

RUNNING A PUB

Information guide



**HELPING AND INSPIRING ENTREPRENEURS
FOR NEARLY 300 YEARS**

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Front cover image: Elizabethan, Dumfriesline

1: INTRODUCTION

1.1: FOREWARD

Our industry-leading reputation for excellent, real, genuine working partnerships with our Licensees – some running more than one pub with us – has led us to develop a unique way of working which is demonstrated in this Guide. We believe our Licensees choose an Agreement with Belhaven because they value the partnership with us and the support a Tied Agreement provides.

Our Licensees tell us that they appreciate the relatively low level of capital required to launch their own business within a Tied Agreement. We believe they also recognise the lower costs and reduced risks associated with this type of arrangement. We believe you'll like working in partnership with us because we see everyone as an individual with different needs.

1.2: ABOUT BELHAVEN

Belhaven is a trading division of Greene King and operates pubs through Greene King Pub Partners, our specialist tenanted and leased division.

Greene King is a pub retailer and brewer founded in 1799 and is headquartered in Bury St. Edmunds, Suffolk. We operate over 3,000 pubs, restaurants and hotels across England, Wales and Scotland, and we are the UK's leading cask ale brewer and premium ale brewer, brewing quality ale brands such as Greene King IPA, Old Speckled Hen, Abbot Ale and Belhaven Best from our breweries in Bury St Edmunds and Dunbar.

Greene King Pub Partners, owns c. 1,200 tenanted, leased and franchised pubs across England, Wales and Scotland. Our diverse estate ranges from traditional British pubs serving cask ale to high street bars, and even Britain's only two Michelin starred pub. Our tenants are given comprehensive training and receive unrivalled support from the best Business Development Managers in the business.

1.3: THE CODE OF PRACTICE – SCOTLAND

As a pub-owning business operating pubs in Scotland we are signatories to the voluntary Pub Sector Code of Practice Scotland (the Code). The Code sets out the minimum standards a Licensee can expect when entering into a relationship with a pub-owning business and whilst running their business. The Code is supervised by the Pub Governing Body (www.thepubgoverningbody.co.uk).

1.4: WHO DOES THE CODE APPLY TO?

The Code applies to all Licensees entering into or already operating a tied agreement with Belhaven, whether it is a Tenancy or Lease Agreement. It also includes Licensees who enter into a Belhaven Lease by way of assignment.

We use the word Licensee to refer to both a Tenant and a Lessee. There is a glossary at the back of this guide explaining the terms we use in more detail.

The Code does not apply to temporary agreements of one year or less. At Belhaven this will include tenancies at will (TAWs), Licences to Occupy (LTO) and one year agreements. The Code does not apply to agreements which are free of tie.

1.5: ABOUT OUR INFORMATION GUIDE

Our information guide sets out important information you need to know about running a Belhaven pub and our ways of working with you. The contents of this document do not form terms of your Agreement and they are not intended to have legal effect. However, it is important that you read and consider the contents of this Guide in-conjunction with the Code when preparing to enter into an Agreement with us and when dealing with us after the Agreement has been granted.

2: ENTERING INTO A TIED AGREEMENT

2.1: OUR TIED AGREEMENTS

When you take on a Tied Agreement with us, we provide you with a licensed public house and supply you with an appropriate range of beers, ciders, flavoured alcoholic beverages, wines, spirits and soft drinks.

We have a range of pricing models available that enable you to maximise your business opportunity in the local market place. Our suite of agreements provides differing opportunities, which our Business Development Manager will discuss with you. Our agreements offer standard terms. Generally we do not amend the terms of our agreements. However, in certain circumstances we may do so, if your business plan requires a different approach, and this would be reflected in your heads of terms letter. All agreements will be fair, reasonable and comply with all legal requirements. Belhaven operates a range of tied agreements, a summary of which is detailed below.*

* We regularly review the agreements we offer to Licensees. Details of those set out below reflect the principal types of agreement available as of August 2016. We may offer a one year agreement if a Licensee is looking to run a pub on a short term basis or we are uncertain about the future of the pub, which will be made clear at the time of granting the Agreement. We do not operate a cooling off period for any of our agreements. Details of the current agreements we have available can be found on our website www.greenekingpubs.co.uk.

STANDARD TENANCY AGREEMENT

- This is a 5 year fixed-term non-assignable Tenancy Agreement.
- You will be tied to purchase drinks from Belhaven.
- You will be tied for Amusement Machines, which are supplied by us on a 50/50 profit split.
- The Rent is subject to annual Retail Prices Index (RPI) increases, which is capped dependent on your annual head rent. We will advise you of the cap prior to your acceptance of an Agreement.
- The agreement can be ended by you at any time with 6 months' notice and payment of a standard notice fee (3 months' rent).
- You are responsible for all non-structural repairs to the pub and Belhaven is responsible for the structure of the building, details of which are set out in a Maintenance & Service Agreement.
- You will be required to pay a Maintenance & Service charge which covers most of your compliance and statutory obligations.
- Buildings Insurance is provided by Belhaven and recharged to you.
- You will be required to fully purchase the Inventory. Subject to prior approval, we may be able to assist you through our nominated financiers or, in exceptional circumstances, our Assisted Purchase Scheme can be used to fund up to 50% of the Inventory. An assisted purchase agreement will be required for this.
- You will be required to pay a deposit, which is usually 25% of the annual head rent, minimum £6,000.
- You will be required to complete the mandatory and pre-entry training courses provided by Belhaven before the Agreement can be granted.

TURNOVER TENANCY AGREEMENT

The principal terms of the Turnover Tenancy Agreement are the same as the Standard Tenancy Agreement. However, the rent you pay is calculated based on the performance of your business. You'll pay a fixed basic rent and a percentage of your weekly net turnover sales, known as the Turnover Royalty.

In order to calculate the Turnover Royalty, Belhaven will provide, free of charge, an Electronic Point of Sale (EPOS) till system. The number of tills installed will depend on the size of your business. We will use the EPOS data to calculate the Turnover Royalty each week, which is charged to your Trade Account in arrears on a weekly basis.

You must take independent professional advice to ensure you are making the right choice when choosing to operate one of our pubs under a Tied Agreement with us.

LOCAL HERO TENANCY AGREEMENT

The philosophy behind our Local Hero Agreement is about supporting local provenance in food and drink. A Local Hero pub is a traditional, welcoming, proper pub at the heart of the local community.

The principal terms are based on our Standard Tenancy Agreement, with additional unique elements including:

- 50% of cask ale is free of tie.
- Discount on Belhaven's own brand cask ales.

- Flexible marketing support for all occasions.
- Discounted wholesale prices for minerals, wines and spirits.
- You will be tied for Amusement Machines, which are supplied by us on a 50/50 profit split.

As with the Turnover Tenancy Agreement, a fixed basic rent is paid along with a simple turnover royalty, which is calculated as a percentage of the weekly net turnover sales.

STANDARD LEASE AGREEMENT

Our fully repairing and insuring (FRI) 'Put and Keep' Lease Agreement.

- A ten year Lease Agreement, with the option to extend in 5 year blocks to a maximum of 25 years.
- You will be free of tie for wines, spirits and minerals. We will provide discounted prices for these products when purchased through Belhaven. All other drinks products will be tied and will require purchase from Belhaven.
- You will be tied for Amusement Machines, which are supplied by us on a 50/50 profit split.
- The Rent is subject to annual Retail Prices Index (RPI) increases, which is capped dependent on your annual head rent. We will advise you of the cap prior to your acceptance of an Agreement.
- A five yearly open market rent review is conducted (upwards or downwards).
- You will have the option after two years to sell on your business to another party. This is known as Assignment.
- You will have the full responsibility for all repairs, decoration and maintenance of the whole property and grounds. The repairs clause includes a 'Put and Keep' obligation.
- You are responsible for all statutory compliance including testing and certification throughout your Agreement.
- Buildings Insurance is provided by Belhaven and recharged to you.
- You will be required to fully purchase the Inventory.
- You will be required to pay a deposit, which is usually 25% of the annual head rent.
- You will be required to complete the mandatory and pre-entry training courses provided by Belhaven before the Agreement can be granted.

2.2: APPLYING FOR A PUB

Applying to take on a Belhaven pub will require you to complete an online application form. When you are looking at a specific pub that you believe might suit your requirements we will provide you with all the essential information you need to help you prepare your business plan. This information will be supplied to you by our Recruitment Team.

Although our Business Development Manager may meet with you to discuss general opportunities, a formal meeting to discuss a specific pub will only be conducted once you have prepared your business plan as described in section 3.1.

Your business plan will be scrutinised by the Business Development Manager, and will be discussed in detail with you to understand your plans and affordability. At the formal meeting you will also be required to provide your proof of identity, proof of funding and your Pre-Entry Awareness Training (PEAT) certificate (see section 3.3).

Your business plan will be verified by another representative of Belhaven, prior to any further meetings with Belhaven.

Once we have confirmed your business plan, and subject to credit checks following your credit consent, you will be invited to a final meeting with a senior member of our operations team. If you are successful, our senior team member will confirm in principle your appointment at the pub, and a Heads of Term letter, subject to contract, will be prepared and sent to you (see section 3.4).

2.3: THE INFORMATION WE PROVIDE PROSPECTIVE LICENSEES

Before entering into an agreement with Belhaven, we will provide you with the following:

1. Details of the type of agreement the pub is offered on, including a specimen agreement. For Tenancy Agreements, this will also include a copy of the Maintenance and Service Agreement (see section 5.1 for more information).
2. Details of a superior landlord, where applicable, with name and address details.
3. A rent proposal, which will include a Shadow Profit and Loss Report (Shadow P&L) and a Rent Assessment Overview. The Shadow P&L shows how we have calculated the rent. It includes our assessment of Fair Maintainable Turnover, gross profit, associated operating costs, and anticipated future profitability that should be achieved by a reasonably efficient operator. It will also include a breakdown of income from drink, food, and other areas and gross profit. The Shadow P&L is for illustrative purposes only and does not guarantee income or profit. The Rent Assessment Overview explains the assumptions we have made in the Shadow P&L.
4. An illustration of the indexation rate impact on the rent during the term of the agreement of five years, or first rent review. For more information on indexation (see section 4.6).
5. A summary of trade volumes for products purchased from

Belhaven over the past three years, and details of service charges during the last three years, where available. If these details are not available then we will explain why. It should be noted that historic trading data is not a guarantee of future trading performance.

6. An estimation of the entry costs to include deposit, fixtures and fittings valuation (which will be confirmed on the day of change by an independent valuer), costs for preparing your Agreement, Belhaven's legal fees, Training Fund and Working Capital.

You may have to pay Stamp Duty Land Tax (SDLT) on completion of your Agreement. You should check this with HM Revenue & Customs or your legal advisor.

7. A full description of the pub including:

- Full details of the Premises Licence and licence conditions. The Premises Licence is held by Belhaven. The annual cost of this licence with the local authority is re-charged to you. Any costs associated with any subsequent reviews or variations will also be re-charged to you. For more information, please refer to our Guide to Charges.
- Details of any enforcement action taken by any public authority during the previous 2 years, where known.
- Details of any foreseeable material changes to the commercial conditions in the pub's local areas, where known, to include details of any planned capital developments at Belhaven pubs within the vicinity, where statutory planning consent has been received and details are in the public domain.
- Details of any restrictions on the use of the pub, such as planning constraints, access to the premises etc.
- Details of any specific problems in the pub.

8. A copy of the Schedule of Dilapidations issued to the outgoing Licensee.

A Schedule of Dilapidations will have been prepared by an independent Chartered Surveyor. This confirms any repairs that the outgoing Licensee needs to complete before they leave.

9. Where a significant investment of capital is to be made, details of the investment will be provided including design plans and a Shadow P&L to reflect the rental assessment of the opportunity.

