



admiral
T A V E R N S

**CODE OF
PRACTICE** VERSION 5

WWW.ADMIRALTAVERNS.CO.UK



ADMIRAL'S LICENSEES CAN BE SURE THAT WE ARE COMMITTED TO THEIR BUSINESS AND WANT THEM TO DEVELOP AND GROW WITH US. A MEASURE OF OUR COMMITMENT AND THE POSITIVE RELATIONSHIP WE ENJOY WITH OUR LICENSEES IS THAT WE WERE AWARDED THE PRESTIGIOUS PUBLICAN'S MORNING ADVERTISER LEASED AND TENANTED PUB COMPANY OF THE YEAR AWARD IN BOTH MARCH 2013 AND MARCH 2016.

INTRODUCTION

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

For potential licensees looking to enter the UK pub industry, there are a number of different routes available. The most common of these is through the tenanted and leased pub model, whereby pubs are let to independent, self-employed business people on either a tied or non-tied basis. A second route is through running a managed house or franchised outlet. Here the pub is owned by a pub company, but run by employed managers who are paid a salary or alternatively franchisees who take an agreed share of the revenue, depending on the individual arrangement. A further route is through a freehold operation which requires a significant capital investment to purchase the property outright.

At Admiral, we focus on letting pubs to independent, self-employed licensees.

We pride ourselves on being one of the country's most progressive and supportive pub companies, employing a business strategy based almost exclusively on the tenanted and leased model, whereby we rent pubs to licensees who operate them as independent enterprises.

We have established an excellent reputation for working in partnership with licensees to develop their businesses across a broad range of pub types. At Admiral we believe that the relationship with the individuals operating our pubs is the cornerstone of our business and we invest significant resources in providing our licensees with as much support as necessary to make their business successful.

Our ethos is centered on the development and growth of all of our pubs. We invest in our licensees by training, supporting and guiding them to become more successful. But this success can only be achieved by matching our expertise with their individual enthusiasm, commitment and talent.

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.

LEGAL STATUS OF THE ADMIRAL CODE OF PRACTICE

This Code of Practice is a key element of our information provision to our tied licensees under the Pubs Code 2016 (the Pubs Code) as specified in the Small Business, Enterprise and Employment Act 2015. It gives details of the essential elements of the relationship between Admiral and its tied licensees and is underpinned by the overriding principle of 'Fair and Lawful dealing' and that tied licensees should be no worse off than free of tie licensees.

A copy of the Pubs Code and the regulations that underpin it are available in the Code of Practice section of our website – www.admiraltaverns.co.uk

The Pubs Code places statutory obligations on us as a pub company and helps ensure that you can have confidence in your dealings with Admiral. In addition we have incorporated further provisions within our Code of Practice which are supplementary to the provisions of the Pubs Code. These additional provisions outline further standards of good service and best practice which we aim to achieve in working with all of our tied licensees but are not statutory requirements and can be amended from time to time.

The Pubs Code is binding on both Admiral and its tied licensees and may be used in pursuance of a claim of non-compliance.

The protection of the Pubs Code will also be available to any leaseholder who acquires a lease through an assignment. (See Assignment Process – Appendix B).



BEFORE YOU ENTER AN ADMIRAL AGREEMENT

The Admiral recruitment department manages all enquiries and applications from potential licensees. Enquiries can be made via our website www.admiraltaverns.co.uk or you can call one of our recruitment coordinators who will be pleased to help you with your pub search.

As your enquiry progresses you will be asked to complete an application form which can be done online or by requesting a form to be posted to you. The recruitment team can assist with completion of the application form and can answer any queries you may have regarding the pubs of interest or the application process itself. Any pub-specific enquiries will also be dealt with by the recruitment coordinators and they will be pleased to give you relevant information on any of the available pubs and more generally about Admiral.

The recruitment team will put you in touch with one of our qualified Business Development Managers (BDM) in order to discuss your application in more detail and help determine the right opportunity for you. At this point your skills and experience will be discussed and the BDM will identify any key steps which you may need to take, such as mandatory training and/or recommend for early attendance on one of our training workshops.

The recruitment coordinator and BDM will be your mentors throughout your journey in finding the right pub and business opportunity for you. We will also explain the options available to you in terms of our pubs, our agreement types and your obligations with regards to the proposed agreement.

To complete your application, subject to your level of experience, you will be asked to complete Pubs Entry Training (PET) and the Award for Personal Licence Holders (APLH) if necessary.

It is our normal policy that new licensees will first go onto a short term agreement to allow both parties to develop the relationship and work together to develop your business plan. This will enable you to make an informed decision about taking a long term agreement (substantive agreement) at the appropriate stage.

Once your preferred pub has been identified, 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 enable you to commence trading.

BEFORE YOU ENTER A NEW SUBSTANTIVE ADMIRAL AGREEMENT

Whether you are an existing Admiral licensee on a short term agreement, an experienced licensee looking to take an Admiral pub directly onto a substantive agreement or an existing licensee looking to enter another tenancy agreement at the expiry of your current agreement, your BDM will arrange a meeting with you in order to provide relevant information.

INFORMATION WE WILL PROVIDE TO YOU

At this meeting you will be provided with a Rent Proposal, which will include an indicative profit and loss (P&L) account prepared in good faith and based on reasonable assumptions in accordance with the Royal Institute of Chartered Surveyors (RICS) guidance. This will be confirmed in writing by one of our RICS qualified Estates Managers.

The P&L will contain sufficient detail as illustrated in Appendix A to enable you to understand how we have estimated the potential profitability of the business. You will then be able to use the P&L and the information we will provide under Schedule 1 of the Pubs Code to prepare your own sustainable business plan, having first considered independent professional advice.

An exact history of turnover and overheads will often not be available as such information often rests with the existing or former licensees. However, details of drinks purchased directly from Admiral over the past three years will be provided, where available. We will advise you of the key terms of the proposal, including any tie obligations, proposed rent and any discount schemes included. The rent will reflect the open market rental value of the premises under the proposed agreement and will take into account the future trading potential of the premises.

We will disclose to you any outstanding enforcement action that we know has been taken in the last two years and any other relevant information of which we are aware involving the statutory authorities. This may include planning restrictions on the use of the site, which may impact future trade.

We will also identify any material changes we know to be happening in the locality that in our opinion may have an impact on the cost and trading environment of your pub.

We will also provide a Schedule of Condition (as defined by the Pubs Code) highlighting the current condition of the property. 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 on the responsibility.

We therefore advise that prior to commencing your new substantive agreement you conduct a thorough inspection of the premises including the residential areas (if applicable) and obtain the advice of a qualified surveyor with professional experience in tied pubs.

INDEPENDENT PROFESSIONAL ADVICE

Prior to preparing your business plan you will be required to have given consideration to independent professional advice such as business, legal, property and rental valuation advice. Whilst every licensee new to Admiral will be required to take the recommended independent professional advice, there may be exemptions from this requirement and your BDM will be able to explain this to you. The signing of a lease or tenancy agreement is a serious legal commitment and we therefore need you to demonstrate that you have considered appropriate independent professional advice prior to preparing your business plan and accepting a tenancy or lease.

The requirement for PET may be waived at Admiral's discretion in accordance with the provisions of the Pubs Code in cases that we have reason to believe that you are suitably qualified through experience and achievement to rely on your own judgment. If a waiver is applied, we will ensure that you acknowledge in writing that the requirement for PET has been waived and will record the same.

YOUR BUSINESS PLAN

Your business plan should include financial forecasts for the duration of the agreement including estimations of income and related costs and you should consult your adviser on the effects of changes on the business plan, both positive and negative, as well as the impact of indexation over the rental period. It should include a sensitivity analysis that will assess the performance of the business should there be an increase or decrease in business income and the subsequent effect this change will have on costs, profitability and indexation where appropriate.

