

BUTCOMBE
BREWING CO



**THE WAY
BUTCOMBE WORKS
WITH YOU**





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In 1978, Butcombe Brewing Co. began. It was a time of cultural, social and political change, soundtracked by bands full of spit and anger riding the crest of the punk wave. Margaret Thatcher took the Tory leadership, the IRA waged war, the Yorkshire Ripper cast a long shadow over the North and the meaning of life was revealed as the number 42.

We shut out the world and made beer.

STILL ORIGINAL

You see, at that time, no one was risking it all starting a traditional brewery, making simple, premium, easy-drinking ale. To do so was an act of defiance. Or madness. But, 40 years later, by staying true to our beliefs – and with a lot of hard graft – it looks like owning a resolutely traditional brewing company isn't such a crazy idea after all. By going against the grain, to work intimately with it, we made our own statement with every pint. And what was true then is just as important today.

We all share a passion of creating warm, hospitable pubs. Every last one of them is individually unique and proud to pull a pint of our famous beer.

We are looking forward to welcoming you to our team and can't wait to see the great job you do with your tenancy.

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THE PUB SECTOR

The way Butcombe will work you is aligned to the requirements in the Pub Sector England & Wales Code of Practices (1-499 Tied Pubs) (COP) Tenanted and Leased which can be found on ours and the British Beer Pub Association websites.

The COP places a number of obligations on us as a company as to how we will work with you.

We offer other services and make additional obligations to the COP which are covered in this document.

Adherence to the COP is a binding term of all our new tied tenancies and is therefore legally enforceable. The COP is binding on both Butcombe and its Business Partners and lessees and may be used in pursuance of a claim of non-compliance.

Our existing Business Partners may also have the benefit of the provisions of the COP by invoking an open and unlimited offer accepting its terms. Signing an agreement at any time can do this and your Operations Manager (OM) will be pleased to assist in this respect.

If Butcombe sell the interest of property with

an incumbent Business Partner we will by means of a side letter ensure the COP transfers as part of the sale, unless the pub transfers to a pub operating company where 500 or more pubs are owned; this will result in the pub and Business Partner's rights being under statutory legislation.

Alternatively the provisions and benefits of the COP can be relied upon if a tenant initiates a complaint through the Pub Independent Conciliation and Arbitration Service (PICAS) or commences court proceedings with reliance on the provisions of the COP.



OUR AGREEMENT

All of our agreements are protected under the Landlord and Tenant Act 1954. We will advise you of the remaining years on the lease if Butcombe does not own the premises and the procedure for termination when the lease comes to an end.

We have a small number of full repairing leases that we let to small companies.

Once terms have been discussed we will write to you with a formal offer of the tenancy and include a copy of the Tenancy Agreement. You will not be asked to sign

your agreement until we have received a signed offer letter from you. Our agreements do not have a cooling off period.

The Agreement Tie

There is a full tie for beer, cider, minerals, wines and spirits. We do not offer free of tie or partial free of tie agreements. We brew our cask-conditioned ales, lager and cider. We can also stock a wide selection of national and international lagers, keg beers and minerals. We also supply an extensive range of wines and spirits. All available products are detailed in our Tenanted Trade Price List.

We reserve the right to restrict supply of any product if there is a concern on the rate of sale

resulting in potential quality issues. This will be discussed and where appropriate a similar or appropriate substitute product will be offered if required.

Maintenance Responsibilities within your Agreement

With a Tenancy Agreement, Butcombe is responsible for the structural repairs, including the roof and walls. Business Partners are responsible for all minor repairs and internal decorations. Business Partners are required to put and keep in good repair all areas within their responsibility. A full schedule of responsibilities is provided.



BEFORE YOU TAKE AN AGREEMENT WITH US

Professional advice

It is strongly recommended that you seek appropriate and good business advice from various professional people such as an accountant, surveyor, solicitor and bank manager. You will be asked to confirm that you have done this during your initial interview.

There are trade organisations that provide tools and information for business planning including the Association of Licensed and Multiple Retailers (ALMR), British Institute of Innkeepers (BII) and the Federation of Licensed Vituallers Association (FLVA).

Training

Before taking a tenancy you must undertake to complete the Pre-Entry Awareness Training (PEAT). This must be completed at

least five days before you have your final interview with us. Further information on PEAT is provided by the British Institute of Innkeeping (BII).

