



admiral
T A V E R N S

**CODE OF
PRACTICE**

SCOTLAND
VERSION 2

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 MARCH 2013 MARCH 2016 AND MARCH 2019.

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 centred 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 in Scotland under the Scottish Beer and Pub Association (SBPA) Voluntary Code of Practice (hereinafter referred to as the SBPA Code). This Code of Practice 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 its tied licensees in Scotland on agreements of more than one year.

A full copy of the SBPA Code, together with our own Code of Practice, will be provided to all new and existing tied licensees on agreements with a term of more than one year, as well as successors in title.

The SBPA Code places 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 this Code of Practice which are supplementary to the provisions of the SBPA 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 obligations and can be amended from time to time.

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

The protection of the SBPA 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 Pre Entry Training (PET) and the Scottish Certificate for Personal Licence Holders (SCPLH) if necessary. PET must be completed no less than five days in advance of the final interview at which heads of terms are agreed.

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 sufficient information to enable a reasonably efficient operator to understand the nature of the pub business being offered and how this will be embodied in an agreement. This will allow you to evaluate the business opportunity and prepare a detailed business plan. The information provided will include the key terms of the agreement being offered such as the types of agreement available, the proposed term of agreement, the purchasing obligations and net pricing together with all other information specified in the SBPA Code. You will also 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.

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 to you as required by the SBPA Code to prepare your own business plan.

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. 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 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 demonstrate that you have taken independent professional advice. Every licensee new to Admiral will be required to prepare a business plan. We will also advise you to take independent professional advice, however, 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 SPBA 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 any waiver is applied, we will ensure that you acknowledge in writing that the requirement for independent professional advice or for PET, has been waived and will record the same.

YOUR BUSINESS PLAN

Your business plan should be prepared independently and should not be confused with the P&L provided as part of the Rent Assessment. It should include estimations of income and related costs, together with projected profit and loss calculations. You should also consult your financial advisors with regard to the effect of positive and negative changes on the business plan.

The RICS guidance notes entitled Capital and Rental Valuation of Public Houses, Bars, Restaurants and Nightclubs 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.admiraltaverns.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 BDM will also complete a tenancy checklist with you in the form demonstrated in Appendix E (See Appendix E – Tenancy Checklist Form).



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 Manager 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** – Land and Buildings Transaction Tax (LBTT) may be payable depending on the length of agreement you enter into and the initial rent. See LBTT calculator at <https://www.revenue.scot/land-buildings-transaction-tax/tax-calculators>
- :: **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.
- :: **Pre 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 in Scotland (the Admiral Lease and the Admiral Tenancy agreement) but the commitments we make in this 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 in Scotland 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.

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 SBPA 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. 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 within 20 working days, provide you with details of our lease assignment process and information relating to the relevant fees and associated costs.

(See Appendix B — Assignment)

2. ADMIRAL TENANCY AGREEMENTS

For new licensees, this is a fixed three or five year tenancy agreement and is non-assignable.

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.

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.

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 Manager 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 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, net pricing 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 net 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.

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. which includes practical tips and useful advice.

MACHINES

By "Machines" we mean Amusement With Prizes Machines (AWPs), Skill With Prizes Machines (SWPs), 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. In this instance the net Machine income will be included in the pub income and assess for rent once the Machine rental, maintenance and other charges have been taken into account.

The standard sharing arrangement 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.

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 provide full details of the policy including the level of cover, the charges payable and any excess applicable 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 ensure that BDMs new to Admiral have completed appropriate training within 24 months of being appointed. 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 thirty-five days of your letter unless we mutually agree to an alternative timescale. 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.

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 Scottish Certificate for Personal Licence Holders (SCPLH) and Pre Entry Training (PET).

SCOTTISH CERTIFICATE FOR PERSONAL LICENCE HOLDERS (SCPLH)

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 SCPLH you need to apply for your Personal Licence. We recommend the BIIAB SCPLH, 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. You should also take professional independent advice before undertaking any capital investment project.



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 Pre Entry Training (PET). This course is available online through the BII website and must be completed at least five days prior to the final interview where heads of terms are agreed.
- :: Demonstrate that you have taken independent professional advice to prepare a business plan.
- :: If you are to be Designated Premises Manager 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.