The RICS guidance notes entitled Capital and Rental Valuation of Public Houses, Bars, Restaurants and Nightclubs in England and Wales provide a very useful reference point for tenants, lessees and advisers. This report can be found at www.rics.org. In addition, there are a number of other industry benchmarking reports available which may assist with the preparation of the business plan and relevant market comparisons, in particular the ALMR Benchmarking Report, the BBPA 'Running a Pub: A cost guide for lessees/tenants', and the RICS Pub Benchmarking Survey.

These reports can be found in the Code of Practice section of our website – www.admiraltavems.co.uk

Once you have taken the necessary advice, prepared your business plan and agreed terms with your BDM, we will provide you with an offer letter setting out the agreed substantive terms along with the proposed agreement for signature.



YOUR START-UP COSTS

The initial funds required will vary depending on the pub you decide to take on and the specific commercial arrangements agreed. Your BDM will discuss with you exactly what you will need to commence trading and explain the financial options available to you.

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

- :: **Personal Licence fee** – This is the fee for obtaining your Personal Licence which you will require if you intend to be the Designated Premises Supervisor named on the premises licence.
- :: **Trade fixtures** – These are usually valued on the day you enter the property. Whilst we prefer you to purchase the fixtures and fittings outright in exceptional circumstances, we can provide alternative methods of purchase or even consider a rent for the fixtures and fittings. Your BDM will discuss these options with you.
- :: **Deposit** – The size of the deposit (or security bond) varies depending on the property and the commercial terms agreed but is normally the greater of a quarter's rent or £5,000, and will be held for the duration of your agreement.
- :: **Stock and glassware** – These are purchased when you take over your pub, at an agreed valuation, from either the outgoing tenant or Admiral.
- :: **Legal fees** – We use our in-house team to keep legal fees to a minimum, however, there is a standard administration charge for the preparation of new agreements.
- :: **Stamp Duty Land Tax** – Stamp Duty Land Tax (SDLT) may be payable depending on the length of agreement you enter into and the initial rent. See SDLT calculator at <https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax/#/intro>
- :: **Working capital** – The amount of working capital required varies by pub, as each individual business requires different levels of funding. Your BDM will discuss this with you.
- :: **Independent advice fees** – This cost will vary, dependent upon the pub, the type of agreement and the advisers you instruct.
- :: **Pubs Entry Training (PET)** – This is training designed to raise awareness of the matters involved in operating a pub, entering into product ties and other agreements with landlords.

YOUR AGREEMENT

This Code of Practice covers the types of substantive, tied agreements that are available from Admiral. For new licensees, we presently offer two different types of tied agreement (the Admiral Lease and the Admiral Tenancy agreement) but the commitments we make in our Code of Practice apply to all existing Admiral tied licensees on substantive agreements and any tied renewal agreements. There is no cooling-off period within our substantive agreements and your repairing obligations vary depending on the agreement you enter. (Please see Appendix D – Repairs).

Due to the number of lease and tenancy agreements we administer, we adopt a set of standard agreement terms.

1. ADMIRAL LEASE

The Admiral Lease is designed to encourage greater lessee investment by offering more security and flexibility, therefore allowing our lessees to develop their businesses over a longer period of time and to create capital value. Lessees are able to set the term to suit their business plans in blocks of five years from 10 to 30 years. The Admiral Lease is not usually excluded from the security of tenure provisions of Part 2 of the Landlord and Tenant Act 1954 (the LTA 1954).

Rents may increase or decrease annually on the anniversary date in line with inflation, which we measure by reference to the Retail Price Index. In addition, rents are also separately reviewed every fifth year of the term to an open market rental. The standard 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 (referred to as Rent Assessments in the Pubs Code) we ignore their effect. (Please see the Rent Assessment section for more details). This means that rent levels are reviewed up and down depending on the realistic needs and potential of the business.

Under the terms of the standard Admiral Lease you are required to put and keep the whole of the property in good repair and condition. It is therefore important that you are fully aware of the condition of the property at outset. To assist with this, for all new leases we will provide you with a current Schedule of Condition which highlights the condition of the property at that time. Please note, a Schedule of Condition is not a formal survey but an assessment of the condition of the property and we strongly recommend you obtain a full survey from a qualified professional with industry experience before entering into any lease.

Once your business is established, you may wish to sell your business and your lease to another party. Our standard lease allows for such a sale after two years although, depending on the circumstances, we may be flexible. On receipt of your written request to assign your lease, we will as soon as reasonably practicable provide you with details of our lease assignment process and information relating to the relevant fees and associated costs.

(See Appendix B — Assignments).

2. ADMIRAL TENANCY AGREEMENTS

For new licensees, this is a fixed three or five year tenancy agreement. It may not be assigned and is excluded from the security of tenure provisions of the LTA 1954, which means there is no automatic right to renewal.

The rent may be increased or decreased annually on each anniversary date based on indexation, which we measure using the Retail Price Index. There is no open market rent review within the Admiral Tenancy agreements. Given the shorter term of the Admiral Tenancy agreements (both three and five year) your repairing obligations are less onerous than the Admiral Lease and you are not responsible for structural defects although you are responsible for internal repair and decoration. A summary of your repairing obligations are set out in more detail in Appendix D.

For new tenancy agreements, a Schedule of Condition will be provided to highlight the condition of the property in advance of you preparing your business plan.

The Admiral Tenancy agreement is also available with a break option for both parties (normally three or six months) and your BDM will be able to discuss this with you. Again, such agreements will be excluded from the security of tenure provisions of the LTA 1954 and although there is no automatic right to renewal, we will write to you at least six months before the expiry of your agreement to advise that the agreement will expire and that your BDM will be in contact to discuss the available options.

IMPORTANT MATTERS IMPACTING ON YOUR ADMIRAL AGREEMENT

LICENSING ARRANGEMENTS

The Premises Licence is the document that specifies the licensing hours, responsibilities and conditions attached to a specific property. Admiral's preferred policy is to hold the Premises Licence on all of our pubs so we can ensure that the properties are responsibly managed and we are actively working towards that target. Irrespective of the agreement option chosen by you, our BDM will discuss and explain the conditions on the Premises Licence with you. To ensure the success of your business and the maintenance of positive relationships with your neighbours and the wider community it is important that these licensing conditions are understood and adhered to. Any variations to the Premises Licence will be made following agreement between both parties unless deemed necessary to protect the Premises Licence.

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 transfer of the Premises Licence at no cost to you – except 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. Where the in-house team deal with a variation of the conditions of the Premises Licence or a review of the Premises Licence caused by your actions, we reserve the right to recover the costs that we incur.

PURCHASING OBLIGATIONS – ‘THE TIE’

As with most other tenanted and leased pub companies, in return for a lower rent and other commercial benefits, our agreements include a purchasing obligation – often referred to as ‘the tie’ – whereby you agree to purchase some or all of the drinks sold in your pub from Admiral. The level of rent you agree to pay at your pub will be dependent upon the extent of your purchasing obligations. The prices you pay for drinks purchased from Admiral are likely to be different to those on the open market.

The extent of the tie is flexible depending upon the type of agreement and commercial terms you reach in discussion with your BDM. The most common form of tie operated by Admiral covers purchases of draught and packaged beer, cider and flavoured alcoholic beverages known as ‘FABS’. We do not normally offer a ‘guest beer provision’ within our agreement, i.e. having the ability to purchase one cask ale from a brewer of your choice whilst being tied to Admiral for all other beer purchases. We work closely however, with the Society of Independent Brewers (SIBA) who operate a direct delivery scheme that allows pubs to source a range of locally brewed cask beers from small craft brewers via Admiral. The tie is a fundamental part of the relationship between Admiral and our licensees, and we view any breach of the agreement between us as an extremely serious matter. Your agreement and occupation of the pub is at risk if you breach your contractual tie, and therefore you must make sure you are fully aware of your purchasing obligations. Where you are not tied for a particular drinks under the terms of your agreement then you are able to choose yourself how you purchase that product. You are not obligated to purchase food from either Admiral or its suppliers although our Food Team may at times provide recommendations.