In order to sell alcohol or authorise the sale of alcohol you need to complete the National Certificate for Personal Licence Holders course (APLH). Once you have completed and passed the course you will be required to obtain a criminal record check (CRB) upon receipt of which you can then apply for your Personal Licence from your Local Licensing department.

Start Up Costs

Ingoing costs vary depending on the pub for which you have applied. Typically a smaller tenancy will require an investment of between £15-20k. Larger houses may require funds up to £60k. You will need to purchase the fixtures and fittings, stock and glassware at valuation. In addition there is a Security Deposit which is held by Butcombe during your tenancy. The deposit will

range from £10,000 or 25% headline rate. You will also need an amount of working capital to cover initial valuation and training fees.

We will explain the valuation process and provide you with details of nominated independent licensed property valuers. Butcombe is not involved in the valuation process and is not responsible for the condition or replacement of any items purchased. Your valuer will check the suitability of all inventory items and value accordingly. Fees for the valuation vary and are paid by you but are typically 5% of the agreed valuation.

Staff

There may be members of staff that have protection of employment under the Transfer of Undertakings for Protection of Employment (TUPE) regulations. The effect of this is your legal obligation to take on existing staff under their existing terms and conditions. The legislation allows for redundancy in specific circumstances but you will need to consult with an employment specialist for advice before the start of your tenancy.



WHAT WE GIVE YOU BEFORE AN AGREEMENT WITH US

Shadow Rent Assessment

You will be provided at the start of our negotiations with a Shadow Rent Assessment based on our knowledge and assumptions of the trade for the pub. This will be prepared by the Operations Manager (OM) and approved by the Managing Director (MD). Your OM has received appropriate training either internally or externally in the preparation of a Shadow Rent Assessment. It is not always possible to obtain the exact figures on turnover and operating cost from an outgoing Business Partner and any information we supply, or base our calculations on, is on the understanding that this cannot represent any guarantee of trade,

turnover or profits. The gross profit calculation will be based on our current tenanted trade price list including discounts.

This is not a substitute for a business plan. We strongly advise all prospective Business Partners and their advisors to liaise with the outgoing Business Partners to seek more detailed information. In such circumstances we can only supply you with details of the volume of beer and other products purchased direct from the company. We will in any event tell you why we cannot provide you with any information that you request from us.

Benchmarking reports are available from the Association of Licensed Multiple Retailers (ALMR: www.almr.org.uk) and the British Beer and Pub Association (BBPA: www.beerandpub.com) 'costs of running a pub', which may provide further assistance.

Evaluation of the business prospects and profitability are a matter for you and your Business Advisor.

Pub Information

We will provide full details of the pub to include the extent of areas that form part of the tenancy trading area together with details of any material changes to the commercial conditions and planned capital developments in other Butcombe properties within the locality.

Premises Licence Information

A copy of the current full Premises Licence will be given to you before the start of your tenancy. The Premises Licence is held by Butcombe and the Business Partner is normally the Designated Premises Supervisor; the person responsible for the day to day operation of the business. The annual cost of the licence is charged to your trading account.

We will bring to your attention any restrictions, enforcement notices or formal correspondence regarding the licence of which Butcombe are aware.

Service Charge - Maintenance Service Agreement (MSA)

There are many legal and insurers' requirements that you must undertake as part of your Tenancy Agreement. We organise this for you through our Property Maintenance Department. At the start of your tenancy we will provide you with a service schedule and agree a monthly service charge. The service charge includes, but is not restricted to, gas safety checks, boiler servicing, fire alarms, fire risk assessment, sewage treatment plant and extraction canopies cleaning. The service charge is reviewed annually. Full details of items included in the MSA are contained in our Maintenance & Service guide.

The services covered in the MSA will be updated during the course of your tenancy.

We will write to let you know when new services are added together with the monthly and annual cost.

Dilapidations

We will provide you with a report on the internal decorations in the private quarters. The report will include where possible photographs of all areas. We will try to ensure that the accommodation is in good decorative order at the start of your tenancy. However, in some circumstances we will need to agree with you a suitable programme for this to be achieved and who will be responsible for meeting this cost

Trading Information

With the exception of newly acquired houses, Butcombe provides full and authenticated supply

history of the wholesale beers and wines etc into the pub.

We will provide you with the details to access this and other information.

Some of the products listed will receive discount, written details of which will be provided at your interview.