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 net pricing 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 irritancy 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 or 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 in the form of a P&L statement. Where the rent is being revised for the purposes of a subsequent rent review (or Rent Assessment), you will be provided with a Rent Assessment Proposal.
- :: Rents are assessed in accordance with 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. 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 a form similar to Appendix A of this Code of Practice. The minimum information requirements set out in the SBPA Code will also be provided, 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.
- :: 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.



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 from a suitably qualified trade valuation advisor 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 from a suitably qualified trade valuation advisor 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.



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, you 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. Once you have elected to resolve a rent review dispute via PIRRS, both parties will be bound by the decision.

Please note an application to PIRRS must be made no more than 6 months and no less than 3 months prior to expiry of the term of your agreement, there having been no existing breach of your agreement and all of the terms of the new agreement are agreed save for the rent.

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

RENEWALS

As a licensee in Scotland, you do not have a statutory right to renew your agreement when your agreement expires. However, you have the right to be granted a further twelve month term unless notice is served to the contrary at least forty days from the end of your agreement.

We will write to you at least three months prior to the expiry of your agreement to advise you of the forthcoming expiry and that your BDM will make contact with you to discuss the options available.

ASSIGNMENTS

ASSIGNATION 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 make informed 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 Admiral and will inform a prospective Assignee that they must:

- :: Demonstrate they have complied with the requisite pre-entry training.
- :: Obtain proper independent professional advice and produce a business plan.
- :: Carry out a full structural and conditional survey of the premises.

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

Upon termination of your agreement, we reserve the right under the agreement to purchase the trade fixtures and fittings owned by you. If we elect to exercise that option, then a valuation will be carried out by an independent trade valuer and the balance will be allocated to your rent and trade account with Admiral. Admiral will aim to pay you any credit balance within 28 days of the end of your occupation, however the payment is subject to your rent and trade account being fully reconciled.

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.

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.

If you serve notice to terminate your agreement we will provide a schedule of repairs within two months of receiving your notice.

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 instance 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.

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 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 SBPA Code or this 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 but in any event within thirty-five working days of receipt. 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.

These timescales are important to us and if we fail to comply with the timescales we set ourselves, or indeed to respond at all, then you may refer the matter directly to PICAS (see below for details of PICAS).

In the event that we do respond and you still remain dissatisfied with our response you may again elect to refer the matter for independent review by PICAS. 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. If your dispute is not rent review related you may elect to refer the matter to either the Courts or PICAS as is your preference.

PUB INDEPENDENT CONCILIATION AND ARBITRATION SERVICE (PICAS)

In the event that you have not been able to reach a resolution of a problem or dispute with us after going through our company's own dispute resolution procedures you may refer the problem to PICAS irrespective of any terms within your lease. As with PIRRS, both parties by signing terms and conditions to enter PICAS agree to be bound by the decision of the PICAS Panel. However, this does not forfeit your right to seek further redress through the law courts.

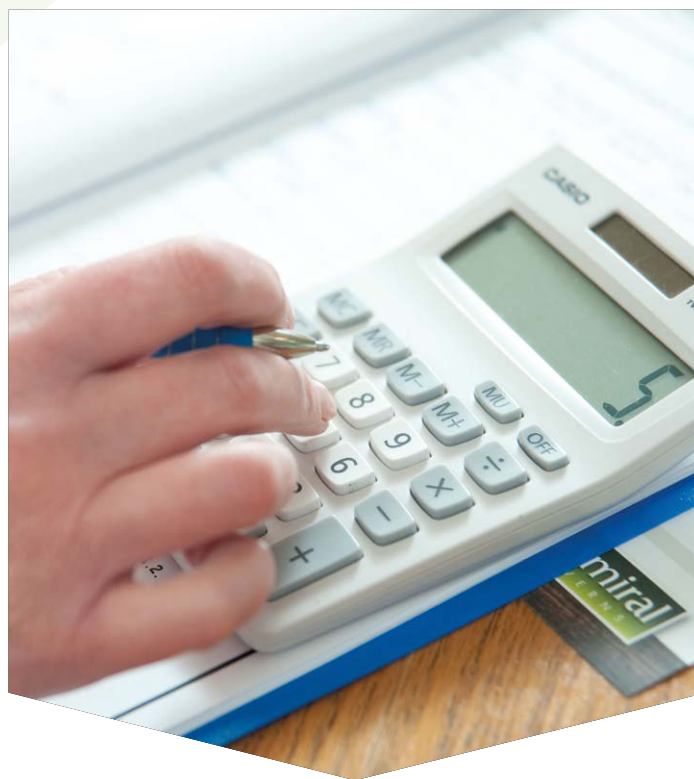
You may make an application to PICAS where you believe that the company has not complied with the terms of the SBPA Code or this Code of Practice, or where the behaviour of the company has not reflected the intentions set out in the Code. Rental issues should be referred to PIRRS but all other matters can be raised through PICAS.

