

WORKING WITH **STAR PUBS & BARS**





STAR PUBS & BARS

Star Pubs & Bars is the leased pub division of Heineken UK Ltd, the UK's leading cider and beer producer and a passionate supporter of the great British pub.

Our business relationships with our Licensees are built on trust and mutual profitability. Our approach is collaborative, fair and transparent and is based on mutual respect.

With your help, we want to run the best pubs and bars in the best locations and offer you the best support and training possible. We believe wholeheartedly in teamwork as it is by working closely together that we can achieve the greatest success.

This guide outlines how we work together with you at key points during your application and Lease. We follow the legal requirements of the Pubs Code etc. Regulations 2016 (Pubs Code) but go further, using straightforward language to explain how we apply the Pubs Code in real life.

In the interest of simplicity, we have used the following terms throughout: Lease to refer to all of our agreements relating to occupation of premises for longer than one year, Licensee to refer to licensees and tenants, and Applicant for those in the process of applying for a Lease.

THE LETTING PROCESS

Pubs for Let

You'll find the Star pubs available to let advertised on the Star Pubs & Bars website www.starpubs.co.uk including the key information that you need to help you make an informed choice about which pub you wish to apply for.

Information available on the website includes:

- A Rent Assessment, which includes a shadow profit & loss (P&L) account estimating the pub's income and expenditure. Note that this may not be available at the time of advertising but will be provided before an applicant starts preparing a business plan.
- A Wet Sales History showing the history of tied product purchases bought from SP&B during the previous four years and a Flow Monitoring Report of tied products, where available.
- A National Price List for tied products, applicable discounts, date of the latest price increases and, where known, any proposed price increases. SP&B price lists include both the container size (e.g. 11 gallon/50 litres, 22 gallon/100 litres) and the brewer's barrel price. Please be aware that discounts are quoted on a per barrel basis (36 gallon/163 litres), not per container.
- A copy of (or details of) the Premises Licence, plus details of any related enforcement action during the previous two years of which SP&B is aware.
- A Schedule of Condition prepared by an independent RICS qualified Building Surveyor. This documents the condition of the building at the time of advertising and draws attention to any specific issues. Note that this may not be available at the time of advertising but will be provided before an applicant starts preparing a business plan.
- A Schedule of Works setting out what, if any remedial or development work is planned for the property. Note that this



THE LETTING PROCESS

- may not be available at the time of advertising but will be provided before an applicant starts preparing a business plan.
- Ongoing costs or other charges included in the Lease, if applicable, such as buildings insurance, maintenance charges, accountancy and stocktaking. You can find further details of the building insurance policy including costs, a summary of cover and the excess applicable in the Star Pubs & Bars Guide to Insurance which is annexed to this document.
 - Ingoing costs, i.e. what you have to pay at the start of the Lease including the deposit and an estimated value of the Fixtures & Fittings (F&F) already in the property which has been prepared by an Independent Valuer.
 - A Supplementary Information Document listing any known restrictions on the usage of the premises, for example restrictions on types of trading or opening hours; details of the tenure of the property (conditions under which it can be occupied) and information on the superior Landlord if SP&B doesn't own the freehold of the property; information about any local issues of which SP&B is aware that may affect the pub's trading potential, either positively or negatively; and the impact of indexation on rent if applicable. We urge applicants to do their own local research on top of what we provide as the Local information supplied by SP&B is unlikely to be comprehensive
 - A copy of the Pubs Code etc. Regulations 2016 which applies to tied Leases.

Types of Lease

Star Pubs & Bars offers a variety of Leases which include a drinks tie for all beer, cider, alcopops and minerals.

We include the main types of Lease currently being offered for a specific pub in the pub advertisement and will talk you through these during the application process. The main Leases offered by Star Pubs & Bars are:

Lease Type	Foundation Tenancy	Investment Tenancy*	Full Repairing & Insuring Lease	3 year Business Start Up Agreement (Scotland)
Lease Term	5 years fixed term	5 years rolling ***	10 years +	3 Years Fixed term
Landlord & Tenant Act Protected	Contracted out	Protected	Protected	Contracted out
Open Market Rent Review	N/A - rent fixed for life of agreement	Every five years**	Every five years	N/A - rent fixed for life of agreement
Annual RPI Rent increases	No	No	No	No
Maintenance & Repair	Mainly Internal	Mainly Internal	Full repairing	Internal
Assignable	No	No	Yes (after 2 years)	No
Tenants Termination Rights	3 months' notice at any time	6 months notice to determine the agreement on the fifth anniversary of the start date***	Initial 90 Day Cooling off – if no significant investment*	28 days' notice at any time
Landlords Termination in addition to lease forfeiture rights	3 months' notice for significant rent arrears and tie breaches.	None***	None	28 days' notice at any time
Repairs Fund	£1,300 pa	£1,300 pa	optional £3000 pa	£1,300 pa
Deposit	Minimum 3 months rent	Minimum 3 months rent	Minimum 3 months rent	Minimum 3 months rent

* Significant investment = where the lease is subject to a Pubs Code etc Regulations 2016 Investment Waiver (Reg 56)

** if the agreement is not determined by either party and rolls for a further five years

*** The agreement can only be ended once every five years on the anniversary of its start date. If no notice is served by either the Tenant or Landlord it will "roll" for a further period of 5 years



THE LETTING PROCESS

You can find Lease templates with full definitions of tied products on our website.

Star Pubs & Bars also offers a **Just Add Talent** agreement on select pubs. This is a proven operational model with turnover and profit shared between the Licensee and SP&B at agreed rates. The agreement is contracted out of the Landlord & Tenant Act 1954 and may be terminated by either party at any time either immediately by SP&B or on 3 months notice by the operator.

A **Management Agreement** may be offered as a longer term arrangement for Licensees who have run our pubs on a temporary basis for more than 12 months. This Lease runs for a three-year fixed term but can be terminated by either party at any time without penalty with four weeks' written notice. The Lease is contracted out of the Landlord & Tenant Act 1954 and rent is fixed for the term of the Lease.

Machine Income

Income from machines such as Amusement With Prizes (AWP) / fruit machines and Skills With Prizes (SWP) machines, e.g. quiz machines, pool tables, jukebox, are all important sources of income and require specialist data analysis and management to maximise their revenue potential.

SP&B offers licensees two options for machine income, which impact on the rent you pay for a pub.

1. Machine income is shared between SP&B and the Licensee. Machine income is excluded from the pub income on the Rent Assessment and is therefore not part of the Divisible Balance figure quoted. This is the standard method SP&B uses for machine income calculations and is the default Rent Assessment provided for vacant pubs advertised on the website.
2. Machine income is not shared with SP&B. Machine income is included within the pub income on the Rent Assessment when calculating the profitability and appropriate rent for the pub. You can request an alternative Rent Assessment showing this option for any of our pubs during the application process.

In cases where income from machines is shared between SP&B and the Licensee, our machine manager and third party suppliers provide expertise. We fund the cost of these services from our share of machine income. We don't charge royalties, up-front access payments or administration fees, nor do we receive any commission from suppliers.

- Licensees can choose which types of machine they want and how many they want installed by SP&B nominated suppliers (subject to appropriate licences being obtained) and can get advice from the Machine Manager on how to develop this income.
- SP&B will arrange machine cash collection and explain the process for allocation of funds.

SP&B will, on request, provide details of the number and location of machines in the pub and the income they have generated for the preceding three years where this information is available

Applying for a pub

Once the pub information and types of Lease offered have been reviewed, Applicants should complete the online application form. You will be asked to provide information including:

- names and addresses of the proposed parties to the Lease
- available capital
- the source of capital
- ability to obtain a Personal Licence
- ability to secure commercial credit
- any existing debts and associated repayments

Please note that the details provided on the application form will be used throughout the whole application process and in the Lease documents, if the application is successful. It is therefore important that the details are accurate and if changes need to be made the Recruitment team is informed.

On receipt of your application, it will be reviewed by the Star Pubs & Bars Recruitment team, who will ensure you are kept informed of the status of your application throughout the process.



THE LETTING PROCESS

Applicants who meet the criteria will be contacted to arrange a telephone interview to discuss their experience and the pub(s) which are of interest. If you are successful at this stage, a second stage interview will be arranged with the Business Development Manager (BDM) to discuss your experience in more detail and your plans for the pub. You will be required to provide proof of identity, right to work in the UK and proof of funds at this stage.