Your BDM will discuss the options available to you for a particular pub and help you reach the appropriate level of tie, barrelage discount and rent payable to give your business the best opportunity to succeed. As part of these discussions you will be given a copy of the current Admiral drinks price list and notification of any imminent changes to prices or product range.

ORDERING STOCK – ADMIRAL’S COMMITMENT TO YOU

Your pub will have a weekly scheduled delivery day and time window during which our nominated distributor will deliver to you.

Your Admiral Telesales Operator will normally contact you two to four days ahead of your scheduled delivery day to take your drinks order and advise you of the latest offers available from Admiral. We will aim to place this call to you around the same time on the same day each week, so that you can plan and prepare your order to ensure you have sufficient stock and the right range of drinks.

Your scheduled delivery day may be changed subject to discussions between you and your Admiral BDM and the agreement of our nominated distributor.

EMERGENCY DELIVERIES

Should you require a delivery on any day other than your scheduled delivery day we have a range of emergency delivery options to help you.

Emergency deliveries carry additional charges which can increase depending upon the type of delivery and the timescale in which it is required. The Admiral Telesales Operator will advise you of any additional charges at the time you place your order. Please note that due to emergency deliveries being unscheduled, they are subject to an ‘all day’ time window, which means you need to be prepared to be available at your pub all day to receive your emergency delivery.

REPORTING FAULTY DRINKS

All products ordered from Admiral 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 also 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 collection of the faulty stock from your pub and arrange full credit subject to the container having the minimum contents required to allow for credit.

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, the original correct label is intact and 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 Telesales Operator will be able to give you full details of the faulty beer process. Your BDM will be happy to supply you with a copy of Admiral’s exclusive guide to serving drinks – ‘Do Drinks’ – which includes practical tips and useful advice.



MACHINES

By "Machines" we mean Amusement With Prizes Machines (AWPs), Skill With Prizes Machines (SWPs), pool tables, jukeboxes and other similar Machines.

When you enter into a new substantive agreement with Admiral you will be offered the choice of being tied or free of tie for Machines.

Tied for Machines

If you elect to be tied for Machines, we will arrange for our Machine Suppliers to manage the Machines at your pub and we will share the income generated. This will be agreed through a standard Machines Agreement.

The standard sharing arrangement if you elect to be tied for Machines is a 50/50 split between you and Admiral of the net cash of the machine although those terms are negotiable. The net cash, or 'net cash in box' (which is exclusive of VAT), is defined as being the cash left after the deduction of float, claims, Machine Games Duty and any payment due to the machine supplier, such as rental payments. Your share is not included when we calculate the rent for the pub and, therefore, rent will be lower where you have chosen to be tied for machines. A royalty payment is received by Admiral from Machine suppliers on some existing Machine arrangements which contributes to the support services we and our Machine suppliers provide. We do not receive royalty payments on new leases or tenancy agreements or on renewed Machine arrangements following rent reviews or renewals. Instead we apply a set administration fee to Machine suppliers for each Machine supplied on a weekly basis. We will ensure that all administration fees are reasonable and relate only to the operation and maintenance of the Machines supplied. These payments play no part in the method by which the income (excluding any deductions by the supplier) is shared from machines.

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

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 appropriate to optimise returns from each specific pub.

The benefit of our suppliers installing these Machines means that they are obliged to hold the Operator's Licence and that they are insured. However, this insurance will not cover floats and cash in the Machines which you should ensure is covered under your own insurance policy. You are also not obliged to personally sign a lengthy contract with the supplier.

We strongly believe that these business partnership arrangements with our Machine suppliers helps maximise Machine income by ensuring that the latest and the correct types of Machines are available for our pubs. We ensure 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.

Free of tie for Machines

If you elect to be free of tie for Machines your BDM will explain to you how Admiral's share of the machine income share is exchanged for increased rent. In this instance the net Machine income will be included in the pub income and assessed for rent once the Machine rental, maintenance and other charges have been taken into account.

The management, maintenance and insurance of the Machines will be the responsibility of you and your suppliers and you must ensure that all Machines brought onto the premises are lawful and meet all regulatory standards.



SERVICE CHARGE ON AGREEMENTS

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).

Admiral's standard service charge is designed to cover administrative costs that are essential to the operation of your pub. Where the standard service charge applies it covers:

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

ENHANCED SERVICE PACK

Admiral's enhanced service pack is designed to provide the testing and services offered in the standard service charge, plus additional assistance to help you comply with your statutory requirements and repairing obligations in the following areas:

- :: Expert on site assistance to help you compile an essential file of risk assessments and audits covering fire safety, energy and environment, health and safety, food safety and hygiene and disability access
- :: Annual portable appliance testing
- :: Annual portable firefighting equipment testing and servicing
- :: Annual fire alarm and emergency lighting checks
- :: Annual CP42 kitchen appliance testing
- :: Annual Lift and Hoist inspection and service

(Please note the enhanced service pack does not cover the cost of any repairs or parts that are your responsibility under the terms of your agreement).

Also in addition to the single cellar cooler service visit covered in the standard service charge you will receive an additional annual service and a full parts and labour warranty protecting you from any costs incurred against any breakdown of the main cellar cooling equipment.

DEPOSIT

Your deposit will be fixed at the outset for the term of your agreement and is usually the greater of £5,000 or one quarter's rent. In the event that the rent payable during your occupation increases, Admiral reserves the right to request an increased deposit to reflect the increase in rent. At the end of your occupation under your agreement, the deposit will be repaid to you by bank transfer or cheque, less any rent or trade arrears or other monies owed to Admiral under the terms of your agreement. Admiral will aim to return your deposit to you within 28 days of the end of your occupation, however the return of your deposit is subject to your rent and trade account being fully reconciled. Admiral pays interest annually on your deposit for new agreements of three years or more at a rate of 1% below the base rate of Admiral's bank or zero, whichever is the higher. In the unlikely event that Admiral becomes insolvent your deposit will form part of the company's liabilities.

INSURANCE

We insure the buildings against the usual risks and recharge this to you.

We believe the rates we offer are competitive, and are achieved through our group purchasing power.

To ensure that our rates remain competitive we will notify you at least 21 days prior to the renewal of our insurance policy giving full details of the policy including the level of cover, the charges payable and any contribution to repairs payable by you as licensee along with any further information you reasonably request to obtain a comparable quote. In the event that you are able to obtain the same level of cover (based on realistic comparable terms) from a reputable insurer at a lower premium, then Admiral will reduce the level of its re-charge on a like-for-like basis from the time you notify us of a lower comparable quote.

We will endeavour to repair as quickly as reasonably 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 (with a recommended minimum cover of £5 million), the trade inventory, stock, glassware, windows and any loss of profit to provide for the period when your pub cannot 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 contribution to repairs for any claims made against the Admiral policy which will be re-charged to your account. This maximum level of contribution is subject to review depending upon market conditions and you will be informed of any changes at renewal of the policy.

In the event of damage to the property caused by an insured risk which significantly impacts on the pub's ability to trade we will, upon notification of the issue by you, arrange a meeting to assess the impact of the damage on your business and if appropriate temporarily suspend or reduce the rent. Your BDM will also be available to discuss other support that may be available. This will not apply should our insurers elect not to pay under Admiral's insurance policy due to an act, default or omission by you.

WHAT WE WILL DO FOR YOU

OUR EMPLOYEES

BUSINESS DEVELOPMENT MANAGERS

The Business Development Manager (BDM) is your main point of contact with Admiral. The dealings you have with your BDM will develop into the key relationship during your time as an Admiral licensee and we expect our BDMs to act in a professional, fair and lawful manner in their dealings with you.

The majority of Admiral BDMs have operated pubs themselves and have many years of experience in the licensed hospitality sector. They have an in-depth knowledge of the pub industry and will offer practical 'hands on' advice and support as and when you need it. We endeavour to keep the number of licensees our BDMs work with at a level which enables them to concentrate on ensuring that you get the time and service that you and your business deserve.

