

batemans



CRAFT BREWERS
SINCE 1874

Good Honest Pubs Run By Good Honest People Profit Partnership

'Eyes Wide Open'

The 'Eyes Wide Open' operating and procedures manual is designed to give Operators a better understanding of our agreements and how best to benefit from the services offered by the Brewery.

Shaded areas highlight the points which are only relevant to the '*Profit Partnership Plus Agreement*', all other points also relate to the '*Reduced Risk, Business Purchase Agreement*'.

There is also an addendum at the rear of '*Frequently Asked Questions*', relating to the '*Reduced Risk, Business Purchase Agreement*', which helps clarify the details.

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December 2022



BACKGROUND

There are some 40,000 public houses in England, Scotland and Wales. They vary from beer led community style houses, to gastro style food led pubs. Similarly, there is a wide range of operating methods, from management or short term tenancies through to franchises, short term leases, fully repairing and insuring leases, assignable leases and ultimately free trade operations, which may include freehold ownership.



We have a 'hybrid' agreement which is a cross between Free Trade and Tenancy, called '*The Reduced Risk, Business Purchase Agreement*', which offers the benefits of both.



Running a pub a pub can be an exceedingly rewarding career, but it is essential that prior to taking on a pub, prospective Operators fully understand the commitment they are making. Equally important is for the prospective Operator to understand the part we play in the partnership.



Business support and assistance is given, whilst allowing prospective Operators an avenue into the trade with limited financial commitment, in contrast to the greater resources required in order to take on a leasehold pub or a freehold property. Our Agreement is based on Operators paying highly discounted prices for their drinks products.



And we have no rent reviews!



This 'Eyes Wide Open' operating manual will assist in clarifying the opportunities offered to prospective Operators and is designed to give Operators confidence in working with us. It works in conjunction with the Industry Code of Practice (1-499 Tied pubs), which is legally binding and which we provide prospective Operators with a copy of.



INTRODUCTION

from Stuart Bateman

My family has been brewing beer in Wainfleet since 1874, and over the years has carefully built up an estate of some 50 quality pubs, primarily in the towns and villages of Lincolnshire, East Midlands and Norfolk, and a reputation for being fair and caring people to work with. The pubs vary from busy town houses to delightful country inns; from one-bar community pubs to pubs with letting rooms and extensive food operations.

The success of each of these pubs relies upon the expertise, professionalism and hard work of the individual Operator and it is our aim to support each and every Operator to maximise the business potential for each and every pub.

A Profit Partnership Plus Business Agreement gives a Operator the opportunity to run their own business with our assistance and expertise. The Operator takes all the retail profit from the business and pays the majority of the overheads, whilst paying us a rent and purchasing all their drinks from us.

We are focused on the Brewery, pubs, publicans and staff thriving for years to come. This means we make decisions which are for the good of all in the short terms **AND** the long term; we are not here for short term profits, at the expense of the long term and the people we work with. We want future generations of publicans, customers, staff and the family, to have the benefit of fulfilling their aspirations and enjoying what we do as a company.

Our philosophy was encapsulated in the words of Mr Harry Bateman, our founder's son, in 1953 when he said:

“In your business don't ever lose the human touch with your employees and Tenants.”

We believe this still holds true today.

Our business is about people. We have not only won many national accolades in recent years for our beers, but have won many for our people, including our Operators. We have been recognised as 'Regional Brewer of the Year' and 'Pub Company of the Year' (20-199 Outlets) by the Publican Magazine, and 'Cask Ale Supplier of the Year', by the national company, WTBS. Their Managing Director said:

“Batemans perform brilliantly, they are reliable, great people, who offer innovative and creative solutions.”

(Jeff Jamet, MD of WTBS)

We were also judged to be the top regional brewer for licensees to work with in the National Licensee survey.

PLEASE NOTE THAT WITHIN THIS MANUAL, SHADED AREAS ONLY RELATE TO THE PROFIT PARTNERSHIP PLUS AGREEMENT. ALL OTHER POINTS ALSO RELATE TO THE REDUCED RISK, BUSINESS PURCHASE AGREEMENT. THERE IS ALSO AN ADDENDUM AT THE REAR DETAILING 'FREQUENTLY ASKED QUESTIONS' WHICH GIVES MORE DETAIL ON THIS AGREEMENT.

'EYES WIDE OPEN'

The Profit Partnership Plus Business Agreement, The Reduced Risk, Business Purchase Agreements and the Industry Code of Practice (1-499 Tied pubs), are separate documents covering the contractual relationship between us and the Operators. It is essential that prospective Operators are fully aware of the details within them.

The Industry Code of Practice (1-499 Tied pubs) applies to our Profit Partnership Plus Business Agreement and our Reduced Risk, Business Purchase Agreement, but not the Short Term (usually 5 months and 25 days) and the Tenancy at Will Agreements.

This document is intended to ensure that prospective Operators have the necessary skills, advice and knowledge to take on a pub business and that they receive sufficient information to enable them to undertake a thorough evaluation of the business opportunity and to prepare a business plan.

Because our Profit Partnership Plus Agreement and our Reduced Risk, Business Purchase Agreements are legally binding we do insist that prospective Operators produce documentation demonstrating that they have received independent legal and financial advice about their prospective venture.

We help Operators make a success of their businesses and this document is a stepping-stone along the way towards this end. However, running a business is not risk free, although we help minimise the risks and help the Operator to run a happy and rewarding business at their chosen pub.

The Pub Advisory Service (PAS), which is administered by the BII, can provide an initial offering of free advice to all prospective and current Operators.

PRE ENTRY AWARENESS TRAINING (PEAT)

Prospective Operators need to complete the Pre Entry Awareness Training course run by the British Institute of Innkeeping (BII), for which they make a small charge. Details are on the website: www.bii.org/home.

This is relatively simple and easy to complete.

We also discuss with you our own Pre-entry Awareness Training, which is specifically related to our own agreements.



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(Please note there is a glossary of terms at the end of 'Eyes Wide Open' which helps to explain the meaning of some of the words used.)

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Heads of Terms

Initial heads of terms covering the principles and terms of the Agreement are supplied at the outset, with a full copy of the Agreement, before the Operator is asked to sign any commitment.

Curtilage

The curtilage of the Property in terms of buildings, outbuildings and land, and any restrictions on their use, is defined during the interviewing process.

OUR AGREEMENT HAVE NO RENT REVIEWS

SECURITY

The Reduced Risk, Business Purchase Agreement is a fixed 10 year term, renewable after 10 years for a further 10 years. The Business Owner has Security of Tenure during the period and can sell on the business at any time after the initial period of three years, from the original commencement date. They can also give notice to terminate after an initial period of one year and the Brewery will purchase the business back from them. A time frame would be agreed on this at the time of notice being served, in order to give time for satisfactory terms to be agreed.

Our Profit Partnership Plus, Three Year Renewable Agreement is for an initial period of three years and is subject to the Landlord and Tenant Act (1954), which gives the Operator the **automatic right to renew the Profit Partnership Plus Business Agreement at the end of each three year term**, providing the statutory renewal procedures and notices have been followed and the agreement terms have been adhered to.

NOTICE

This Three Year Renewable Profit Partnership Plus Business Agreement, to all intents and purposes, is the Operator's, until they decide they wish to terminate it. As landlords we can only serve notice to terminate this Profit Partnership Plus Business Agreement on specific grounds; if the Operator has been in breach of the Profit Partnership Plus Business Agreement or if we wish to redevelop the premises or get them back for our own use; examples include developing the site for alternative use or turning the operation into a managed house (we do not operate managed houses). In the unlikely event of us serving notice to take the site back, compensation may be due.

The Operator has the right to serve notice to leave at the third, and subsequent tri-annual anniversaries of the Agreement only. Formal notice to terminate needs to be received by us between six months and twelve months prior to a tri-annual anniversary.

If an Operator wishes to be released early from their contractual term this may be considered, but compensation would be due to the Brewery. The level of compensation would be discussed prior to agreeing the termination date (see 'Early Surrender').

With the Reduced Risk, Business Purchase Agreement the Business Owner can sell on the business at any time after the initial period of three years, from the original commencement date. They can also give notice to terminate after an initial period of one year and the Brewery will purchase the business back from them. A time frame would be agreed on this at the time of notice being served, in order to give time for satisfactory terms to be agreed.

AGREEMENTS, ARRANGEMENTS & OPTIONS

We discuss the most suitable Agreement with prospective Operators at interview.

Three Year Renewable Profit Partnership Plus Business Agreement

This is a standard three year agreement with security of tenure and automatic right to renew, which will involve the Profit Partnership Investment Arrangement (Appendix 1, page 24). There is no standard rent review clause other than rents being adjusted annually in line with RPI, which we 'cap' at times when the RPI level is considered to be very high, so that the Operator does not have to bear the full cost.