Preparing a Business Plan

After the second stage interview, you will be given feedback on your application and Applicants selected to progress will be asked to prepare a business plan for the pub and the type of Lease offered, based on the business plan template which you can find on the Star Pubs & Bars website (www.starpubs.co.uk/licensee-support). The Applicant must review all the information provided about the property and take professional advice on their Business Plan.

The Business Plan must include details of financial forecasts up to the date of first rent review (or expiry of the Lease if there is no rent review), the impact of indexation on the rent (if applicable to the Lease type) and a 'sensitivity analysis' showing the effect of an increase or decrease in trade on the business plan and should reflect the Applicant's research of the local area. The Business Plan will be reviewed by the BDM before any formal offer of a Lease is made.

Independent Advice

It is very important that during the application process Applicants take advice from suitably qualified independent advisors with knowledge of leased pubs to fully understand the implications of taking on a Lease. This should include business, legal, property and rental valuation advice, which needs to be considered when preparing a business plan.

Benchmarking reports provided by industry bodies offer helpful general guidance on the costs involved in running a pub. However, Applicants should ensure that their business plan doesn't just rely on these, but takes account of the specific circumstances of the pub. Benchmarking reports are available on websites such as:

- British Beer & Pub Association (www.beerandpub.com)
- Association of Licensed Multiple Retailers (www.almr.org.uk)
- Federation of Licensed Victuallers Associations (www.flva.co.uk)

Visiting the pub

Visiting the pub is vital to understand the current operation and condition of the pub. SP&B will arrange an appointment for Applicants and their advisors to have access to all areas of the pub before a Lease is agreed so the property can be thoroughly inspected and for candidate to meet with a representative from SP&B who will explain the repairing obligations. It is recommended that Applicants take the advice of a qualified Surveyor with tied pubs experience before agreeing to a Lease.

Staff

Current staff working in the property may transfer with the business under TUPE (Transfer of Undertakings Protection of Employment) legislation. TUPE legislation ensures that when a business changes hands, the existing employees' rights transfer to the new employer without any detrimental impact on the employees' terms and conditions of employment. Further information on TUPE legislation is available through SP&B training courses.

The Applicant should obtain this information from the outgoing Licensee if the pub is currently trading and include appropriate staff costs in the Business Plan.

Preparing Heads of Terms

After a suitable and sustainable Business Plan has been approved by the Star Pubs & Bars BDM, a Heads of Terms document will be prepared which will be discussed at a meeting with representatives from SP&B. To progress to this stage, Applicants must provide consent for credit checks, arrange suitable pre-entry training and provide evidence that a personal licence is held, or that a licence holder can be nominated.



THE LETTING PROCESS

Training

Training on how to obtain a Personal Licence is available from independent training providers. More information on how to obtain this is available from the SP&B Recruitment team

Completing appropriate pre-entry training prior to taking a pub Lease is a vital step to starting your business on the right foot. We advise all licensees to complete appropriate training such as the BII's Pre Entry Awareness Training course which can be found at <https://www.bii.org/industry-advice/peat/>. SP&B has also developed a detailed training course which all Applicants (or their pub managers) must attend prior to taking on a Lease.

The Inside Knowledge course is a five-day residential course, which is run regularly in various locations throughout the year. It consists of workshop based sessions structured around the business plan template. It develops the ideas and knowledge required to put your own plan into practice and run your pub, and also provides an opportunity to meet other new Licensees.

By exception, SP&B may waive the requirement to attend the Inside Knowledge training provided that the Applicant meets at least one of the following criteria:

- successfully operates at least one other Lease on a tied pub;
- has at least three years of relevant business management experience in the pub industry;
- has previously held a Lease with SP&B.

Other ongoing training is provided for Licensees and their staff, offering an opportunity to develop skills and gain access to expert advice to help operate your pub successfully and further develop your business.

Full details of courses, content and charges can be found in the Star Pubs & Bars Training brochure.

Heads of Terms Meeting

Before you enter a legally binding contract, commit any capital or take possession of the pub, SP&B will arrange a meeting to discuss the key points of the agreement outlined in the Heads of Terms. At this meeting the SP&B representative will explain the terms which will form the basis of the Lease, including:

- The proposed rent, length of the Lease, date of the next rent review and any annual rent changes to be included in the Lease.
- Any variations to the standard form of Lease or concessions.
- Which products will be tied as part of the Lease agreement and any discounts offered by SP&B.
- Arrangements for purchase or rent of Fixtures & Fittings.
- Payment terms.
- The physical condition of the property, your repair responsibilities and any scheduled repairs which SP&B intends to carry out.
- Insurance.