We are committed to the continuous professional development and improvement of our BDMs through job specific training. We will also ensure they receive appropriate annual training on the requirements of the Pubs Code. Where our BDMs conduct rental negotiations we will ensure they are appropriately qualified and experienced to do so.

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

- :: 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
- :: Evaluating the financial status of your business and help you plan accordingly
- :: Capital Investment projects

We recognise that there can be significant changes to the trading situation of a business during the term of an agreement including a reduction in the pub's trade due to an event that may not have been reasonably foreseeable at the start of the tenancy. In such situations you may need to approach us for assistance when you are experiencing business difficulties which are beyond your control. In the event of such a situation developing we would ask you to contact your BDM in writing for help and advice. They will aim to arrange a meeting to complete a business assessment with you within two weeks of your letter. 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.

It is important to us that we have accurate records of important meetings between our licensees and BDMs. Therefore, our BDMs will produce notes of meetings they have with you on matters of rent assessment, repairs or current and future business plans. Your BDM will provide you with a copy of their notes within 14 days. If you wish to challenge the content of the meeting notes then please inform your BDM of your concerns within seven days of receipt.

For clarity, our Regional Operations Directors, Food Team, Regional Surveyors and Estate Managers will also provide notes of meetings regarding; rent, repairs and current and future business plans if they meet you without your BDM present.

PROPERTY HELP DESK (PHD)

The Property Help Desk is the team to contact when you have a property maintenance related query. Based at our business support centre in Chester, the team deals with a range of queries including the reporting of insurance claims, general property queries and, importantly, is available to deal with property repair issues. The PHD team, through the use of our network of approved contractors, ensure that repairs are undertaken in a prompt and efficient manner.

When authorised by your BDM they can also arrange for repair work to be undertaken that is your responsibility under the terms of your lease or tenancy agreement. In these instances the agreed costs may be re-charged to your account.

FOOD TEAM

Food now forms a very important part of the customer offer in pubs. Should you wish to develop your current food offering or if you are thinking about starting to offer food in your pub, we have our own dedicated Food Team to provide free advice and support.

Our experienced Food Team can offer advice on everything from the type and style of food best suited for your pub. They can also assist with the sourcing of food, menu compilation and design and the latest environmental health and regulatory compliance issues.

They are also able to source exclusive offers for Admiral licensees. More information can be found in the food area of the licensee section of the Admiral website.

LICENSING DEPARTMENT

Our in-house licensing team will deal with your basic licensing requirements at no charge to you, except for the fixed fee charged by the local authority. The annual renewal fee is included within the service charge if 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, such as a review of the Premises Licence or variations to the Premises Licence requested by you, then we may re-charge this to you, which may also include a contribution to our internal costs.

The licensing team can be contacted directly at the Chester business support centre.

TRAINING

Admiral offers training to all licensees through a variety of workshops and courses. Some of this training is mandatory and will need to be completed before entering into an agreement. The training which you must complete at the start of the process is the Award for Personal Licence Holders (APLH) and Pubs Entry Training (PET).

AWARD FOR PERSONAL LICENCE HOLDERS (APLH)

Anyone wishing to sell or authorise the sale of alcohol must hold a Personal Licence, which is issued by their local authority. Once you have gained your APLH you need to apply for your Personal Licence. We recommend the BIAB APLH, which can be obtained by either attending a one-day course at a training centre near to you or by completing the course online and attending one of our open days to complete the test. The course covers all aspects of licensing law and in each case the test is based upon multiple choice answers.

PUBS ENTRY TRAINING (PET)

PET is an online (e-learning) training package that identifies the main issues which need to be considered and investigated before signing a pub tenancy or lease agreement. It is designed to ensure that you fully understand the implications of the agreement which you are considering signing. It will give you an awareness of the tied-pub model. It will also provide information on business plans, the different types of agreements available, rental calculations and the legal consequences of breach of agreement. PET is designed to be taken online and will take approximately 2 hours to complete by following an interactive programme that contains quizzes throughout to test your knowledge. At the end of the training there is a short test to complete. On successful completion you will be provided with a BIIAB certificate.

PET is available online through the BII website www.bii.org

TRAINING WORKSHOPS

As well as mandatory training, we will also offer you a range of support courses which you will have access to from as early as entering into a discussion with us. The workshops cover business building ideas, hints and tips to help grow your pub business, as well as giving you guidance and support right the way through your agreement with us. The courses are delivered with a flexible approach, are local and tend to have a practical approach to learning. In addition, they are delivered free of charge to the licensee on successful completion.

ONLINE COMPLIANCE TRAINING

We will support you ensuring that you and your pub staff are legally compliant. Covering a range of compliance training, including health and safety, food safety, first aid and many other courses, we have teamed up with one of the leading providers of online training to offer training courses that can be completed 24 hours-a-day, seven days-a-week. The range of courses can be viewed through the Licensee section of the Admiral website and are all available from as little as £10 per course. We offer a helpline for tenants who need advice and guidance on what courses are most applicable to them.

APPRENTICESHIPS

Admiral offers all licensees and their staff the opportunity to complete a Level 2 or Level 3 Apprenticeship Programme. Apprenticeships can be done 'on the job' with little or no time needed to train off site in a classroom. There are a range of Apprenticeship Programmes available including 'Licensed Hospitality'. Working closely with a national training provider we can arrange for a tutor to visit you and your staff to discuss the options available. There is no cost to the licensee other than the commitment of time and some resource. A typical Apprenticeship Programme will take between 12 and 24 months to complete.

GROUP BUYING BENEFITS

As a large company we can often obtain significant discounts on your behalf, discounts that you may not be able to achieve as an individual. In particular such discounts 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 partnership with you and your BDM, undertake property improvement and refurbishment schemes with the goal of increasing the trading levels and value of your business.

Once a viable scheme is agreed and approved, be it a scheme funded by Admiral or a joint investment, the team will seek your involvement and input. They will keep you informed throughout the process from the project's inception through to its completion. Any 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 any 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 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. It is important that you seek consent through a Licence to Alter to ensure the improvements are disregarded for the purposes of rent review and to ensure you fully understand whether there is a responsibility for reinstating the property back to its original state before the improvements.

WHAT WE NEED FROM YOU

YOUR INITIAL RESPONSIBILITIES

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

- :: Complete an application form and give us your consent to carry out a credit check. This is standard practice and will help us assess what is the best option for you to take
- :: Complete Pubs Entry Training (PET). This course is available online through the BII website and must be completed before you sign your agreement
- :: Give consideration to independent professional advice such as legal, property, business and rental valuation advice which should be used to prepare a sustainable business plan
- :: Demonstrate that you have taken the appropriate independent professional advice outlined above prior to entering into a tenancy or a lease
- :: If you are to be Designated Premises Supervisor then you must hold a Personal Licence (we can and will assist you with your Personal Licence training)
- :: Ensure the monies you are committing to the venture are available in cleared funds before you enter into the agreement
- :: If you are seeking to trade as a limited company, we will require a suitable personal guarantee

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 not consistently 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. This includes acting within the agreed terms of the tie.

REPAIRING OBLIGATIONS

These vary in accordance with the terms of your agreement. Please refer to Appendix D for further information.

FINANCIAL OPENNESS

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

CO-OPERATION

Depending on your needs and experience your BDM will arrange regular review meetings with you to develop your business. We encourage you to work with your BDM at these meetings which should be prearranged and at mutually convenient times.

BEER MONITORING EQUIPMENT

It is Admiral's policy to install flow monitoring equipment, which allows us (amongst other things) to ensure tie compliance by measuring and monitoring the amount of dispensed beer and cider in your pub. This information is also available to you to assist your business and system efficiency, stop and prevent wastage and to allow you to assess your busiest periods. Admiral's procedure for the use of flow monitoring equipment is set out in Appendix C.

BREACHES

Where we become aware that you may have breached your lease or tenancy agreement we will investigate the information received to ascertain if a breach has occurred and depending on the seriousness of the breach we will usually discuss the matter with you as part of that process.