Reduced Risk, Business Purchase Agreement

With this Agreement the business at the pub can be purchased and then subsequently sold on at a profit, passing the privileges and obligations of the Agreement on to a new Business Owner. There is significant financial support, involving opportunities for contributions towards utility costs and also annual holidays. There is no need to buy the Fixtures and Fittings of the pub and the Brewery retains responsibility for the maintenance and repair of the buildings.

5 Months and 25 Days Short Term Agreement/Tenancy at Will

There are introductory Agreements, sometimes offered to less experienced Operators, or when both parties may wish for a shorter Agreement, for a variety of reasons. This type of Agreement is not automatically renewable and does not fall under the regulations of the Landlord & Tenant Act (1954).

If it is the intention of the Operator and the Company to extend the agreement for a longer term, contracted out or not contracted out, this will have been discussed at the interview stage and ongoing between the Operator and the Head of Retail, during the term of the Agreement, in order to conclude whether it is desirable. We will take into consideration the Operator's performance during the period of the agreement, and review adherence to the business plan, trading performance and credit control.

We endeavour to give a minimum of twenty eight days' notice (although this is not always possible) prior to the expiry of the short term agreement to the Operator of whether we wish to offer an extended Agreement and what the terms of that agreement would be.

With a 5 months and 25 days Agreement the term expires on the pre-arranged date and with a Tenancy at Will the Operator or the Brewery must give not less than 15 working days' notice at any time of their intention to terminate.

A Tenancy at Will or Temporary Tenancy is an agreement which can be terminated at short notice and is used to cover temporary arrangements while longer term arrangements are finalised. The term of this agreement could be as short as one week and as long as 5 months and 25 days.

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We are willing to consider variations to the standard agreement we offer, which may involve such things as a longer term or arrangements to support Operator investment.

Once an Agreement has been entered into, we do not operate a 'cooling off' period

DISCLOSURES

When considering entering into an agreement with us you are expected to be open and honest in disclosing and subsequently discussing, all relevant information, specifically in respect of:

- credit worthiness
- background and relevant experience
- source of finance and any proposed borrowings to support the execution of the business plan
- any reason why the Police or any other body might oppose them operating a licensed premises
- references will be required

OPERATOR'S RESEARCH

We expect all prospective Operators to have carried out their own enquiries into the trading performance of the pub and have visited the premises sufficiently often, during different trading times, in order to have formed their own opinion of the trading potential. We also expect prospective Operators to have visited other pubs in the vicinity and to have surveyed the trading environment sufficiently to understand the opportunities and threats that prevail.

In some cases, the outgoing Operator may be prepared to provide detailed financial information, relating to food sales, letting accommodation, income and costs, which may not be known by us.

Before being offered an Agreement we insist that prospective Operators have inspected all the public and private areas of the pub at least once. A member of the Profit Partnership team can arrange this.

BUSINESS PLAN

The information gathered by the prospective Operator and provided by us, should form the basis of a business plan. It should describe how the public house is to be operated and provide detailed financial projections including sales, margins, costs and cashflows. Our Profit Partnership team can assist with putting this together and a business plan template is available.

The prospective Operator must take independent financial and legal advice from qualified professionals, who can demonstrate they have the necessary credentials and relevant experience in dealing with public houses, before entering into an Agreement with us. It is the prospective Operator's responsibility to pay for any costs incurred in obtaining the said advice.

ACCOUNTANTS AND STOCKTAKERS

The Operator must provide information on the approved accountant and stocktaker that will be used during the first twelve months of the Business Agreement, if it has been agreed that the Brewery nominated accountant and stocktaker will not be used. Information must be shared with the Brewery.

Business Owners operating a Reduced Risk, Business Purchase Agreement, must use the Accountancy Services we nominate in order to benefit from the additional financial support we offer and allow us access to financial information.

THE SELECTION PROCESS

We will make contact with an applicant upon receipt of a completed application form to arrange an initial interview. At the initial interview the applicant is either advised:

- a) of current suitable vacancies and asked to visit them; or
- b) that they are suitable but we have no current appropriate vacancies for them, which is confirmed in writing. They are subsequently contacted when a suitable pub becomes available; or
- c) they are unsuitable.

Should we consider the applicant unsuitable contact will be made confirming this.

If an applicant is interested in a suitable vacancy they are asked to complete a business plan and are notified of the specific qualities which we feel are required to operate the business. After the prospective Operator has carried out the required research etc and submitted a business plan a second interview is arranged, after which they are either offered the pub or informed that their application has been unsuccessful. The option to remain as a prospect on our database for future vacancies is nearly always given.

INDUSTRY CODE OF PRACTICE

The applicant should have read the Industry Code of Practice, www.thepubgoverningbody.co.uk or it can be viewed on our website in the Run a Pub section. Not all clauses are relevant to the Reduced Risk, Business Purchase Agreement. You may need to take advice.

LICENSING

The Operator must be the holder of a personal licence and become the Designated Premises Supervisor (DPS) or nominate an appropriate person to hold the position and licence.

We hold all public house Premises Licences in our own name, although we recharge the annual fee to the Operator. The Premises Licence is discussed in detail with prospective Operators and copies of the relevant documents provided, as it is imperative that all the conditions on the licence are understood and adhered to fully by the Operator.

We reserve the right to charge the costs, or associated costs, if conditions are placed on the licence, which result directly from the Operator's actions.

If the Operator is planning to broadcast copyright music, whether recorded (including jukebox) or live, they will need to obtain the appropriate Music Licence (which is the combined Performing Rights Society, PRS and Phonographic Performance Limited, PPL Licence).

Visit: www.pplprs.co.uk



OPERATION OF THE AGREEMENT

GENERAL

We consider our Agreements to be amongst of the fairest available in the pub industry and give every opportunity for both parties to achieve their legitimate business objectives.

There is no minimum purchase obligation in our agreements.

There are also no rent reviews.

The Operators to benefit from highly discounted prices for their drinks products.

INGOING COSTS

The Operator is required to pay the following:

PROFIT PARTNERSHIP INVESTMENT

The value of the Profit Partnership Investment has a direct correlation between the Operator's investment and the potential reward from operating the pub ie **'fair investment for fair reward'**. It avoids the risk that a Operator may have over invested by buying an inventory at a value which bears no relationship to the earnings potential of the pub. This investment is held by us and can be used to cover any future debts and more usually to offset any depreciation in the value of the inventory.

TRADE FIXTURES AND FITTINGS (Inventory)

Prior to ingoing the inventory of the pub is valued by two valuers, one selected and paid for by the Brewery and one selected and paid for by the Operator. It is their responsibility to reach agreement on a fair valuation.

There may be instances when we and you agree to share one valuer, which would involve sharing the cost of the valuer. The decision of the valuer is binding. Agreement to share a valuer must be confirmed in writing by us prior to arrangement.

At the end date the inventory is again valued by two valuers, one selected and paid for by the Brewery and one selected and paid for by the Operator. It is their responsibility to reach agreement on a fair valuation. The difference between the ingoing valuation and the outgoing valuations (taking into account depreciation, authorised additions, replacements and removals) is then deducted from (or added to) your Profit Partnership Investment Sum, or the Actual amount paid together with any other sums, including dilapidations charges, owed by you to us, before the remainder is then returned to you.

In the case of The Reduced Risk Business Agreement, the same applies and should be carried out before each new Business Owner takes over, and any shortfall in the value (taking into account depreciation, authorised additions, replacements and removals), compared to the original value as at the original signing of the initial Agreement, is paid to the Brewery by the outgoing Business Owner.

REPAYMENT OF PROFIT PARTNERSHIP INVESTMENT

When the Operator leaves the pub a valuation is made of the trade fixtures and fittings, with all approved additions being added and then the Profit Partnership Investment is returned to the Operator within 14 to 28 days, having been adjusted to reflect appreciation or depreciation of the

value of the fixtures and fittings against the 'benchmark' and taking into account any outstanding debts to us.

We may decide part way through an agreement that we wish to carry out a revaluation of the inventory, at our cost and require the Operator to 'top up' the Profit Partnership Investment to the 'benchmark' value. In the event of a significant addition by us to the value of the inventory we agree with the Operator a 'new benchmark' value. **(SEE APPENDIX 1)**

Should the Operator improve or add to the inventory, with our written agreement, this will be taken into account in the outgoing valuation when they leave.

Should we at any time have carried out our right to debit an amount from the Profit Partnership Investment, due to an unpaid debt, or for repayment to us for having carried out work which was the responsibility of the Operator, then we may require the Profit Partnership Investment to be brought back up to the 'benchmark' or 'new benchmark' value within seven days. Before we debit any amount from the Profit Partnership Investment we will discuss the issue with the Operator.

We reserve the right to obtain a revaluation of the inventory at each tri-annual anniversary, with the Operator and the Brewery paying their share of the cost of carrying out the valuation.

We do not make any payment of interest on the Profit Partnership Investment finance held.

STOCK AND GLASSWARE

These are purchased on the ingoing day, at the valuation provided by a licensed trade stocktaker.

