

FULLER'S

TENANCY CODE OF PRACTICE



Introduction to Fuller's

Fuller Smith & Turner PLC is one of the most dynamic companies in the licensed retail sector with over 165 years of history and an enviable reputation for supporting and respecting our licensees.

Whether you are planning to take or already have one of our Tenancies we hope you will find this document which incorporates the Industry Framework Code explains all there is to know about taking and running a tenancy with one of the finest regional brewers in the United Kingdom.

At Fuller's we aim to:

- *Build a long and sustainable working partnership with our tenants and lessees to the benefit of both parties.*
- *Be fair, honest, open, reasonable and comply with all legal requirements in all our dealings with our tenants and lessees.*
- *Help our licensees to be entrepreneurial and promote the Fuller's core values of outstanding cask conditioned ales, delicious food, great wines and exemplary service.*
- *Offer a range of support packages to assist our licensees in every aspect of growing their business.*



The History of Fuller's

Beer has been brewed on Fuller's Chiswick site for over 350 years – as far back as the era of Oliver Cromwell. From the original brewery in the gardens of Bedford House on Chiswick Mall, the business expanded and thrived until the early part of the nineteenth century. Money problems forced the owners, who were then Douglas and Henry Thompson and Philip Wood, to seek a partner.

John Fuller of Neston Park, Wiltshire, was approached to see if he would inject the required amount of money. In 1829 he joined the enterprise, but the partnership proved a difficult one and in 1841 Douglas Thompson fled to France and the partnership was dissolved.

It soon became apparent that it was impossible for one man with no brewing experience to run a brewery of that size alone, so in 1845 John Fuller's son, John Bird Fuller, was joined by Henry Smith from the Romford Brewery of Ind & Smith and his brother-in-law, head brewer John Turner, thereby forming Fuller, Smith & Turner as it is still known today.

Since that date the Griffin Brewery has become a true icon of world brewing. Our position alongside the River Thames and one of the main arteries into and out of London means that hundreds of thousands of people each week pass by the world famous home of Fuller's beers.

Fuller's reputation for running great pubs and brewing outstanding beers is unrivalled, with the likes of London Pride, ESB and 1845 all winning numerous awards. In fact three different Fuller's beers – London Pride, ESB and Chiswick Bitter – have been named Champion Beer of Britain, a feat unmatched by any other brewery and the range continues to enjoy success in many competitions worldwide.

In November 2005, Fuller's announced the largest deal in the history of the Company, acquiring George Gale & Co. (Gales), of Horndean, Hampshire. The Gales deal added 111 pubs to the estate, which now comprises of over 385 pubs and hotels. It also meant that several other great beer brands, including HSB and Seafarers Ale, were added to the portfolio.

Continuous investment in the company will help Fuller's to develop and grow, maintaining its position as the benchmark in retailing and brewing by delivering Quality, Service and Pride in everything it does. This commitment is rewarded by Fuller's regularly winning prestigious Company awards as well as accolades for its beer brands and pubs.



Tenancy, Lease, Managed or Free House?

The rewards available in the licensed trade can be excellent, but it is a very demanding career. It calls for time and money and the rewards that come out of it will reflect the amount of resource you are prepared to invest.

Personal

Taking on a pub will require you to make a considerable commitment to your business. You must consider the effect this might have on those closest to you. Their continued support and encouragement will be vital to your success.

Think carefully about the type of business you wish to run and the part any skills you already have should play in this decision. The pubs within the Fuller's estate vary greatly from community pubs to Inns with top notch dining. What type of pub do you and your family use and why do you use it? Which customers would best fit your personality? What levels of finance do you have available and are the typical ingoings for that type of pub within your budget? Some pubs open all day and some until late at night – can you commit to the hours needed to run your preferred pub?

Once you have the full backing of your family and friends then you can move on to the type of agreement you would like to have.

Pubs fall into four main categories – managed, tenanted, leased and free houses.

Managed

It is assumed that you have made the decision to run your own business and therefore do not wish to run a managed pub. That is a pub where you are employed by Fuller's and run it in return for an annual salary and bonus package.

If you would prefer to take this option, which doesn't involve any financial investment on your part, you can contact our Managed House department on 020 8996 2000 or visit our website at www.fullers.co.uk.

In addition to its managed estate Fuller's owns over 200 pubs that are let on what is described in our business as tenancy or lease agreements.

Tenancy

Whilst we have some houses operated under longer term leases we now only offer traditional tenancies on the open market. This is where a rent is paid to Fuller's, which enables you to run your own pub business. You will be obliged to purchase all your beer, wines, flavoured alcoholic beverages, minerals and spirits through Fuller's or our nominated suppliers. You are free to purchase dry goods (foods of any type) from the supplier of your choice.



In return Fuller's will have certain obligations to support you and your business. These will be fully explained as you read on in this code.

A tenancy is a fixed three year agreement with a reasonably low cost of entry. The rent is set at the commencement of the term and adjusted annually in line with the Retail Price Index. The tenancy, in normal circumstances, is renewable on a three yearly basis and at the end of each three year period a full rent review will normally be carried out.