Deliveries

Deliveries to our pubs are normally made weekly. Delivery times will vary within an agreed time window. Any delivery issues or problems should be reported immediately to Butcombe and we will advise of an appropriate course of action to resolve the problem. In exceptional circumstances and where Business Partners are consistently requesting second deliveries we reserve the right to charge for these.

Price List

A full Tenanted Trade Price List will be supplied together with all products available. All our prices are available on our extranet

Payments

Payment for goods is by Direct Debit: goods delivered between 26th and 10th are payable on 25th of the month and goods delivered between 11th and 25th are payable on 10th of the following month allowing a maximum of one month or a minimum of 2 weeks credit.

Rent is charged on 25th of each month and becomes payable by direct debit on 10th of the following month. The rent is charged monthly in advance: for example rent charged on 25th July would cover the rent the period from 26th July to 25th August.

I-Draught

You will have beer flow and beer quality monitoring equipment in your pub called I-Draught. You will be trained on how to use this equipment and the

information you receive to monitor your line cleaning, beer quality, throughput and yield by your OM. You will be responsible for the electricity to run this system.

Machines

You are not tied to Butcombe for machines but you must have written Butcombe consent for any machine on your premises including pool tables, juke boxes and other ancillary equipment such as pin tables, bar billiard and similar equipment. The income from machines will be reflected in the shadow Profit and Loss account.

A Consent Fee is payable which is currently £500 p.a. for each Amusement with Prize Machine and £250 p.a. for each Skill with Prize Machine. The fee is charged monthly in arrears on your Trading Account. There are no other charges for any other equipment such as administration or royalty fees.

Business Partners are responsible for all permits and licences associated with music including

Performing Rights, Phonographic Performance Licence and Sky.

Open Book Accounting

You are required to sign-up to Open Book Accounting for the first year of your tenancy. This requires a new Business Partner to appoint a nominated Accountant who will have details, knowledge and experience of the licensed trade and its practices. We will explain fully how Open Book Accounting operates. Experience has shown that the first 12 months are crucial to the financial stability of the business. Open Book Accounting simply allows us to share and exchange information over this period to try and ensure that you are operating the business in a financially viable manner. If there are concerns with the business we can identify the problems and work with you and your accountant to resolve them.

Property Insurance

Butcombe will insure the building at our cost, this is not recharged to you.



During the first 3 months of your tenancy the Financial Advisor will visit as often as is required to ensure that you are fully confident and conversant with the financial aspects and controls of your business.

We strongly recommend that you have regular extended stock takes every four to six weeks.

WHAT WE REQUIRE BEFORE AN AGREEMENT

Proof of Funding

Proof of finance is required at your initial interview to comply with current money laundering regulations. You will also need to confirm if the funds you have available to fund the tenancy are secured against an asset or subject to a loan agreement.

Proof of Identity

Your passport, driving licence with photograph and/or National Insurance number will be required.

Business Plan

We will require you to complete a Business Plan for your business, which should include estimations of income and related costs. It is strongly recommended that you take professional advice, both legal and business, when preparing this. The Royal Institution of Chartered Surveyors (RICS) provides advice on matters that should be considered when preparing a Business Plan and we would strongly recommend that Business Partners and their advisors refer to the guidance. You should consult your Financial and Business Advisor on the effects of changes to the business,

both positive and negative.

Insurance Information

You are responsible for insuring fixtures and fittings, stock, cash on premises (including machines), loss of business and business interruption together with your own personal contents. Your insurance should also include employee and public liability cover.

The cost of insurance will vary depending on the type of business. It is important that sufficient cover is taken for the full replacement value of the inventory and not the current value or the value paid on the day of change. We can provide you with details of insurers who specialise in the licensed trade sector. We will require a copy of your insurance policy and cover.





DURING YOUR AGREEMENT

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RENTS

The rent for your tenancy or lease agreement is negotiated on an individual basis taking into consideration the location, tie, current market trends and fair maintainable trade based on the trade you would expect a reasonably efficient Business Partner to achieve.

Rent Reviews at Renewal

Rents are agreed at the beginning of each three year agreement or at rent review if you have a lease. We try to agree a fair rent and disregard personal goodwill, we follow the Royal Institution of Chartered Surveyors (RICS) guidelines when negotiating rents. The RICS guidelines are kept under review and where changes arise will be applied to all future reviews.