STAMP DUTY, LEGAL FEES AND INVESTIGATORY COSTS

There are no legal fees or stamp duty associated with the Profit Partnership Plus Business Agreement.

There may be stamp duty implications with the Reduced Risk, Business Purchase Agreement, but these vary from pub to pub and the regulations may change. Details will be discussed at interview.

Any costs incurred by the Operator when investigating the viability of the proposed Business Agreement are not reimbursable even if no appointment is made.

ELECTRONIC COMMUNICATION

In order to ensure effective and speedy communication between ourselves and our Operators, Operators are expected to maintain a valid email address and internet connectivity throughout the term of the Agreement, as well as ensuring there are landline telephone services.

RESPONSIBLE RETAILING

In order to help ensure the safety and well-being of Operators, staff, customers and the local community, we insist that our Operators introduce responsible retailing initiatives, which may include Drink Aware and Challenge 21 and Challenge 25, amongst others.



SIGNIFICANT FINANCIAL AND COMMERCIAL ADVANTAGES (VALUE ADDED SERVICES) WE PROVIDE

Discounts / Price Increases

We discount the list price of products providing the Operator is paying to terms. However, all discounts may be suspended for a period if the Operator is not operating within the terms of their Agreement.

Product price increases are capped.

Unless there are exceptional circumstances resulting in our suppliers increasing their pricing above 5% of the wholesale selling price, or our own costs of production increasing above 5%, our price increases will not be more than 5% of the full wholesale selling price of a product prior to discounts. However, any duty increases are passed on at the time of government implementation.

Product Promotions

Regularly, special reduced price promotions or merchandise promotions are offered on selected products.

Drink Brands Available

As well as supplying our own award winning cask ales and nationally renowned brands, we commit to endeavouring to offer market leading brands and the products which are most suitable for each individual outlet. However, we do have to take into account how we can best maximise our ability to give Operators discounts and trade marketing support. This has a bearing on the selection of brands we can offer.

We give at least seven days' notice of any pending product availability changes or price changes.

Group Buying Opportunities

We may negotiate special prices on behalf of our Operators, resulting in savings that would not be available to an individual purchaser.

Outside Bars/Events

We can provide equipment and services to help run outside bars/events at highly subsidised rates. In some circumstances we also contribute to any tender a Operator might wish to make, in order to obtain the business at an outside bar/event. Purchasing of drinks products for outside bars falls within the contractual purchasing arrangements of the Agreements.

Marketing

We provide assistance and advice on advertising, promotions and other marketing matters. Key point of sale materials such as bar towels, beer mats, posters etc are provided free of charge.

Open Book Accountancy Service

The Brewery may insist upon the Operator using a nominated accountant and sharing the financial information with the Brewery so that assistance can be given with financial planning.

Rating Service

We always inform Operators of the rateable value of a pub and the actual rates payable, prior to an agreement being signed. We can obtain the services of a reputable company to advise on all aspects of rating.

Websites and Website Design

Expertise is offered to ensure that Operators can set up and best utilise their own personalised pub website.

It should be noted that prior to the termination of an Agreement, the Operator must provide the Brewery with such information as will be required to enable us or any future Operator to continue to operate the website and social media, associated with the pub. This includes usernames, passwords and ID's etc.

Failure to provide the relevant information will result in a delay in the repayment of the Profit Partnership Investment and may ultimately result in a reduction in the amount of repayment made.

Catering Assistance

In order to help Operators make the most of their catering potential and to help ensure they run the operation within the necessary legislation and regulatory guidelines, we have developed our own in-house catering manual on how best to help Operators. The manual covers many issues, from Health & Safety, kitchen layout, food preparation, customer service and menu planning, to effective marketing of a food operation.

Menu Printing

We can organise a menu printing service.

Endeavour Loyalty Scheme

We operate a "Points makes Prizes" type scheme whereby Operators can gain points for entering into certain activities or achieving certain standards or targets. The points can be traded in for a variety of goods and benefits.

Wine Advice & Printing Service

We can organise assistance and advice on the planning of wine lists and can provide a printing service.

Brewery Visits

The Brewery is available for organised visits. However, bookings need to be made and there is a small charge for these events.

Business Support & Advice

The Head of Retail visits Operators, the frequency to be agreed with the Operator, and provides advice and support. Should a written record be required by the Operator this should be requested at the time of the meeting and also confirmed in writing by the Operator. This will then be actioned in due course. Any discussions relating to possible rent reviews ('Extraordinary' or Capital Investment related) will be confirmed in writing.

Newsletter

We issue periodic newsletters which may contain ideas to help Operators develop their businesses further, in terms of increasing trade and decreasing costs.

Legislation and Regulations Advice

Advice is given on legislation and regulations in order to assist the Operator in trading legally and fulfilling the licensing objectives etc although it remains the Operator's responsibility for ensuring that they are fully compliant.

Training Courses

We firmly believe good training to be an essential part of a licensee's success and development. We can discuss with the Operator what their and their staff's training requirements are and assist them in fulfilling their needs.

Courses cover: Cellar Management, Licensing, Basic Food Hygiene, Stock Control, Finance, Drug Awareness, Customer Service, Catering, Employment Law, Social Media, Energy Conservation and Wine (the selection of courses and the content of the courses may vary from time to time).

We have developed an introductory course called 'Running a Pub Successfully'. We may make attendance at this course a condition of an offer to a prospective Operator and a condition of any future capital investment, and reserve the right to make a charge for this training.

Should, for whatever reason, the Operator not have attended a 'Running a Pub Successfully' course when we have required them to do so, then we reserve the right to withhold all discounts until the course has been attended.

The majority of courses are delivered at the Brewery. Some courses are free and some we make a charge for. We have an approved BII training centre.

Explanation of the Operators' and the Brewery's Obligations (Pre Entry Awareness Training, PEAT)

Prospective Operators must complete the online Pre Entry Awareness Training module run by the British Institute of Innkeeping (BII), for which they make a small charge. Details are on the website: www.bii.org/support/startingout/preentryawarenesstrainingpeat.

We deliver a training module which explains all the obligations of both the Operator and ourselves.

Promotion to Larger Public Houses

The size of our estate enables Operators in smaller pubs to move to larger ones, should both they and we feel that such a move would be beneficial to both parties. Operators wishing to move to a larger business should check our web site and raise the matter with the Head of Retail.

Fruit Machine Analysis

We employ a machine monitoring company to analyse machine take and supplier performance, in order to help ensure that each site is performing optimally.

Surveyor and Design Services

We provide a free surveying service for agreed developments, which includes the preparation of plans for refurbishment, the submission of planning applications and advice on planning and property matters. We provide an interior and exterior design service for agreed developments.

Cellar Cooling

Cellar cooling is serviced annually by our nominated contractor. We make a charge for this and for maintenance and repair. This also applies to remote coolers.

Boiler Servicing

It is our responsibility to ensure the Landlord's Gas Test Certificate is in place but it is the Operator's responsibility to ensure that the boiler is serviced annually, maintained and certificated. We have negotiated preferential terms with a local firm to provide servicing, the cost of which is recharged to the Operator weekly. Repairs to boilers are the Operator's responsibility and are at their expense.

Health & Safety Management Systems

We will provide, pay for and recharge you at cost, a documented Health & Safety Management System, installed by Health & Safety consultants. This covers Health & Safety Policy, Employee Booklets, Induction Procedures, Fire Risk/Risk Assessment Considerations, Fire Procedures, Training Records, Manual Handling Procedures, The Confined Spaces Act and The Disabled Discrimination Act. A consultant can carry out an annual visit and audit and act as the Public House competent person for Health & Safety & Welfare Regulations 1999. An annual certificate can be provided.

A fire alarm maintenance record must be provided every six months to ensure the fire safety equipment complies with regulations.

This facility gives Operators the confidence that they have demonstrated to Trading Standards Officers, Environmental Health Officers, Fire Officers and other enforcement organisations that these issues are being handled in a competent manner. However, it should be noted that Operators still have day to day responsibilities with regard to the aforementioned. The consultants are there to help and guide as appropriate.

ACTIONS TAKEN TO COUNTER DETRIMENTAL INFLUENCES ON THE TRADING SITUATION

We recognise that there can be significant changes to the trading situation of a pub during the term, which are no fault of the Operator, and whilst altering the viability of the business do not warrant an extraordinary review as detailed in the Profit Partnership Plus Business Agreement. For example this might include such things as a significant rise in the running costs of the pub outside the Operator's control. When any changes have a detrimental effect on the business the Operator, or the Operator's financial advisors, must bring it to our attention as soon as possible. We undertake to hold discussions with the Operator and any appropriate advisors, to decide upon the best course of action (if any).

MACHINES

(AWPs are Fruit Machines)

Machines must be sourced through the Brewery's recommended supplier, in order to help ensure quality of service and equipment.

DISTRIBUTION OF INCOME

Distribution of the machine income, after **Machine Games Duty (MGD)**, is split between the machine supplier, the Brewery and the Operator and varies between AWP's and Pool Tables.