10. A Safe Start pack, which will include a full set of current statutory test certificates. These cover:

- Gas for both domestic and commercial use.
- Asbestos.
- Electrical fixed wiring.
- Portable electrical appliances if they are owned by Belhaven.
- Fire alarm and emergency lighting.
- Fire risk assessment.

11. Amusement machines information (see section 7.6).

12. Our Guide to Insurance which provides details of our Buildings Insurance.

13. An Energy Performance Certificate.

14. Demographic information relating to the pub.

Additional information and guides:

- a) A copy of the Pubs Sector – Scotland Code of Practice.
- b) Our information guide – Running a pub.
- c) A Belhaven Price List.
- d) A copy of our Guide to Charges.
- e) A guide to our Training services.
- f) Industry benchmarking reports such as:
 - The British Beer & Pub Association - Guide to costs for tied tenants and lessees.
 - The Association of Licensed Multiple Retailers – Benchmarking Report
- g) RICS* Guidance - The current edition of ‘The Capital and Rental Valuation of Public Houses, Bars, Restaurants and Nightclubs.’

h) Business planning templates, including business plan, profit and loss, cash-flow and sensitivity analysis available on our website www.greenekingpubs.co.uk under Business Planning.

Where we are marketing a pub with a planned investment, we will provide information on the investment including a sketch or an artist’s plan (if any) of the works we are planning. You will be required to enter into an investment agreement which will set out the details of the investment.

Where you are entering the pub by way of a lease assignment (refer to section 9.2), we will provide the same level of information as listed.

If you request any further information we shall supply it subject to it being available. If we are unable to provide the information we will explain why.

* The Royal Institution of Chartered Surveyors (RICS) - RICS is the one of the world’s leading professional bodies for qualifications and standards in land, property and construction. Visit their website at www.rics.org.



2.4: OTHER INFORMATION YOU MUST CONSIDER

You must consider your obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) when taking on your new pub business.

You will have a responsibility to obtain information about the staff employed by the business and the outgoing licensee has a responsibility to provide you with all details and contracts of staff employed by the business including; name, address, date of birth, hours worked per week, rate of pay, National Insurance number, employment commencement date, holiday pay, details of staff on maternity/ paternity/ sick leave.

We strongly recommend you seek specialist employment advice to ensure you fully understand your obligations under TUPE.

3: OBLIGATIONS ON OUR APPLICANTS AND LICENSEES

3.1: PREPARATION OF A BUSINESS PLAN

Before entering into a new agreement with us, you must prepare a business plan. Your business plan must contain estimations of incomes and related costs together with projected profit and loss calculations including a sensitivity analysis.

We strongly recommend that you seek independent professional legal and financial advice from professionals who understand the licensed trade when preparing your business plan. Your advisors should be consulted on the effects of changes on the business plan, both positive and negative.

We will require evidence that you have obtained proper independent advice from appropriately qualified professionals in the preparation of your business plan before we are able to progress your application and grant an Agreement. We would consider letters of engagement from your advisors as evidence that you have undertaken appropriate independent professional advice.

Business planning templates including business plan, profit and loss, cash-flow and sensitivity analysis templates are available online at www.greenekingpubs.co.uk under Business Planning.

3.2: PROPERTY INSPECTION

You must ensure you have fully inspected the whole premises before entering into an agreement with us, including the private accommodation areas which you intend to live in.

Our Agreements are fully repairing and include 'Put and Keep' repairing obligations. This means that no matter what the condition of the property is at the start of the Agreement, you must repair the property and put it into a good condition and keep it in that condition at all times. This means that even if repair work is needed at the start of the Agreement, it is your responsibility to carry out the repair. If any works are identified these will be recorded by way of a Schedule of Works, which you will be provided with prior to the granting of your agreement. Your obligation to repair the property means repairs to all of the property. For further information, please refer to your Agreement.

To ensure that you understand your repairing obligations under Lease Agreements, you must arrange for your own full structural survey of the property to be carried out by a suitably qualified person. In addition, you should arrange for any associated supplemental specialist reports as recommended by your surveyor. These are anticipated to include an electrical survey, a video drainage survey and a mechanical/gas survey.



3.3: TRAINING

We provide award-winning and industry-leading training to help you get the best possible start and ensure you're qualified to run your pub.

Mandatory pre-entry awareness training

Before meeting with one of our Business Development Managers to discuss the terms for a specific pub, or where a new agreement is being granted, you must complete the BII Pre-Entry Awareness Training (PEAT).

PEAT is an e-learning training package for licensees who are considering signing a pub tenancy or lease agreement. PEAT will provide sufficient information to help you fully understand the implications of the pub tenancy or lease.

Other mandatory training

Before entering your pub, you must attend and/or complete the following training.

- Scottish Certificate for Personal Licence Holders to obtain a Personal Licence if you do not already hold one.
- Belhaven Safe Start online training module, to ensure you understand both our and your responsibilities in regards to statutory property obligations (see section 5.3).
- Level 2 Award in Food Safety if you are going to be handling or preparing food for customers.

Other training

Our induction training programme helps you to understand your pub and plan for the future. All new Licensees must attend this programme prior to entering a pub. It can be completed as a residential course or as individual modules. Please see our Guide to Training for course details and costs.

We can also offer one-to-one training with a Specialist Tenant Trainer in a working pub to help get you started.

The mandatory and pre-entry training will be paid for by a Training Fund that you provide before you enter your pub. Details of this fund can be found in our Guide to Charges.

In the case of multiple operators, the Licensee should attend all training. However, in exceptional circumstances a manager may be appointed to attend the training.

Ongoing training

Our training support doesn't stop when you enter your business. To ensure you're able to make the most from your business, we host and manage high level development courses for you and your staff throughout the year and we provide in-pub and online training too. Take a look at our training guide for more information.

3.4: HEADS OF TERMS LETTER

Once the terms of your Agreement are reached we will provide an initial heads of terms letter outlining the principal elements of the proposal including the nature, scope and extent of your obligations. For Tenancy Agreements a copy of your Agreement will also be supplied. For Lease Agreements, we will provide a specimen copy of a Lease Agreement. Your actual Lease Agreement will be provided under separate cover from our solicitors. We strongly recommend you seek independent professional advice before you sign your Agreement.

3.5: THE PRE-AGREEMENT MEETING

The Pre-Agreement Meeting is very important. Before you sign your Agreement and fully commit yourself, and prior to moving into the pub, a Pre-Agreement Meeting will be arranged. It is at this meeting that our Business Development Manager will undertake a final check with you to ensure that you have a clear understanding of all aspects of the Agreement, our and your responsibilities, the Code and all other terms of trading with us.

3.6: PAYMENT OF DEPOSITS AND PAYMENT TERMS

You will be required to pay a deposit in the granting of an agreement with us. This is usually 25% of the annual head rent. This deposit will be retained by us for the term of your agreement and will accrue interest based on the published base rate of Barclays Bank plc or any other bank we may nominate from time to time.

Before you take over your pub, your BDM will discuss your payment terms and any potential credit facility with you. Your payment terms will be agreed based on the level of your deposit and whether you own your Fixtures and Fittings (either in part or in full). If more favourable payment terms are entered into during the term of your agreement, we may seek to increase the level of deposit.

When you leave your pub, as long as you have kept to all your obligations under your agreement and you have paid all monies due under the agreement, we will repay the deposit together with any interest that has accrued. See section 9.5, The Exit Process, for more information.

If you become insolvent the deposit will be applied to any outstanding arrears on your account.



4: RENT

4.1: HOW WE CALCULATE YOUR INITIAL RENT

We use the profits method of valuation, which is adopted throughout the industry.

We follow the current guidelines set by an independent professional body, the Royal Institution of Chartered Surveyors (RICS)* when making initial rent assessments, assessments for rent reviews and for agreement renewals. We hold regular Rent Panel meetings at which all commercial agreements including initial rent assessments, rent reviews and agreement renewals are signed off by our Rent Panel members.

To calculate your rent we assess the Fair Maintainable Turnover, gross profit, and associated operating costs to produce the Fair Maintainable Operating Profit for the pub. We then deduct an allowance for a return on capital invested in the business to produce what is known as the 'Divisible Balance'. The rent payable is a percentage of this amount.

When assessing Fair Maintainable Operating Profit our assumptions are based on the performance of a Reasonably Efficient Operator (REO). This may differ from the actual performance for the pub depending on how it is being operated.

We review the current and previous years' trading performance of the pub and projections for the future. We will provide you with the last three years trading volumes of products purchased from Belhaven, and details of service charges during the last three years, where available. If these details are not available then we will explain why. It should be noted that historic trading data is not a guarantee of future trading performance.

We will visit the pub within at least three months prior to the rent assessment being undertaken. We will also assess the market for the pub including competition in the area as well as local demographic, economic and planning factors.

In assessing fair maintainable expenses for running a pub we take into account actual costs where relevant, such as rates

payable, and we use industry benchmarking guidance including the British Beer & Pub Association Guide to Costs and the Association of Licensed Multiple Retailers' Benchmarking report.

For all Agreements we will assess the anticipated repair and maintenance costs for the property that you should budget for. This will reflect your repairing obligations as stated in your Agreement. For full repairing Lease Agreements the allowance will reflect the greater obligations for a lessee. In some cases we may negotiate a lower rent with you for an agreed period to take into account the put and keep obligations under a full repairing Lease.

Products that are subject to a tie will be assessed at tied wholesale prices and products that may be purchased free of tie will be assessed at their open market wholesale prices.

Our rent calculations are generally based on operational costs relevant to an owner-operator. However, where the anticipated market for a pub comprises mainly of operators who would run the pub with a manager an appropriate allowance may be made.

Please note that current and past performance of a pub is no guarantee as to future Fair Maintainable Turnover and operating profit. You must ensure you seek independent advice to ensure your rent has been set correctly.

* The Royal Institution of Chartered Surveyors (RICS) review their guidelines periodically, and we adopt any updates where applicable. Visit their website at www.rics.org for a copy of their guidelines. Alternatively visit the BII website at www.bii.org/documents.

4.2: THE RENT ASSESSMENT PROPOSAL

For all new Agreements and rent reviews, we will provide a Rent Assessment Proposal, which will contain:

- A Shadow Profit & Loss Report containing turnover, gross profit and cost assumptions and show how the rent has been calculated (see example in section 4.3).
- A Rent Assessment Overview which will include the following relevant information, where available:
 - The last three years' trading volumes of products purchased from Belhaven.
 - The last three years' service charges (insurance and maintenance and service charge).
 - Reference to the information that has been considered and assumptions made when preparing the rent assessment
- Written confirmation by one of our, Estates Managers, who are Chartered Surveyors, that the Rent Assessment Proposal has been prepared in accordance with RICS guidelines.

Our Shadow Profit & Loss Reports are prepared in good faith based on reasonable assumptions.

We will comply with any reasonable request for further information which is relevant to the negotiation of the rent. If we are unable to provide the information requested, we will provide a reasonable explanation as to why it cannot be provided as soon as is reasonably practical.