Approximately six months before the end of your

three year agreement we will write and advise that your rent is due for review. An appointment with your OM will be arranged to visit your pub within the following two months. As part of their normal duties they will have visited three months before any rent assessment is undertaken. We will ask you for your last set of Profit and Loss accounts together with details of current overheads and expenses in operating the business. You should advise us of any factors that have affected your business. You may want to involve your Accountant with the discussion. We will provide you with a shadow Profit & Loss Account / Rent Assessment similar to that at the start of your agreement. We would aim to complete our rent negotiations one month before the rent review date.

Butcombe supports the Pub Independent Rent Review Scheme (PIRRS) www.pirrscheme.com through our membership with the British Beer and Pub Association (BBPA). In the event that any dispute cannot be resolved through

the company's internal procedure we voluntarily agree that you can elect for a referral through the PIRRS Scheme. PIRRS offer an accessible, independent, low cost rent review resolution service.

Upon jointly agreeing to resolve a rent negotiation via PIRRS both parties will be required to renounce any right to arbitration or referral to original final offers by signing a deed of variation.

Business Partners and landlords are then required to contact the PIRRS administration team to request the PIRRS information pack and application form.

Business Partners will be asked to begin proceedings by completing their PIRRS application form and selecting their preferred independent valuer from those nominated by the PIRRS Board. www.pirrscheme.com.

We may share rent information, on request, which may be used by a third party in determining a rent subject to appropriate confidentiality.

PROPERTY

Capital Improvement and Investment

Business Partners Improvements: Alterations and improvements to the premises must be agreed in writing with Butcombe as a "Licence to Alter" and under no circumstances should be undertaken without full agreement and discussion with us.

Butcombe improvements: Where Butcombe undertake to carry out improvements to the building and such improvements will have the potential to increase and improve the trade, we reserve the right to renegotiate the rent to reflect the level of investment and the potential trade increase that the improvements will provide. We will agree in writing with you any changes in the rent before the work commences.

Premises Licence Variations

If you require to change or vary the licence we may,

if we agree, make the application on your behalf.

We reserve the right to charge you the Local Licensing Authority fee for applying for the variation. The fees are charged by the Local Authority and will vary depending on the public house.

Some Licensing Authorities may charge a Late Night Levy for those public houses who have a licence to trade between Midnight and 6.00am (variable). There is a scale of charges and the amount depends on the Local Authority involved. The charge is paid by Butcombe and recharged to your trading account.

Maintenance Surveyor

We have a Maintenance Surveyor and use external consultants/surveyors to look after our properties. In addition we have a dedicated Property Helpdesk to take details and deal with planned maintenance and emergency work.

PRODUCTS

Guest Ales

Guest ales are supplied through us. Business Partners are able to join our Guest Ale Programme subject to achieving sufficient sales of Butcombe own cask beer. This is to ensure consistency and quality of both Butcombe beers and that of other brewers.

Breach of the Tie

The full tie is a fundamental part of our agreements and any Business Partner who purchases outside of the tie risks a charge being levied for all out of tie purchases. The charge will include an administration fee together with a rate per barrel/package for each purchase made. Business Partners also risk the forfeiture of their agreement. In the unlikely event we are unable to deliver over a prolonged period, and a short term solution cannot be provided, Business Partners must obtain written consent from Butcombe to purchase elsewhere.



Ullage Policy

We have an ullage policy for the return of Butcombe/ Libration own beers. Credit is not given on returns that are out of date and contain less than 1/3rd of the original contents of the container. Return of other brewers' beer is subject to their individual ullage return policy details of which are available on request.

Sediment Duty Allowance

Our sediment duty allowance is 2.5% of the cask contents. This equates to 1.8 pints per firkin. Note other brewers will have a different sediment allowance, but this should be on the cask label.

BUSINESS & RETAIL DEVELOPMENTS

Operations

We will ensure all new OM are appropriately trained and if required organise

industry recognised training within their first year.

Your OM will visit regularly depending on the needs of the business but normally this will be once a quarter. Their role is to assist and help you grow the business and maximise the trading potential and profit from the business.

Normally the initial contact with your OM will be when you apply for your tenancy and discuss your business plan. This plan will form the basis for your future discussions when you take up your tenancy: your OM will formally review your business with you every 12 months.

Your OM will be your link with Butcombe and will keep you advised and informed of Butcombe activity affecting your business and the trade generally.

During your induction we will provide you with a contact list of key personnel

with whom you will have regular contact.

Sales and Promotions

You will have access to a number of seasonal beer promotions which your OM will discuss. They will also agree support activity to promote your sales.