MGD is left onsite by the collection team and it is the Operator's responsibility to pay any MGD due on a quarterly basis to HMRC. In addition any VAT charged by the machine supplier, is deducted from the Operator's income. The VAT charged can be claimed back with the Operator's normal quarterly VAT return.

The terms listed below are current terms but are subject to change as and when new supply contracts are agreed. Operators will be notified in writing of any changes that effect the distribution of income.

The AWP income is split: Supplier 30%, Brewery 35% and Operator 35%, after MGD.

Pool Table income is shared on a 50/50 basis between the Brewery and Operator after the supplier's rent has been deducted. Should the Pool Table take fail to cover the rent then the shortfall is paid by the Operator.

MACHINE PERFORMANCE MONITORING

The Brewery employs a machine management company to analyse machine income, monitor supplier performance and provide cash security controls, for the benefit of both the Brewery and the Operator. To fund this service the Brewery takes a net amount of £5.50 per AWP each week and £2.50 per week for each piece of ancillary equipment such as Juke Boxes and Pool Table, from those machines which are provided on a rental basis. This may be reviewed periodically.

RENT

We are committed to following the rent calculation principles set out by the Royal Institution of Chartered Surveyors (RICS).

RENT CALCULATION

It is always our intention that any rent calculation does not penalise successful performance, but also that it does not compensate for under-performance.

The rent payable is based on a percentage of the estimated Fair Maintainable Trade (FMT). This takes into consideration trade from all parts of the business, excluding machine income but including drinks, food, accommodation, entrance fees, room letting, caravan site lettings etc.

We show prospective Operators our assumptions and the basis upon which we have arrived at them, when agreeing rents. We highlight what figures are actual and what figures have been assessed and why and upon what basis.

Cask Ale has a very small amount of undrinkable sediment at the bottom of the cask and an allowance is made for this in the rent calculation. Details are included within the rent calculation document.

Industry benchmarking reports are provided to help the Operator evaluate the assessments.

With our Agreements we give Operators the opportunity of purchasing drinks at highly discounted prices.

RENT REVIEWS

WE DO NOT HAVE STANDARD RENT REVIEWS! HOWEVER, THERE MAY BE EXCEPTIONAL CIRCUMSTANCES OUTSIDE OUR OR THE OPERATOR'S CONTROL, RESULTING IN TRADE INCREASING OR DECREASING. THIS MIGHT INVOLVE SUCH THINGS AS THE CLOSURE OF LOCAL COMPETITION RESULTING IN AN INCREASE IN TRADE OR THE INTRODUCTION OF ADDITIONAL COMPETITION, RESULTING IN A DECREASE IN TRADE, FACTORS WHICH COULD NOT HAVE BEEN TAKEN INTO CONSIDERATION WHEN THE RENT WAS ORIGINALLY SET.

FAIR MAINTAINABLE TRADE

When assessing the Fair Maintainable Trade (FMT) we take into consideration the level of trade which would be expected from an 'average operator' and when we are evaluating historical performance, we adjust any figures downwards if we consider a previous Operator has performed at an above average level. We will also adjust it upwards if we consider that a less than 'average operator' has performed at a lower than average level.

As we may have no definitive information on which to base estimates for catering sales and accommodation, these are based on our judgement, and are discussed with the prospective Operator before the agreement is signed.

If a pub has not traded to its full potential, the ingoing rent is calculated on the potential profit considered likely to be achieved by an 'average operator', operating the same premises.

ANNUAL RPI RENTAL ADJUSTMENTS

The rent is increased/decreased by the same percentage as the Retail Price Index (RPI) at the annual anniversary of the agreement and may be upwards or downwards. The headline rate of inflation used is taken from the Bank of England's website. There are instances when we may actually 'cap' the percentage rate.

CAPITAL IMPROVEMENTS

We and the Operator may decide to make alterations to the premises during the term of the Agreement to enhance the business. Any capital investment is only actioned if the Operator agrees to the scheme in its entirety and signs up to the rental and investment implications of the proposed project. Before any alterations commence we agree and confirm the arrangements in writing:

Usually the value of any investment in a capital improvement is rentalised at the rate of between 10% and 15% per annum of our capital cost, but this can vary dependent on circumstances.

Should a Operator wish to make capital improvements at their own expense and we agree, a Licence to Alter will be issued and both parties must sign the agreement. At no time or in any circumstances (unless agreed in writing by the Managing Director) will the Operator be compensated for any such work.

PUB INDEPENDENT RENT REVIEW SCHEME (PIRRS)

If we and the Operator cannot agree what is a new fair rent and the Internal Disputes Procedure (page 18) has been followed, then we agree that the matter be referred to the Pub Independent Rent Review Scheme with their decision being binding. Each party is responsible for their own costs in this matter.

Details can be found on the PIRRS website: www.pirrscheme.com

The Operator still has the right to seek arbitration if he does not wish to use the Pub Independent Rent Review scheme.

RENEWING AND TERMINATING THE AGREEMENT

Our Three Year Renewable Profit Partnership Plus Business Agreement is protected by the Landlord & Tenant Act (1954) and this gives Operators the right of renewal at the expiry of each term (commonly known as Security of Tenure), provided there have been no material breaches of the agreement, that the Operator is trading the business at a level which might be expected from an 'average operator', that they are meeting the repair, maintenance and statutory compliance responsibilities and are abiding by the payment terms.

Within the 'notice window' if there are no grounds to terminate the Agreement, then a Section 25 Notice is served. This document informs the Operator that we intend to offer them a new three year term at the expiry of the current three year term. Although the Operator does not need to formally respond to this notice, it is good practice to sign and return the Section 25 documentation to confirm that a new three year term is desired. In the absence of any information to the contrary it will be taken that a Operator wishes to renew.

If an Operator does not wish to renew the Business Agreement at the end of the term then we need notifying a maximum of twelve months and a minimum of six months, 'the notice window', prior to the expiry date. Failure to do so may be taken as an automatic desire to renew.

We, as landlords, can only serve notice to terminate a Profit Partnership Plus Business Three Year Renewable Agreement on specific grounds; if the Operator has been in breach of their Profit Partnership Plus Business Agreement or if we wish to redevelop the premises or get them back for our own use, examples of which include developing the site for alternative use or turning the operating arrangements from Profit Partnership Plus to Management (we do not operate managed houses).

In the unlikely event of us taking the site back for our own use, compensation may be due to the Operator.

DILAPIDATIONS

Prior to the end of an agreement, (or in the case of The Reduced Risk Business Agreement, prior to each Business Owner selling on the business), arrangements are made for our Surveyor or Property Manager to visit in order that a Schedule of Condition can be drawn up. Operators will be charged for this service.

The Schedule is presented to the Operator a minimum of two months prior to the changeover date (unless the change is agreed at short notice) and agreement made between the Operator and the surveyor as to whether the Operator is going to do the work (to an agreed standard), whether we are to do the work and charge the Operator, or whether a charge is to be made to the Operator and settled on the day of changeover. If previously agreed works have not been carried out by the Operator by the day of changeover, the Operator is charged for the cost of the work to be subsequently carried out. Should the Operator not be happy with the Schedule of Condition the Disputes Procedure should be actioned and indeed the matter can be referred to the Pub Independent Conciliation and Arbitration Service (PICAS).

It should be noted that this Dilapidation Schedule is relative to the original Schedule of Condition or a subsequent Schedule of Condition if we have refurbished the pub. Operators are not obligated to bring the condition up to a better standard than it was at the commencement of the term of the Agreement, however no compensation will be paid to the Operator if the condition is better than the original Schedule of Condition.

(For the duration of the term of the Agreement we reserve the right to enter the premises, as detailed in the Agreement, to check the condition of the premises. It is our policy to inspect the domestic quarters regularly.)

EARLY SURRENDER

There are times when we are prepared to release an Operator from their obligation to complete the duration of the term of the Profit Partnership Plus Business Agreement. However, this can be an exceedingly costly exercise. We therefore reserve the right to make a charge to reflect this cost, which could be the value of between six months and twelve months rent (although it is dependent upon the circumstances) to cover our potential loss of profits and will be related to the amount of rent which would have been paid should the Operator have completed their term.

CONSEQUENCES OF BREACH OF AGREEMENT

The Agreements are legal contracts and breaches may result in legal proceedings and forfeit of the Agreement, which may result in repossession and the Brewery seeking damages and costs.

An injunction to restrain breaches of covenant may be implemented to regularise the Operator's continued occupation of the premises and costs are sought from the Operator. A consent order agreed between the Operator and the Brewery, which is enforceable by the court, may lead to reinstatement of the term of the Agreement if it is fully complied with. There is no requirement for Operators to take retirement at any age.

RETIREMENT POLICY

There is no requirement for Operators to take retirement at any age.



SERVICES AND SERVICE STANDARDS

INTRODUCTION TO BREWERY STAFF

Prior to taking the pub over the Operator may be introduced to the relevant staff at the Brewery so that they are able to put faces to the names of those responsible for organising the various services.