Full details of the application process and the procedures to follow when referring a complaint to PICAS are available from our website at www.admiraltaverns.co.uk or directly from the PICAS website at www.picaservice.com

We are committed to the professional standards enshrined in these Codes and to the operation of both PIRRS and PICAS.

ADDITIONAL ADVICE

Our Code of Practice is based upon the SBPA 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.



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)	Net price per Brl/Ltr	Total Sales (excl VAT)	Gross Profit (excl VAT)	GP %	Sales mix %
Lager (Standard)			Pint						
Lager (Premium)			Pint						
Ales (Keg and Smoothflow)			Pint						
Ales (Cask)			Pint						
Stout			Pint						
Cider (Keg)			Pint						
Bottled Beers			330ml						
Bottled Cider			568ml						
FABS/Specialities			275ml						
Wine (Litres)									
Spirits (Litres)									
Minerals - Packaged (Litres)									
Minerals - Diluted/Post mix (Litres)									
Estimated Draught Beer and 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 AND GROSS PROFIT		

EXPENSES	% Total Sales	ALMR Benchmark Costs
Bar and Catering Wages		
Total Wages and Salaries		
Utilities		
Rates		
Repairs and Renewals		
Buildings Insurance		
Tenant's Business and Contents Insurance		
Service Charge and licensing		
Total Premises Costs		
Entertainment and 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 and 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)	
--	--

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

ASSIGNATION

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 possible but in any event within 20 working days.
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. Please note that should the assignment not proceed after the dilapidations survey has 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. This report will 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 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 assignment. Should you disagree with the survey 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 Schedule of Dilapidations we will forward to you the required information outlined in the SBPA Code which includes (amongst other information) a copy of this Code of Practice and the SBPA 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 take proper independent and professional advice (legal and business advice). We will need written confirmation from the Assignee that they have received this information and carried out a full structural and conditional survey of the premises 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 re-approve their business plan which should be prepared following receipt of the advice outlined above.
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 required information has been received and advice has been taken.
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.

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 net pricing 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, calibration 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 visit the property to conduct a calibration of the flow meter equipment, which you will be invited to attend. If a variance is identified, the BDM or other company representative will conduct an on-site investigation to establish whether, in our opinion, a breach of tie has taken place.
8. 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'.
9. 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.
10. If the flow meter equipment is to be re-calibrated for any other reason then you will be invited to attend that re-calibration.
11. 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.

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 and Fittings (LLF&F) (Gas, Electrics and 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 and emergency lighting (5 yearly check of wiring)	Tenant ⁽¹⁾	Tenant ⁽¹⁾
:: Repair (following test)	Tenant	Tenant
:: Replacement (following test)	AT ⁽²⁾	Tenant
Fire alarm and emergency lighting (weekly check)	Tenant	Tenant
:: Repair	Tenant	Tenant
:: Replacement	AT ⁽²⁾	Tenant
Fire alarm and emergency lighting (annual check)	Tenant ⁽²⁾	Tenant ⁽²⁾
Portable appliance testing	Tenant ⁽²⁾	Tenant ⁽²⁾
Testing of lifts and hoists	Tenant ⁽²⁾	Tenant ⁽²⁾
:: Repair (following test)	Tenant	Tenant
:: Replacement (following test)	AT ⁽²⁾	Tenant
Fire fighting equipment testing and 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 and signage in good order	AT ⁽²⁾	Tenant
To keep the exterior of the property clean, tidy and free of weeds including trimming hedges, trees and shrubs	Tenant	Tenant
To keep all drains, ditches and sewage plant free running and clean	Tenant	Tenant
To keep inventory clean and in good repair and 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 and 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.