If we determine that a breach has occurred we will write to you notifying you of the breach and if appropriate setting out any remedial action required and the time frame for compliance. Where the breach is more serious we may decide that enforcement action is required or indeed we may apply to the Court for forfeiture of the agreement.

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).

TUPE applies to employees of businesses in the UK, regardless of the size of the business. When a business changes owner, the provisions of TUPE apply and the employees usually transfer to the new owner on the same terms and conditions as stipulated in their employment contracts. It is therefore important that when signing a lease or tenancy agreement you establish and identify any employees that may be transferred to you by virtue of TUPE, together with the terms of their employment contracts.

If you are unsure whether you are affected by TUPE and need further advice, please visit www.acas.org.uk, www.citizensadvice.org.uk or seek your own independent advice.

RENT ASSESSMENT

It is not in Admiral's interest to set your rent at an unsustainable level. Initial and revised rents are assessed fairly. We seek to ensure that you are kept fully informed about how any proposed rent is calculated.

- :: We agree rents that are fair and sustainable and allow our licensees to be competitive and successful in the market place.
- :: For the purposes of a new letting or for a renewal of your agreement, you will be provided with a Rent Proposal. Where the rent is being revised for the purposes of a subsequent rent review (or Rent Assessment under the Pubs Code), you will be provided with a Rent Assessment Proposal.
- :: Rents are assessed in accordance with the Pubs Code and the guidelines established independently by the Royal Institute of Chartered Surveyors (RICS)*. All Rent Proposals and Rent Assessment Proposals are prepared by a competent individual who is fully trained in making such appraisals, assisted and overseen by a Regional Operations Director. They are signed off by a qualified member of the RICS as meeting this requirement. Any changes to the guidelines arising from a review by 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, taking into account the optimum trading style for the premises and making reasonable allowances for costs. This will involve estimating the trading potential rather than just adopting the actual level of trade under the existing ownership. This method of valuation is known as "the Profits Method".
- :: A more detailed summary of the Profits Method will be included as part of your Rent Proposal or Rent Assessment Proposal, along with an explanation of the information used for the purposes of the rent calculation and any matters that are to be assumed or disregarded.
- :: The Rent Proposal or Rent Assessment Proposal will include our assessment of FMT and proposed rent, comprising a P&L statement. A hard copy summary of this will be made available in the form annexed as Appendix A of this Code of Practice. The information set out in Schedule 2 of the Pubs Code will also be provided where it is reasonably available, along with any other information that you would reasonably expect or that will help you to understand or negotiate the Rent Proposal or Rent Assessment Proposal in an informed manner.
- :: We will also provide you (or the person acting on your behalf) with any further information that you request that is relevant to our rent negotiations or that may help you to understand the proposed rent (so long as this is not confidential between us and any other person or company). In the event that we are unable to comply with such a request, we will explain the reasons why within seven days of the request being made.
- :: We will advise you of the availability of any relevant industry benchmarking reports (for example the ALMR and BBPA survey reports) which may assist you with the preparation of your business plan.



It should be noted that whilst the Rent Proposal or Rent Assessment Proposal will be based on the most accurate information relating to the business that is available to us at the time, it provides no guarantee as to the future income of the site.

P&L statements provide the basis of rent assessments only and are not a substitute for a business plan. The business plan is for you as the business owner to prepare and consider when seeking a new agreement or on other occasions when an evaluation of business prospects and profitability is required.

We will ensure that the person who is involved with the preparation of the Rent Proposal or Rent Assessment Proposal will have visited the relevant public house within three months prior to the assessment being made.

We recommend that you seek independent professional advice before agreeing any rent.

* "The capital and rental valuation of public houses, restaurants and nightclubs in England and Wales."

RENT REVIEWS

Rent reviews are a pivotal part of our relationship with you and we will be as transparent and fair as possible during these negotiations.

- ∴ Our tenancy agreements and leases do not include upward only rent provisions. Furthermore we will not enforce upward-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. Alternatively, you may elect to convert your 'upward only agreement' to a new agreement on no less favourable commercial terms.
- ∴ Where an agreement provides for annual index-linked rent reviews, adjustments to the rent payable may be upwards or downwards according to the movement of the inflation index at the time, as measured through the Retail Price Index.
- ∴ The lease or tenancy agreement will usually incorporate a rent review section setting out how the rent review is to be conducted, detailing what should be assumed and what should be disregarded when the rental value is assessed. We assume that the repair and redecoration obligations within the agreement have been complied with, but any added value that you have created through your own authorised improvements will be disregarded for the purposes of the rent review. To make sure that any alterations you have made are disregarded as part of the rent assessment process, you must ensure that you obtain a licence to alter before commencing any works to show that these have been authorised.
- ∴ 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.

We recommend that you seek independent professional advice before agreeing any rent.

Our process is as follows:

- ∴ Your BDM will visit your pub within three months prior to the rent assessment process commencing in order to view the entire property and gather supporting material.
- ∴ We will write to you at least six months before the rent review date with our Rent Assessment Proposal. Please see above for further details of the information we will send to you.
- ∴ Your BDM will then arrange a meeting with you to explain the proposed rent and outline how this figure was reached.
- ∴ We will provide you with a template proposal in the same form as our Rent Assessment Proposal, to enable you to consider and prepare your own view as to the appropriate trading figures and rent for the premises.
- ∴ We will aim to have this meeting not later than four months before the date of the rent review.
- ∴ You should be prepared to discuss information and provide documentation or supporting evidence relevant to your turnover and your business costs (including your latest accounts). Your willingness to do so will help inform our discussions and enable us to agree a fair and sustainable rent for the property. Such information provided will not be used for any purpose other than gaining a clear understanding of your business, in particular your operating costs, for the purposes of an open and transparent rent review negotiation.
- ∴ We will give you time, if it is needed, to consider the information provided and, if necessary re-convene to negotiate further.
- ∴ We should both aim to complete the tied rent review negotiations by the relevant rent review date. Once the rent is agreed, we will prepare the rent review memorandum at no cost to you and forward for signature.
- ∴ If the rent is agreed after the relevant rent review date we will agree with you, in writing, how any recoverable rent or rent credit is to be paid.
- ∴ At your discretion you may request to receive a Market Rent Only (MRO) proposal within 21 days after you receive our Rent Assessment Proposal. (See MRO section for more information).



IF WE ARE UNABLE TO AGREE

If we are unable to agree the rent under your tied agreement we will explain the procedure for review by an external party before commencing this process. This dispute resolution process will usually be set out in the agreement whereby a suitably qualified independent expert is jointly appointed by both parties to settle the rent.

You should be ready to show a copy of the previous year's audited accounts to help evaluate a fair rent should the matter need to be determined by a third party although you are not obliged to do so unless your agreement provides for this. Equally, other information held by either party that may be used in third party determination of rent should be shared on request, subject to appropriate confidentiality agreements. 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.

Alternatively, both parties may agree to make use of the Pubs Independent Rent Review Scheme (PIRRS) where the costs of determination by a third party surveyor will be fixed in advance at a low cost and at a fair level for both parties. Upon jointly agreeing to resolve a rent review dispute via PIRRS, both parties will be bound by the decision.