LANDLORD'S REPAIR, DECORATION AND SIGNAGE OBLIGATIONS

We are responsible for all structural repairs and the external decoration of the premises. This document and the Agreements define the responsibilities of both ourselves and the Operator for the repair and redecoration of the building.

We are responsible for the provision of all external signage and endeavour to ensure that the pub is signed to optimum effect to promote not only our products, but also the amenities offered by the Operator. Operators shall not erect their own signs, without written permission.

The Operator is responsible for the redecoration of the public and private areas at a minimum frequency of every three years, and in the final year of the agreement. This must be to a standard and specification agreed by us.

INSURANCE

In our capacity as the property landlord, we are responsible for the buildings insurance and recharge this cost back to the Operator. Any insurance excesses relating to the buildings insurance would be the responsibility of the Operator. Full details of the buildings insurance cover will be provided by us to the Operator.

It is a requirement for all Operators to insure the inventory, fixtures and fittings, Public/Products Liability and Employer's Liability. Evidence of the insurance policy must be provided and approved by us in writing. As the Operator is responsible for this insurance, they are also responsible for any insurance excesses. We can provide further information regarding insurance and payment terms. Full details will also be provided in the Offer Letter.

Insurance for personal belongings is the Operator responsibility.

PROVISION OF BEER RAISING AND DISPENSE EQUIPMENT

The handpulls and beer engines are our property.

All dispense pumps, electric or handpulls are supplied and maintained by us, as is the beer raising equipment. We pay for any installations and for repairs to the beer raising equipment, but you are responsible for repairs to the cooling systems.

DISPENSE EQUIPMENT MAINTENANCE

We provide a 'One Stop Shop' for the repair of cellar and dispense equipment (not for cellar cooling).

For emergency calls an estimated time of attendance is given. Emergency calls are for Health & Safety issues, electrical failures, frozen containers, remote unit down or all standard lager or keg ale completely off sale.

CELLAR COOLING

We organise a service contract and any repairs required. We reserve the right to make a charge for this service. There is an out of hours emergency contact if required. You are responsible for, and at your cost, repairs and maintenance. We are responsible for the replacement of any life expired draught beer cooling systems.

PRODUCT INSTALLATIONS

Installations need agreeing with the Head of Retail, who will organise them if agreed.

SUPPLY OF DRINKS

We supply a comprehensive range of ales, lagers, ciders, wines, spirits and minerals, all of which can normally be supplied on one delivery.

In certain circumstances, at our discretion, other Brewers' cask ales may be available periodically. This would typically be for pubs where the retail offer is focused on cask ale and the increased number of handpulls. This would have been discussed at interview.

As well as supplying our own award winning cask ales, we commit to endeavouring to offer market leading brands and the products which are most suitable for each individual pub. However, we do have to take into account how we can best maximise the discounts and trade marketing support opportunities for all our Operators, which has a bearing on the selection we can offer.

It cannot be stressed enough how important it is for Operators to adhere to the commitment to purchase all agreed drink products from us and in return for which they receive certain significant financial and commercial advantages, as detailed in this document.

Business Owners on a Reduced Risk, Business Purchase Agreement may decide to purchase spirits from an alternative supplier.

FLOW METERING EQUIPMENT

We believe in the benefits offered by flow metering equipment to pub businesses in helping to plan effective customer service, adjust stock levels and deliver optimal margins, as well as flagging up dispense issues relating to dispense equipment.

If flow metering equipment is installed in the pub this will be at our expense and running and maintenance costs will be at your expense and be your responsibility. The Brewery reserves the right to install flow metering equipment part way through the term of the Agreement.

Operators will have access to all the data accumulated.

If there is substantive evidence of tampering with the equipment, charges may be made by the Brewery to correct any issues and discount on the value of the products supplied to the Operator by the Brewery may be suspended for a minimum of one month, although we reserve the right to terminate the Agreement.

STEPS WHICH ARE TAKEN BY US IF THE OPERATOR'S DRINKS PURCHASING COMMITMENT IS NOT OBSERVED

The Operator will be charged between £100 - £200 per draught barrel and £10.00 per litre for packaged products if there is evidence of breach of contract. This charge will be invoiced separately to the Operator's trading account and is a contribution towards our loss of profits and administration costs. Rather than applying any charges, we may consider suspending all discounts which we apply to the value of the Operator's purchases, for a period of a minimum of three months and recharge any discounts given in the previous three months. We also reserve the right to terminate the term of the Agreement and charge for injunctive relief. Should an Operator dispute any of the findings of the Brewery then the Disputes Procedure should be activated by them.

If the Operator refuses to cooperate with our investigations then we reserve the right to take the described actions and implement the described charges.

If Operators are found to be in breach of the purchasing commitment then they may be required to give a formal written undertaking that there will be no further breaches in this contractual obligation.

If for any reason an ordered product is not delivered by us and we cannot meet the Operator's requirements within an acceptable time frame then the Operator should contact the Head of Retail to discuss how the situation is best resolved. A purchase (or borrowing) of stock outside of the drinks supply contractual arrangement, is not permitted without his written permission.

TELESALES

Telesales call Operators to take orders. Telesales also inform Operators of any special offers and promotions.

There is a minimum requirement of forty eight hours between order and delivery.

The Brewery may introduce an equivalent electronic communication facility for order placing, the use of may be compulsory.

CREDIT CONTROL

All payments to us should be made weekly by direct debit. Operators are notified by letter of the amount that is to be collected.

We offer one week's credit for goods and rent is paid a week in advance.

Monthly statements are issued detailing all transactions and payments.

Where possible we allocate payments to specific invoices but when we receive lump sum payments on account, these will be allocated to outstanding invoices as deemed appropriate by the Credit Controller.

We reserve the right to charge an administration fee for returned cheques or direct debits. If payment is returned a request is made for payment to be re-issued before the next delivery.

We reserve the right to charge interest on overdue balances on Operators' accounts, or debit the Profit Partnership Investment balance if appropriate. This charge is 4% above the base rate at Nat West Bank.

We reserve the right to carry out checks to ascertain the Operator's credit worthiness from time to time.

If an Operator is having problems meeting payments they should contact the Head of Retail to discuss ways in which we can be of assistance.

DISTRIBUTION

We provide a delivery either once a week or fortnightly for all drink requirements.

The Transport Department, at their discretion, can provide emergency deliveries in exceptional circumstances, up to a maximum of six times per year per pub, however we do reserve the right to make a charge for this service, which is discussed prior to any emergency delivery being made. The charge normally varies between £20 and £50 per delivery, but we reserve the right to review this.

COLLECTION SERVICE

We operate a collection service from the Brewery during specified hours, including weekends.

PRODUCT SHELF LIFE

We guarantee a minimum amount of shelf life on the products supplied to Operators:

- cask ales – minimum ten days
- shelf life on any guest ales varies
- keg beers, ciders and lagers – minimum fourteen days
- bottled products – minimum three months

ULLAGE

We have an ullage policy to cover all beer which is considered unfit for sale:

Communication:

- our own ullage is to be reported by email to ullage@bateman.co.uk
- factored ullage (all products other than Batemans) is to be reported by email to the Ullage Secretary dstone@bateman.co.uk (*email address may be reviewed*)

Procedure:

- ullage tags are sent out which must be attached to the containers before they are collected by Transport
- tagged ullage is collected as soon as possible but usually on the next assigned delivery day
- on return, all products are examined and if the credit criteria is met, full credit is issued



DISPUTES PROCEDURE

GENERAL

It is acknowledged that from time to time disputes may arise that are not immediately resolvable.

It is important, therefore, that a procedure exists for resolving any such disputes in a timely and fair manner.

INTERNAL PROCEDURE

In the event of an Operator being in dispute with us concerning any matter relating to their Agreement or the Industry Code of Practice (1-499 Tied pubs), they, in the first instance, should write to the Head of Retail, laying out in detail the substance of the dispute.

The Head of Retail arranges a formal meeting with the Operator, at which it is hoped that the dispute can be resolved. Following the meeting, the Head of Retail will write to the Operator detailing what agreement has been reached or confirming that the matter is still in dispute.

Should the matter remain in dispute the same procedure is escalated up to the Managing Director. Should the Operator still be unhappy with the decision then the matter can be referred to PICAS.

At all stages of the procedure we and the Operator may seek advice from such people as are seen to be appropriate.

PUB INDEPENDENT RENT REVIEW SCHEME (PIRRS)

If we and the Operator cannot agree what is a new fair rent and the Internal Disputes Procedure has been followed, then we agree that the matter be referred to the Pub Independent Rent Review Scheme with their decision being binding. Each party would be responsible for their own costs in this matter.

Details can be seen on the PIRRS website: www.pirrscheme.com

The Operator still has the right to seek arbitration if he does not wish to use the Pub Independent Rent Review scheme.

ACCESS TO THE MANAGING DIRECTOR

The Managing Director is an active member of the Head of Retail team and is always available for consultation, providing the Head of Retail is kept informed.