Any commitment made by SP&B or the Applicant as part of the letting process will be confirmed in writing, usually as part of the Heads of Terms or subsequent legal documentation. It is important that whenever you believe a specific commitment has been made you obtain written confirmation of this. This avoids any misunderstandings later.





THE LEASE

Once an Applicant has reviewed all of the information provided, submitted a completed business plan and obtained a personal licence, attended (or arranged) training and signed Heads of Terms, SP&B will instruct Solicitors to produce a Lease.

All Applicants must use a Solicitor to complete a Lease. The Lease will be issued directly to your Solicitor and you should liaise with them to fully understand the terms of the Lease prior to signing.

SP&B will recharge the cost of our legal fees on the first rent invoice, as listed in the ingoing costs information on the pub advertisement on our website. The Applicant is also responsible for payment of your own Solicitor's legal fees.

Once signed by the Applicants, the Lease will be signed by SP&B and a complete signed copy will be retained by each party for their records. This should be retained as a point of reference for any future enquiries.

Countdown to day of entry

There will be a minimum of four weeks between signing Heads of Terms and the day of entry to the pub. This allows you time to plan towards the day of entry. The day of entry will be busy and may involve you taking on a new business and moving into a new home on the same day.

There are many things you can arrange in advance to make the day go smoothly including continuing the suppliers' services you wish to retain and setting up new supplier contracts. The Inside Knowledge course and your Business Development Manager can provide further information and SP&Bs Countdown to Launch programme will guide you through what you need to do before taking possession of the keys. Further details on Countdown to Launch will be provided during the application process.

Ordering from Heineken

HEINEKEN UK is committed to providing SP&B Licensees with the highest possible level of service to support your pub business. You will be provided with an account number a few days before the day of entry, along with a login for online ordering and a welcome pack explaining the main services available including:

- Online, Telesales & Customer Services including orders and available promotions
- Regular deliveries and the procedures for emergency deliveries
- Technical Services including the maintenance of cider and beer dispensing equipment.

Stock

New Licensees must arrange for an independent stocktake to be completed at the start of the Lease. The stocktake must include all wet stock (drinks), dry stock (food) and glassware and should be carried out when you take possession of the pub. The final stock figures should also include any adjustments for stock which needs to be written off, for example if it is out of date. SP&B offers an accountancy, stocktaking and tills package (Inside Track) and for licensees taking this option, your BDM will arrange a day of entry stocktake.



THE LEASE

Utilities

Licensees must make arrangements with utility companies for the continued supply of business services such as gas, electricity, water, satellite television & telephones, and to ensure they hold the appropriate licenses e.g. PRS, PPL, TV Licence, etc..

It is essential that commercial contracts for the supply of gas & electricity are arranged before taking possession of the pub and meter readings are taken on the day of entry. Failure to set up utilities contracts in advance can result in Licensees incurring significant additional costs.

SP&B offers a nominated utilities broker who can provide a free quote for utilities and ongoing assistance with utilities queries for those using their services. There is no obligation for Licensees to take up these services however it is useful to obtain a quote to use as a benchmark against other suppliers, taking into account the length of contract being offered. Our nominated broker will attend the Inside Knowledge courses but can also be contacted directly. Full details are available on our Licensee Support website www.starpubsupport.co.uk

Insurances

Before taking possession of your pub, you must arrange appropriate insurance cover for fixtures and fittings as well as any operational cover, such as Public Liability Insurance. For more details, refer to the document 'SP&B Guide to Insurance Responsibilities', which accompanies this guide.

Business Support

Star Pubs & Bars believes that the tied pub model brings you a number of commercial and financial advantages that would not be available in a Free of Tie pub. Depending on Lease type, this can include:

- Reduced ingoing costs for fixtures & fittings (F&F) as SP&B retains ownership of high value items such as kitchen equipment.
- 'Assisted entry' to reduce ingoing costs for new Licensees, enabling you to build up your deposit in stages and rent Licensee F&F.
- Funding of major capital investments to refurbish pubs.