Further details of the scheme can be found at www.pirrscheme.com

RENEWALS

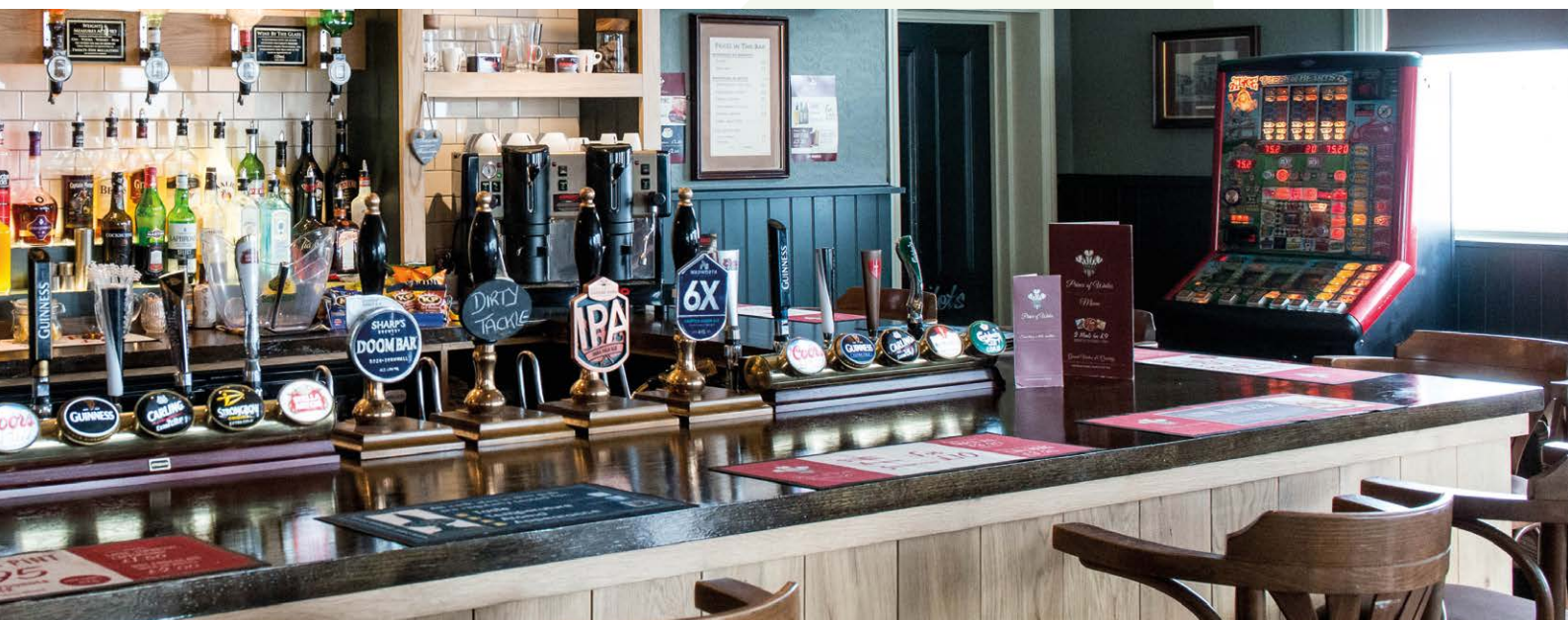
Agreements protected by Part 2 of the LTA 1954 enjoy rights of protection that enable you to renew your agreement on similar terms as before, but with a new open market rent and "modernisations" that either party proposes and can justify to the Court. There are however exceptions to the rights to renew and you must have complied with the terms of your current agreement. You are therefore strongly advised to seek legal advice when renewing your agreement.

Our process is as follows:

- :: At least six months before the expiry of your agreement, your BDM will arrange a meeting with you and, if appropriate, our Estates Manager, to discuss the options that are available to you. Where this includes the renewal of your agreement, we will provide you with proposed terms for a new agreement and our proposal for the new rent. Please see the Rent Assessment section above for further details of the information we will provide.
- :: If we are unable to agree terms for the renewal of a protected agreement, the matter can be referred to a court of law for determination following service of the appropriate notice under Section 25 or 26 of LTA 1954. If all of the terms are agreed with the exception of the value of the open market rent, the parties may be able to jointly refer the matter to PIRRS for the purpose of determining the new rent. Alternatively, if there are any reasons why we are unable to offer a new agreement, then we will write to you with the appropriate notice giving the reason why a new agreement is not being offered.
- :: At your discretion and in accordance with the provisions of the Pubs Code you may give a Market Rent Only notice in writing, to be received by us within 21 days after service of the above mentioned Section 25 or 26 notice.

We recommend that you seek independent professional advice before agreeing any rent.

For tenancy agreements that are excluded from the security of tenure provisions of Part 2 of the LTA 1954, although there is no automatic right to renewal, we will write to you at least six months before the expiry of your agreement to advise that the agreement will expire and that your BDM will be in contact to discuss the available options.



MARKET RENT ONLY (‘MRO’) EVENTS

The Pubs Code sets out the circumstances (MRO events) under which you can request a Market Rent Only assessment allowing you to consider whether you would like to elect for a free of tie MRO compliant agreement instead of a tied agreement.

The MRO trigger events are:

1. Renewal of agreement*

The right to MRO arises on renewal of your current tenancy or lease agreement when we serve a Section 25 notice under Part 2 of the LTA 1954 or you serve a Section 26 notice on us under the same Act. If you wish to receive a free of tie rent assessment proposal you must write to us in a specified form (MRO Notice) within 21 days of receiving the Section 25 Notice or Admiral receiving the Section 26 Notice.

2. Rent Assessment (Rent Review)

The right to request MRO will arise on your next contractual rent review (also referred to as Rent Assessment under the Pubs Code). This will apply whether your rent is increasing, decreasing or staying the same. The MRO event is the receipt of the tied Rent Proposal which must be provided at least six months before the Rent Assessment Review date. You must write to us with 21 days of receipt of the Rent Assessment Proposal with your MRO Notice in specified form.

The right to request MRO is also available if you have not completed an open market rent assessment in the previous five years.

3. Significant price increase

You can request an MRO assessment if there has been a Significant Increase in the Price you pay for your tied beer, other alcoholic products or other tied products or services based on invoices relating to the current four week period compared against the same four week period 12 months ago.

For the precise definition of a Significant Increase in Price we refer you to Regulations 3 to 6 of the Pubs Code and section 43 of the Small Business, Enterprise and Employment Act 2015.

4. Material change in circumstances

The right to request an MRO assessment arises if there has been an event which has resulted in a significant decrease in the trade that is reasonably expected to be achieved at your premises. The decrease must be reasonably expected to be maintained for a continuous period of 12 months.

The event must not be:

- :: Connected to your personal circumstances;
- :: A significant price increase of a tied product or service;
- :: A rent review or renewal;
- :: An event that could have substantially been mitigated against, for example, requesting assistance from Admiral to offset the decrease.

The material change must either affect only your pub or other pubs in the local area but is unlikely to affect every pub in England or Wales and is directly related to a change in the tie proposed by the pub owning business or be related to changes in locality.

The MRO trigger event is that you prepare and send to us a written analysis evidencing the projected 12 month decline. Again you must write to us within 21 days of sending the written analysis with your MRO notice in specified form.

For specific details on this point please see Regulation 7 of the Pubs Code and if necessary seek independent legal advice.

An MRO notice must be in writing and received by Admiral within 21 days of the MRO event highlighted above. The notice must include:

- :: The tenant's name, postal address, email address (if any) and telephone number;
- :: The date on which it is being sent;
- :: The name and address of the tied pub to which it relates;
- :: The date the MRO event occurred;
- :: A description of that event which demonstrates why it falls within the MRO events set out above.

*Agreements excluded from the Sections 24-28 of the LTA 1954 do not attract MRO rights at expiry.

ASSIGNMENTS

ASSIGNMENT OF LEASES

The request for an assignment of a lease places obligations on Admiral to provide information to the Assignor (the current lessee) on fees payable, dilapidations and other information requirements of the Pubs Code. This is done to ensure that the potential purchaser of the lease (the Assignee) is supplied with enough information to make an informed decision about the business being offered and seek appropriate advice.

We will provide to the Assignor all of the information specified in Schedule 1 of the Pubs Code (unless it has been previously provided). We will also provide any information required with regard to dilapidations that we require remedying as part of the assignment process. We will ask that you, as the Assignor, provide this information to the Assignee and that you advise the Assignee to complete PET and take suitable independent advice including that of a qualified surveyor with professional experience in relation to tied pubs.

Please note, the requirement for PET may be waived providing that the evidence of the experience and suitability of the Assignee is provided to and approved by Admiral.

Prior to consenting to the assignment, we will ask you to provide evidence that the Assignee has received the information we have provided and taken the appropriate advices. If we are able, we will withhold consent to the assignment until we are satisfied on these points.