BREWERY and OPERATOR RESPONSIBILITIES

REPAIR AND MAINTENANCE FUND

In order to help Operators fund decorations and maintenance, we operate a repair and maintenance fund which we may require you to make a monthly contribution into, the value of which will be discussed with the Head of Retail. Operators can call upon their fund in order to help with any maintenance or decoration required within the terms of the agreement or by our surveyor. Interest is not payable upon this fund.

(AT A GLANCE)

BREWERY	OPERATOR
All repairs to the STRUCTURE and fabric of the building(s) eg walls, roofs and floors.	
	Repairs, maintenance and replacement of INVENTORY
Replacement of insured WINDOWS where broken, defective, whether embossed, brilliant cut, decorative sand blasted or acid etched.	Replacement of any defective or broken standard, clear or obscured glass in windows, doors and screens, and any other glass not the responsibility of the Brewery.
Repair and replacement of ELECTRICAL wiring and fuse boards from meter position, to and including, outlet points e.g. sockets, outlets, isolators etc, but excluding any fittings connected thereto. Electrical installation condition reporting to be carried out every five years to comply with legislation in accordance with BS 7671:2018 Requirements for Electrical Installations, 18 th Edition.	Maintain in sound working order and replace, as necessary, all light fittings and pendant drops, including drop wired light bulbs, tubes and illuminated displays and sign lights, whether internal or external.
Installation, repair and replacement of any defective wiring from CONTROL PANELS to outlet positions in connection with Fire Alarms, CCTV and Emergency Lighting.	Keep free from obstruction and in good working order all BURGLAR ALARMS and other security systems, CCTV emergency lighting, FIRE ALARMS , fire detection and sprinkler systems, firefighting and fire precaution equipment. Keep the means of escape in case of fire free from obstruction. It is the Operator's responsibility to ensure that FIRE DETECTORS & ALARMS and CARBON MONOXIDE DETECTORS and alarms are regularly checked and are in working order.
Replacement of WINDOW FRAMES and DOORS etc as may be necessary due to wear and tear.	Repair and maintenance of door fastenings, hinges, locks, window fastenings, sash cords, springs, and weights.
	Keep free from obstruction, clean and in good working order and condition all KITCHEN and catering equipment and fixtures and fittings associated therewith (including hoods, fans, filters and ducting), in line with insurance requirements. Provide certification to verify kitchen extraction system has been cleaned at least every 6 months (TR19 certificate).
Replacement of defective or broken urinals, WC's and WASH HAND BASINS .	Keep in good order and condition and scrupulously clean all privies, urinals, water closets, wash hand basins, sinks, draining boards and other sanitary fittings and to replace all defective small items (including lavatory seats, toilet roll holders, soap dishes, taps, pop-up wastes, sparge pipes, plugs, wastes and chains). Maintain and replace all washers and ball valves and to attend promptly to all pipe leaks, bursts and running overflows. Carry out all Legionella testing as required.

BREWERY	OPERATOR
Repair and replacement of defective underground DRAINS , down pipes and GUTTERS .	Keep all internal and external drains, gutters, down-spouts, grease traps, gratings, waste pipes, sumps, soakaways, cesspits, septic tanks, filter beds, inspection chambers, properly cleaned and free from obstruction.
All external SIGNS to be supplied and fixed by the Brewery.	Keep clean the exterior, including all paintwork, signs, fascias and light fittings.
Keep boundary walls and gates maintained in the EXTERNAL AREAS and CAR PARKS , and in good condition.	Keep fences in good condition and replaced as necessary. Keep clean, tidy, weed free and unobstructed all yards, car parks, draw-ins, delivery areas and barrel drops. Keep lawns, gardens, flower borders and baskets properly cultivated and in good order and also trim climbing plants when necessary.
Installation or replacement of the BOILER and major parts and pipework (where such items expire through normal wear and tear and have been regularly maintained in accordance with manufacturer's instructions).	Repairs to the boiler. Keep in good working order and condition the CENTRAL HEATING SYSTEM , to include maintenance and servicing. Have available for inspection by the Brewery an up to date service contract.
Installation of Cooling systems	Repair and keep COOLING SYSTEMS maintained, serviced and operating correctly.
Landlord's GAS Safety Record. Annual testing.	Service gas appliances annually and have available for inspection by the Brewery an up to date service contract.
EXTERNAL PAINTING.	DECORATE the interior of the domestic, public and service areas at least every three years and also in the last year of the term prior to the surrender of the Agreement, with sufficient coats of good quality paint or paper, in a proper and workmanlike manner. The colour schemes and specifications must be approved by the Brewery in advance of works commencing.
Arrange INSURANCE of the property ie bricks and mortar.	Insure at the Operator's own cost, in the joint names of the Tenant and Landlord all the plate glass, goods, stock, fixtures, fittings, decorations and effects belonging to the Operator's against damage by fire, to the full reinstatement value. Also to insure and keep insured in the Operator's name against third party or Public and Employers' Liability risks including liability for loss of customers' cars or goods.
	Ensure SERVICING and maintenance of all equipment throughout the premises and testing as required by the manufacturer and/or legislation.
	Keep all CERTIFICATES handy for inspection by the Environmental Health Officer, Fire Officer or Company Surveyor.
	PORTABLE APPLIANCES TESTING (PATs) to be carried out annually and prior to surrender of Agreement.
	PEST CONTROL & eradication. CHIMNEY and FLUE CLEANING .

Both the Operator and the Brewery understand that they are partners in business, with the objective of maximising the profit from the term of the Agreement and fulfilling the aspirations of the Operator and the Brewery, whilst also accepting that, not only the Agreement, but the Industry Code of Practice (1-499 Tied pubs) are legally binding.

Public House Name:

Public House Address:
.....
.....
.....

Managing Director

Operator

Name:

Name:

Signature:

Signature:

Date:

Date:

Witness's Signature:

Witness's Address:
.....
.....

Glossary of Terms

Amusement with Prizes (AWP) Machines

Fruit machines giving customers the chance to win cash prizes for a small stake.

An Average Operator (sometimes known as a 'Reasonably Efficient Operator')

An average operator is someone who we think has the qualities and qualifications we consider are needed to run any specific pub and achieve a profit in line with the Fair Maintainable Trade (FMT) assessment. This ensures that good operators aren't penalised for their endeavours.

The 'Benchmark' and the 'New Benchmark'

The 'benchmark' is the value of the inventory at ingoing and the 'new benchmark' is the revised value if we have agreed to add to it part way through the agreement.

BII

The British Institute of Innkeepers (BII).

Business Owner

The Operator of the Reduced Risk, Business Purchase Agreement whether the original Business Owner, or a subsequent owner.

Composite Barrels

To enable comparison of measurement between different product categories we convert all purchases into equivalent Brewers' Barrels.

A Brewers' Barrel, is a unit of measurement and is 36 gallons (288 pints or 1.613 hectolitres) of Beer, Lager, Stout and Cider. Wines, spirits and mineral volumes are converted into equivalent Brewers' Barrels.

The conversion rates we use are:

A Composite Barrel of wine is 14.5 gallons (66 litres).

A Composite Barrel of spirits is 5.25 gallons (23.8 litres).

A Composite Barrel of minerals (soft drinks) is 24 gallons (108 litres).

Fair Maintainable Barrelage (FMB)

The predicted performance, in terms of composite barrels sold by the hypothetical 'average operator'.

Fair Maintainable Trade (FMT)

The predicted profit expected from the hypothetical 'average operator'. Rental assessments are made on the basis of FMT.

Fair Maintainable Turnover

The predicted turnover of the business expected from the hypothetical 'average operator'.

Inventory

Fixtures and fittings relating to the running of the business eg tables, chairs, carpets, catering equipment etc.

Machine Games Duty (MGD)

A tax on amusement machines which give prizes. Takings from machine games are exempt from Vat if you pay MGD.

Operator

The individual/s, company or body with whom the Agreement, whether Profit Partnership Plus or Reduced Risk, Business Purchase Agreement is signed.

P&L - Profit and Loss Account

A statement which shows the financial health of the business and includes full details of income streams, broken down into drinks, food and other income (including machine income) along with details of costs.

PAT - Portable Appliance Testing

All, non-hard wired, electrical equipment for use in commercial situations must be PAT tested on an annual basis.

PICAS - Pub Independent Conciliation and Arbitration Service

This body can assist when there are matters of dispute other than for rent, with the ability to recommend compensation, to which all Operators can appeal. It complements the existing low cost PIRRS arbitration scheme which relates only to rents.

POS - Point of Sale

Marketing materials used to promote brands. Examples include beer mats, bar towels, bar runners, posters etc.

RPI - Retail Price Index

RPI is the measurement used to assess the change in the price of goods and services in the economy and is used as the measure by which we increase/decrease rents annually. The RPI rate is taken from the Bank of England website.

Small Pack

Products supplied in bottles, cans or boxes.