RENT ASSESSMENT PROPOSAL OVERVIEW				GREENE KING ESTATES MANAGERS	
<small>(Only fill out the YELLOW boxes)</small>					
1000 - Dog and Duck (Anytown)					
AGREEMENT TYPE				TIE / MACHINE TIE	
ASSESSMENT REASON				ASSESSMENT DATE	
PROPOSAL ID				PRINTED DATE	Tuesday, 19 July 16
VOLUME PURCHASE HISTORY		2013 / 14	2014 / 15	2015 / 16	Greene King Financial year is May-April. Volume is measured in composite barrels. For conversion units refer to note at bottom of SPL Report. Volume is only for purchases from Greene King not other suppliers.
	Beer	0	0	0	
	Other	0	0	0	
	Total	0	0	0	
SERVICE CHARGE HISTORY		2013 / 14	2014 / 15	2015 / 16	
	Insurance	0	0	0	
	MSA	0	0	0	
GENERAL COMMENTS <small>(Pub facilities and location)</small>					
DRINKS SALES COMMENTS					
FOOD SALES COMMENTS					
OTHER SALES COMMENTS <small>(Including Net Machine Income)</small>					
EXPENSES COMMENTS <small>(Including comparison with benchmarking information)</small>					
RENT BID % AND ADJUSTMENTS COMMENTS					
<small>Note: This rent assessment overview should be read in conjunction with the Shadow Profit & Loss report (ID reference stated above) prepared for the above pub. The rent assessment proposal has been prepared in accordance with the RICS guidance.</small>					
SIGNED BY				DATED	
PRINT NAME					
RICS MEMBERSHIP NUMBER					

4.3: SHADOW PROFIT AND LOSS REPORT

9999 – Pub Name (Town) – Shadow Profit & Loss Report

Subject to Contract and Without Prejudice

Sales	Composite Barrels	Retail Selling Prices (Incl VAT)	Wholesale Cost (ex VAT)	Total Sales (ex VAT)	Gross Profit £	Gross Profit %	Sales Mix %
Cask Ale	40	£3.40	£351	£32,640	£18,589	56 %	8.3 %
Cask Ale - Non GK	0	£0.00	0	0	0	0 %	0.0 %
Brewery Conditioned Beer	0	£0.00	0	0	0	0 %	0.0 %
Draught Cider	10	£3.80	£416	£9,120	£4,959	54 %	2.3 %
Draught Cider - Non GK	0	£0.00	0	0	0	0 %	0.0 %
Draught Stout	8	£3.90	£480	£7,488	£3,645	48 %	1.9 %
Premium Draught Lager	15	£3.80	£484	£13,680	£6,414	46 %	3.5 %
Standard Draught Lager	60	£3.60	£403	£51,840	£27,615	53 %	13.2 %
Sediment & Wastage	-3			(£2,701)	(£2,701)	-0.7 %	
TOTAL DRAUGHT BEER	130			£112,067	£58,521	52.2 %	28.6 %
PPL (330ml)	3.6	£3.30	£459	£4,950	£3,283	66.3 %	1.3 %
FABs (275ml)	4.1	£3.30	£442	£5,610	£3,597	64.1 %	1.4 %
Packaged Cider (568ml)	3.1	£3.30	£435	£2,475	£1,115	45.1 %	0.6 %
Packaged Other (275ml)	0.0	£0.00	0	0	0	0.0 %	0.0 %
TOTAL BEER	141			£125,102	£66,516	53.2 %	31.9 %
Postmix Minerals	2.9			£15,375	£12,322	80.1 %	4.0 %
Packaged Minerals	4.9			£9,048	£6,874	76.0 %	2.0 %
Wines	30.4			£44,928	£22,551	50.2 %	11.0 %
Spirits	4.9			£18,005	£15,119	84.0 %	5.0 %
TOTAL DRINKS SALES	184			£212,458	£123,382	58.1 %	54.2 %
Food				£175,604	£106,085	60.4 %	44.8 %
Crisps, Nuts and Confectionary				£4,160	£1,456	35.0 %	1.1 %
Other Sales				0	0	100.0 %	0.0 %
TOTAL SALES				£392,222	£230,923	58.9 %	100 %
Net Machine Income				£1,200	£1,200	100.0 %	
TOTAL INCOME				£393,422	£232,123	59.0 %	

Expenses	BBPA Guide - Rural Character - 8K / Week % of Sales			% of Sales
Wages / Salaries inc NI	22.5 %	£88,250	£85,148	21.7 %
Business Rates	3.3 %	£12,943	£8,520	2.2 %
Water Rates			£2,000	0.5 %
Heat / Light / Power	5.0 %	£19,611	£15,000	3.8 %
Premises Repairs / Maintenance	1.5 %	£5,883	£3,600	0.9 %
Equipment Repairs / Maintenance	0.3 %	£1,177	£3,600	0.9 %
Gardening Expenses			£3,500	0.9 %
Buildings Insurance			£2,114	0.5 %
Maintenance and Service Plan charge			£1,765	0.5 %
Licensing			£180	0.1 %
Tenant Insurance	0.7 %	£2,746	£2,000	0.5 %
Entertainment			£2,500	0.6 %
Marketing / Promotion / Advertising	1.4 %	£5,491	£3,000	0.8 %
Print / Post Stationary			£1,000	0.3 %
Telephone			£800	0.2 %
Travel / Car			£1,700	0.4 %
Waste Disposal / Cleaning / Hygiene	1.0 %	£3,922	£3,750	1.0 %
Accountant / Stocktaker / Professional Fees	0.9 %	£3,530	£3,600	0.9 %
Bank Charges / Credit Card Commission	0.7 %	£2,746	£1,500	0.4 %
Equipment Hire			£2,000	0.5 %
Sundries / Consumables	2.4 %	£9,413	£1,500	0.4 %
Drinks Gas			£550	0.1 %
TOTAL EXPENSES	39.7 %	£155,712	£149,327	38.1 %
Net Operating Profit Before Rent (including Machine Income)			£82,796	21.1 %
Less				
Interest on Working Capital @ 8%			£2,560	
Interest on Tenant's Improvements			0	
Net Machine Income			£1,200	
Total Adjustments			£3,760	
Divisible Balance (excluding machine income if tied on machines)			£79,036	
Fixed Rent (% of Divisible Balance)			50.0%	
Assessed Rental Value			£39,520	10.1 %
Operator's Retained Profit (including machine income)			£40,716	10.4 %

This shadow profit and loss assessment is hypothetical. It is based on assumptions and does not guarantee future or present performance of the business. Prospective operators must seek independent advice unless their own experience permits them to be entirely confident of their own assessment. For industry benchmarking data please refer to the Association of Licensed Multiple Retailer's benchmarking reports and the British Beer and Pub Association's Guide to Costs.

* Composite Barrels: 1 composite barrel is equal to: 36 imperial gallons of beer, cider or flavoured alcoholic beverages, 100 litres of table wine, 40 litres of spirits and fortified wine, 1,200 litres of post mix (CCSB products) ready to drink minerals and 200 litres of packaged minerals.

4.4: HOW WE CALCULATE YOUR RENT AT RENT REVIEW

Rents for all of our rent reviews may be reviewed upwards or downwards. Where our Agreements include upwards only rent review clauses these are not enforced and can be removed through the completion of a legally binding Deed of Variation at your cost. Alternatively, we provide Licensees with the opportunity to convert to a new Agreement without an upward only rent review clause at no less favourable commercial terms, if terms can be agreed.

Our rent assessments will be conducted in accordance with the rent review provisions confirmed in your Agreement and RICS Guidance. These provisions usually specify that the reviewed rental should be the level of rent that would be achieved if the pub was available to let at the date of the rent review on the terms and conditions in the Agreement. However, the actual legal agreement should always be checked to confirm the process and assumptions that should be adopted for the rent review.

Products that are subject to a tie will be assessed at tied prices and products that may be purchased free of tie will be assessed at open market prices.

4.5: THE PROCESS FOR REVIEWING YOUR RENT

Where you have an Agreement with us that requires a rent review, we will provide you with a Rent Assessment Proposal, as detailed in section 4.2, at least six months ahead of the review or renewal date.

The review will usually be settled by negotiation with your Business Development Manager, Estates Manager or Agent of the Company. Our objective is to agree a new rent before the rent review date so that we can both plan for the future.

You should take independent professional advice from an agent or professional advisor with the necessary skills and knowledge in the valuation of pubs, before agreeing to the new rent. Before you sign the rent review memorandum we shall require you to confirm whether you have taken such advice and if you have decided not to take such advice that you are in agreement to complete the rent review.

We will negotiate with either yourself or your agent if you prefer.

We will seek to comply with any reasonable request for further information relevant to the rent assessment from you and/or your professional advisors. If we are unable to provide the information requested, we will provide a reasonable explanation as to why as soon as is reasonably practical after the request was received. Information which may be used in third party determination of rent will not be unreasonably withheld and will be shared on request, subject to public policy, matters of law or appropriate confidentiality agreements.

If you disagree with our proposal, we will ask you to justify this with the support of your own profit & loss report.

The following outlines our rent review process:

1. We will notify you of the forthcoming rent review around twelve months before the review date.
2. We will ensure that an Estates Manager, Business Development Manager or Agent of the Company arranges to

meet you and inspect the property within at least nine months prior to the rent review date. At this meeting we will explain the process, collect information about your pub and its trading circumstances and give you the opportunity to put forward any factors that you believe we should take into account when preparing our assessment.

3. No later than six months prior to the rent review date we will provide you with a rent assessment proposal as detailed in section 4.2.

4. Wherever possible we aim to complete rent review negotiations in good time before the review date. We will confirm our agreement in a Rent Review Memorandum that will be signed by both of us to form a legally-binding agreement.

Preparing for a rent review

To prepare for the review, you need to research the local market to assess the trading opportunity for your pub, and consider the Fair Maintainable Operating Profit for your business.

You should prepare your own profit and loss report for the business, based on the Fair Maintainable Operating Profit, and follow the format we use (see section 4.3). A profit & loss template is available on our website www.greenekingpubs.co.uk under Business Planning.

You may be required to provide your Certified Accounts to support this process. Some of our Agreements include a contractual requirement for you to provide management accounts, wet stocktake and VAT returns plus any other financial details when requested by us. The format of information required may also vary according to the type of Agreements you have.

Please note that the following are not considered as rent reviews:

- An annual or other periodic indexation of rent;
- A change in rent in connection with the receipt of a corresponding benefit from us;
- A change in rent in connection with the freeing of a product or service tie;
- Any discussion in respect of changes in rent which are carried out within a review of the business provided for under the terms of your Agreement.

If your agreement does not include periodic rent reviews, than you may at any time request a rent assessment following the conclusion of an agreed rental term.

4.6: INDEXATION

The rent payable under both our Tenancy and Lease Agreements will be affected by annual changes in the Retail Prices Index (RPI). We use the 'All Items' RPI as our measure. Your rent may go up or down on the first day of the month following the anniversary of its commencement. An RPI cap is applied, depending on your level of rent and will be advised to you as part of the information you receive from us, which will also include a five year illustration of the impact the indexation rate will have on your rent.

You must seek independent professional advice on the effect of indexation on your business plan and your income over the term of your Agreement.



4.7: WHAT HAPPENS IF WE CAN'T AGREE YOUR TIED RENT?

If it is not possible to reach an agreement, your tied rent review may be referred to an external assessment body. Before we reach this stage we would want to be satisfied that negotiations have been fully explored. We treat rental disputes very seriously and all disputed reviews are considered by our senior management before referral to an external assessment body.

You should seek independent professional advice to help you through this process.

Pubs Independent Rent Review Scheme (PIRRS)

If we have reached a final offer and have been unable to resolve a tied rent review, you may refer to the Pubs Independent Rent Review Scheme (PIRRS). PIRRS offers an accessible, independent, low cost tied rent review resolution service and is supported by Belhaven. Capped fees enable Licensees and Landlords to resolve disputes in a fair and timely manner.

Upon referring a tied rent review decision to PIRRS, as per the rules of the scheme, we will both be required to waive any right to arbitration or independent expert determination under the terms of the Lease, or referral to original final offers by signing a Deed of Variation, which will be provided free of charge.

Licensees must contact the PIRRS Administration Team to request the PIRRS Information Pack and Application Form.

Licensees will be asked to begin proceedings by completing the PIRRS application form and by selecting their preferred independent valuer from those nominated by the PIRRS Board. The decision will be final and we must both abide by it. You may require professional advice to help you through this process.

It should be noted that referral to PIRRS can only be instigated by you, the Licensee.

Full details of PIRRS including costs may be found on their website www.pirrscheme.com.