When you take on a tenancy you will be required to purchase the fixtures and fittings of the pub, pay one week's rent in advance, a security deposit and any other ingoing costs. When you leave the pub you would sell on the fixtures and fittings to the next incumbent or to Fuller's.

In a tenancy Fuller's remains responsible for the majority of the property repairs, further details of which can be found in the tenancy key terms section of this brochure.

The majority of our agreements are fully protected by the Security of Tenure provisions contained in Part 2 of the Landlord and Tenant Act 1954. You will be informed at the outset if this is not the case.

Lease

A lease is a longer fixed term opportunity to run and develop your own business.

A lease will normally be on a full repairing basis and is considered, in the pub trade, to be a medium risk investment. It gives you the benefit of a lower cost of entry than a free house and the ability to sell the lease on, or 'assign' as it is known, for a capital sum when you leave, while still giving you the benefits of running your own business.

The rent is set at the commencement of the term and is normally adjusted annually in line with the Retail Prices Index. It will often also have a full rent review after the first five years of the lease but this can vary depending on the length of the agreement. There are also free of tie leases available with some companies similar to the tied lease but with no purchasing obligations.

A Freehold Property

This is where you purchase the freehold of a pub and run the business entirely the way you wish to. Negotiating supply arrangements with different brewers and other suppliers can offset the higher costs at commencement. Financially, this normally has a higher risk factor. You will need to assess the cost of borrowings or use of your own capital used to purchase the freehold against the rent you would pay on a lease. As with any property you own, if the property value or trade increases, normally the value of the business increases.



Taking Advice

When entering into any new business there are many things to consider and a pub tenancy is no different. At Fuller's we believe that the investigations you carry out before starting your business venture are paramount to your success. In essence, the greater your knowledge, the more likely your prospects of making your business a success.

We strongly recommend that you obtain good professional advice from experts in the licensing trade such as solicitors, building surveyors, valuers, accountants and your bank manager. If you require help in sourcing a particular expert we will be happy to provide some recommendations.

We will provide you with trading history for the last three years where available, but you will need to determine the profitability of the pub yourself. In the case of pubs transferring from our managed division, we will also supply you with no less than 12 months' turnover figures. If you are successful in reaching the interview stage, your projected figures can be fully discussed with the management team. At that interview a shadow profit and loss (P & L) account, which will have been prepared in good faith based on reasonable assumptions, will be available to you.

The shadow P & L report (Appendix 1) we provide is only a guide. As part of your business plan you will be required to produce a P & L account and cash flow forecast. It is vital you should take the advice of an accountant when preparing these and base your rental offer to Fuller's on them.

You will, by law, be obligated to take on the staff of the pub you are entering and it is important that you take advice as to your duties under the transfer of obligations regulations (T.U.P.E.) relating to the current staff of the pub. A solicitor should be able to help on this matter.

You must also check to see if there are any planning restrictions or statutory notices outstanding and we will help you answer these questions. Fuller's holds the premises licence and we will provide you with a full copy, listing any trading restrictions on the premises.



The Application Process

Once you have assessed all of the above points you will need to prepare a full business plan setting out your objectives for the pub. It is essential to estimate the current level of trade and profit together with your forecasts for the first two years. It should also include any investment the pub needs to meet your objectives and whether you will need help financially in reaching those objectives.

The greater the detail and information contained in the plan, the more likely you are to be successful, whether that be with Fuller's or your bank manager.

On request, we will provide you with an example business plan, or you can view an example on our web site at www.fullers.co.uk. This will help you complete the business plan and our business development managers will be happy to provide any assistance.

Decision time

Having prepared your plan and gathered all the details you require, you can enter into discussions knowing the opportunities and risks attached to that business.

Remember:

- *Do not invest more capital into the business than you believe it is worth*
- *Do not pay a higher rent than your business plan says the business can afford*
- *Be sure you know exactly what the offer includes, particularly the extent of the property and its repairing and purchasing liabilities*
- *Use all the professional help you can get, including a valuer to compile a trade inventory of fixtures and fittings and the stock on hand at the premises. These have to be purchased by you at an additional price.*

The Selection Process

The majority of pubs will be placed on the open market to find suitable applicants and be handled by our dedicated recruitment coordinator who will help you find the right pub for you.

Once you select the pub for you an initial meeting with the business development manager will be held to discuss the terms of the available pub including a guide to rent. The business development manager will select applicants to attend the final interview.



The Interview Process

What we expect from you

Applicants will need to bring along the following:

- *Full business plan for the short and long term development of the business*
- *Profit and loss account for first and second year with estimations of income and related costs that also provides for indexation to the rent*
- *Cash flow forecast for the first and second year*
- *Confirmation of financial position including proof of finance*
- *References (personal, banking or trade suppliers)*
- *Your Award for Personal Licence Holders (APLH) and sight of your personal licence.*
- *The BII Certificate of Pre-Entry Awareness Training (this must be taken at least 5 days prior to the signing of the agreement).*
- *Proof you have independently prepared the business plan and have taken advice from an expert normally this will be your accountant.*

The requirement for PEAT training and business advice may be waived at our discretion where we believe that you are suitably qualified through experience and achievement to rely on your own judgment. If a waiver is applied, this will be noted on the interview check list (Appendix 2) before both parties sign it. Applicants can request a waiver if :

- They are multiple retailers with a number of other pub or bar premises
- They can demonstrate at least three years recent experience of running a successful tenanted or leased business
- They can demonstrate at least three years' relevant business management experience.
- Applicants have an existing successful lease or tenancy with the company

The Royal Institution of Chartered Surveyors (RICS) guidance notes provide a very useful reference point for tenants, lessees and advisers. In addition, there are a number of industry benchmarking reports available which may assist with the preparation of the business plan and relevant market comparisons, in particular the ALMR Benchmarking Report and the BBPA 'Running a Pub: A cost guide for lessees/tenants'. Information is also available from the FLVA. Your business development manager will be able to advise where this information can be obtained from.