All tenants have access to an online pub marketing toolkit to design and order posters, banners, menus etc. The handling house will charge you a fee depending on the size and quantity of material ordered. The site also includes useful tips on how to run and organise promotions. Glassware is supplied by each brand owner, subject to availability, and can be ordered with your weekly delivery or through your OM.

Website

Websites are an important tool to communicate with existing and potential customers. We have web domain addresses for all our pubs. The address is available for your use during the term of your tenancy subject to our jurisdiction. At the start of your tenancy we will provide you with a website home page containing basic information on your pub. This will be agreed at your induction meeting.

You can build on the website to include additional pages and information on your business through the website provider.

We retain the services of the website provider on your behalf and an amount per month is charged. We have a Digital Marketing Manager who is available to offer advice and training on website and social media activity for your pub.

Financial Assistance

We recognise that through no fault of their own some Business Partners may experience financial difficulties. Our policy is to offer support and assistance where possible. The support may be specific or may involve support in a number of areas. The assistance will depend on the problem being experienced and the best solution to deal with it. We will require copies of your accounts, VAT and stock taking reports to enable us to assess assistance. We will respond within 35 days unless a further timescale is mutually agreed.

COMPLAINTS

Disputes Procedure

We will acknowledge a complaint providing the complaint is made in writing and addressed to the Operations Director. We will endeavour to conclude

your complaint within thirty-five days unless an extension has been mutually agreed in writing.

Pub Independent Conciliation and Arbitration Service (PICAS)

In the event that you have not been able to reach resolution of a problem or dispute with us, after going through our dispute procedure, or we have failed to respond in accordance with the timeframe of our procedures, you may refer the problem to PICAS (www.picaservice.com).

Full details of the application process and the procedures to follow when referring a complaint to PICAS are available from their website www.picaservice.com.



ENDING YOUR AGREEMENT WITH US

Expiry of the Agreement

Butcombe is entitled to serve a notice at least six months before the end of the tenancy stating whether we require to take possession of the property as a managed house, for redevelopment or if we are prepared to negotiate with the Business Partners a further term. If we wish to renew at this stage, we will enter into the same negotiations as described in the section titled rents.

An agreement outside of the Landlord and Tenants Act will normally allow six months' notice on either side throughout the term. If it is our intention to end the agreement at the expiry date you will be notified at least six months in advance of the termination date. Where we hold leases for

premises and our licensee is a sub Business Partner the term of the agreement will not extend beyond the expiry date of the lease.

Surrendering Your Agreement

We do not have a cooling off period, however it is not in our interest to insist a Business Partner stays at a pub any longer than is absolutely necessary once a Business Partner has made up their mind to leave.

Our tenancy agreements provide for notice to be served by the Business Partners not less than six months and not more than twelve months from the anniversary of their agreement. If you wish to leave earlier we will advertise the pub and once a suitable new Business Partners is appointed, we will agree a change date releasing you from your obligation. You will of course be required to settle any outstanding accounts with us and carry out any repairs you are responsible for.

Dilapidations

At the end of your tenancy a schedule of dilapidations for the private accommodation will be provided within 4 weeks of your notice. You will be required to attend to any items on the schedule before you leave and to put the private quarters into good decorative order of no less a standard than that detailed in the schedule at the start of your agreement. A schedule of conditions is not prepared for the trade areas but on termination we would expect the trading areas to be in a reasonable condition and in no worse a condition than at the start of the tenancy. A dilapidation charge will be made for any outstanding works not completed on the day you vacate. A charge will also be made to clear or remove any rubbish or abandoned items not removed on the day of change. In the event that there is a dispute over the schedule of conditions the tenant can refer to the Managing Director.

YOUR LEASE AGREEMENT

Butcombe operate a limited number of tied and partially tied leases. Generally, these are houses acquired from other operators, with lease agreements in place. These leases are of varied origin and differing terms.

When Butcombe purchases public houses held on leasehold terms, the existing tenure and terms are maintained. If we are unable to supply existing brands or products stocked, we will endeavour to supply similar or substitute brands.

Rent Review

We will write to you not less than nine months before the due date and provide a rent proposal to include a rent assessment no less than six months before the due date.

We would aim to agree the rent within three months after the due date. If the rent is not agreed after three months and an extension to the negotiation period has not been reached the lessee can refer the rent review to PIRRS.

If the lease contains a provision for the rent to increase in line with the retail price index (RPI) the increase or decrease will apply on the anniversary of the agreement.