The difference between arbitration and independent expert determination

At Arbitration, the decision is based on the evidence presented by the two parties. Both parties are entitled to make submissions and comment on each other's submissions. Either party may request a hearing, which they may both attend. The arbitrator has the power to make an award for costs. This can be expensive for the party that loses. It is similar to a court process and similar rules apply to the admissibility of evidence and conduct of the process.

An independent expert will make an assessment based on their own expertise and knowledge. He/she may consider submissions made by both parties, but is not bound by this evidence. An independent expert cannot make an award for costs and who pays is usually stated in your Agreement.

Both arbitration and using an independent expert can be relatively expensive and time consuming processes.

5: THE PROPERTY

As stated in section 3.2, you must ensure you have fully inspected the whole premises before entering into an agreement with us, including the private accommodation areas which you intend to live in. You must ensure you seek independent professional property advice from a qualified surveyor to ensure you fully understand your obligations, and have made appropriate considerations when preparing your business plan.



5.1: REPAIRS AND MAINTENANCE

Belhaven's property department supplies services to ensure that your pub looks its best, your customers are safe and you can manage your business more effectively.

For Tenancy Agreements, Belhaven maintains the structure of the building. You must repair, service and maintain the rest of the property in accordance with your Agreement. As part of your main Agreement, you will receive a Maintenance and Service Agreement that details your responsibilities.

Our Lease Agreements are 'put and keep' with full repairing liability meaning that no matter what the condition of the property is at the start of the Lease Agreement, you must repair the property and put it into a good condition and keep it in that condition at all times. Your obligation to repair the property means repairs to all of the property. For some Leases, you will pay a monthly amount into a Repairs Fund that we hold on deposit to ensure that funds are set aside to deal with repairs and periodic redecoration. Funds will be released on application to deal with repairs and decoration when this work is completed and payment to contractors is due.

Maintenance and Service Agreement – Tenancy Agreements only

Our Maintenance and Service Agreement will take care of most of your compliance, servicing and repair obligations. We will charge you a regular fee* (weekly or monthly) for this, based on the size and type of your pub. The Maintenance and Service Agreement explains what is covered and will be issued to you alongside your Tenancy Agreement. The cost of this agreement is taken into consideration when we set the rent for each pub and will be fully explained to you.

Any repairs or maintenance other than those which are our responsibility will be recharged to you in accordance with your Agreement.

** Please refer to our Guide to Charges.*

Logging a repair

We operate a Property Helpdesk 24/7 365 days a year contactable through Publine. You can contact the helpdesk to notify us of a repair which is our responsibility. We will confirm if the repair is our responsibility by reference to your Agreement and the Maintenance and Service Agreement.

Once responsibility for the repair is confirmed, a Property Helpdesk operator will instruct a contractor to visit your pub to carry out the repair. Depending on the nature of the repair and the time of day your call is logged, the contractor may conduct a temporary repair to make safe and then return at a later date to undertake a more permanent fix.

If the works required are of a more complex nature the contractor may be required to submit a quotation to Belhaven for approval of works, or seek permissions to carry out the works from local authorities, adjoining building owners or statutory bodies. Once these approvals are in place the contractor will arrange with you directly a return to the pub to complete the work.

For repairs that are your responsibility, the operator will confirm whether you wish for us to arrange the repair for you. Any repairs that are your responsibility will be re-charged to your Trade Account.

Repair updates

You can view the current status of your logged repair and its progress online at www.PubPartners.net. You can also view the

statutory certification and planned testing dates too. Alternatively, you can call the Property Helpdesk, via Publine, where an operator will provide a progress update on your repair over the phone.

Repair issues

If you are unhappy with the standard of workmanship, quality of the repair undertaken, or would like to recall the contractor back to your pub to complete a job or escalate any issues to the Property Surveyor, you can do this by calling the Property Helpdesk via Publine. An operator will log the issue and, depending on the nature of the issue, will either make the necessary arrangements with the contractor to re-visit or escalate to the Property Surveyor for response to you.

Breach of repairing obligations

If we believe you have failed to keep to your obligations to look after the property as set out in your agreement or the maintenance & service agreement, you will be required to put right the disrepair at the property within two months of our notice (or sooner if we tell you to). If you fail to carry out the repair in the time we give you, we may (at our discretion) carry out the repair work ourselves and you will be recharged for any costs or expenses we incur in meeting your responsibilities.

5.2: SAFE START

Safe Start is the process which ensures that every time we put somebody new into one of our pubs, the building and equipment which we provide is safe. This complies with Health & Safety at Work Act 1974. You will be required to complete our online Safe Start training module to ensure you understand both Belhaven's and your responsibilities prior to Change Day.

As part of the change process we will provide a full set of current statutory test certificates for new Tenancy and Lease Agreements. These cover:

- Gas for both domestic and commercial use.
- Asbestos.
- Electrical fixed wiring.
- Portable electrical appliances if they are owned by Belhaven.
- Fire alarm and emergency lighting.
- Fire risk assessment.

For Tenancy Agreements, we are responsible for testing and certification throughout your Agreement. See our Maintenance and Service Agreement.

For Lease Agreements, you are responsible for all statutory compliance including testing and certification throughout your Agreement. If you are assigning your business you will need to provide copies of current statutory certifications to us to make available to the assignee (buyer) of your business. Your statutory certifications will be verified by a third party* and any outstanding certifications or remedial works identified will require completion by you. If you have not completed the certification, Belhaven will make appropriate arrangements to complete the certification and any remedial works, which will be recharged to you.

For Lease Agreement Renewals, we will request statutory certification from you. If the certification is not available you will need to make arrangements for their completion. At our discretion and in some instances, where the statutory certification is not available, we may make arrangements for the completion of the certification, which will be recharged to you.

**Please refer to our Guide to Charges.*

5.3: EXTERNAL REDECORATION

Tenancy Agreements only

Belhaven is committed to maintaining the fabric of all our properties. The work generally includes redecoration of the pub's external windows and walls as well as maintaining external corporate lighting and signage. There is no charge for this service unless we need to repair something that is your obligation to maintain under the terms of your Agreement. We will confirm at the beginning of your Agreement if we will be completing any external decoration to your pub during the duration of your Tenancy.

5.4: PROPERTY INVESTMENTS

During the term of your Agreement you may wish to invest in your business to enhance the trading opportunity at your pub. You should discuss your ideas with your BDM in order that we may consider your proposals and, if appropriate, agree the best route for you to progress the project. Throughout any project you will be supported by our Property Team.

We currently operate three ways in which you can invest and improve your business:

1. Belhaven's capital development

We can invest in structural improvements to your pub if we believe that the investment will be appropriate and beneficial to the performance of the pub. A rental assessment will be made of the opportunity and you will be provided with a forecast profit and loss statement for the pub, which will show the revised rent required to support the investment.

Our contractors and designers will complete the work, managed by one of our property surveyors. We will apply for planning permissions, statutory consents and any licensing variations required, the fees of which will be included in the total cost of the project. We may ask you to upgrade or add to the Fixtures and Fittings in your business in line with works completed.

We would only embark on a capital development project of this type with your full support and buy-in to the project. We and you will be required to enter into an Investment Agreement, which will include a description of the proposed investment, a list of the works to be completed including dates of completion and the estimated costs of works.

The Investment Agreement must be completed and signed prior to the commencement of any works.

You must seek independent professional advice prior to signing the Investment Agreement to ensure you understand the additional costs you will incur in your business as a result of the investment, and that you are clear on the obligations the Investment Agreement will place on you.

2. Belhaven's capital buyback

We have a facility called capital buyback which allows you to undertake development work locally and for us to pay you for the cost of the agreed improvement works on completion. We will only agree to a capital buyback where we feel it is in the best interest of both you and Belhaven.

The same process will apply as for our capital development option, with a rental assessment being made of the opportunity

and the works being documented by way of an Investment Agreement, which must be completed and signed prior to the commencement of any works.

3. Your own capital development

Any investment you plan to make to improve your pub must be agreed and approved by us before the commencement of any work. Formal approval is given by way of a Licence to Alter and a Deed of Variation granting you permission to make Structural Alterations or Additions. You will be charged for this*.

We will only allow you to invest in your pub if the opportunity is appropriate and beneficial to the overall performance of the pub. In choosing to invest in your pub yourself, you will be putting your own capital at risk if your anticipated improved business performance does not materialise. Any improvement which is attributable to your investment will be disregarded at rent review. This will be formally documented by way of the Licence to Alter.

Important note

It should be noted that verbal encouragement does not constitute permission to make alterations. You must obtain written permission confirmed in a Licence to Alter prior to completing any works. Should you proceed with your own development without a Licence to Alter, any improvements which are attributable to your investment will not be disregarded at review or renewal and may be considered as a breach of your Agreement. Belhaven also reserves the right to request that any works completed without prior permission by way of a Licence to Alter be removed and the building put back to its original condition at your expense.

Before starting any work you will need to provide evidence that all statutory consents including planning permission, building regulation approval etc. have been granted. We will apply for all licensing variations and a fee* will be charged.

If you exercise a notice period clause or, in the worst case scenario, should you wish to surrender your Agreement, or not enter into a new agreement with us you will not receive compensation for the capital you have invested.

**Please refer to our Guide to Charges.*

5.5: DILAPIDATIONS

A Schedule of Dilapidations is used to confirm the repairs you are required to complete under the terms of your Agreement. A survey of the pub will be conducted by a Chartered Surveyor in the preparation of a Schedule of Dilapidations, and you will be given reasonable notice of the survey.

Tenancy Agreements

We will serve a Schedule of Dilapidations in the following circumstances:

- Following your request to end your Agreement with us. The Schedule of Dilapidations will be prepared ensuring you have enough time to complete the repairs prior to leaving the pub.
- Where your Agreement is coming to an end. We will serve a Schedule of Dilapidations no later than six months before the end of your Agreement. We may be discussing details of a new Agreement with you, in which case the Schedule of Dilapidations will form part of these discussions.

The completed Schedule of Dilapidations will be sent to you and



your BDM. The cost for the Schedule of Dilapidations is detailed in our Guide to Charges and will be charged to your Trade Account.

If we have served you notice due to the sale of the pub, we will not produce a Schedule of Dilapidations.

Lease Agreements

Your Lease Agreement will confirm the process for dealing with dilapidations at the end of your Lease along with any associated costs and fees. The process will be managed by a Chartered Surveyor, property surveyor or Agent of the Company.

We will arrange a Schedule of Dilapidations at around 12 months before the end of your Lease. This will confirm any repairs that you will need to complete before the end of your Lease. You will be required to either complete or meet the cost of any outstanding works before you leave. Our Lease Agreements are 'Put and Keep', which means that you are responsible for all repairs and maintenance to the property, including any repairs that were identified at the start of the Lease Agreement.

You must seek independent advice from a surveyor familiar with the process for dealing with dilapidations for full repairing leases.

Dilapidations disputes

If you do not agree with the Schedule of Dilapidations, you must contact your BDM as soon as possible in writing, detailing what

you disagree with, and why. You may wish to seek independent professional advice to help you.

Your BDM and a Belhaven property surveyor will then visit you to discuss the Schedule of Dilapidations. If we agree that part of the Schedule of Dilapidations is not attributable to you, this will be confirmed in writing before you leave your pub. No charge will be made to your Trade Account for any items/repairs/redecoration that we have agreed to remove.

If we cannot agree on the level of dilapidations applicable to your pub, our Agreements include a provision for us to serve a repairs notice on you, specifying all outstanding defects. The time specified for you to complete the work may vary according to the terms of your agreement or the scope of work required. Typically this is likely to be two months, or less if you are leaving your pub sooner. If you fail to comply, we have the right to carry out any outstanding work and recharge any costs to you. Any recharges would then be recoverable as a debt. Failure to pay may result in legal action.

When you leave your pub

Prior to the day you leave your pub, a Chartered Surveyor, BDM or Agent of Belhaven will undertake a further inspection of the property to sign-off the completed works in respect of your Schedule of Dilapidations. Following this inspection, charges will be made to your Trade Account for dilapidations that remain outstanding and these will be highlighted to you.

