



Turnover Lease – Overview

1. The Basics

The agreement is a tied lease which we will grant to you, allowing you to occupy and run your pub business from our property. It is called a 'tied' lease because we require you to purchase drinks that you intend to sell from the pub through us. It is a 'turnover' lease because you will pay us a base rent plus a turnover rent which is a percentage of the turnover of your business.

2. Who are we dealing with?

Punch Pubs & Co ("Punch") will enter into the lease through its group company that owns the pub. Punch is the Landlord and you will take the lease either in a company name or in the names of individual(s). You are the tenant. If you take the lease in a registered Company name then we will usually require two individuals (usually directors of the Company) to guarantee the obligations of the Company under the lease. These individuals are the guarantors.

3. Lease term

The lease will usually be granted for 10 years. In some circumstances we may agree that you are allowed to bring the lease to an end within the first 208 days of the lease term by serving notice on us but if we agree to carry out works at the property at our cost at the start of the lease term then this option may not always be available to you. You will have a right to ask for a new lease at the end of the term.

4. The lease

The lease is divided into sections which set out our respective rights, responsibilities

and obligations. These sections are summarised below.

Section 1 – Outgoings

We make it clear what we expect you to pay to us and set out other outgoings that you will be responsible for. The list of outgoings includes:

- The base rent (usually weekly in advance);
- the turnover rent (usually weekly in arrears);
- utility charges;
- business rates;
- Council Tax;
- administration costs relating to any EPOS equipment that we may install at the property;
- charges relating to buildings insurance and other insurances arranged by us.
- the cost of drinks that you buy from us;
- repair fund payments; and
- licensing charges and other expenses incurred by us.

In addition to the sums which must be paid to us, you will need to meet the cost of all other outgoings and expenses incurred in connection with the running of your business at the property. This will include all outgoings relating to your employees and the cost of the appointment of a stocktaker and accountant.

VAT will be payable on the rent and other sums at the appropriate rate.

Section 2 – Repairs, alterations and repair fund

You are responsible for:

- repairing the whole of the property and this means interior and exterior of the buildings plus car parks and gardens and all fixtures and fittings at

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the property will be your responsibility. You must keep the entire property in good condition carrying out repairs as required although you will not be required to put or keep the property in any better condition than shown by a schedule of condition;

- decorating the property internally and externally every 5 years and in the last 12 months of the lease term.
- maintaining and repairing the fixtures and fittings, loose inventory and glassware. You may need to replace these items.

Each week you will be required to make payments into a repair fund. You will be allowed to use the money held in the repair fund where the requirements for the use of the repair fund are met.

You are not allowed to make structural alterations. Non-structural alterations are allowed provided you get our prior approval.

You must not change the name of the property.

Section 3 - Insurance

We insure the building and we may insure against other risks as well. You will pay charges relating to buildings insurance and other insurances. This will be billed in line with your rent invoicing.

You will need to arrange and pay for insurance covering the following:

- the glass in the property;
- the fixtures and fittings, loose inventory and glassware;
- third party risks;
- employer's and public liability;
- losses because your business cannot trade for any reason;
- personal possessions; and
- any other insurance that you require.

Section 4 – Licences

We hold the premises licence but you will need to nominate a designated premises

supervisor with a personal licence. You will need to comply with the conditions on the premises licence and ensure that sales of alcohol at the pub are authorised by a personal licence holder. You must not do anything which might put the premises licence at risk. You will be responsible for ensuring all staff at the premises are trained in relation to age restricted sales for alcohol and gaming machines.

You will need to obtain and pay for any licence needed in connection with live or recorded music (The Music Licence or PRS and PPL) or the provision of other entertainment.

Section 5 – General obligations

There are a number of general obligations that you will need to comply with and these include the following requirements:

- **Use** -The property must be used as a public house. Any use ancillary to a public house is permitted but if you want to use the pub (or part of the pub) for any other purpose, you will need our prior approval.
- **Domestic and letting accommodation** - Any domestic accommodation may be used by your family or staff members on a service occupancy basis. You may also use any letting accommodation for bed and breakfast/overnight accommodation. HMOs are not permitted.
- **Stocktaker and accountant** -You must appoint a stock taker and an accountant and you will need to authorise them to provide us with information about your business.
- **Laws and regulations** - All laws, requirements and conditions regarding the running of your business and the use of the property must be complied with.
- **Your staff** - You will need to carry out 'right to work checks' in relation to your employees.

