decision would be based upon helping to ensure the viability of any other licensed premises in the vicinity.



Complaints handling policy

Initially you are asked to make contact with your BDM who will direct your complaint to the appropriate department for action.

If you feel your complaint cannot be handled by the BDM for whatever reason then you should escalate the complaint to the Operations Director for your region whose details will be made available to you. If you remain unsatisfied then you can refer the matter to the Managing Director who will consider all the relevant circumstances to reach a decision. In the event that you still remain dissatisfied with our response you may elect to refer the matter for independent review by BIIBAS who will investigate all matters relating to compliance with this Code of Practice.

Where your complaint relates to your rent review and you remain disappointed with the response from our senior management you have the option to refer to an independent expert through PIRRS or similar arbitration to decide what the rent should be. For full detail, please refer to the **“Rent Review”** and **“If we are unable to agree...”** sections above.

Additional advice

Our Code of Practice follows the pub industry Framework Code of Practice developed by the British Beer and Pub Association (BBPA), the British Institute of Innkeeping (BII) and the Federation of Licensed Victuallers Associations (FLVA) as such it cannot be altered unilaterally without the agreement of BIIBAS which means you can rely on its’ content.

It has been accredited by the BII Benchmarking and Accreditation Services Limited (BIIBAS) as a clear and transparent declaration of the business relationship being offered and also benchmarked against the criteria established by the current BBPA code of practice. It has been issued for the information of existing and prospective licensees and confirms the best practise of Admiral Taverns Limited. It is binding on Admiral Taverns Limited, however, it does not create a legally binding obligation on you as tenant and in the event of a need for clarification of the tenancy or lease document, always refer to the actual agreement.

Your Agreement with Admiral is the definitive document covering the contractual relationship between you and us. In all cases, the wording contained in your Agreement is definitive and takes precedence over all other material – whether written or spoken. It is therefore essential that you get independent professional advice before you sign any agreement.



Code of Practice

Public House Name

Public House Address

For and on behalf of Admiral

Licensee

Name

Name

Position

Signature

Date

Admiral Taverns
Suite H3
Steam Mill Business Centre
Steam Mill Street
Chester
CH3 5AN



Appendix A Shadow P&L Account

Estimate of Fair Maintainable Profit

Name of Public House _____

| | £ | % Total Turnover |
|---|---|---------------------|
| Sales | | |
| Beer Sales | | |
| Ciders Sales | | |
| FABS Sales | | |
| Wine Sales | | |
| Spirit Sales | | |
| Soft Drinks | | |
| <hr/> | | |
| Total Drink Sales | | |
| Food | | |
| Machine Income (if not shared) | | |
| Other | | |
| <hr/> | | |
| Total Sales | | |
| <hr/> | | |
| Beer Purchases | | |
| Ciders Purchases | | |
| FABS Purchases | | |
| Wine Purchases | | |
| Spirits Purchases | | |
| Soft Drinks Purchases | | |
| <hr/> | | |
| Drinks Purchases | | |
| Food Cost | | |
| <hr/> | | |
| Total Purchases | | |
| <hr/> | | |
| Gross Profit | | % |
| <hr/> | | |
| Utilities | | % |
| Rates | | % |
| Repairs & Renewals | | % |
| Insurance | | % |
| Service Charge and licensing | | % |
| Total Entertainment & Promotion | | % |
| Sky TV | | % |
| Operational & Other Costs | | % |
| Interest on working capital | | % |
| <hr/> | | |
| Total Costs before rent) | | % |
| <hr/> | | |
| Profit (before rent) i.e. Divisible Balance | | |
| <hr/> | | |
| Rent | | |
| % of Divisible Balance | | |
| Machine Income (if shared) <i>(This value is NOT included in rent calculation)</i> | | |
| <hr/> | | |
| Profit Attributable to Licensee | | |
| <hr/> | | |
| Estimated value of Living Accommodation <i>(This value is NOT included in rent calculation)</i> | | |
| <hr/> | | |
| Estimated value of Living Accommodation | | |

DISCLAIMER

The above information and figures have been collated to estimate the potential trade that would be achievable by a reasonable competent operator, solely for the purpose of discussions between yourself and the Company. They are supplied without prejudice and are for private and confidential use only. Admiral Taverns will not be liable to you or any other party for any inaccuracies or errors in this estimate or any losses arising there from. The Company gives no warranty as to the accuracy of information and does not warrant that all or any part of these trade estimates will be achieved.