5.6: BUILDINGS INSURANCE

Belhaven provides insurance to cover buildings, our fixed Fixtures and Fittings, our loss of rent, our loss of profit and our loss of any other income. Our insurance is part of a Belhaven group block policy covering all our properties in the Belhaven group. Belhaven does not receive any commission or rebate in connection with our group block policy.

The cost of our insurance is recharged to you on a band basis, calculated on the size and style of your pub. This charge will be shown in the Shadow Profit & Loss Report we provide you.

Full details of the insurance and how to claim are provided in our Guide to Insurance. We have an excess which you may be required to pay in order to pursue a claim through Belhaven's insurance. You may be required to pay this if a claim is made through negligence on your part.

You must also take out your own insurance policy which must cover the following:

- Property damage to your fixtures & fittings, contents, stock and wines/spirits/beers etc.
- The loss of your Personal Licence.
- Loss of your income.
- Employer's liability (minimum £10 million).
- Public and products liability (minimum £5 million).
- New for old replacement.
- Loss due to neglect or lack of maintenance.
- Utilities (electricity, gas, water, telecommunications) during any closure.
- All associated business expenses during any closure.
- Personal and domestic contents.

We strongly recommend your insurance also covers:

- Money and goods in transit.
- Money held in gaming machines.

You must include Belhaven as an 'interested party' on your policy. This means your insurer will make us aware if your policy lapses or expires. You will need to show us your policies when requested and do nothing to invalidate any insurance. We must be notified within seven days of any claim that you make.

In the event any insurable damage is caused to the property, we will promptly claim all insurance money from our insurers. The insurance money we receive will be used to repair, rebuild, reinstate or replace (as appropriate) the property (apart from loss of rent and loss of income).

If you cannot use all or any part of the property for the business, as long as you, your agents, customers or any party authorised by you or permitted by you to be at the property have not done or failed to do anything which has caused our insurance cover to be lost, reduced or avoided you will not have to pay rent (or only a fair part of it for the undamaged parts), from the date of damage until you can use the property again for the business. This suspension or reduction of rent will last for a maximum period of three years from the date of the damage.

INSURANCE PRICE MATCHING POLICY

As a Licensee, you can obtain quotations on your own insurance policy to price match against Belhaven. If you do so, it will need to reflect all the elements in the Guide to Insurance. You should disclose a full claims history when obtaining your quotation. The insurance company making the quote must have a credit rating of no lower than A.M. Best Rating of A. We will need to verify and approve the full terms, conditions and exclusions of the policy.

Where a price match has been approved, we will adjust your insurance charge to reflect the lower quote. You will still be required to continue paying Belhaven for the insurance we provide.





6: THE CONTENTS OF YOUR PUB

6.1: BUYING THE INVENTORY WHEN YOU MOVE IN

You rent the pub buildings, but you own its contents. When you take over a pub, you must buy the contents (Fixtures & Fittings, glassware, crockery etc) and any remaining stock. You don't have to buy the Inventory in the private accommodation.

An independent valuer will decide on the valuation of the Inventory. In most cases, you will be buying the Inventory from the outgoing Licensee, but under some circumstances (for example, if the pub has been vacant or it has been managed by an agent) you will be buying from Belhaven.

You cannot choose only certain items in the Inventory – it is sold to you as a whole package.

You will not need to pay for any Inventory items that are not working. These items will be identified by the valuer.

If you buy the Inventory from the outgoing Licensee, you will not need to pay VAT. If you buy the Inventory from Belhaven, we will need to charge you VAT.

6.2: SELLING THE INVENTORY WHEN YOU MOVE OUT

When you leave your pub, you will have the opportunity to sell your Inventory to Belhaven or (where someone is coming into the pub immediately after you) the new Licensee.

The Inventory may be worth less than you paid for it when you moved in, or it may be worth more if you have purchased additional Inventory items for your pub during the period of your Agreement.

Where we are purchasing back the Inventory from you, the balance is paid after 28 days, having deducted any outstanding debts and liabilities to Belhaven.

6.3: BELHAVEN ASSISTED PURCHASE SCHEME

Under certain circumstances, Belhaven can help you to pay for the Inventory via an Assisted Purchase Scheme. This is usually used where you are buying Fixtures & Fittings after a major refurbishment project. You should speak to your Business Development Manager who will provide more details about this.

7: WORKING TOGETHER

7.1: THE ROLE OF THE BUSINESS DEVELOPMENT MANAGER

Your Business Development Manager (BDM) is your personal business consultant, advising you on everything from pub investment plans to the latest initiatives and ideas. BDMs have the ability to draw on the knowledge of other experts at Belhaven when discussing your needs and are your main point of contact with us. Part of their role will be to ensure that you are complying with the obligations under your Tenancy or Lease Agreement.

Your BDM will tailor the support you require. During the beginning of your Agreement and subject to your experience, your BDM will visit you more frequently to support you in your new business. We would usually expect a minimum of four structured meetings per year.

All meetings with your BDM will be documented and you can expect to receive meeting notes from your BDM within 14 days of the meeting. If you do not agree with any aspect of the meeting notes, you must respond to your BDM within seven days of receiving the meeting notes.

Please note that your BDM is entitled to complete property checks within your premises (including regular cellar visits and, on occasion, accommodation visits) to ensure that you are complying with the purchasing and property maintenance obligations of your Agreement.

We appreciate how important your relationship with your BDM is. However, they will change from time to time. Wherever possible we will attempt to minimise any potential disruption.

7.2: BUSINESS DEVELOPMENT MANAGER TRAINING

We invest a lot of time and effort in training and monitoring the performance of each BDM. Our BDMs will have completed a thorough four week induction covering essential business to business training around the traditional landlord and tenant relationship, fair rent setting, the key areas of agreement compliance and covering business to consumer areas such as

sales development and the customer journey. We are committed to ensuring that all our BDMs who have contact with you are properly trained prior to the completion of their induction period.

We also support our BDMs with academic qualifications. Our BDMs participate in our leadership development programme, enabling them to achieve a Postgraduate Diploma in Hospitality Business Management (Multi-unit Leadership) operated by Birmingham City University Business School. Further support is provided should they wish to achieve a Master's Degree.

We continue to review their training and development as part of their performance. All of our training and development is tailored to meet the specific needs of our employees, depending upon their level of expertise, experience and stage in their career.

BDM performance is monitored regularly. Part of their key performance objectives are based on the retention of their Licensees, the profitability of their Licensees and their Licensees' feedback. Their performance is recorded through our formal Performance Development Review (PDR) process, which all employees participate in.

BDMs will qualify for exemption from training if, in our opinion, they are qualified through prior training and/or experience.

7.3: OTHER SUPPORT

There are a number of other professional people within the Belhaven organisation that provide expert help including our operations directors (ODs) who are responsible for geographical regions, our Estates Managers who are RICS* qualified and provide expert rent assessment advice, our property team who can advise on investment schemes, our cellar service team who are available to maintain and install your beer dispense equipment, our credit control team who can assist you with managing your account and our retail audit managers who provide support with retail initiatives and Agreement compliance. We also have a machines manager who can advise you on maximising your opportunity from machines.

**Royal Institution of Chartered Surveyors.*



7.4: TIED PURCHASING OBLIGATIONS

Having chosen a Tied Agreement with us, you benefit from a lower rent and a greater level of support than if you were a freehold operator or had a Free of Tie Agreement. Buying outside of the Tied Agreement is a breach of contract and therefore not permitted. We monitor compliance with the tie by way of:

1. Use of flow monitoring equipment.
2. Cellar inspections.
3. Review purchasing patterns.
4. Unique packaging on bottled products.

If a breach of tie occurs we will:

1. Seek to recover compensation for our losses, known as liquidated damages, plus an administration fee*; and/or
2. Apply for a court injunction (alongside recovering the income lost to Belhaven); and/or
3. Apply for irritancy of your Tenancy or Lease Agreement.

Where we have used flow monitoring information, we will not pursue a claim for compensation for losses unless we have a second piece of evidence. We will request a meeting with you to understand the circumstances surrounding the alleged breach and will discuss the matter with you to determine if a breach has actually occurred.

Where a breach has occurred we will issue a breach notice to you, which will include details of the liquidated damages we will charge to your Trade Account.

If you disagree with the notice you will have 14 days to appeal the notice and provide evidence to support your appeal. Your appeal will be decided by the BDM at a meeting and, if you prefer, you can be accompanied by a professional advisor at the meeting.

If the notice is upheld on appeal, the liquidated damages, as well as the administration fee, will be charged to your Trade Account.

** Please refer to our Guide to Charges.*

Flow monitoring - benefits for you

Flow monitoring reports are available to you through your BDM at your regular business meetings, online via a secure website and at any time at your own request. 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:

1. Support stocktake reports.
2. Effectively manage their range of products and understand their dispense 'hot spots' on their bar.
3. Understand the product yields they are achieving.
4. Analyse the busiest periods of trade and plan employee rotas to suit.
5. Support a regular line cleaning regime to ensure quality delivery of all draught products and reduce wastage.
6. Investigate employee misconduct through the invaluable data available.

Flow monitoring - how it works

Flow monitoring is installed in the cellar of your pub and measures the amount of draught beer and cider that is dispensed against the amount of beer and cider that is delivered. This measurement is completed by way of a flow meter installed in each of the beer lines. Flow monitoring procedures recognise and remove line cleans from this measurement. Each flow meter is individually calibrated.

Belhaven is responsible for the installation costs and maintenance of this equipment. We will be responsible for ensuring that the equipment we install meets all regulatory and

legal requirements. During maintenance, it may be necessary to use your drinks products for calibrations and verifications. In such cases the stock used will be credited back to you at the average cost price per pint for the pricing in place as part of your Agreement. The only cost that you are responsible for is the electricity which powers the unit. Tests have shown that this equates to approximately £10 per year. If there is a discrepancy in flow monitoring figures, your BDM or another representative of Belhaven will discuss these with you and show them to you at the earliest opportunity.

If a breach of contract has occurred by way of purchasing outside of the tie, and flow monitoring equipment is not in place, we reserve the right to install this equipment in order to protect us from any further breach of contract.

Tampered equipment

If flow monitoring equipment is tampered with or damaged then any costs associated with the reinstatement of this equipment will be charged back to you. Where a maintenance call has been pre-arranged and then does not happen because of refused or no access, this cost will be charged back to you.

Breach of the tie

The data from the flow monitoring equipment, whilst significant, is only one element of the information required to establish a potential breach of the tie. Other elements of the process could also include the following:

1. Product order history.
2. Cellar inspections.
3. Stock count.
4. Best before and racking dates not tying up with stock ordering patterns.
5. Identification of foreign product (keg beers and bottled products).
6. Flow meter bypasses.
7. Unauthorised dispense equipment.

Cellar inspections

Both your BDM, our retail audit managers and other representatives of Belhaven may 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 Belhaven are not in evidence and that flow monitoring equipment is in working order. You are required to allow reasonable access for your BDM and other representatives of Belhaven to complete these cellar inspections.

Unique packaging on bottled products

Certain products supplied by Belhaven are labelled with packaging that is unique to us. Where you stock these products, they should only ever have these unique labels. We also affix Security Labels to our casks and kegs to identify that this product has been delivered by us.

If you are unsure about your tie responsibilities, or have encountered a stock emergency, then you should discuss this with your BDM before taking any action. If your BDM agrees for you to purchase from a third party, he/she will confirm this in writing to you, usually by email.

Please note - where permission is granted to purchase from a third party, we reserve the right to make a corkage charge. Details of current charges are set out in our Guide to Charges.

7.5: BELHAVEN SUPPLY SERVICES

Product range

We have a large range of products available to our Licensees; these include leading brands as well as more specialised and regional products. You have the freedom to choose from the list of products you want to sell in your business but there will be geographical restrictions due to depot availability. Your BDM will help and advise you with this choice.