TUPE

The Transfer of Undertaking for the Protection of Employment laws protect employees' rights when a business changes hands.

Ullage

Wet stock that needs to be returned to us due to it being outside of specification (eg cloudy, poor taste, poor aroma, leaking or flat).

Profit Partnership Investment

Profit Partnership Investment

The required Profit Partnership Investment Sum to take over a Batemans' pub business is in direct proportion to the estimated potential profit of the business. This is usually set at the rate of 30% of the first year's rent plus 30% of the inventory value. The stock and glassware need to be purchased separately.

The inventory is valued when the Operator enters the business and this creates the 'benchmark' value.

The Operator's Profit Partnership Investment Sum is held by us and used to cover any depreciation in the value of the inventory when the Operator leaves, less any monies owed to us. The final sum will not be released until all website and social media passwords and ID's have been transferred over to the Brewery.

The Operator can add to the inventory with our written permission.

With the Operator's agreement, we may add fixtures and fittings into the pub at our expense, and this value will be added to the 'benchmark' value to create the 'new benchmark' value.

The Operator is responsible for the insurance, maintenance, replacement and depreciation of inventory/fixtures and fittings.

After leaving the pub the amount returned to the Operator is the difference between the outgoing valuation and the 'benchmark' or the 'new benchmark'.

We endeavour to repay the amount due to the outgoing Operator within 14 to 28 days of exit, so long as the obligations of the agreement have been adhered to.

Example - The 'Dog & Duck'

(please note, all figures are hypothetical for example only)

Rent:	£21,000 (30% = £6,300)
Inventory on day of entry:	£18,000 (30% = £5,400)
Profit Partnership Investment Sum:	£11,700
Stock & glassware:	at valuation

Valuation of the inventory on exit may hypothetically be £23,000, a depreciation of £2,000 (£25,000 minus £23,000).

When the Profit Partnership Investment Sum is returned the calculation would be:

£11,700 minus £2,000 = £9,700 returned from the original PPI sum or actual amount paid

There may be the option for the Operator to pay less than the set Profit Partnership Investment Sum, but this would affect the rent by plus 7% of the shortfall: (this percentage figure may be reviewed periodically).

Example - 'The Dog & Duck'

- If the Operator only invests £9,000 then there is a shortfall of £2,700;
7% of £2,700 is £189

Therefore the annual rent is £14,189 (£14,000 + £189)

Questions and Answers – ‘Reduced Risk, Business Purchase Agreement’

What kind of pubs do you have and where are they?

We have a very varied estate, from small community pubs to high-street beer houses, and food-led places to pubs with accommodation. Our pubs are spread across seven counties: Lincolnshire, Norfolk, Nottinghamshire, Cambridgeshire, Derbyshire, Humberside and Yorkshire.

Why should I take a pub with Batemans?

We're known for our fairness and transparency, which has resulted in us being the first in the industry to have our own accredited code of practice. In fact, it's been described as one of the best. We stick by our word, we do what we say we're going to do and we stand firmly by our promises. That is to help you enjoy successful careers – by sharing good honest business values and by giving the service, support and fresh ideas to help pubs thrive. Our business has always been about Good Honest Pubs Run By Good Honest People. Harry Bateman summed this up rather well in 1953, when he told his fellow brewers: "In your business, don't ever lose the human touch with your staff and tenants."

Is there any chance of Batemans being taken over or selling out in the near future?

No chance! Batemans has been a family business for four generations. A large chunk of the shares have been entrusted into the family, to help secure the business and its values for future generations, business owners and staff.

As Stuart Bateman puts it. "Our family owns this business and we are focused on the Brewery, pubs, publicans and staff thriving for years to come. This means we make decisions which are for the good of all in the short AND long term; we are not here to make short term profits at the expense of the long term and the people we work with. We want future generations of publicans, customers, staff and a family to have the benefit of fulfilling their aspirations and enjoying what we do as a company."

Do I need experience?

Some experience, whether in retail, business or pubs, is certainly helpful. But we have [training](#) facilities, to help ensure those without experience can be successful. Passion is the most important qualification!

How much will it cost me to purchase the business at a Batemans pub?

Typically, between £8,000 and £25,000.

Why have you launched The Reduced Risk, Business Purchase Agreement?

We appreciate that at the moment there is so much uncertainty in the economy, the country and indeed the world, that many people are nervous about changing careers or investing in businesses. The Hospitality Sector has been particularly affected by low consumer confidence, which in turn is deterring people from joining the industry.

We have looked at all the things which may cause concerns and have constructed an agreement which addresses those concerns:

- Ability to buy a business at very low cost
- Energy costs
- Working hours
- Holidays
- Inflation
- Security
- Reward
- Ability to build up a business and then sell it

What am I purchasing?

You are purchasing the business, or the 'goodwill', which you have the right to sell on to someone else, for a profit.

Am I buying the building?

No, the building and inventory belong to the Brewery, as we do not want you to have the burden and expense of having to maintain and repair the building which can be very expensive, particularly if there is subsidence or problems with the roof.

Main difference between 'Reduced Risk, Business Purchase Agreement' and Profit Partnership Plus Agreement?

With 'Reduced Risk, Business Purchase Agreement' the Business Owner actually buys the business and has the right to sell it on.

Any other differences?

With the 'Reduced Risk, Business Purchase Agreement' we have had a commitment from some of our suppliers to give further support to those pubs on that agreement, such as utilities support, holiday contribution, cap of price increase, free training, additional discounts.

This involves stocking their brands.

These products are supplied at highly subsidised prices.

So basically, what I am buying is a lease?

In essence the 'Reduced Risk, Business Purchase Agreement' takes all the good things about a lease and removes the bad things, such as full repairing liabilities and not being able to leave if that is your wish.

What do you mean 'being able to leave'?

Well with a normal lease you would need to find a purchaser, but if this is difficult then you retain all the obligations of continuing with your lease. In our case we will buy the business back for a minimum of same price as the original Business Purchaser paid for it, or the price at which it last changed hands, whichever is the least (net of any outstanding balances). If the original purchaser wishes to sell the business back to the Brewery then it must be a minimum of one year since the original purchase.

Can I sell business on straight away?

So long as it is a minimum of 3 years from the original purchase and no sooner than 1 year.

You say I need to be in the business for a minimum of 3 years before I can sell it on. How long does the new business owner have to be in the pub, before he can sell it on?

He can do so immediately, unless it is within the first 3 years of the original purchase of the business, or within one year of the original purchase of the business.

Is there anything to prevent me from selling the business on?

The business can only be sold on after the original Business Owner has been in the pub for a minimum of 3 years.

Subsequent Business Owners can sell on at any time.

You need to have adhered to all of the obligations in the Reduced Risk, Business Purchase Agreement and to any legal requirements. You must also have cleared any debts relating to the business, whether the debts are to us or other suppliers and have maintained the building to comply with all statutory legislation e.g. gas and electric safety certification.

How long can I or a subsequent owner own the business for?

For 20 years (based on 2 x ten year agreement back to back) in total from the date of the first purchase. It may then be renewed or passes back to the Brewery, when the Brewery will purchase it back at a minimum of same price as the original Business Purchaser paid for it, or the price at which it last changed hands, whichever is the least (net of any outstanding balances).

Will the 10 year agreement automatically be renewed after 10 years?

Yes it will, on the same terms as the first 10 year period, unless the terms of the Reduced Risk, Business Purchase Agreement have been breached.

Do you have to approve who we sell the business on to?

We have a duty to ensure they are a 'fit and proper' person, credit-worthy and capable of fulfilling the objectives of the Business Plan and the Premises Licence.

If I want to sell the business on what do I have to do?

It is important that you take legal advice on this and any legal costs incurred are your responsibility. We will help and advise with what procedures need to be carried out. Our Head of Retail will be involved and we have extensive documentation we can provide which will assist you. Most of the procedures are covered off in our 'Eyes Wide Open' manual.

However, firstly you will need to ensure that you have cleared all your debts.

We need to be notified of your intentions in writing at least three months before the proposed changeover date.

We will require extensive information about the proposed Business Purchaser in order that we can approve the changeover, based on them being credit worthy, a 'fit and proper person' and being deemed to have the ability and qualifications to achieve the Business Plan

We must also oversee that the Business Purchaser has covered off their Pre-Entry Awareness Training (PEAT) obligations, as detailed in our 'Eyes Wide Open' manual and ensure all the obligations which are involved with taking on a pub, as detailed in the Reduced Risk, Business Purchase Agreement signed by per the original Business Owner and are detailed the Agreement and in our 'Eyes Wide Open' manual.

Prior to confirming the sale of the business to the new Business Owner, we must sign off our final approval, having ensured that all obligations have been met and the correct procedures and administration have been adhered to.

What Price can I Sell the Business on for?

Unless it is sold back to the Brewery, it is up to you and the purchaser to negotiate the price.

Property and Inventory Condition

You must contact our Property Manager at least three months before the proposed changeover date so that adherence to your obligations can be checked.