Appendix B

Code of Practice – Fees and start up costs

In-house legal costs

| | |
|---|----------------------|
| Tenancy Management Agreement (6 months) | No charge |
| 3 & 6 year Tenancy Agreement | £250 plus VAT |
| Lease | £375 plus VAT |

Licensing costs

Personal Licence – Licensee pays this

| | |
|--------------------------------------|----------------------|
| Training course provided through CPL | £115 plus VAT |
| Basic disclosure (Criminal check) | £20 |
| Personal Licence | £37 |

Council's Licensing fees which we re-charge to licensee

| | |
|----------------------------|---------------|
| Change of DPS | £23 |
| Transfer of Licence | £23 |
| Notification of gaming | £50 |
| Duplicate Premises Licence | £10.50 |

Premises Licence – annual renewal fee

| | | |
|--|----------|-------------|
| Rateable value of property under £4,300 | (Band A) | £70 |
| Rateable value of property £4,301 to £33,000 | (Band B) | £180 |
| Rateable value of property £33,001 to £87,000 | (Band C) | £295 |
| Rateable value of property £87,001 to £125,000 | (Band D) | £320 |
| Rateable value of property £125,000 plus | (Band E) | £350 |

Service charges

| | |
|--|-------------|
| If Admiral hold the Premises Licence | £725 |
| (Admiral pays the annual renewal fee which is covered in service charge) | |
| | |
| If Licensee holds Premises Licence | £550 |
| (Tenant pays the annual renewal fee and reduced service charge) | |



Appendix C

Responsibility for repair matrix

This is for guidance purposes only – please refer to the Admiral Tenancy Agreement/Lease document to verify the detail

| NB: ⁽¹⁾ refers to where a service charge is paid Admiral Taverns (AT) undertakes the testing on behalf of the tenant | Admiral 3 Year Tenancy Agreement | Admiral 6 Year Tenancy Agreement | Admiral Lease |
|---|--|--|-----------------------|
| Testing of Landlords Fixtures & Fittings (LLF&F) (Gas, Electrics & Cellar Cooling) | Tenant ⁽¹⁾ | Tenant ⁽¹⁾ | Tenant ⁽¹⁾ |
| • Repair (following test) | Tenant | Tenant | Tenant |
| • Replacement (following test) | AT | Tenant | Tenant |
| Testing of fire alarm & emergency lighting (5 yearly check of wiring) | Tenant ⁽¹⁾ | Tenant ⁽¹⁾ | Tenant ⁽¹⁾ |
| • Repair (following test) | Tenant | Tenant | Tenant |
| • Replacement (following test) | AT | Tenant | Tenant |
| Fire alarm & emergency lighting (weekly check) | Tenant | Tenant | Tenant |
| • Repair | Tenant | Tenant | Tenant |
| • Replacement | AT | Tenant | Tenant |
| Fire alarm & emergency lighting (quarterly check) | Tenant | Tenant | Tenant |
| Portable appliance testing | Tenant | Tenant | Tenant |
| Testing of lifts & hoists | Tenant | Tenant | Tenant |
| • Repair (following test) | Tenant | Tenant | Tenant |
| • Replacement (following test) | AT | Tenant | Tenant |
| Fire fighting equipment testing & remedial work | Tenant | Tenant | Tenant |
| To put and keep the interior of the property including all glass and LLF&F in repair (minor repairs) | Tenant | Tenant | Tenant |
| To put and keep the interior of the property including all glass and LLF&F in repair (major repairs) | AT | Tenant | Tenant |
| To put and keep the entire demise including LLF&F in repair including structural works | AT* | AT* | Tenant |
| To keep the internal decoration in good order | Tenant | Tenant | Tenant |
| To keep the external decoration & signage in good order | AT* | Tenant | Tenant |
| To keep the exterior of the property clean, tidy and free of weeds including trimming hedges, trees & shrubs | Tenant | Tenant | Tenant |
| To keep all drains, ditches & sewage plant free running and clean | Tenant | Tenant | Tenant |
| To keep inventory clean and in good repair & replace where lost or damaged | Tenant | Tenant | Tenant |
| Operational obligations – e.g. provision of Health & Safety policy, provision of Accident Book, undertaking Fire Risk Assessments, Disability Discrimination Act access audits and play equipment risk assessments | Tenant | Tenant | Tenant |