There are also purchasing economies where SP&B uses its buying power across the whole pub estate to offer specialist advice and achieve better pricing from suppliers to provide support in key areas of your business. Current examples include:

- Discount on subscription television services
- Leisure machine rentals
- Buildings insurance
- Compliance testing
- Rating appeals services
- Wines, spirits and coffee suppliers
- Advice on growing sales, reducing costs and maximising profitability
- Promotional support, investment in product quality and branded glassware to help you sell more cider and beer
- Support from our Machine Manager and suppliers to maximise machine income

- Business development through Capital Expenditure (CAPEX)
- Category advice on growing sales in areas such as coffee and soft drinks
- Advice on licensing issues
- Independent utilities brokers to help you achieve the best deals on energy supply
- Inside Track: financial controls and business advice from our accounting and stocktaking suppliers
- Star Food: menu development & design, promotional support, training and discounts on the supply of food
- Mystery Visitor: feedback to help you improve your retail standards and customer service
- Bar Boosters: guidance on developing additional income streams
- Training: a comprehensive training package before and after you take on a pub which is regularly reviewed, including our Inside Knowledge introductory course, cider and beer quality and cask ale training, in pub coaching, capital expenditure support for refurbishments, social media training and e-learning programmes.

Because of the rapidly changing commercial environment in which our pubs operate, Star Pubs & Bars will continually revise the areas of support provided. For the most up-to-date information on licensee support, please visit our dedicated support website for the latest information www.starpubsupport.co.uk



DURING THE LEASE

Who to contact

The BDM, or another SP&B representative, will be present on the day that you move into your pub. Thereafter, your BDM will visit you at least six times in the first 12 months and will become your primary contact with SP&B.

There are circumstances where it is quicker and simpler to contact another SP&B representative to deal with specific issues. Contact details for other departments are provided on the contact list within the welcome pack which you'll receive on the day you take on the pub and all staff will be happy to help direct your query to the appropriate person.

All SP&B representatives have an email address which is firstname.surname@starpubs.co.uk (all in lowercase). For example, john.smith@starpubs.co.uk and you will be provided with your BDM's contact details when you take on a new Lease.

SP&B representatives will always aim to return phone calls within 24 hours and we ask you to show a similar courtesy in returning calls from SP&B. As many SP&B representatives are field-based, we recommend using email as correspondence sent by post will inevitably take longer to reach them.

Business Review Meetings

The BDM will hold a business review meeting with you every three months within the first 12 months (as part of their six visits mentioned above) and twice a year in subsequent years. These business review meetings, together with other regular contact with SP&B, are designed to help you run a successful pub.

The Business Review Meetings will cover:

- current pub performance including cash flow, profitability and sales volumes
- marketing initiatives by SP&B and you
- brand information and available promotions
- new business opportunities
- machine performance
- training opportunities.

In order to ensure that business review meetings are meaningful and mutually beneficial, your BDM will make an appointment so you can set aside adequate time for the meeting. You'll need to have management accounting information available such as stocktake reports.

At all meetings with SP&B representatives, the topics discussed and any action points arising from the meeting will be recorded in minutes which both parties will sign to confirm agreement. A copy will be left with you for your records. Any change to items agreed at a meeting should be highlighted to the other party within seven days of the meeting.

Operational difficulties

In the event of a pub experiencing operational difficulties which are outside the control of the lessee, such as temporary road closures or flooding, the lessee should raise the issue with their BDM. The BDM will undertake a review of the situation with the lessee to allow Star Pubs & Bars to consider what assistance might be provided to mitigate the impact.

Lessees will be required to produce a financial forecast and projections of the likely effect of the disruption.

Following this a joint action plan will be agreed which will identify actions for both the lessee and Star Pubs & Bars and the appropriate timescale for review of this plan.

Requests for Information

From time to time, SP&B may request information from you regarding both the pub's operation (in order to ensure that the conditions of the Lease are being fully met and that our interests are being protected) and also for feedback on how we can improve our service to you. If this does happen, please can you respond to requests for information within a reasonable time and provide this information as accurately and completely as possible.

Access to Premises

Licensees are expected to run their business in a professional manner at all times, supported by SP&B. On occasion, it may be necessary for your BDM or another SP&B representative to look at some or all parts of the premises to ensure that the Lease conditions are being followed and that the interests of the property owner are being protected. This may require them to have access to trading areas including bars, kitchens and cellars, as well as private accommodation.