What you can expect from us

In return you can expect the following information from Fuller's:

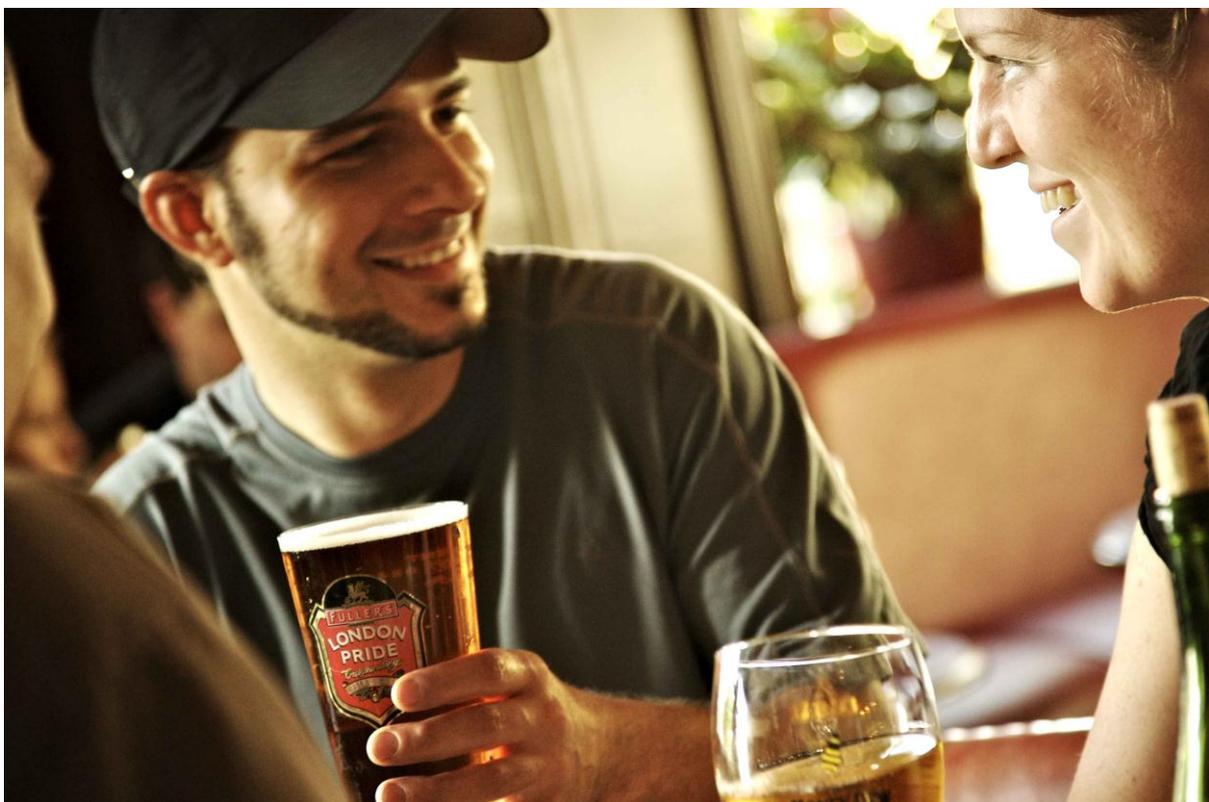
- *Detailed information on the physical condition of the property and insurance obligations*
- *A full explanation of the repairing obligations of the agreement*
- *Details on any restrictions contained within the tenancy agreement in respect of the use of the premises*
- *Details of the premises licence, together with any conditions relating to the licence, plus details of any enforcement action that has taken place during the previous two years*
- *Three years' trading history in terms of goods supplied by Fuller's in the form of barrelage or litreage of wines and spirits*
- *Turnover figures including wet, dry and machine income if the pub is transferring from our managed pubs division*
- *A shadow profit and loss account (P & L)(Appendix 1). The shadow P & L will include details of all income streams broken down in to drink, food and other income including machines. This will be based at a level we expect a reasonably efficient operator should perform at. We will then provide details of cost assumptions associated with the business. These will include wages, utilities, rates, insurance, repairs and maintenance, and other operational costs and expenses. The shadow P & L report we provide is only a guide, so it is vital you take independent advice and prepare your own business plan and profit projections. A sample of what you will be given can be found in Appendix 1.*
- *The terms of the supply of all amusement machines, their management and the share of income*
- *A copy of the current price lists, the discounts applicable and details of the wet tie*
- *Details of the credit/payment terms applicable to the agreement*
- *A full explanation of the rent review procedure*
- *Details on Fuller's capital investment programme*
- *Details of any Fuller's pubs in the locality and any plans for altering or developing those pubs*
- *A copy of the terms of the tenancy agreement*
- *An agreed change date (the date you take over the pub) wherever possible*
- *Details of any material changes that we are aware of in the commercial conditions that may have an influence on the business including any restrictions which may be put on the business*
- *Details of the first year open book accounting and stocktaking policy*
- *An explanation of the terms under which flow monitoring equipment is operated and the way such equipment is used within the business (Appendix 3)*
- *A full explanation of pre-entry training requirements and costs.*