* Admiral reserves the right to claim frustration of the agreement and elect not to carry out the necessary repairs should those repairs be deemed by Admiral to be commercially non-viable

Appendix D

Assignments

1. On receipt of a written request from the current licensee (Assignor) an assignment pack is sent out within five working days.
2. The pack consists of an assignment application form for the prospective tenant (Assignee) to complete, and a letter to the current tenant asking them for a cheque for £500 plus vat which will be used to prepare a dilapidations survey by Admiral's approved surveyors.
3. When the Assignee has completed the assignment application form and the Assignor has returned the cheque, the Assignee will be credit checked
4. The BDM will usually meet the Assignor and the Assignee at this point.
5. We will ask a surveyor to carry out an inspection of your premises and to report on any repairs you need to complete before the sale takes place. This will be called a dilapidations survey. You are responsible for the cost of this survey. You are responsible for repairs under the terms of your agreement. Please see Repairs Matrix for full details of obligations regarding maintenance and upkeep (Appendix C). The dilapidations survey will be based on this Repairs Matrix.

Within 4 weeks of the completion of the survey, a copy of the report will be sent to you. You will need to complete any repairs and decorations as quickly as possible to avoid delaying the sale. Should you disagree with this survey you may obtain, at your own cost, your own inspection. A company or individual, accredited by the Royal Institution of Chartered Surveyors should complete this. In this instance, we will then allow the surveyors for both parties to produce a revised report, and agree to be bound by this.
6. Admiral's solicitors can then be instructed to prepare the relevant documents needed for the assignment to go ahead.
7. Once the documents have been drafted, and all parties are in agreement with the contents of the documents, a date will be agreed for the changeover.
8. The documents will be signed and completed, and the Assignee can then take over the lease of the pub.
9. The Assignee will not be allowed into the property to trade until the assignment has completed.
10. The Assignor should make the Assignee aware of the existence of the Code of Practice.

Authorised Guarantee Agreement

1. Under the Landlord and Tenant (Covenants) Act 1995, in selling your lease, you will be required to enter into an Authorised Guarantee Agreement (AGA). By signing the AGA you provide a guarantee for your buyer. This guarantee can only last for as long as the person/company you sold to holds the lease.
2. If you wish to release yourself from this ongoing liability, you may elect to pay a fee of £3,000 plus VAT or 5% of the premium paid for the transfer plus VAT, whichever is the greater amount.



Appendix E

Tie compliance and dispense monitoring

It is Admiral's policy to install and maintain dispense monitoring equipment which allows us to assist your business and helps improve your efficiency by reducing wastage. It is also used to monitor throughput of beer to allow us to assess a business's sales performance.