You will need to ensure that you adhere to your redecoration obligations and that when the business is passed over to the new Business Owner, the standard of decoration etc is up to the same standard as the original Schedule of Condition, please see Agreement and our 'Eyes Wide Open' manual.

You are not only responsible for the decoration etc, but also for the Fixtures and Fittings as detailed in the inventory. When you wish to sell on the business you and we must arrange a valuation of the inventory and should the value have reduced versus the original valuation then you will need to pay to us the value of the difference. This new value becomes the value of the inventory which we will value again when subsequent Business Owner sells on. We will not pay the difference if the value has increased, it is up to you to take that into consideration when selling on the business.

Is the Reduced Risk, Business Purchase Agreement for a new owner, with me or with the Brewery?

The Agreement is most definitely with the Brewery and the Agreement must be signed accordingly. The new Business Owner is taking on all the privileges and obligations of the original agreement, which are passed down from Business Owner to Business Owner.

As the first owner, am I responsible for all future debts?

No, each subsequent owner takes over all the obligations of 'Reduced Risk, Business Purchase Agreement' and for any debts they may incur.

Do I have Security of Tenure?

You or subsequent Business Owners have the right to stay at the pub for 20 years from the date of commencement of the original agreement, when the business would then revert back to the Brewery, and we would buy it back at the value of the original purchase price or the value of the last sale, whichever is the least.

What happens at the end of the 20 year period?

The agreement is actually 10 years plus 10 years.

The pub reverts back to us, however, we will buy the business back for a minimum of same price as the original Business Purchaser paid for it or the value of the last sale, whichever is the least. (net of any outstanding balances).

The Business Owner at the time has to fulfil the normal obligations and procedures of a handover from the outgoing Business Owner to the ingoing Business Owner, it just so happens that the Brewery is the ingoer and new Business Owner.

Do I have to pay a rent to the Brewery?

Yes, but the rent is subsidised and takes into consideration the property, living accommodation and inventory rent.

Why do I have to pay a rent when I have bought the business.

You have paid a very subsidised rate to buy the business, but you have not had to buy the building, or inventory, which the Brewery will continue to have responsibility for and for the cost of major repairs and maintenance.

The rent also covers the private living accommodation which you and your family can live in.

Is the domestic living accommodation included in the business purchase?

Yes it is.

How often do you review the rent?

There are no rent reviews, but we do adjust the rent by RPI annually, but cap any increase.

Do I have any repair responsibilities?

The Brewery is responsible for the repairs to the structure of the property. We are also responsible for external decorations.

You are responsible for upkeep and repair of the fixtures and fittings, which you have not had to purchase, but need to make up any depreciation cost of it when you sell the business on. The subsequent Business Owners will have the same obligations. You are also responsible for the general day to day maintenance of the property.

Do you ever assist with capital investment to help improve the pub and business?

We are always open to conversations on how we can both improve our income.

Other than the normal cost of running the business what are the other associated costs I will incur? (Costs may vary, but were accurate at the date of printing).

Cellar cooling maintenance (£2 per week)

Buildings insurance (tbc for each property)

Business insurance (from £14.39 p.wk)

Valuation fees – stock taker and inventory valuation (£400)

Fire safety scheme (£9.94 p.wk)

Health and Safety Scheme (£5.67 p.wk)

Boiler service scheme (£2.88 per boiler per week)

All the above costs are taken into account when setting the agreement rent.

Do I have to pay Stamp Duty?

Stamp duty varies from pub to pub and will be discussed at interview. However, Stamp Duty implications are reduced due to the agreement being 10 years plus 10 years. If there are relevant charges then these are the responsibility of the Business Owner.

Do I have to buy all my drinks products from the Brewery?

You are free to buy spirits from where you wish to. The remainder of your drinks are supplied by ourselves; we stock over 1,500 products, and we supply them at very highly discounted prices.

This allows us to subsidise the purchase price of the business and also the rent.

Can you supply guest ales?

Yes, in addition to Batemans cask ales we supply a wide range of guest beers AND craft keg beers.

How do we know what price increase may be forthcoming?

We cap price increases.

How does your retrospective discount arrangement work?

We agree with the Business Owner, what a realistic volume of drinks could be sold each year, and we will pay a bonus of an additional £50 per composite barrel over and above target.

What is a composite barrel?

Composite barrelage calculation is made up of;

- Draught beer, lager, stout, cider, 36 gallons, 165.56 litres
- Wines, 14.5 gallons, 66 litres
- Spirits, 5.25 gallons, 23.8 litres
- Soft Drinks, 24 gallons, 108 litres

Do I take all the Fruit Machine Profit?

Yes you do, after the machine provider's rent/share and other associated expenses of operating machines, but in order to ensure that you get quality equipment and service, machines need to come from our nominated supplier.

Are all of your pubs available on the 'Reduced Risk, Business Purchase Agreement'?

We have 2 agreements; 'Reduced Risk, Business Purchase Agreement' and Profit Partnership Plus Agreement. Some pubs and publicans are suitable for 'Reduced Risk, Business Purchase Agreement' and some for Profit Partnership Plus Agreement. However, we are flexible and can discuss various options at interview.

Would you consider any of these on a Profit Partnership Plus Agreement instead?

Yes - They are already available on one of our Profit Partnership Plus Agreements but we would be open to discussion about, the Reduced Risk, Business Purchase Agreement, however this does not suit all pubs or publicans.

Will existing Batemans Pubs operators have the ability to change to the 'Reduced Risk, Business Purchase Agreement'?

They are already on one of our Profit Partnership Plus Agreement, but we will be open to discussions about a possible transfer, but the Reduced Risk, Business Purchase Agreement does not suit all pubs or publicans. We would explain the terms and conditions of the Reduced Risk, Business Purchase Agreement with the sitting Business Owner.

(INTERNAL USE ONLY)-This would involve them paying the price of purchasing the business, even though they have already paid the original PPI. They would need to change nearly all of their products on the bar. They would go on to a new price band.

Do you have a Code of Practice to cover the 'Reduced Risk, Business Purchase Agreement'?

Please refer to our 'Eyes Wide Open' manual. The agreement also complies with the Pubs Code 2016

Can I have a copy of the agreement?

We will provide you with a 'Heads of Terms' document for you to consider, prior to then providing a copy of the agreement.

Do I have to wait until I've signed the full agreement before I can take over the pub?

No, you can take over the business initially on a short term Tenancy at Will after signing the 'Heads of Terms'.

You say that you will pay up to £1,000 towards utility costs.

Yes, for the first three years of the agreement. However, after a six monthly review we may contribute a further £500 for the half year. So total contribution can be £2,000. The level of support is dependent upon the level of the charges and reasons for the extent of the charges, and you adhering to conditions.

What are the conditions?

The conditions are all in your business interests. You need to sign up with Calmax Accountancy and provide financial information to them, to help ensure your business is healthy.

There are also certain operating standards you will need to adhere to, such as opening hours.

We will also review this periodically and consider further contribution of + £500 per 6 months, if the pub is trading to business plan levels, usage is not excessive, and you are engaging with the services of our utilities agent.

Do you offer further assistance regarding utilities?

We review the utility costs every 6 months and if costs exceed our forecast and are proportionate to target turnover we will contribute half of the additional cost up to £500 every 6 months .

We also pay for a professional utilities consultant to arrange your contract rates and oversee your account.

You say you will pay up to £1,000 towards a family holiday. How will you pay this and will you pay it every year?

We need to agree to the level of contribution prior to you booking and then provide receipts so that we can reimburse you.

We will pay this for the first three years.

Full payment is made if you are adhering to conditions below.

Holidays may be in our own Holiday Cottages, which will be discussed.

Are there any conditions?

The holiday financial support will only run for the first three years of the original agreement being signed.

The conditions are all in your business interests. You need to sign up with Calmax Accountancy and provide financial information to them, to help ensure your business is healthy.

There are also certain operating standards you will need to adhere to, such as opening hours.

The utility financial support and holiday financial support will only run for the first three years of the original agreement being signed.

The conditions are all in your business interests. You need to sign up with Calmax Accountancy and provide financial information to them, to help ensure your business is healthy.

There are also certain operating standards you will need to adhere to, such as opening hours.

You state £800 worth of free training

We hold courses at the Brewery which you and your staff are welcome to attend, to the value of minimum of £400.

These cover; cellar management, licensing, finance, cellar management, drugs control, stock taking, employment law, utilities.

Or if there are other courses which you would like to attend (e.g. Personal Licence) then we will pay for these for you up, to a value of £400.

You say that I will have a minimum of 2 days off per week?

Since Covid lockdowns, pub visiting habits of customers have changed, with certain days of the week being very slack and certain days of the week being much busier. Business plans are therefore drawn up, and the rent adjusted accordingly to allow for the pub to be closed for 2 days per week. This is not compulsory, but the business plan and rent allow for this. If the Business Owner sees an opportunity and wishes to open for 7 days a week, that is at their discretion and does not affect the rent.