A checklist (Appendix 2) will be signed by both parties to ensure that you are fully satisfied that all the relevant issues have been discussed understood and agreed by both Fuller's and tenant. You will receive a copy of the signed checklist.

If you are successful in obtaining the pub a "Heads of Terms" letter will be sent to you. This will confirm the main details of the agreement we discussed with you at the final interview. Once this has been signed and returned, the business development manager will help you work towards the exciting day you take over your pub. A Countdown to Takeover document, which you will find very useful, is available on our web site at www.fullers.co.uk. It is normally expected that completion will occur around two to eight weeks after you have signed and returned the Heads of Terms.

Mentors

We have introduced a team of 10 Mentors across the Fuller, Smith & Turner estate and you will be provided with the two nearest to the pub you are applying for. These mentors are willing to answer any question you may have about running a tenancy in conjunction with Fuller's. It gives you the opportunity to ask someone other than ourselves how Fuller's operates. Often they also become friends and are willing to answer problems you may have once you have taken on your pub.



On Appointment to Your Pub

Once appointed to your pub you will be provided with a full support package enjoyed by all of our licensees.

Training

There are a varied number of training courses available to our licensees and the cost of these courses will be advised at time of booking and are normally subsidised by Fuller's. A full list of all our courses can be found on our web site at www.fullers.co.uk

The courses below are mandatory and must normally be taken within 6 months of joining the Company. A charge will be made as part of the initial ingoings and a large percentage then rebated to you once the courses have been completed. Please ask during the interview stage what the current charges are.

APLH Award for Personal Licence Holders

This is the certificate required by all local authorities before granting a personal licence. We hold regular courses at Fuller's and will assist you in obtaining your licence if required.

Chartered Institute of Environmental Health Course Level 2 Food Safety

A course for everyone who works in or supervises the catering part of the business. The course provides the minimum standard of understanding in respect of good hygiene practices.

Cellar Management

This course is essential to anyone taking a Fuller's pub and must be sat within two months of taking one of our pubs. The course is a full day covering cask beer management and dispense, manual handling and the health and safety implications of working in a cellar environment. On passing you will be awarded the BIIAB Award in Beer Cellar Quality.

Fuller's Finance Course

We have introduced a policy of open book accounting at Fuller's. This means your accountant will be required to help you set up the business and provide monthly and annual accounts. You will also need to have regular stocktakes to make sure the business is on the right track. We will insist you take a package of stocktakes covering your first year. Your accountant will be asked to sign up to a scheme which informs Fuller's if your business runs into difficulties particularly in the first year. The course will introduce you to the minimum bookwork and record keeping you will be required to keep to assist the accountant in preparing these figures, plus the benefits of regular stocktaking.



Marketing

An introduction to the basic marketing requirements that will assist you in making sure you target your customer market place. It will also help you with the marketing of products available from Fuller's and outside suppliers.

IBAD (Intensive Business Analysis & Development)

Having sat the Finance and Marketing days this course takes the two subjects to the next level. It will help you analyse and benchmark competitors, diagnose the current position of the business and identify the route to a sustainable competitive advantage. At the end of this one day course you will be asked to agree business objectives and action plans to take your learning back to your outlet. You will also undertake a strategic analysis of your business from both a finance and marketing perspective.

Ongoing Training

There are further courses available to you, which are designed to help you comply with current legislation and develop your own personal skills. The courses constantly change and we will keep you up to date via newsletters, our website www.fullers.co.uk and through your business development manager as to the latest available.

Licensing

The Premises Licence is the document that specifies the licensing hours, responsibilities and conditions attached to a specific property. Fuller Smith & Turner hold the Premises Licence on all our pubs so we can ensure that the properties are responsibly managed and we are actively working towards that target. During the interview process our business development manager will show you a copy and discuss with you any conditions on the Premises Licence which may affect your business. To ensure the success of your business and the maintenance of positive relationships with your neighbours and the wider community it is important that these licensing conditions are understood and adhered to. Any variations to the Premises Licence will be made following agreement between both parties unless deemed necessary to protect the Premises Licence.

We retain a licensing company Poppleston Allen to look after all our licensing matters at very competitive rates. They will act on your behalf with any changes of Designated Premises Supervisor or changes to the Premises Licence or in any disputes. You will be given an estimate of costs before any work is carried out on your behalf. To ensure the annual renewal fee is paid on time and in full Fuller Smith & Turner renew the premises licence and re-charge the fee to your trading account.