As brewers we are very proud of our award winning ales. Alongside our famous brands such as Greene King IPA, Abbot Ale, Old Speckled Hen and Belhaven Best, it is our policy to offer an extensive range of seasonal ales throughout the year. We also work closely with other UK brewers to offer and supply guest ales on a monthly basis. We do not permit you to stock a free of tie guest ale without prior written consent.

Placing your orders

We offer an easy to use secure online ordering facility at www.pubpartners.net, which is available to all Belhaven's Licensees. You will need to register for this service.

Alternatively, our Customer Sales department operate a telephone ordering service, Monday to Friday, 8am till 4.30pm. We operate a 48 hour ordering cycle eg. order Monday for Wednesday delivery. Your order and delivery day will be confirmed by your BDM.

Deliveries

You will have a regular weekly delivery day (Monday to Friday inclusive) as part of our standard delivery service. There is no charge for a standard delivery.

If you place an order outside our standard delivery service, it will be classed as an emergency order. Where possible, we will meet your requests for emergency deliveries of key brands prior to your regular weekly delivery. If we are unable to meet your request we will advise you of alternative delivery arrangements. For non-standard delivery charges, please refer to our Guide to Charges.

Third party purchases

Under the terms of your Tied Agreement, you are not permitted to purchase tied products from third party suppliers. However, we recognise that there may be exceptional circumstances where this may be required, including:

- If we have failed to supply you through adverse weather conditions.
- If we have failed to supply you due to product availability.

In these circumstances, wherever possible we will seek to provide alternative solutions of delivery. Where purchase from a third party is deemed necessary, you will be required to seek written permission from your BDM, which will usually be supplied by email.

If permission has been given to stock a product not available through Belhaven, we reserve the right to charge you. In all circumstances written permission will be required. Failure to obtain written permission may result in compensation for our losses, known as liquidated damages, plus an administration fee*.

** Please refer to our Guide to Charges.*

Collection and credit of ullage

Your Belhaven cask ales will be delivered in top quality condition with a minimum shelf life of 14 days, and a minimum shelf life of 10 days on seasonal cask or guest ales.

In the event of beer being delivered that does not meet with the required specification an ullage claim can be made.

Please be aware that ullage claims are only likely to be accepted if the following points have been adhered to:

- The product has not exceeded its best before date at the time of reporting an issue.
- No more than three gallons have been drawn from the container.
- The container has not been mismanaged, diluted or contaminated, and there is no evidence of tampering with the container or spear.
- A security label is present on the container.

In order to place a claim for ullage please call Publine.

Operating your account

Before you take over your pub, your BDM will discuss your payment terms and any potential credit facility with you. Your payment terms will be agreed based on the level of your deposit and whether you own your Fixtures and Fittings (either in part or in full).

Your property rent charges and trade purchases will operate as one combined account. For some older Agreements the rent charges and trade purchases are operated under separate accounts. Payments will vary depending on the Agreement.

For Tenancy Agreements, rent is charged weekly in advance. Trade purchases are charged weekly in arrears.

For Lease Agreements, rent is charged monthly in advance. Trade purchases are charged weekly in arrears.

All charges are paid by direct debit unless alternative arrangements have been agreed. Any unpaid direct debits will incur a returned payment fee*.

A statement detailing all of your transactions will be available online, or sent to you on a regular basis, in line with your agreed trading terms. A VAT invoice for all relevant items charged to your account (including rent) will be provided online, or sent to you**. In certain circumstances, it may become necessary to operate your account on a cash with order basis. This means that you are required to pay for your trade purchases before they are delivered.

In certain circumstances, we may enter into a payment plan with you, the terms of which will be confirmed in writing to you.

If you fail to maintain your agreed payment arrangements we can take legal action to recover any monies owed to Belhaven.

** Please refer to our Guide to Charges.*

*** Where copy invoices are requested we reserve the right to make a charge.*





7.6: AMUSEMENT MACHINES

We define amusement machines as entertainment equipment installed in your pub which may be: SWP (Skill With Prizes), AWP (Amusement With Prizes or Category C and D gaming machines), juke boxes, pool tables and other paid entertainment machines. Our offer of an Agreement will include details of the amusement machine tie.

Where an amusement machine tie is in place, your machines will be supplied by our nominated supplier. Belhaven representatives will, from time to time, check the origin of machines to ensure that the contractual obligations of your Agreement are being complied with.

Where you share machine profits with Belhaven, this income is not included in the Divisible Balance determined when formulating a rent assessment. You will receive 50% share of the remaining profits after the deduction of taxes, supplier costs and management fee, where applicable. The value of the management fee* will vary by machine supplier and is only payable on Category C and D gaming machines. This fee covers the services of our specialist machines manager who can provide you with advice on request, to ensure that you have right gaming machines in your pub, and provide you with details of the optimum number and position of machines if you require. It also covers the management of our machines suppliers, which includes regular reviews to ensure that we are up to date with legislation, that machine opportunities are fully exploited, that information on new machines and gaming trends is provided

and passed on to you, and to check that the right level of service is being provided to you.

Suppliers will empty your machines every 7 - 14 days and you will receive your share of the profits and your tax liability from the supplier that day, unless you make other arrangements.

If your Agreement is free of tie for machines, you must inform us of your own supplier and the income you generate. Free of tie machines must be supplied from suppliers authorised by law to rent machines. It is your responsibility to confirm they meet all legal requirements. You must ensure that any permits or licences are current and displayed where required. Free of tie machine net income will be included in your rent assessment. We will require you to remove free of tie machines if we consider them inappropriate or if we believe they are affecting the profitability of your pub.

Some old Agreements may still refer to royalty payments or royalty machines. These references will be phased out at the end of the machine contract term or the occasion of the next due rent review or on a renewal of an existing Agreement.

You will be required to register for Machines Games Duty with HMRC if you have dutiable machine games. You should register 14 days before you start trading. The simplest, quickest and most secure way to register is online at www.hmrc.gov.uk/machinegamesduty. Please note that failure to register may result in a penalty by HMRC.

** Please refer to our Guide to Charges.*

7.7: MARKETING SUPPORT

Belhaven provides a comprehensive marketing support service, providing marketing advice, event ideas and promotional material to ensure you maximise your sales at every opportunity. Examples of the current services we provide include:

InnSight

Our regular marketing newsletter 'InnSight' provides ideas on how you can make money, including all the latest products, promotions and drink deals as well as key date support such as Valentine's Day, Mother's Day, Summer etc.

Buying benefits

Our buying service provides you with preferential prices for everything needed to run your business. Many discounted prices are available on a range of products and services including PDQ card machines, insurance, cleaning materials, exterior planting, furniture and utilities.

Printing service

Available through www.pubpartners.net, our low cost online professional print service enables you to tailor your promotional material including posters, banners, flyers, tent cards and vouchers from a selection of templates. Design is completely free of charge so you can use your current design, or make-up a new logo or design at no charge, only paying for printing (we constantly review our print costs to ensure we remain competitive in the marketplace).

Wine lists are free of charge for design and print, and we can help to put your wine list together too if needed.

Online support tool

Secure online support is available at www.PubPartners.net, which offers a wealth of information. It's a one-stop shop for

everything from booking training courses, placing your weekly drink and/or food order to viewing your invoices and statements. You also have easy access to sales information to help you manage your pub more efficiently.

Digital marketing and social media support

We believe digital marketing is as important as the signage outside your pub. We will offer help with your website as well as social media support including; Trip Advisor, Facebook, Twitter and your pub's presence on Google. Flexible solutions are available to suit your pub and market place.

Food & supplies service

We provide three options of flexible food support to help you manage your food:

1. Full food package - choose from our menu ranges, which include quality, un-fussy great value pub classics to more premium dishes. Different price points are available too. Menu packages include:

- Dish specification cards and crockery package.
- Allergen information pack.
- Training.
- Marketing support for seasonal and special events.

2. Bespoke menu help - create your own menu from Belhaven's vast library of dishes. You'll receive full dish specification, including margins pre-calculated for you, as well as all the allergen information you need for each dish.

3. Supply only - you decide what you want to buy from a comprehensive supply list, which includes an extensive listing of non-food items such as cleaning material, glassware or stationary. Whatever your menu size from traditional 'pub grub' to premium food, we can cater for your needs.



7.8: BUSINESS RATES ADVICE

We provide a free of charge business rates advisory service through a national ratings specialist company, who will act on your behalf to ensure that your rates are kept as low as possible. This service is free of charge, whatever the outcome, and confidential. All rates appeals must be made using this service. Please refer to your BDM for more information.

7.9: BUSINESS SUPPORT

If your business experiences difficulties that are beyond your control, we will work with you to help resolve them. Where financial assistance is requested, in order for your BDM to understand the level of support that maybe required, you will need to provide the following information:

- Full disclosure of your Certified Accounts including profit & loss, balance sheet and VAT returns.
- Stocktake results.
- Bank statements.
- Your marketing and e-marketing plans.
- Disclosure of all debts and outstanding warrants on the business.

Your BDM will discuss with you the information you provide and assess what support, if any, is appropriate. Each case is decided on its individual merits and we will confirm in writing the outcome of any request for support.

7.10: YOUR RESPONSIBILITIES THROUGHOUT THE AGREEMENT

We will work with you to ensure our pubs are operated at the very highest standards. It is your responsibility to act in accordance with your Tied Agreement and Scots law.

If you don't operate within the terms of your Tied Agreement, the Premises Licence or the law, we can apply for Irritancy of the Agreement or a Court Interdict and we may claim for Damages. Examples of action which may lead to either of these outcomes are as follows:

- The pub loses its Premises Licence under your management.
- You become insolvent or bankrupt.
- You do not pay your rent or Trade Account.
- You commit unlawful acts or receive any convictions for unlawful acts.
- You run the pub in such a way that restrictive variations are placed on the Premises Licence limiting the operation of the business.

- Structural alterations to your pub without a Licence to Alter from us.

You should also be aware of the following key points that will apply to your Tied Agreement:

- Sub-letting – is not permitted. Additional income (eg. fishing rights etc) must be declared to us. Franchising of kitchen operations may be agreed with Belhaven's prior consent.
- Sharing of property or granting of rights – is not permitted (eg. siting of recycling services, mobile phone masts or car parking meters) unless otherwise agreed with Belhaven.

Breaches of the Agreement

Our BDMs and others will be visiting the pub regularly. One of their responsibilities is to ensure that you understand and comply with the terms of the Agreement. In the case of suspected breaches of the tie please also refer to section 7.4. In relation to breaches of the repairing obligations please also refer to section 5.1.

If we believe that you may have committed a breach of the Agreement, then we will discuss this with you at a meeting. If the breach is capable of remedy then we will explain what we consider should be done to remedy the breach and the timescale for doing so. If the breach is not capable of remedy then we will discuss the implications of this with you. This may include the payment of damages. It could also result in our seeking a repossession order. This will depend on the seriousness of the breach. Either way we will confirm any decisions that we make in writing before we take action to enforce the Agreement.

Non-payment of arrears

If you have not paid your rent or Trade Account and have accrued arrears with us, you are in breach of your Agreement. We may agree an initial repayment plan which will be confirmed in writing and you must comply with the terms. Where you do not follow the plan we will normally seek forfeiture of the Agreement. Interest will be charged on arrears (please refer to your Agreement for details).

Repossession

If we seek a repossession order you will have an opportunity in those proceedings to ask the court to give you time to put right that which needs to be rectified, for example, payment of arrears or completion of necessary repairs. If you do not comply with the court order or if the court refuses to give you more time, then we will obtain a possession order and the sheriff will fix a date for your eviction from the pub.

Legal action to terminate an Agreement is subject to compliance with statutory and court procedures. The process will depend on the type of breach. Belhaven's solicitors will deal with legal action on our behalf and we strongly advise that you take independent legal advice.