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 assignment process is set out in detail in Appendix B.

SURRENDERING YOUR AGREEMENT

We may be prepared to release you from your obligations to complete the duration of your lease or tenancy agreement. If you wish to discuss an early surrender with us please write to your BDM who will arrange to come and see you as soon as reasonably possible. Your BDM will review your business and any other reasons for your request to help you to understand if it is the right decision. As part of this process your BDM will advise whether there is an agreed notice period to be served and if there is an early termination fee to offset any loss Admiral may incur from the early termination of your agreement. We also reserve the right to apply dilapidations charges where appropriate.

DILAPIDATIONS & SCHEDULES OF CONDITION

Towards the end of your current tenancy or lease we will need to ascertain the extent to which any repairs, restoration and decoration (generally termed dilapidations) are required in accordance with our agreement with you.

DILAPIDATIONS ON ADMIRAL TENANCY AGREEMENTS

We will write to you eight months before the end of your agreement to notify you of the end date and remind you of the repairing obligations under your agreement. If it is deemed necessary, we will arrange for a dilapidations inspection to be undertaken at least six months before the end date.

The repairing obligations under the standard Admiral tenancy agreements are not limited by a Schedule of Condition provided at the outset of a tenancy unless specified within the individual agreement.

DILAPIDATIONS ADMIRAL LEASES

14 months prior to the agreement end we will write to notify you of the forthcoming end date, requesting a meeting to discuss your intentions for renewal or potential exit and remind you of the repairing obligations contained in the lease. We will also provide you with a copy of the lease and the Schedule of Condition if one was prepared at outset.

13 months prior to the agreement end we will instruct external surveyors to undertake a dilapidations schedule, a copy of which will be provided to you.

12 months prior to the agreement end we will meet with you to agree the scope of works to be undertaken or financial resolution.

For both tenancies and leases, if no agreement can be reached as to an agreed programme of works to remedy any issues highlighted by the schedule, then we will formally serve the dilapidations schedule at a minimum of 56 days prior to the agreement end date. If we agree that you may leave the property in advance of the contractual termination date, the survey will be completed as soon as possible after the terms of your early surrender have been agreed. We reserve the right to serve a dilapidations schedule outside of the above mentioned timescales where you have surrendered your tenancy agreement or lease or abandoned the site in advance of the end date.

In the event of any dispute between us as to the extent and nature of the dilapidations, you may refer the matter in writing in the first place to the Estates Manager for your site. If you are not satisfied with the explanation you receive, you can refer the matter to us through the company's dispute resolution procedure described in this Code of Practice. If this fails to resolve your problem you can refer the matter to the RICS for resolution.

SCHEDULE OF CONDITION

At the outset of all new substantive agreements we will arrange for a Schedule of Condition to be prepared.

The Schedule of Condition will be updated six months prior to the end date of your agreement and where the repairs under the agreement are linked to the Schedule of Condition, it will be used to highlight the necessary repairs required prior to the end of the agreement.

We will also provide an updated Schedule of Condition following any agreed maintenance, repair or improvement works carried out by either party or following any significant alteration to the structure of the premises.

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.

Where you hold a substantive tenancy agreement or lease and Admiral as freehold owner (or our landlord if we hold a leasehold interest) take any steps to advertise the sale of the public house you occupy or place the site on the market, employ an agent or enter an agreement to sell the site, we will write to you to notify you of the same and, if relevant, provide the name of the prospective buyers.

If your agreement is within the LTA 1954, 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 on completion of the sale. Where you are purchasing fixtures and fittings from us over a period of time, this agreement will transfer to the new landlord.

COMPLAINTS HANDLING POLICY

If you feel we have failed to adhere to the provisions of either the Pubs Code or our Code of Practice, then 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 Regional Operations Director for your region, who will seek to respond to your complaint as soon as reasonably possible. If you are unsatisfied then you can refer the matter to the Chief Executive Officer who will consider all the relevant circumstances to reach a decision and will again seek to respond as soon as possible. If you remain unsatisfied and the complaint relates to non-observance with the Pubs Code you may wish to refer the matter to the Pubs Code Adjudicator, whose address is at Victoria Square House, Victoria Square, Birmingham, B2 4BP.

ADDITIONAL ADVICE

Our Code of Practice is based upon the Pubs Code and our own internal processes which we consider to be best practice. It has been issued for the information of existing and prospective tenants and confirms the best practice of Admiral.

For further transparency our Compliance Officer will prepare an Annual Compliance Report which will provide a detailed and accurate account of Admiral's compliance with the Pubs Code. The Compliance Report will highlight any identified breaches and explain what we have done to remedy the breach. A copy of our Compliance Report will be published on the Admiral website.



APPENDIX A

P&L ACCOUNT – ESTIMATE OF FAIR MAINTAINABLE PROFIT

Name of public house:

SALES	Barrels/ Litres	Average retail price per unit (incl VAT)	Unit size	Average W'sale price per Brl/Ltr (excl VAT)	Off-Invoice Discount per Brl/Ltr	Total Sales (excl VAT)	Gross Profit (excl VAT)	GP %	Sales mix %
Lager (Standard)			Pint						
Lager (Premium)			Pint						
Ales (Keg & Smoothflow)			Pint						
Ales (Cask)			Pint						
Stout			Pint						
Cider (Keg)			Pint						
Bottled Beers			330ml						
Bottled Ciders			568ml						
FABS/Specialties			275 ml						
Wine (Litres)									
Spirits (Litres)									
Minerals - Packaged (Litres)									
Minerals - Diluted/Post mix (Litres)									
Estimated Draught Beer & Cider Wastage									
Cellar Gas									
TOTAL DRINKS SALES									

INCOME - FOOD ACCOM OTHER									
Bar meals, snacks and hot beverages									
Accommodation									
Other income									
TOTAL DRY SALES									
TOTAL SALES									
Machine income (if not shared)									
TOTAL INCOME & GROSS PROFIT									

EXPENSES	% Total Sales	ALMR Benchmark Costs
Bar & Catering Wages		
Total Wages & Salaries		
Utilities		
Rates		
Repairs & Renewals		
Buildings Insurance		
Tenant's Business and Contents Insurance		
Service Charge and licensing		
Total Premises Costs		
Entertainment & Promotion		
Satellite TV		
Cleaning Costs (incl associated staff costs)		
Telecoms		
Bank and Credit Card Charges		
Stocktaking and Accounts		
Equipment Leasing		
Motor and Transport Expenses		
Security		
Sundries		

Total Operational & Other Costs		
TOTAL OPERATIONAL COSTS (BEFORE RENT)		
Interest on working capital @ 7%		
Improvement disregard @ 7%		

Profit (before rent)

Rent Bid	
Rent Bid % of Profit (before rent)	

Machine Income (if shared) (This value is NOT included in rent calculation)	
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Profit Attributable to Licensee

Estimated value of Living Accommodation (This value is NOT included in rent calculation)	
---	--

Estimated Total Economic Value to Licensee

--	--

DISCLAIMER

The above information and figures have been collated to estimate the potential trade that would be achievable by a reasonably efficient 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