Business Support

In addition to the aforementioned training courses, Fuller's also offers its licensees a number of other support functions to help you make the most of your business.

Business Development Manager Support

At Fuller's, we pride ourselves on the close working relationship between our tenants and their business development manager. You can expect to see your business development manager at least once every eight weeks, having allowed for holidays. Key to maintaining this relationship is a commitment to the training needs of our business development manager's. Our entire team has completed the BII Level 4 qualification in Multiple Licensed Premises Management but if any new business development manager is appointed we commit to them taking the above course within 18 months of joining. No business development manager will be allowed to sign off a rent calculation unless they have undertaken the BII Level 4 Qualification. Fuller's is also totally committed to supporting all training for tenants and business development manager's accredited by the BII.

Your business development manager can be contacted (personal mobile numbers will be provided on day of change) at any time of day or night and our obligation to you is whenever possible to respond within 48 hours of a call being made.

Your business development manager is expected to act in a professional and reasonable manner in their dealing with you and can provide support and professional advice on:

- *The current trade figures for your pub on an annual, monthly and moving year basis*
- *Capital investments*
- *Current marketing and promotional opportunities*
- *Annual business planning and financial aspects of the business*
- *Training requirements and scheduling*
- *A free pub design service if you are planning to decorate or alter your premises*
- *Product management and supply*
- *Act as a contact point for all other head office functions if necessary*
- *The content and application of the Industry Framework Code and self-regulatory mechanisms.*

Capital Support Programme

To ensure licensees have the opportunity to continually make improvements to their properties, or perhaps reposition their business, Fuller's sets aside an amount of money to help with capital investments. A full study of the business will be undertaken and, if both parties agree that it is the right way forward for the pub, our estates department will oversee the entire project. The project will need to bring a return for both parties involved, you via the takings and Fuller's via the rental income. Your business development manager will help you prepare for any scheme you wish to propose.



Help Desk

The Help Desk is the place to turn to when you have a property related query. Based at Chiswick the team deals with all general property queries. If you wish they can also arrange for repair work to be undertaken that is your responsibility under the terms of your tenancy agreement. In these instances the costs will be re-charged to your account.

Service Charge

A service charge is applied to any new agreement (a higher rate applies when a full kitchen extract system exists). The Service Package which is charged for weekly in advance covers the following:

- *Fire Risk Assessment*
- *Kitchen Extraction Cleaning*
- *Portable Appliance Testing*
- *Fire Extinguisher Maintenance*
- *Health and Safety workplace assessment*
- *Gas Appliance certificate*
- *Gas Fire annual check*
- *Chimney flue maintenance*

Please ask at interview what the current charge applicable to the house you are applying for is.

World-Famous Cask-Conditioned Seasonal Ales

As well as our award-winning core range of ales mentioned earlier in this brochure, Fuller's produces a varied selection of seasonal beers which ensure your customers can look forward to something a little different from time to time.

Guest Cask Ales

We also offer a range of guest ales from all over the country to assist those houses with large cask ale sales. The rules applying to this guest ale are that our tenants and lessees must be selling three Fuller's brewed cask ales before being allowed to take the rotational guest ales supplied to you through the Fuller's distribution system.

Cellar Management

Cask Ale is essential to our business and is one of the key differentiators between a pub and a supermarket. We have a dedicated team of professional trade quality advisors to help make sure that every pint served is of the highest possible quality. This team visits every cellar unannounced four times per annum and measures every aspect of beer quality from cellar to glass. This can lead to the ultimate Fuller's accolade of becoming a Master Cellarman. As a reward to all Master Cellarmen we provide a free firkin (nine gallons) of beer every month.



Signage

The outside of your pub is the first thing any prospective customers will see. To ensure that the first impression you give is a positive one Fuller's has a policy of regularly refreshing all our pubs external signage and lighting schemes at the company's cost.

Wine

Fuller's offers a unique selection of outstanding quality wines, the vast majority of which are exclusive to Fuller's tied pubs. Your business development manager can arrange for a wine expert to assist you in the development of a bespoke wine selection for your pub, including the production of the printed list itself. You can expect to see an exclusive wine offer in each issue of our Tenants Extra magazine.

Catering and Food Development

Food is an increasingly important factor in many pubs' offering. Your business development manager will be able to provide you with ideas and suggestions for developing the food trade at your pub if appropriate. This support can include menu development and production, recipe and promotional ideas.

Fuller's Incentive Schemes

Discount schemes are offered on all full tenancy agreements. A full list of the current discounts applicable to the agreement on offer to you will be provided during the interview stage. Discounts do not form part of our tenancy agreement and if for any reason you are not fully complying with the agreement you have with us we reserve the right to withdraw them.

Machines Advice

Your business development manager, together with an independent machine advisor, will always be aware which machines are performing well throughout the Fuller's estate and will advise you on what is best for your pub. All machines must come from one of our nominated suppliers.

Marketing Support

We have an experienced marketing team who will be happy to assist licensees with any ideas they may have for promotions. In addition, your business development manager will be able to support you with a range of promotional packages designed to help build your business. Examples of this support can include:

- production of point of sale material including posters and flyers
- development of direct marketing campaigns
- loyalty and reward schemes

Press Office

Fuller's has a centralised press office, which will offer guidance, assistance and produce press releases to help you gain media coverage for your pub. The press office will also be available to handle the media on your behalf in any unfortunate circumstances.