How it works

1. Tied products are priced according to the discount band agreed when signing your contract, which in most cases will be higher than prices available in the open market place because this way you pay less fixed rent than the rent we would demand if we were to charge you open market prices for these products.
2. Buying outside of the tie is therefore strictly forbidden under the terms of your agreement with us and is a breach of contract.
3. We monitor compliance with the tie by way of;
 - Flow monitoring equipment,
 - Cellar inspections,
 - Purchasing patterns, and
 - Unique packaging on bottled products.
4. Where a breach of tie has occurred we will either:
 - Seek to recover from you the income lost to Admiral plus a small administration fee,
 - Apply for a court injunction, or
 - Apply for forfeiture of the lease or tenancy agreement.
5. Our decision will be based on the severity of this breach and the number of offences. However, we reserve the right to determine our course of action in relation to a single breach of the tie.
6. Charges are recovered by way of charges to your trade account.
7. No charges for breach of tie will be made to your account without your prior knowledge.

Flow monitoring – benefits for you

1. Flow monitoring reports are available to you through your BDM at your regular business meetings, online via the internet (your BDM will provide details of access) and at any time at your own request.
2. This information can be very useful to you in the day to day management of your business. The information is regularly used by our licensees to;
 - Support stock take report,
 - Analyse the busiest periods of trade,
 - The planning of employee rotas, and
 - Support a regular line cleaning regime.

Flow monitoring – how it works

1. Flow monitoring is installed in the cellar of your pub and measures the amount of draught beer and and cider that is dispensed against the amount of beer and cider that is delivered by way of a flow meter installed in each of the beer lines.
2. Whether we install flow monitoring equipment is dependant on the terms of your individual agreement. Where a breach of contract has occurred by way of purchasing outside of the tie, and flow monitoring equipment is not in place, we have the right to install this equipment in order to protect us from any further breach of contract.
3. Each flow meter is individually calibrated. The calibration setting is undertaken on product dispensed in the same way as beer is dispensed in the line.
4. Flow monitoring procedures recognise and remove line-cleans from this measurement.
5. Admiral is responsible for the installation costs and maintenance of this equipment. We will be responsible for ensuring that the equipment we install meets all regulatory and legal requirements.
6. The only cost that you are responsible for is the electricity which powers the unit. Tests have shown that this equates to approximately £10 per year.
7. If there is a discrepancy with these figures, your BDM or another representative of the company will discuss these with you at the earliest opportunity to establish whether, in our opinion, a breach of tie has taken place.
8. If flow monitoring equipment is tampered with or damaged then any costs associated with the re-instatement of this equipment will be charged back to you.
9. Breaches of tie are not solely determined by evidence from flow monitoring equipment. This is used as supporting evidence alongside the compliance areas detailed above in 'how it works' point 3.
10. Should it be determined that a breach of tie has occurred and a fine is to be applied, this will not be implemented without prior discussion with you .
11. If the flow meter equipment is to be re-calibrated then you will be invited to attend that re-calibration.



Appendix E continued

Cellar inspections

1. Both your BDM and other representatives of Admiral complete cellar inspections. We employ Cellar Inspectors rather than relying on staff from the flow monitoring supplier. These inspections will support you in the upkeep of your beer dispense equipment, as well as ensuring that tied products from a source other than Admiral are not in evidence and that flow monitoring equipment is in working order.
2. You are required to allow reasonable access for representatives of Admiral to complete these cellar inspections.

Irregular purchasing patterns

Your BDM will discuss irregular purchasing patterns and missed deliveries with you where appropriate.

Unique packaging on bottled products

1. Certain products supplied by Admiral are labelled with packaging that is unique to the on-trade as opposed to that supplied to the off-trade, including supermarkets and wholesalers.
2. If you are unsure about your tie responsibilities, or have encountered a stock emergency then you should discuss this with your BDM before taking any action.

Appendix F

Other important information

- The last three years accounts
- Last three years barrelage details
- Dilapidation report (if and when any outstanding work is to be completed)
- Health and safety risk assessment policy
- Fire risk assessment
- Disability discrimination audit
- Asbestos survey
- Portable electrical appliance test certificate (PAT)
- Five year full electrical report
- Gas safety certificate
- Energy performance certificate
- Service records of:
 - Fire extinguishers
 - Security system
 - Outside play equipment
 - Tills and all other equipment used in the business
- Complete inventory schedule (i.e. items to be left on the premises)