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How we monitor the sale of drinks - As the lease is tied, we monitor how drinks are dispensed through flow monitoring equipment which we install. You must make sure that this equipment is in use at all times. We may also receive information from EPOS equipment installed at the property.

Our right of access - We have a right of access to the property for various purposes.

Fixtures and fittings - It is a requirement that you purchase the fixtures and fittings, loose inventory and glassware from us. In certain circumstances we may be prepared to allow you to rent these items from us or if you are a company, we can enter into a separate agreement regarding the purchase of these items by you.

Turnover rent calculation - we have a right to collect information from the EPOS equipment and you must also provide us with details of the turnover of your business for the preceding week. You will need to follow any instructions that we may issue regarding the provision to us of data and other information from EPOS equipment at the property and we may change those instructions from time to time. The turnover rent you must pay is a percentage of the net turnover of the business for each week of the agreement period. To make sure that the amount of turnover rent is correct, we have the right to audit your accounts and records. You must also provide us with a turnover certificate on an annual basis.

Section 6 – Reviewing the rent

There will be a market rent review of the base rent on the fifth anniversary of the start of the lease and the rent may go up or down following this review. The base rent will also be indexed annually by reference to the Retail Prices Index. The rent may go up or down using this method. The indexation date is the anniversary of

the start date of the lease but indexation will not take place in a year where there is also a market review.

Section 7 – Transferring the property

You may transfer the lease after the end of any non-assignment period or grant a charge over the lease provided you obtain our prior consent. We are entitled to impose conditions if you wish to transfer the lease (and this may include the suspension of the turnover rent plus a review of the base rent so that you pay the market rent during the period specified by us) and you will be required to give a guarantee that the person to whom you transfer the lease will pay the rent and abide by the terms of the lease. You are not allowed to underlet the property (or any part of it) or allow anyone else into occupation. If you are a company, you must not allow there to be a change of control of your company without our consent.

Section 8 – Ending this agreement

We can bring the lease to an end if you break the terms of your lease; or do not pay the rent.

We may also bring the lease to an end if there are any proceedings relating to insolvency which affect you and/or any guarantor.

In some circumstances we may agree that you are allowed to bring the lease to an end within the first 208 days of the lease term by serving notice on us but if we agree to carry out works at the property at our cost at the start of the lease term then this option may not always be available to you.

When the lease comes to an end you must hand the property back to us in the required condition. Reference will be made to any Schedule of Condition. We will discuss with you whether we are prepared to buy any items of stock or any fixtures and fittings, loose inventory or

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glassware. You will need to hand over control of any social networking sites etc relating to the pub to us.

Section 9 – General conditions

This section explains how to serve any notices that need to be sent and provides information about getting our permission if you need it. If an expert or arbitrator is needed, we explain how that person will be appointed.

Section 10 – Purchasing obligations

You will need to buy drinks through us using our procedures. We will provide you with a price list of the drinks you can order from us and you will need to pay for those drinks. If we find that you have purchased drinks from elsewhere, we may recover our losses from you. We explain how we calculate these charges in this section of the lease.

Section 11 – Equipment

The installation of amusements machines is not permitted. If you want to have amusement machines at the pub then we will deal with this outside of the lease.

We can ask you to install equipment that we feel is necessary for the business. This includes flow monitoring equipment for monitoring dispense of drinks products.

Section 12 – Security Deposit & Guarantee

Security deposit - You will need to pay us a security deposit at the start of the lease which we can use if you do not pay what is owed to us or if we incur expenses or losses because you have breached the terms of the agreement. If we use any of the security deposit, you will need to top it up again. The security deposit will be returned to you at the end of the lease (less any sums which you owe us).

Guarantee - If you decide to take the lease in the name of a registered Company, we may ask you to provide one

or more personal guarantees. This section sets out when and how we can call upon any guarantee that has been given.

Section 13 – Rights for the property and ownership

This details any matters registered against our Land Registry title which affect the lease. If we have the benefit of any rights registered at the Land Registry then we are usually happy for you to have the benefit of those rights as well. If we have adjacent property that we are not letting to you, we may need to reserve rights across your property for access and services. If we are not the freehold owner of the property (because we also have a lease of the property), we will need you to comply with the terms of our head lease.

A plan showing the extent of the property let to you will be attached to the lease.

This overview is provided for guidance only. In the event of any inconsistency between the above overview and the current form of lease the latter shall prevail. Subject to Contract and formal Agreement.

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