Rating Advice and Building Insurance

Fuller's provides access to an independent rating advisor who will assist you in all rating matters. Fuller's pays for this service on your behalf. We also pay the Buildings Insurance covering your property.

Fuller's Extranet

We now have a purpose built Extranet which is free to access for all tenants. You will be given a personal sign in and as well as details on some of the above packages we will also provide many of the forms and contracts needed to run a successful business. Once again, the majority are provided free of charge.

Other Services

The following services are also provided but do not form part of the tenancy agreement and could be subject to change or withdrawal:

BII Membership

We provide one free full membership of the BII (British Institute of Innkeeping) per pub. We believe being a member of the leading professional body for the licensed retail sector is essential to our tenants success.

Mystery Shopper Programme

Likewise we believe a professional measured approach to the way the business is run is also essential to success and to assist in this we provide two mystery visits per annum for every house in the estate. You will receive full feedback of each visit from your business development manager.

Wi-Fi

We have partnered with O2 to provide a wi-fi service to all pubs. The contract was signed late 2012 for three years. During this period we undertake to provide through O2 a free wi-fi service for customers while the contract remains in place.

Tenants Extra

We have regular communication with our licensees on a number of topics via our in-house magazine, Tenants Extra. Tenants Extra is a regular glossy publication which contains stories from our pub estate, business building ideas and exclusive offers.

Buying Guide

All tenants will be regularly provided with details of purchasing agreements for non tied products negotiated by Fuller's with a variety of suppliers.



Key Terms of the Tenancy Agreement

Length of Tenancy (Term)

The Fuller, Smith & Turner P.L.C. (Fuller's) tenancy will normally be granted for a term of three years. It is a three year renewable agreement and the tenancy can only be terminated on the giving of not less than six months notice prior to the end of the agreement.

Rent

The initial rent is based on market evidence at the time the tenancy is granted. The rent will be adjusted upward or downward in line with the Retail Prices Index annually on the anniversary of the commencement date. There is a full rent review every three years. Please refer to the rent section in this Code for details on how rents are determined.

Decorations

You are required to decorate the private quarters of the property, keep them in good repair and condition, and to renew or replace any items with modern equivalents as and when necessary. Fuller's will be responsible for all external decorations and decorations to the trading areas of the outlet.

Dilapidations

Whilst Fuller's is responsible for the majority of repairs to a tenanted property there are minor repairs and decorations you will be responsible for. On an annual basis our surveyor and your business development manager will visit and inspect the entire property. At that meeting a full survey of the building will be carried out. We will inspect any documents you are required to furnish us with (i.e. certificates of insurance) and check any repairs you were required to carry out as part of previous inspections. You will then be sent a notice identifying any documents or work that remain outstanding together with the time scales in which we expect them to be carried out. If you require help finding a contractor to carry out these works our surveyor will be pleased to assist you. A full list of your repairing liabilities can be found in the Tenancy Agreement.

Buildings Insurance

Fuller's insures the building against normal risks. This covers the normal risks of fire, flood and impact. Fuller's pays for this service to be provided for you.

Contents and Third Party Risks Insurance

The tenant is required to insure for loss/damage of contents, cash on premises and held in machines and business interruption and third party risks at their own cost. This should include the trade fixtures and fittings, personal effects and public and employee liability.

Assignment

Assignment (sale of your interest in the tenancy) is not permitted.



Mortgage

You are not permitted to mortgage your interest in the tenancy.

Business Security

The agreement will normally have the benefit of the security of tenure provisions contained in the Landlord and Tenant Act 1954, which governs the circumstances for renewal of an agreement at the end of the initial term. You will be informed during the interview process in the unusual circumstance that this is not the case.

Security Deposit

A security deposit equal to a quarter of the annualised rent will be required subject to a minimum of £8000. At the end of your agreement the deposit will be returned to you less any outstanding debt to Fuller's.

Fixtures, Fittings and Stock on Premises

You are required to purchase the tenant's fixtures and fittings at an agreed value. The tenant cannot remove the tenant's fixtures and fittings from the premises and is required to keep it together with Fuller's inventory items in good repair throughout the term. The ownership of the landlord's (Fuller's) fixtures and fittings will remain with Fuller's throughout the tenancy. You will also be required to purchase the stock, glassware and sundry catering equipment at the premises.

Wet Tie

There is a full tie on all wet products. Fuller's supplies goods on its normal terms of trading and at its standard wholesale price.

Deliveries

When you take one of our pubs you will be allocated with a regular, weekly delivery day and an approximation of a time window in which the delivery will be made. In certain circumstances you may be allocated two delivery spots per week. If you require further deliveries in addition to those allocated you should be aware that these will incur courier costs in the majority of circumstances. Where a courier is necessary due to an error made by Fuller's we will pay the courier cost.

Flow Monitoring Equipment

Fuller's uses flow monitoring equipment in many of its pubs. The terms regarding the way we operate this equipment and the subsequent use of the data provided will be supplied to you as part of the interview procedure and can be found at Appendix 3.