8: RENEWING YOUR AGREEMENT

There is no statutory right to renew your Agreement under Scots law. Your Agreement will terminate at the end of its term if we or you serve notice. We will service notice no later than six months before the end of the Agreement. If neither party serve notice, your Agreement will continue for a further year on the same terms and conditions. This is known as Tacit Relocation.

1. We will contact you around twelve months before the end of your Agreement to confirm this, and discuss your intentions for a new agreement.
2. We will ensure that an estates manager, Business Development Manager or Agent of the Company arranges to meet you and inspect the property within at least nine months prior to a new agreement and rent assessment proposal being undertaken. At this meeting we will collect information about your pub and its trading circumstances and give you the opportunity to put forward any factors that you believe we should take into account when preparing our new agreement and rent assessment proposal.
3. No later than six months prior to the end of your Agreement we will provide you with the proposed new Agreement terms and a rent assessment proposal. If you accept the new agreement terms, a new Agreement will be issued for your signature. Wherever possible we aim to complete new agreement negotiations within three months of an Agreement expiry date.

9: LEAVING YOUR PUB

9.1: LEAVING EARLY AND SURRENDERING YOUR AGREEMENT

You must check your Agreement to see whether it includes any provisions that permit you to terminate your Agreement before its contractual expiry date and the process you must follow. These are often referred to as a 'tenant break clause' or 'tenant notice to terminate clause'.

You will need to understand that the surrender of an Agreement can be complex, especially where you operate via a limited company. You will need to take independent professional advice before making a request to surrender. Where we accept an early surrender, you will be required to sign a deed of surrender which will confirm the terms of exit and formalise the surrender of your Agreement.

Where your Agreement does not have a right to surrender your Agreement, in certain circumstances, we may agree that you can leave early. However, a surrender fee will apply and could cost you as much as one year's rent but not less than six months' rent. In exceptional circumstances and at our discretion, for example ill health, we may consider a reduced amount. We will carry out our negotiations with you in a professional and sympathetic manner.

Where your Agreement permits you to break your agreement with six months' notice, the standard notice fee of three months' rent will be charged to your Trade Account on receipt of your notice.

If you are intending to leave, you must place your notice in writing to us at:

Administration Team
Belhaven Pub Partners
Abbot House
Westgate Street
Bury St Edmunds
Suffolk
IP33 1QT

Your notice must be signed by all parties on the Agreement. Your notice period will not be deemed as started until we have received a surrender notice that has been signed by all parties.

We will write to you to confirm receipt of your surrender notice and advise what happens next.

9.2: LEAVING BY SELLING YOUR BUSINESS (ASSIGNATION OF LEASE)

If you have a Lease Agreement you have the right to sell on your Lease to a third party. This is known as assigning your Lease. You may not assign a Tenancy Agreement.

The Assignment process is explained in detail in a separate guide, 'Guide to Buying and Selling a Lease', which is available to download at www.pubpartners.net.

Assignment is the legal process for transferring your Agreement and business to another operator. Depending on market conditions this transaction may be subject to a payment being made to you for the Agreement/business, referred to as a premium. You will be required to complete a minimum of two

years following the granting of a new Lease before you can assign your Lease. Older Agreements may vary so you must refer to your Agreement for details. You will not be permitted to assign your Lease for the two years following a Belhaven capital development or capital buyback scheme.

Contact us when you intend to sell

You will need to notify your BDM when you have found a buyer, also known as the 'assignee', and our BDM will guide both of you through our process. We shall require this to be confirmed in writing so that we may start the process.

Our approval of the buyer

We will need to approve your buyer before they can complete the purchase of your lease and business. To do this we will meet your buyer to assess their business plan, business experience, competence and credit worthiness before deciding whether to give our formal approval. We will require your buyer to prepare and provide a sustainable business plan (as per section 3.1) and complete the Pre-Entry Awareness Training and our induction training. We will meet your buyer to assess their business plan, business experience, competence and credit worthiness before deciding to give our formal approval.

We aim to provide our approval as soon as reasonably practicable after we have met your buyer and all information requested by us has been provided. We will not unreasonably withhold our consent. Our approval will be confirmed in a legal document called a Licence to Assign prepared by our solicitors. Please note this document does not transfer your lease and business. You will need separate legal documentation to do this that is best prepared by a solicitor. You buyer should also instruct a solicitor to deal with the legal process.

Buyer structural survey

We will recommend to your buyer that they carry out their own structural survey and associated testing of services, plant and equipment in order to understand the repairing obligations they will be entering into.

Dilapidations

Before you leave, a Chartered Surveyor will inspect your pub to prepare a Schedule of Dilapidations that will confirm the repairs you need to complete and the certification you will need to provide before you leave. We usually arrange for our surveyor to carry out an inspection shortly after we have received your notification that you wish to assign your lease. We will then send the Schedule of Dilapidations to you. This will give you sufficient time to carry out the work and arrange the certification. In some circumstances the seller may agree with the buyer that they will undertake some or all of the work. Should this be agreed we shall require that the buyer commits to completing the work within a pre-agreed time period and pays a deposit equivalent to our surveyor's estimate for the cost of the work. The deposit will be refunded to the buyer on completion of the work.

Independent professional advice

Assigning a Lease and sale of the business can be a complex process therefore we strongly recommend you take professional legal and property advice as you may have on-going liabilities after assignment/ sale.

Right of refusal

In certain circumstances, we may exercise our right to refuse the assignation of your lease if, for example, we reasonably believe that the proposed person is unsuitable. You should refer to your Agreement for specific details.

Information you and your buyer (assignee) must provide us

When seeking approval from us to assign your lease Agreement, we will require you and your buyer to provide us with the following information:

1. An assignation notice and accompanying information (you).
2. A completed application form from the buyer (assignee).
3. A copy of the buyer's Personal Licence, or evidence of the DPM who holds a Personal Licence.
4. Evidence of your buyer's experience including a copy of the BII Pre-Entry Awareness Training Certificate and completion of other necessary pre-entry training.
5. Evidence that your buyer has received independent professional advice.
6. Your buyer's business plan as described in section 3.1 of this guide.
7. The source of your buyer's funds, with proof.
8. Details of any loan for buying the Lease from you including any formal loan offer letter.
9. References and credit-check details.
10. Payment of our legal costs.
11. Any other information we think is reasonably necessary.

Information we provide you and your buyer

We will provide your buyer with the information detailed in section 2.3 with the exception of item 3, the rent proposal.

What we provide you

1. You will receive a Letter of Consent to Assignation to formally document our consent to the transfer of your interest in the Lease Agreement and business.
2. Confirmation of costs.

Obligations after transfer/ sale

After you have left, unless we have agreed with you that certain payments shall be made by you after completion of the sale/transfer or you are acting as a guarantor of some or all of the buyer (assignee's obligations), you will have no further liability under the Lease Agreement on completion of the conditions attaching to our consent to transfer your interest in the Lease Agreement and the business.

9.3: TRANSFER TO BELHAVEN'S MANAGED DIVISION

Occasionally we will transfer a pub to our managed division. This will be discussed with you in advance of the proposed transfer date. Transfers will usually occur at the end of an Agreement or on assignation of a Lease Agreement.

Where we make an approach for a transfer during the term of your Agreement that is not due to an assignation, a transfer may only be agreed with your consent.



9.4: CHANGE OF LANDLORD

On occasion we will sell an individual pub or a number of pubs in a joint sale. This means that the ownership of your pub will transfer to a new owner and the new owner will become your landlord. You will have the right to continue to operate your pub for the duration of your Tenancy or Lease Agreement.

We will advise you on any sale as soon as reasonably practicable and provide the name and address of the buyer once an exchange of contract has been undertaken. Sometimes we are unable to advise you of a change of landlord until after a sale has been completed due to the confidential nature of the sale. However, you will be advised of the situation as soon as we are able to do so.

Where we hold a deposit, we will transfer that deposit to the new landlord. The deposit will be subject to the terms of your individual Agreement. Your range of products may be subject to change based on the supply contracts held by the new landlord.

Should an upward only rent review provision still exist in your agreement, it will be removed as part of the sale by way of a Deed of Variation. This will be completed as part of the sale process at no cost to you.

9.5: THE EXIT PROCESS

Regardless of how your Agreement ends, we will ensure your departure is handled as professionally as possible, and that you leave everything in order for the next Licensee.

Your responsibilities leading up to the day you leave

1. Put your intentions to leave in writing and send as it to us, see section 9.1.
2. Assist with pub viewings by potential operators.
3. Repair and decorate the property in accordance with the obligations of your Agreement.
4. Arrange valuation of your Fixtures & Fittings, prepared by a licensed property valuer/broker. You will be required to transfer title either to the new operator or to us. If you leave your pub at the end of the term of your Agreement and we have been unable to recruit a new Licensee, we will buy your Fixtures & Fittings at the full value agreed by our and your brokers. If you are leaving your pub early (by agreement) you may have to pay our broker's fees.
5. Provide an undertaking that no items included in the Inventory are on lease or hire but are owned outright by you and that no items on the Inventory will be removed from the pub either before or on the Change Day.
6. Confirm that all rubbish and non-Inventory items will be removed from the premises before or on the Change Day, otherwise we will make a charge for removal.
7. Pay all debts and charges you still owe to us.
8. Give your consent to an application for a change in the Designated Premises Manager (DPM).
9. Confirm that all utility suppliers and the ratings authority have been notified and final accounts requested and all outstanding bills have been paid.
10. Provide full health and safety certificates relating to the pub.
11. Provide the new Licensee with all details and contracts of staff employed by the business and who will transfer with the pub under the application of TUPE including: name, address, date of birth, hours worked per week, rate of pay, National Insurance number, employment commencement date, holiday pay, staff on maternity/paternity/sick leave.

12. Assist in relation to Personal Guarantees – in cases where it is not possible for the amount owed to us to be cleared and Personal Guarantees have been given, we may require the guarantors to reach a financial settlement with us for any amount due.

13. Pay any legal and surveyors' fees (see Guide to Charges).

14. Ensure that you leave minimal operating stock on site for the incoming Licensee.

If you are leaving because your pub is being sold, the process will be arranged with your BDM.

As part of the process we will:

1. Acknowledge your notification, confirm the process and agree an exit/ change day.

2. Arrange for the production of a Schedule of Dilapidations by a Chartered Surveyor who will carry out an inspection of your pub. You are expected to do the work identified in the Schedule of Dilapidations before you leave. Our Surveyor will inspect the work after you notify us that it has been completed. If there are any outstanding repairs or it is agreed that there is not enough time to carry out the work before the anticipated completion of the exit, you will be charged for completing outstanding work. This may vary if your pub is being sold.

3. Arrange an Energy Performance Certificate survey which will be carried out by a consultant.

4. Provide a Deed of Surrender, containing your final account details at the anticipated exit/ change day, confirming the amount owed to us and how it has been calculated.

5. Release your deposit and any other monies owing after 28 days once all debts, charges and fees due to us have been paid.

Private accommodation

We expect the private accommodation to be in good decorative order and safe. Everything should be left clean and tidy. All personal possessions must be removed from the premises on or before your exit/ Change Day. If this is not completed, we will charge you for the removal and cleaning of the private accommodation.

An accommodation check will be made on the exit/ Change Day to ensure that you have left things in order for the incoming Licensee and complied with your Schedule of Dilapidations.

10: COMPLAINTS

OUR COMPLAINTS PROCEDURE

If you have a complaint about our conduct or our administration of the Code, please place your complaint in writing to us either by post or email, stating your name, pub name and location, and the nature of your complaint to:

Belhaven Pub Partners
Abbot House
Westgate Street
Bury St Edmunds
Suffolk
IP33 1QT

Or email us at: pubscode@greeneking.co.uk

We will acknowledge your complaint as soon as reasonably practicable, usually within two working days.