The rent proposed will be prepared in good faith in accordance with the current RICS guidelines, based on FMT and market rent. As part of the process your premises will have been visited during the preceding three months.

We recommend that on receipt of the rent proposal, appropriate professional advice be sought and that industry-benchmarking

reports be consulted.

The rent assessment, incorporating a shadow Profit and Loss account, will provide detail for you to take professional advice and carry out benchmarking comparisons.

Renewal

Where the principle of renewal is agreed between parties, rental negotiation, timetable and procedures will be as for the rent review.

Property Repairs and Maintenance

Leases are held on a full repairing and insuring terms, with the lessee responsible for repair, maintenance, decoration and insuring of the premises as a whole.

Individual leases describe whether the repair liability is put or keep the premises in repair.

Assignment

Leases are individual and you should take professional advice on the condition and fabric of the premises as well as financial and legal advice before entering into an agreement of assignment of the lease.

We will respond within 20 days to a request to assign the lease and carry out a dilapidations survey (at your expense) within four weeks of a request to assign.

We will meet with the proposed assignee on receipt of an application from the proposed assignee within a reasonable timeframe and determine

whether they are suitable.

Butcombe will instruct a solicitor (at a cost of the lessee) to prepare the necessary legal documentation to enable the assignment to proceed.

The lessee is required to disclose trading information and all information necessary to enable the prospective assignee to make an informed decision on taking the pub.

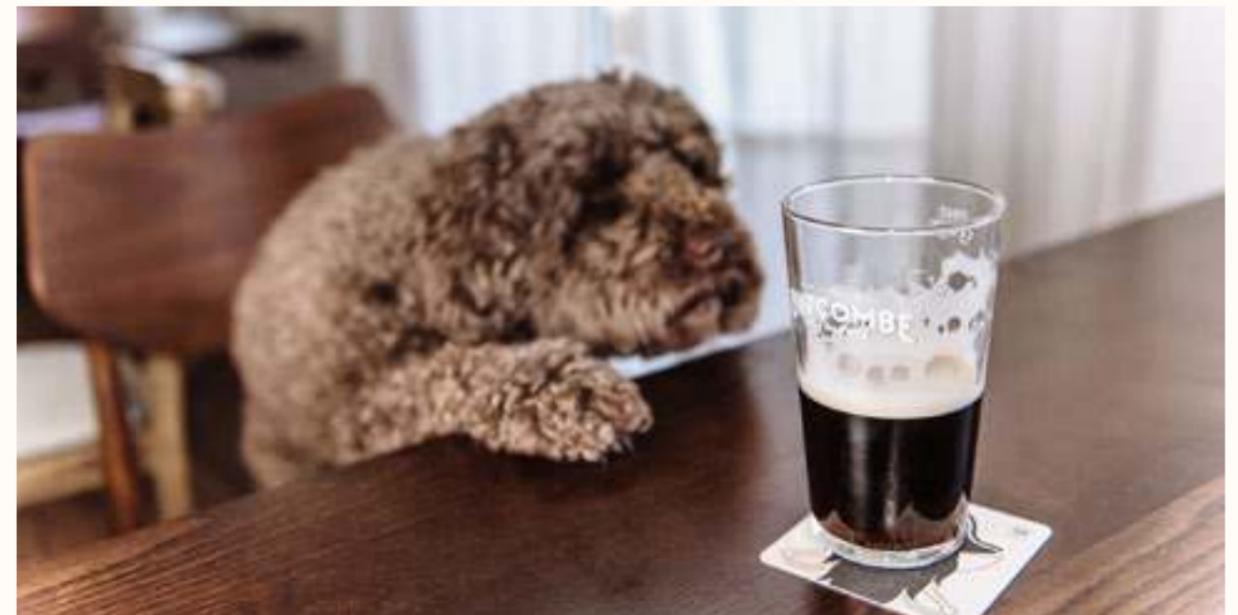
It is the responsibility to ensure the prospective assignee has completed appropriate pre-entry training, holds a Personal Licence and has taken appropriate professional advice in connection with

the Business and Financial Plans for the premises.

An Authorised Guarantee Agreement must be entered into in advance of assignment, unless a release fee of £3,000 excluding VAT or 5% of the premium plus VAT is paid, whichever is the greater.

Surrender

Surrender of your lease can only take place with the agreement of Butcombe. In cases of surrender a dilapidation charge will be made and an early release fee of not more than twelve months' rent will be charged.



TRUTH IN EVERY TASTE
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