ASSIGNMENTS

1. Upon receipt of notification from you (Assignor) advising of your intention to assign your agreement an assignment pack is sent out by Admiral as soon as reasonably practicable.
2. The pack consists of an assignment application form and business plan template for the prospective lessee (Assignee) to complete, and a letter advising you of the fees payable which will be used to instruct Admiral's approved surveyors to prepare a dilapidations survey and schedule of condition. Please note that should the assignment not proceed after the dilapidations survey and schedule of condition have been carried out, the monies will not be refunded. The letter will also outline Admiral's solicitor's fees for dealing with the assignment together with other conditions attached to Admiral's consent to the assignment.
3. Once the Assignee has completed the assignment application form and you have confirmed your acceptance to the fees involved with the assignment, the Assignee will be credit checked and their business plan will be reviewed to establish their suitability as a tenant.
4. At the same time we will instruct our approved surveyor to prepare a dilapidations survey and schedule of condition of the property. These reports will record the condition of the property and highlight any repairs that are your responsibility under the terms of the agreement, which you will need to complete before the assignment takes place. The dilapidations survey will be prepared in accordance with the repairing obligations in the agreement. Within 4 weeks of the completion of both surveys, a copy of each report will be sent to you. You will need to complete any repairs and decorations as quickly as possible to avoid delaying the assignment. Should you disagree with the surveys you may obtain, at your own cost, your own inspection. A company or individual accredited by the RICS 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.
5. Upon receipt of the Schedules of Condition and Dilapidations we will forward to you the information outlined in Schedule 1 of the Pubs Code which includes (amongst other information) a copy of Admiral's Code of Practice and the Pubs Code itself. You must pass this information to the Assignee before an assignment takes place, as well as advising the Assignee to complete PET and to seek independent advice from a qualified surveyor with professional experience relating to tied pubs. We will need written confirmation from the Assignee that they have received this information before the assignment can be completed.
6. The BDM and Admiral's Regional Operations Director will meet you and the Assignee at this point to discuss the assignment in greater detail and to approve the Assignee and their business plan.
7. Admiral's solicitors can then be instructed to prepare the relevant documents needed for the assignment to go ahead.
8. 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 assignment to complete subject to receipt of confirmation from the Assignee that the Schedule 1 information has been received.
9. The documents will be signed and completed, and the Assignee can then take over the agreement of the pub. The Assignee will not be allowed into the property to trade until the assignment has completed.

AUTHORISED GUARANTEE AGREEMENT

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 means that in the event that your buyer breaches the terms of the lease, you remain liable and you may be required to remedy the breach. However this guarantee can only last for as long as the person / company you assigned to holds the agreement. You are therefore advised to seek appropriate professional advice when assigning your lease.

APPENDIX C

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' sales performance and tie compliance.

HOW IT WORKS

1. Tied products are priced according to the discounts agreed when signing your agreement. In most cases tied prices will be higher than prices available in the open market allowing you to pay a lower fixed rent than would be applicable 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 your agreement.
3. We monitor compliance with the tie by way of:
 - :: Flow monitoring equipment
 - :: Cellar inspections
 - :: Purchasing patterns
 - :: Unique packaging on bottled products
4. We will not impose any liabilities on a tied tenant arising solely from a reading taken from a flow monitoring device without additional supporting evidence being available, such as:
 - :: The physical discovery of a product by your BDM or Admiral's appointed representatives
 - :: A signed admission from you accepting that you have breached the tie
 - :: Non-Admiral packaged products found on site
 - :: Stock reports
 - :: Significant turnover discrepancies compared to your accounts
 - :: Surveillance information
 - :: Third party supplier documentation
 - :: Test purchasing
 - :: Proof of tampering with flow monitoring equipment
 - :: Container balances and tracking
 - :: Refusal to allow your BDM or Admiral's appointed representatives access to any part of the property without due reason

5. Where a breach of tie has occurred we may:
 - :: Seek to recover from you the income lost to Admiral plus an administration fee
 - :: Apply for a court injunction
 - :: Apply for forfeiture of the lease or tenancy agreement
6. Our decision will be based on the severity and number of breaches. However, we reserve the right to determine our course of action in relation to any single breach of the tie.
7. Charges are recovered by way of charges to your trade account.
8. No charges for breach of tie will be made to your account without prior notification.

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 reports
- :: Analyse the busiest periods of trade
- :: The planning of employee rotas
- :: Support a regular line cleaning regime
- :: Advise staff of best practice in draught dispense to reduce wastage

FLOW MONITORING – HOW IT WORKS

1. Flow meters installed in the draught dispense lines measure the amount of draught beer and cider dispensed compared against the amount of beer and cider that is delivered.
2. Whether we install flow monitoring equipment is dependent 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 may request that it is installed as part of the agreed remedy for the breach.
3. Each flow meter is individually calibrated.
4. Flow monitoring procedures recognise and remove line-cleans from measurement.
5. Admiral is responsible for the installation costs and maintenance of this equipment. We will be responsible for ensuring that the equipment installed meets all regulatory and legal requirements.
6. The only cost that you are responsible for is the electricity which powers the unit.
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'.
10. Should it be determined that a breach of tie has occurred and a charge is to be applied to your account, this will not be implemented without prior notification.
11. If the flow meter equipment is to be re-calibrated then you will be invited to attend that re-calibration.

CELLAR INSPECTIONS

1. Your BDM and other appointed representatives of Admiral complete cellar inspections. 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. Under the terms of your agreement, you are required to allow reasonable access for appointed 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 tied on-trade as opposed to that supplied to other channels of trade including the off-trade, supermarkets and wholesalers.
2. If you are unsure about your responsibilities under the tie, or have encountered a stock emergency, then you should discuss this with your BDM before taking any action.

APPENDIX D

RESPONSIBILITY FOR REPAIR MATRIX

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

	Admiral 3 & 5 Year Tenancy Agreement	Admiral Lease
Testing of Landlords Fixtures & Fittings (LLF&F) (Gas, Electrics & Cellar Cooling)	Tenant ⁽¹⁾	Tenant ⁽¹⁾
:: Repair (following test) – Gas and Electrics	Tenant	Tenant
:: Repair (following test) – Cellar Cooling	Tenant ⁽²⁾	Tenant ⁽²⁾
:: Replacement (following test)	AT ⁽²⁾	Tenant
Testing of fire alarm & emergency lighting (5 yearly check of wiring)	Tenant ⁽¹⁾	Tenant ⁽¹⁾
:: Repair (following test)	Tenant	Tenant
:: Replacement (following test)	AT ⁽²⁾	Tenant
Fire alarm & emergency lighting (weekly check)	Tenant	Tenant
:: Repair	Tenant	Tenant
:: Replacement	AT ⁽²⁾	Tenant
Fire alarm & emergency lighting (annual check)	Tenant ⁽²⁾	Tenant ⁽²⁾
Portable appliance testing	Tenant ⁽²⁾	Tenant ⁽²⁾
Testing of lifts & hoists	Tenant ⁽²⁾	Tenant ⁽²⁾
:: Repair (following test)	Tenant	Tenant
:: Replacement (following test)	AT ⁽²⁾	Tenant
Fire fighting equipment testing & servicing	Tenant ⁽²⁾	Tenant ⁽²⁾
Fire fighting equipment remedial work	Tenant	Tenant
To put and keep the Interior of the property including all glass and LLF&F in repair	Tenant	Tenant
To keep the internal decoration in good order	Tenant	Tenant
To keep the external decoration & signage in good order	AT ⁽²⁾	Tenant
To keep the exterior of the property clean, tidy and free of weeds including trimming hedges, trees & shrubs	Tenant	Tenant
To keep all drains, ditches & sewage plant free running and clean	Tenant	Tenant
To keep inventory clean and in good repair & replace where lost or damaged	Tenant	Tenant
To put and keep other areas not specified above in repair including structural works	AT ⁽³⁾	Tenant
Operational obligations — e.g. provision of Health & Safety policy, provision of Accident Book, undertaking Fire Risk Assessment	Tenant	Tenant

Tenant⁽¹⁾ Refers to where a service charge is paid, Admiral undertakes the testing on behalf of the tenant.

Tenant⁽²⁾ Refers to where an enhanced service charge is paid, Admiral undertakes the testing on behalf of the tenant and also remedial work on cellar cooling.

AT⁽²⁾ The Admiral Tenancy agreement does not specify responsibility for the obligations marked with AT⁽²⁾. However, it is our normal policy to meet such repairs or replacements where commercially viable.

AT⁽³⁾ The Admiral Tenancy agreement does not specify responsibility for the repairing obligation marked with AT⁽³⁾. However, it is our normal policy to meet such repairs where commercially viable, however, we reserve the right to claim frustration of the tenancy agreement where the required works are commercially non-viable.

admiral

T A V E R N S

REAL COMMUNITY COMMITMENT

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