Leisure Machines

Fuller's retains the right to install all leisure machines. Currently, all Amusement with Prizes (AWP) and pool machine income is shared on a 50/50 basis after costs. Whilst other machines are permissible with our permission they must be supplied by one of our nominated suppliers. You



should agree your own contractual terms with the supplier and be aware we receive a small royalty fee for each machine you install. No machine income will form part of the rental calculation. The machines will be normally be emptied by the operators on a weekly or fortnightly basis.

Permitted Use

This will be clearly stated within the tenancy and is normally to run the pub as a public house. This can be extended under certain conditions to catering and letting accommodation with our permission.

Signing/Pub Name

We are responsible for all signage and associated lighting to the pub. Our consent is required for any external signing proposals or any change in the pub name.

Improvements/Alterations

It is absolutely prohibited to alter the structure of the building. However, Fuller's will look favourably on granting permission for alterations that enhance the property. Non structural improvements, alterations or decorations require the consent of Fuller's.

Subletting

Subletting of the whole or part of the premises is not permitted.

Rates/Council Tax

Rates and Council Tax are the responsibility of the tenant.

VAT

The various payments, which the tenant makes to Fuller's under the tenancy, will each be subject to VAT at the standard rate applicable.



Rent Determination, Reviews & Disputes

Rent Determination

The way the rent is determined will be fully explained at the final interview. We follow the industry standard model of seeking a share of the profit opportunity of a public house on the basis that it is run by a reasonably efficient operator.

The business development manager will visit the house to collect all the relevant data at least three months in advance of preparing the shadow profit and loss. Fuller's will then provide you with a shadow profit and loss account (P & L Appendix 1) which has been put together by the business development manager and the Tenanted Operations Director. The shadow P & L will include details of all income streams and gross profit broken down into drink, food and other income including machines. We will then prepare cost assumptions associated with the business. These will include wages, utilities, rates, insurance, repairs and maintenance, and other operational costs and expenses. The shadow P & L report we provide is only a guide. It is vital you should take the advice of an accountant when preparing your own Profit and Loss accounts for use during the rent review process and base your rental offer to Fuller's on them.

We will advise you of the availability of any relevant industry benchmarking reports (for example the ALMR and BBPA survey reports) which may assist you with the preparation of your business plan.

Rent Reviews

Fuller's has an internal procedure under which it will advise the licensee of the forthcoming review at least nine months in advance of the due date. Your business development manager will then visit the pub and collect the necessary data and information required. For your part you should provide any documentation and supporting evidence relating to your turnover and business costs and your co-operation in this will enable us to work towards a fair and sustainable rent for the property.

Your business development manager will then organise a meeting with you to explain our proposed figure and how it was reached, be it increased or decreased. We will do our best to have this meeting with you at least two months in advance of the due date. You will at the meeting be provided with the Shadow P & L account and rent assessment statement.

We will use the recognised open market valuation method in all rent reviews and determinations as established by the Royal Institution of Chartered Surveyors (RICS) to calculate a shadow profit and loss account for the business. We also commit to implementing any future changes made by RICS to their guidance on rent calculations.

Our new tenancy agreement does not include an upward only rent review clause. If your current tenancy agreement does include an upward only clause it will not be enforced and at the end of the 3 year cycle the new tenancy will have the clause removed.



There will be instances where the current trading level is higher than would be achieved by a reasonably efficient operator and it is not our policy or intention to penalise our licensees in such cases.

Alternatively, it is not our policy to subsidise those tenants who fail to maximise the opportunity we have given them - which is to reach levels expected of a reasonably efficient operator.

We will be completely open in our approach to rent and we expect this to be reciprocated.

We will give you time if you so wish to consider the information before you and if necessary convene further meetings to enable us to reach a satisfactory conclusion.

Once the rent is agreed a new tenancy agreement will be provided to you for signature which incorporates the rent we have agreed.

We would encourage you to seek advice and/or representation at any time and we would be happy to provide any information requested subject to availability. Likewise, we will recognise requests for assistance from competent tenants suffering business difficulties arising from circumstances beyond their control at any time during the agreement.

Rent Disputes

In the unlikely event of failing to amicably agree a new rent with your business development manager, you may request a meeting with the Tenanted Operations Director.

At that meeting we will ask you to show us a copy of the previous years audited accounts to help evaluate a fair rent and make your case.

If we are still unable to reach an agreement you should also be aware that you have the right to request for the rent review to be referred to the Pub Independent Rent Review Scheme (PIRRS) or take the rent dispute to independent expert third party resolution.

PIRRS

Tenants and landlords who have reached final offer and have been unable to resolve a rent review may defer to the Pubs Independent Rent Review Scheme (PIRRS). PIRRS offers an accessible, independent, low cost rent review resolution service. Capped fees enable tenants and landlords to resolve disputes in a fair and timely manner.

If you decide to resolve a rent review dispute 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.

Tenants must then contact the PIRRS administration team to request the PIRRS information pack and application form. Tenants 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)



Any information held by either party that may be used in third party determination of rent should be shared on request, subject to appropriate confidentiality agreements.