Tied Products

A condition of an SP&B Lease is that all tied products are purchased from SP&B via HEINEKEN UK.



DURING THE LEASE

As you would expect, SP&B takes the issue of 'buying out' - where a Licensee buys beer or other tied products from an alternative source, even if they are HEINEKEN products - very seriously. This is a breach of the Lease and can lead to substantial fines and legal action to terminate the Lease.

Flow monitoring equipment, which measures the amount of draught product dispensed, is installed in all SP&B pubs, both as a management tool and to help to increase sales volumes. Full details are included in the "Star Pubs & Bars Flow Monitoring: Guiding Principles" document which accompanies this guide.

Rent Reviews

SP&B will write to you at least seven months prior to your rent review date with a rent assessment and will provide details of the process that needs to be followed, as stated in the Pubs Code.

Once the reviewed rent is agreed, a rent review memorandum will be issued for signatures by you and us. The new rent will be applied from the rent review date, which may include a backdated period if the memorandum has not been signed prior to the review date. This will be invoiced within 2 days of receipt.

You can find full details of how rent is assessed in the accompanying guide "Tied Lease Rents and Rent Reviews".

RPI

If your Lease has annual RPI applied, this is usually done on the anniversary of the Lease. Rents linked to RPI can move upwards or

downwards in line with RPI movements. SP&B uses the "all items" RPI as the measure. The RPI figure is published by the Government, usually around two weeks after the end of the applicable month. Once the figure has been published, the change to your rent will be calculated and you will be advised in writing of the revised figure a minimum of 7 days prior to the new rent being applied. The revised rent will be backdated to the applicable date in the Lease.

Renewing your agreement

If a Lease agreement which is contracted out of the Landlord and Tenant Act 1954 comes to an end, the Licensee must leave the premises if terms for a new agreement have not been agreed and completed.

When this is the case, SP&B will notify you of our intentions at least six months prior to the Lease expiry date. This notification may include an offer for a new Lease agreement. Any new agreement will include a detailed Rent Assessment, along with all of information required under the Pubs Code. A new business plan will be required from the Licensee.

If a Lease agreement is protected under the Landlord and Tenant Act 1954, and there are no grounds on which SP&B opposes a new Lease, then you are entitled to renew your agreement on similar contractual terms and conditions as before, subject only to appropriate modernisation of the agreement and negotiation of a new open market rent and term.

At Lease renewal, where all other terms have been agreed, except the level of rent, you the licensee have the ability to refer to the

PIRRS scheme for determination of the rent.

Market Rent Only (MRO) Option

The Pubs Code grants the right for Licensees to request an MRO Lease at rent review, Lease renewal or at certain trigger events.

An MRO Lease offers a commercial Lease for the pub and removes the requirement to buy tied products directly from HEINEKEN. Products brewed by HEINEKEN must still be stocked, but can be purchased via any supplier. This is a hands-off commercial arrangement which changes the basis of the relationship and support between SP&B and the Licensee.

The information throughout this guide and in the Pubs Code relates to tied Leases and does not apply to MRO Leases once they have been signed. This includes levels of contact from BDMs, Licensee support and rent review processes. The terms of the relationships will be set out in the Lease, a draft of which is available on request.

Requests for MRO must be made in a specific format within certain timescales at set points during the Lease, or at a Trigger Event as detailed in the Pubs Code. SP&B recommends you take professional advice if considering an MRO Option.

If an MRO rent quote has been requested and cannot be agreed, a referral can be made to the Adjudicator. Further information on the process can be found in the Pubs Code etc. Regulations 2016 available at www.legislation.gov.uk



REPAIRS & REFURBISHMENT

Repairs

SP&B has a dedicated repairs helpline to help deal with any questions you may have. When calling with a repair, the helpline staff will be able to advise you on whether this is a repair which SP&B will undertake, or if it is your responsibility under the Lease. Repairs which are the responsibility of SP&B will then be logged and a reference number provided which you can use for ease of reference in any future enquiries or requests for updates. The helpline staff will then instruct SP&B approved third party contractors to undertake the repair, or an assessment of the work required if it is not possible to complete the repairs immediately.

Please note that SP&B does not own all of the properties that we manage and some repairs may require the property owner's consent. If this is the case, we will inform you and keep you up to date with timescales.