Depending on the nature of your complaint it will be assigned to either your Business Development Manager or a more senior member of the operations team to help resolve your complaint.

If you feel that your complaint has not been resolved or you remain unhappy with any resolution offered, it will be escalated to the managing director of the tenanted and leased division of Belhaven, who will arrange to meet with you.

We will attempt to formally conclude your complaint within 35 working days of receipt of your complaint.

Where complaints require investigation by other departments or individuals, we will advise you of adjusted response times, if required.

Pub Independent Conciliation & Arbitration Service (PICA-Service)

PICA-Service provides an independent service, available at low cost to Licensees, where disputes may be referred after pursuing remedies through the Company and failing to reach a satisfactory resolution, and is supported by Belhaven.

Irrespective of the terms of your Agreement you have the right to elect for a referral to the PICA-Service and we agree to be bound by the decision of the independent arbitrator delivered through PICA-Service. The acceptance of the PICA-Service does not forfeit your rights under your Agreement, nor can the acceptance of the terms and conditions prevent the parties seeking further redress through the courts.

Further information and details of the PICA-Service application process can be found at www.picaservice.com.

MUTUAL RESPECT FOR EACH OTHER

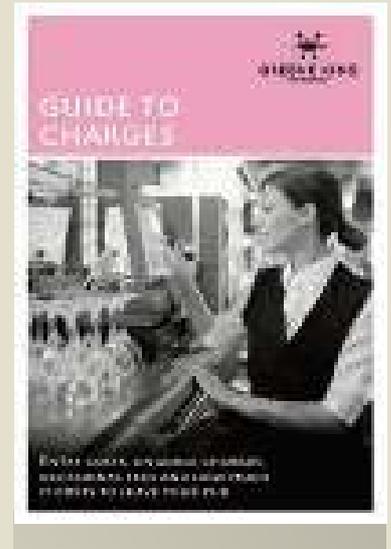
We welcome open and honest communication with you and will discuss any concerns and issues that you may have. Our BDMs and other employees will act in a professional and responsible manner in their dealings with you. We do not tolerate aggressive or abusive behaviour towards any of our employees or partners.

Both parties have the right to terminate any phone call, interview or visit that deteriorates to an unacceptable level.

11: FURTHER INFORMATION

In this document we reference other guides which provide you with further information to help you. They will be provided as part of the information we supply you.

- Guide to Charges
- Guide to Insurance
- Guide to Training
- Guide to Buying and Selling a Lease



12: USEFUL CONTACT DETAILS

Belhaven Publine
0845 608 0715

Association of Licensed Multiple Retailers (ALMR)
www.almr.org.uk

Scottish Beer and Pub Association (SBPA)
www.scottishbeerandpub.com

British Institute of Innkeeping (BII)
www.bii.org

Pubs Independent Rent Review Scheme (PIRRS)
www.pirrscheme.com

Royal Institution of Chartered Surveyors (RICS)
www.rics.org



RUNNING A PUB WITH GREENE KING

13: GLOSSARY OF TERMS

Agent of the Company

Any authorised representative on behalf of Belhaven.

Agreement

A legal contract between you and Belhaven leading to you operating a Belhaven owned pub on a self-employed basis.

ALMR

The Association of Licensed Multiple Retailers.

Amusement Machines

Entertainment equipment installed in your pub which may be: SWP (Skill With Prizes), AWP (Amusement With Prizes or Category C and D gaming machines), juke boxes, pool tables and other paid entertainment machines.

Assisted Purchase Scheme

A scheme Belhaven may provide to help you fund the purchase of Fixtures & Fittings for your pub.

BBPA

The British Beer and Pub Association.

British Institute of Innkeepers (BII)

The professional body for the licensed retail sector and a nationally recognised professional members' organisation.

Business Development Manager (BDM)

Your main point of contact, available to advise you in your dealings with Belhaven, support the development of your business and to ensure your obligations of your agreement are being maintained.

Business Plan

A formal statement of a set of business goals. The business plan must outline the reasons why they are believed to be attainable and the plan for reaching those goals. It may also contain background information about the organisation or team attempting to reach those goals.

Capital Buyback

A facility that allows you to undertake development work locally and for us to pay you for the cost of the agreed improvement works on completion. Prior written agreement is required from us.

Certified Accounts

A set of accounts verified by a qualified Accountant.

Change Day

The name given to the day you enter or leave your pub.

Chartered Surveyor

A person who is a qualified member of the Royal Institution of Chartered Surveyors.

Court Interdict

This is an order of court prohibiting a party from doing a specified act. Breach of the interdict is a contempt of court which can result in a number of penalties (including imprisonment) at the discretion of the presiding judge.

Credit Consent

The authority to proceed with a check of your credit history.

Designated Premises Manager (DPM)

The person who has day to day responsibility for the running of licensed premises. Any premises where alcohol is supplied under a premises licence must have a DPM. They will be named in the premises licence, a summary of which must be displayed on the premises. A DPM must be a Personal Licence holder.

Divisible Balance

A calculation under Royal Institution of Chartered Surveyors (RICS) rental valuation methodology of the estimated operating profit prior to rent.

Energy Performance Certificate (EPC)

EPCs tell you how energy efficient a building is and give it a rating from A (very efficient) to G (inefficient). We provide this certificate to you prior to you taking an Agreement with us.

Estates Manager

An Estates Manager advises on rental valuation, landlord and tenant law and processes and general estate management. At Belhaven our Estates Managers are RICS qualified.

Fair Maintainable Operating Profit (FMOP)

The level of profit stated prior to depreciation and finance costs relating to the asset itself (and rent if leasehold) that a reasonably efficient operator (REO) would expect to derive from the FMT based on an assessment of the market's perception of the potential earnings of the property. It should reflect all of the costs and outgoings of the REO and an appropriate annual allowance for periodic expenditure such as decoration, refurbishment and renewal of trade inventory. (RICS Guidance GN/67/2010 clause 2.4).

Fair Maintainable Turnover (FMT)

FMT is a standard valuation approach used to calculate pub and licensed trade rents. FMT is the future profitability of trade (excluding VAT) that a pub can be expected to achieve assuming a reasonably efficient operator. The level of trade that a reasonably efficient operator (REO) would expect to achieve on the assumption that the property is properly equipped, repaired, maintained and decorated (excluding VAT) (RICS Guidance GN/67/2010 clause 2.5).

Fixtures & Fittings

All items in the pub that are not part of the actual building.

Free of tie

An arrangement where there is freedom to purchase all trade products from any available source.

Belhaven Pub Partners

The leased and tenanted pub division of Greene King.

Inventory

Another term used for fixtures & fittings.

Irritancy

The legal process of rescinding an Agreement.

Investment Agreement

An Investment Agreement will set out the details of any works that that will be carried out at your pub and will include details such as a description of the proposed investment, a list of the works to be completed including dates of completion.

Lease

An Agreement where you take on a pub as a self-employed person and pay a rent to Belhaven. You are able to sell on the goodwill for a premium if you choose to do so.

Letter of Consent to Assign

Legal document granting the permission to assign your Lease Agreement.

Licence to Alter

Legal document providing permission from Belhaven to make structural changes to your pub.

Licensee

Description of the relationship between Belhaven and the individual, individuals or company that hold a Tenancy or Lease Agreement at one of our pubs. For example, licensee may refer to an individual, husband and wife or a limited company.

Maintenance and Service Agreement

The Maintenance and Service Agreement helps you take care of most of your compliance and statutory obligations and other essential maintenance requirements at your pub. It is charged in one simple weekly fee and is available for tenancy agreements only.

Personal Guarantee

An undertaking to be personally liable for any debts.

Personal Licence

The Licence you hold to run a pub that is given by the Licensing Board. You will require the Scottish Certificate for Personal Licence Holders (SCPLH) Level 5 qualification before you can apply for a Personal Licence.

Pre-Agreement Meeting

The meeting you attend with us before you sign the Agreement. This ensures you understand our and your responsibilities.

Pre-Entry Awareness Training (PEAT)

An online training module provided by the BII that must be completed by all new licensees.

Premises Licence

The Licence that allows your premises to run as a pub. We hold this licence.

Pubs Independent Rent Review Scheme (PIRRS)

An independent rent review resolution service.

Put and Keep

The Licensee agrees to carry out repairs to those parts of the property that this clause applies to, regardless of the state of repair at the start of the Agreement.

Reasonably Efficient Operator (REO)

A concept where the valuer assumes that the market participants are competent operators acting in an efficient manner of a business conducted at the premises. It involves estimating the trading potential rather than adopting the actual level of trade under the existing ownership, and it excludes personal goodwill. (RICS Guidance GN/67/2010 clause 2.10)

Rent Panel

A regular meeting held to sign off initial rent assessments, rent reviews and agreement renewals. Our Rent Panel members include senior management and Estates Managers who are RICS qualified.

Rent Review Memorandum

Legal documentation detailing the agreement reached at rent review.

Repairs Fund

A fund that is paid into monthly and held by Belhaven to help cover the costs of repairing and maintaining the pub. Applicable to Lease Agreements only.

Retail Prices Index (RPI)

The most common measure of inflation in the UK and which is used for rent adjustments on our Agreements.

Royal Institution of Chartered Surveyors (RICS)

An independent, representative professional body which regulates property professionals and surveyors in the UK.

Schedule of Dilapidations

A list of items or work that you will be required to complete before you leave your pub with regard to maintenance, repair or redecoration.

SDLT

Stamp Duty Land Tax (SDLT) is generally payable on the purchase or transfer of property or land in the UK where the amount paid is above a certain threshold. You must seek independent professional advice to understand your SDLT responsibility.

Security Label

A label on a beer container provided by Belhaven that shows it has been supplied by us.

Shadow Profit & Loss Report

The format in which we supply our rent assessment. It is based on assumptions and does not guarantee future or present performance of the business. Prospective applicants must seek independent professional advice unless their own experience permits them to be entirely confident of their own assessment.

Short Agreement

A tenancy at will or a tenancy agreement of no more than 12 months duration

Specialist Tenant Trainer

A trainer who provides on-the-job training.

Structural Alterations and Additions

Physical alterations to the structure of the building eg. foundations, internal and external walls, floors, ceilings, staircases and roofs. Additions include extensions to the building eg. conservatory, dining area, function room or letting rooms.

Tacit Relocation

This is a provision in Scots law which provides that a lease or tenancy of one year or more does not automatically terminate on the date stated but continues from year to year if neither party gives due notice of termination.

Tenancy

An Agreement where you take on a pub as a self-employed person and pay a rent to Greene. You cannot sell on this Agreement.

Tenant

A Licensee who has a Tenancy Agreement with Belhaven.

Tie

A contractual obligation to purchase specified products from Belhaven or its nominated supplier as set out in the Agreement.

Tied Agreement

A legally binding document that details the obligation to purchase specified products from Belhaven or its nominated supplier.

Trade Account

A running statement of invoices and payments.

Training Fund

An amount you pay us so that you are able to attend the mandatory and other training courses to help you run your pub.

TUPE

Transfer of Undertakings (Protection of Employment) Regulations 2006.

Ullage

The amount of liquid within a container that is lost, by leakage or deterioration of product, during delivery or storage.

Working Capital

The money you will require to keep your business going for example, money to purchase stock, pay staff and carry out immediate repairs.



BELHAVEN PUB PARTNERS PUBLINE

Telephone: 0845 6080715

WEBSITE

www.GreeneKingPubs.co.uk

Belhaven Pub Partners, Abbot House,
Westgate Brewery, Bury St Edmunds,
Suffolk, IP33 1QT.

Telephone: 01284 763222.

Website: www.GreeneKing.co.uk

Belhaven is a trading division of
Greene King Brewing and Retailing Ltd
and of Greene King Retailing Ltd,
both companies in the Greene King group.

Spirit Pub Company (Leased) Limited (5699544)
is also a member of the Greene King group.