We would like to put your mind at rest at this stage and say that no rents have been referred to a level higher than the Tenanted Operations Director for many years.

Failure to Comply with the Obligations of the Agreement

If a tenant fails to comply with the obligations of the Fuller's agreement, various courses of action are available to Fuller's including the right to claim damages. Fuller's can also ask the Court for an order or injunction requiring the tenant to comply with the agreement. Fuller's can also apply for forfeiture or termination of the agreement.

Fuller's does not enter in to such actions without great thought, but it is important that you appreciate the consequences of not observing the terms of your agreement.

Likewise, if a tenant thinks Fuller's is not complying with its obligations within the agreement, then damages or a Court order can be sought.

Complaint Handling

Where a tenant believes that this Code of Practice is not being followed, or for any reason wishes to surrender their agreements, they should in writing formally bring this to the attention of their business development manager who will seek to respond to your complaints within 14 days.

If you feel you we have not made an adequate response, or corrective action is not taken, you are at liberty to discuss the matter with the Tenanted Operations Director and subsequently the Managing Director of Fuller's Inns. This process must be carried out within a further 21 days and applies to both parties. If Fuller, Smith & Turner do not comply with the time restraints above you can automatically take your case to PICAS.

Disputes are very rare at Fuller's but if for any reason a dispute is not resolved by these means a channel is available to you to ask to take your case to PICAS to adjudicate on the dispute. This does not prohibit your right to other arbitration or taking the case through due legal process.

Pub Independent Conciliation and Arbitration Service (PICAS)

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

You may make an application to PICAS where you believe that the company has not complied with the terms of the IFC or its own Code of Practice, or where the behaviour of the company has not reflected the intentions set out in the Code. Rental issues should be referred to PIRRS but all

other matters can be raised through PICAS.

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

We are committed to the professional standards enshrined in these Codes and to the operation of both PIRRS and PICAS which is a pre-requisite of accreditation of our Code.

Expiration of the Agreement

The majority of our agreements are fully protected by the Security of Tenure provisions contained in Part 2 of the Landlord and Tenant Act 1954. You will be informed at the outset if this is not the case.

Fuller's is entitled to serve a notice at least six months before the end of the tenancy stating whether it requires possession of the property as a managed house, for redevelopment or if it is prepared to negotiate with the tenant for a further term. We would again like to put your mind at rest and confirm that in nearly all cases we will wish to renew and at this stage will enter into the same negotiations as described in the rent review section of this brochure. If, however we wish to take the house back as a managed house you will be entitled to compensation at the statutory rate.

In certain circumstances an agreement will be outside of the Landlord and Tenant Act. These normally allow six months notice on either side throughout the term. If it is our intention to end the agreement at expiration you will be notified at least six months in advance of the termination date.

Restrictive Covenants

Fuller's reserves the right to place a restrictive covenant on a property if sold on the open market.

Surrendering Your Agreement

Fuller's do not operate a cooling off period within their agreements however it is not in Fuller's interest to insist a tenant stays at a pub any longer than is absolutely necessary once they have made up their mind they wish to leave. However, under the tenancy agreement you have contractual obligations.

In our three year tenancy agreements notice can only be given six months from the end of the agreement. If however you wish to leave earlier we will advertise the pub and once we find a suitable new tenant will release you from your obligations. You will of course have to settle any outstanding accounts with us and carry out any repairs you are responsible for under your agreement.



Legality of this Code of Practice

This Code of Practice adheres to the guidelines produced by the British Beer and Pub Association (BBPA) for the industry and is accredited by the industry accreditation panel, the British Institute of Innkeeping Benchmarking & Accreditation Services Limited (BIIBAS). A full copy of our Code of Practice will be provided to all new and existing tied tenants and any successors in title.

Our Code of Practice incorporates the provisions of the BBPA's Industry Framework Code (IFC) which can be found on ours and the BBPA's website.

The IFC places a number of obligations on us as a company, all of which are included within our Code of Practice and upon which you can rely in your dealings with Fuller's. We however offer other services and make additional obligations to the IFC which are covered in this Code.

Adherence to the IFC is a binding term of all of our new tied tenancy and is therefore legally enforceable. The IFC is binding on both Fuller's and its' tenants and may be used in pursuance of a claim of non-compliance.

Our existing tenants may also have the benefit of our Code of Practice and the provisions of the IFC by invoking an open and unlimited offer accepting its terms. This can be done by signing an agreement at any time and your business development manager will be pleased to assist in this respect.

If Fuller Smith & Turner sell the interest of a property with an incumbent tenant they will by means of a side letter ensure the Industry Framework Code transfers as part of the sale.

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



Links to important organisations:

Fuller Smith & Turner P.L.C.	www.fullers.co.uk
British Beer and Pub Association (BBPA)	www.beerandpub.com
British Institute of Innkeeping (BII)	www.bii.com
Association of Licensed and Multiple Retailers (ALMR)	www.almr.com
Federation of Licensed Victuallers Association (FLVA)	www.flva.com
Pub Independent Conciliation and Arbitration Service (PICAS)	www.picas.com
Pub Independent Rent Review Scheme (PIRRS)	www.pirssheme.com

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