Please do not to carry out any repairs which are not your responsibility, except in cases of emergency where failure to act may result in personal injury or property damage.

Leases issued before July 2016 are based on the principle of "put and keep". This means that the Licensee agreed to take the pub in the condition when let, then to put it into good condition and keep it that way. For example, if a Licensee took on a pub knowing it to be in a poor state of decoration and with certain repairs required, then the Licensee is responsible for undertaking the necessary redecoration and repair works and for maintaining that standard of decoration and repair during the term of the Lease.

Leases issued from July 2016 onwards are based on the principle of "keep" with reference to a Schedule of Condition appended to the Lease. This means the Licensee agrees to take the pub in the condition when let and to keep it in no-worse condition.

Structural Alterations

Structural alterations or the installation of significant fixtures, such as fitted kitchens, must not be undertaken without SP&B's written consent. Should you wish to carry out this type of work, please discuss this with your BDM who will arrange for details of the proposed work to be submitted as an application for a Licence to Alter. It is important that this licence is obtained as it means that at the rent review the value of your improvements (if any) can be taken into account. It also avoids any dispute at the end of your Lease.

Refurbishment Projects

SP&B invests significantly in pubs and has an on-going programme of pub refurbishment projects. The refurbishment of a pub is usually a joint undertaking between SP&B and the Licensee and involves a major commitment by both parties.

If a pub is identified for a potential refurbishment project, the process can be complex and lengthy to ensure that the proposed project is right for all concerned and that all planning and other regulatory requirements are met. SP&B will ensure that you understand the likely costs in terms of additional fixtures and fittings and any changes to future rent. SP&B will also keep you informed of timescales and progress during the refurbishment project.

A refurbishment normally requires a significant financial investment by SP&B which will usually result in an increase in rent to reflect higher trade after the refurbishment. It may also be necessary for you to invest in new fixtures and fittings.

All financial obligations will be agreed in writing before the work starts and will be confirmed through a new Lease or a variation to the existing Lease. You will be asked to prepare a new business plan to show how the business will operate after the refurbishment, together with your proposals for raising additional capital, if it is required, before agreement can be made.

If you withdraw from a refurbishment project unreasonably or at a late stage, you will be liable for any fees incurred by SP&B up to that point.

SP&B may require Licensees to sign a new agreement, or an Investment Exception, which removes the right to request an MRO Lease at rent review for up to seven years following a significant investment in the pub. The criteria for this is set out in the Pubs Code and will be explained in detail if applicable.

It is a requirement that professional advice is taken on all aspects of a proposed refurbishment, including the use of a Solicitor to complete the legal documents. Advice should also be taken regarding cash flow during the project as major refurbishment can necessitate a period when you are unable to trade while building work is undertaken, followed by period during which additional expenses are incurred re-launching the business.



ENDING THE LEASE

Ending a Lease

Termination normally applies when your Lease expires, for example at the end of the fifth year on a five- year Lease. Where a different notice period has been agreed, it will be clearly stated in the Lease. SP&B usually requires at least six months' notice for a normal termination of the Lease (excludes Business Start Up Agreements and Foundation Tenancy). You do not have a right to surrender the Lease before the expiry date, other than during the cooling off period. If you wish to surrender the Lease before it expires, you must make a request in writing to your Business Development Manager. Please note that it is at SP&B's discretion whether or not we accept an early surrender of a Lease and on what terms. We will discuss these with you at the time.

If you are considering terminating the Lease, especially outside the required notice period, you are strongly advised to obtain legal advice and discuss the implications with your BDM.

Dilapidations

Dilapidations is the term used to describe the work that you are required to do to comply with the repairing, decorating and reinstatement obligations in your Lease. This may include repairs to the structure of the building, general decoration and any equipment which SP&B owns but which you have the responsibility to repair, for example a central heating boiler. Your responsibilities will depend on the type of Lease in place and the terms of that Lease. Dilapidations are usually reviewed at the end of the Lease, but can arise at any time during the Lease.

Leaving the pub

It is the Licensee's responsibility to hand the premises back in the state of repair required within the terms of the Lease.

SP&B will arrange for an independently prepared Schedule of Dilapidations. The Schedule of Dilapidations will be prepared at least 6 months prior to expiry of your agreement unless your agreement has separate notice provisions whereby the Schedule of Dilapidations will be served as soon as practicable following receipt of a valid notice to terminate the agreement.