APPENDIX E

In respect of:	
Date:	Venue:
Attendees:	

1. CONSIDERATION OF APPLICATION FORM:

- :: Experience of applicant's personal circumstances and ability to hold licence
- :: Review of applicant's business plan (must be signed/dated by applicants)
 - :: Proposal for business short and longer term
 - :: Profit and loss accounts for at least two years
 - :: Cash flow forecasts
- :: Confirmation of applicant's financial position
 - :: Proof of finance seen
 - :: Reference information
- :: Copy of personal licence received
- :: Proof of pre-entry training received ahead of final interview

2. DISCUSSION OF TENANCY TERMS:

- :: Length of Tenancy
- :: Discussion of rent offered by applicant/agree rent by negotiation with regard to the maintainable business of the pub
- :: Frequency rent is payable
- :: Rent review provisions – explanation of rent review procedure and specific timetable
 - :: Is the rent indexed to RPI/CPI (explain)
 - :: Periodic Review at end of each agreed term (normally 3, 5 or 6 years)
- :: Benchmarking reports e.g. BBPA, ALMR, RICS
- :: Dispute procedure – explanation of PIRRS and PICAS
- :: Building insurance – who pays the building insurance – explain process
- :: Tenants Insurance – explain their obligations – etched glass, public liability, employer's liability, loss of cash etc.
- :: Repair obligations – refer to tenancy agreement – explain who is responsible for what
- :: Alterations – what can a tenant alter without permission under the tenancy – explain joint improvements with tenants – explain permissions to re-decorate (if any) and why
- :: User clause – normally just pub, but can have restaurant or letting added where appropriate
- :: Opening Hours – agree opening hours
- :: Tie – explain the extent of the tie – explain beer flow meter procedure if in place
- :: Machine Income – terms of supply – explain terms of supply/share of income

3. OTHER PROPERTY MATTERS:

- :: Rating – explain re rates and any experts the company has to help with review of rates
- :: Discussion of physical state of property and any plans company has to invest
- :: Discussion of other company outlets operating in locality especially if an investment is imminent

4. BUSINESS MATTERS:

- :: Ensure applicant has had details of:
 - :: Past three years history of goods supplied
 - :: Past three years turnover figures (if previously managed house)
 - :: Rent assessment
 - :: Copy of the premises licence and any restrictions it contains/ recent enforcement action
 - :: Details of any restrictions on the usage of the property
 - :: Copy of all wet product price lists
 - :: Blank copy of the agreement on offer
 - :: Beer flow monitoring equipment procedure where applicable
 - :: Terms of Trading – credit facilities, etc.
 - :: Discussion of previous operators of property
 - :: Explanation of net pricing if applicable to agreement ::
- Explanation of Capital Investment Policy if applicable
- :: Discuss ongoing training given to BDMs and the business support the applicant can expect from them

5. ESTIMATED INGOING COSTS:

- :: Explanation of incoming costs
 - :: Rent in advance £ _____
 - :: Deposit £ _____
 - :: Inventory £ _____
 - :: Stock/glassware/working capital £ _____
 - :: Admiral Administration Fee £ _____
 - :: Improvements/repairs £ _____
 - :: Estimated total ingoing £ _____

6. PROCEDURAL MATTERS:

- :: Heads of Terms Letter sent following successful application – needs to be signed and returned
- :: Explain procedure for completion day
 - :: Tenancy must be properly completed
 - :: Rent/deposit/fees/inventory should be paid via solicitors in advance
 - :: Valuers for both parties will usually check stock/inventory on day of change
 - :: Explain transfer of undertakings procedure
 - :: Explain minimum training requirements if applicable
 - :: Explain open book accountants' procedure if applicable
- :: Re-iterate the requirement to have sought professional advice before signing agreement

7. FINAL

- :: Confirmation of rent agreed £ _____
- :: Confirmation of proposed change date if possible

I/We the undersigned confirm that the above subjects have been fully discussed.

I/We were given the opportunity to ask questions on all aspects of the premises.

I/We were supplied and given an explanation of the contents of the SBPA Voluntary Code of Practice and the Admiral Code of Practice (Scotland).

Applicant Signature	Date
Interviewer Signature	Date



admiral

T A V E R N S

REAL COMMUNITY COMMITMENT

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