If you own the F&F in the premises, a valuation and inventory will be prepared and SP&B will discuss which items will be purchased from you when you vacate the pub.

The cost of obtaining a Schedule of Dilapidations and F&F valuation will be recharged to the Licensee.

The Licensee has the option to carry out any repairs identified in the Schedule of Dilapidations to a satisfactory standard, or to pay a sum equivalent to the cost of the repairs. If repairs are carried out but not completed satisfactorily, SP&B has the right to make a charge to remedy the works.

In the event of a dispute over dilapidations at the end of any Lease, the 'Dilapidations Protocol' process will be followed. Full details can be found at www.justice.gov.uk.

Assignments

An Assignment is the legal process for a Licensee to sell the remaining term of their Lease to someone else. The person assigning the Lease is known as the 'Assignor'. The person purchasing the Lease is known as the 'Assignee'. The Assignor may choose to charge the Assignee a premium, in addition to the cost of buying any fixtures and fittings and stock from the Assignor.

Not all Leases are assignable. It is important to read your Lease for full details of what is required to assign a Lease and discuss this with your BDM in the first instance.

SP&B Leases usually cannot be assigned unless:

1. At least two years have passed since the commencement of the Lease; and
2. At least three years have passed since the completion of a refurbishment investment by SP&B.

The Pubs Code requires the Assignee to have received full details of all aspects of the Lease and premises from the Assignor. SP&B is required to assist in the provision of this information and ensure the Assignee has received it. SP&B charges an administration fee of £2000 plus VAT to the Assignor for this process, plus recharges the costs of professional fees incurred such as dilapidations inspections, legal fees and licencing amendments.



ENDING THE LEASE

SP&B will not unreasonably withhold consent to assign where fees have been paid, the terms stated in the Lease have been met (such as a rent deposit or guarantees) and all information required in the Pubs Code has been provided.

Full details of the process, costs and information requirements for an assignment are contained within Star Pubs & Bars Assignment Guide which is available on request from our Solicitors by emailing assignmentteam@dlapiper.com or calling **0131 242 5565**.

Assigning a Lease is a significant legal and financial commitment by both the Assignee and the Assignor. SP&B strongly advises both parties to obtain independent professional advice to ensure that they fully understand their commitments to each other and to SP&B and it is essential for both parties to use a Solicitor to complete the transaction.

In particular, if you are the Assignee you should obtain professional advice regarding the terms of the assignment, your obligations under the lease, preparation of your own business plan and any financial information provided to you by the Assignor.

How to make a complaint

It is in everyone's interest to maintain a positive and mutually beneficial business relationship. Most issues can generally be settled by discussion or correspondence with your BDM, however if the issue is of a serious nature or remains unresolved, you may wish to make a formal complaint.

Star Pubs & Bars takes any complaints or concerns seriously and will ensure that all complaints are investigated by an appropriate senior manager who will deal with the issue in a confidential and sensitive manner. Details may be sent by email to complaints@starpubs.co.uk. SP&B will acknowledge receipt of your email within seven days and will provide a written response within 28 days.

If you are dissatisfied with the outcome of your complaint, there are independent bodies who can assist.

Adjudicator

The Pubs Code Adjudicator was established by the UK Government to support the introduction of the Pubs Code etc. Regulations 2016. Complaints arising after July 2016, relating to compliance with the Pubs Code or determination of rent reviews and renewals, may be referred to the Adjudicator.

PICA-Service

Complaints regarding incidents which occurred before July 2016 can be referred for an independent panel review through the PICA-Service until July 2017. SP&B supports the PICA-Service, which is available to all Licensees, and agrees to be bound by the decision made by the independent panel. Both parties are still at liberty to take the issue to Court.

More details can be found on the PICA-Service website www.picaservice.com

PIRRS

Disputes regarding contractual tied rent reviews may be referred to PIRRS.

More details can be found on the PIRRS website www.pirrscheme.com

We hope you've found this guide useful and informative. If you have any further questions, please email enquiries@starpubs.co.uk





Star Pubs & Bars Limited

3 – 4 Broadway Park

South Gyle

Edinburgh

EH12 9JZ

PART OF THE  **HEINEKEN** GROUP