



Business
Partnership
Agreement
Code of Practice

December 2009

A Warm Welcome

Hall and Woodhouse is one of the few remaining regional family brewers. My family has brewed award winning ales in the heart of Dorset and offered hospitality and a warm welcome at our pubs for over 230 years.

Becoming a business partner with Hall and Woodhouse offers an exciting opportunity to run your own business in one of our 180 traditional pubs across the South of England.

From the rolling Dorset countryside to coastal locations and idyllic West Sussex villages, we have traditional pubs in some of the best locations in the country. Whether you are an experienced pub operator looking for a new challenge or someone looking to take their first steps in running their own business we have something to suit all tastes.

As a company we are proud of both our ales and our pubs, we are also proud to have built fantastic working relationships with our business partners. Our Code of Practice outlines the standards we work to in establishing these relationships. In reading our Code of Practice, I hope this will be the first step in an exciting journey that leads you to becoming a business partner with Hall and Woodhouse.

Best wishes,



Anthony Woodhouse
Managing Director

Our Mission

Our aim is to be:

“The **Pub Company of choice** in the South, **passionate** about running **great pubs** that deliver **financial success** for our **business partners** and ourselves.”

Our Values

We have adopted four values that are at the heart of the work that we undertake and the relationships that we have. We will never knowingly do anything that will compromise these values.

- **INTEGRITY** – doing the right thing. Behaving with honesty, respect and courage. Being open and transparent in our dealings.
- **CUSTOMER FOCUS** – supportive of our Business Partners and focussed on delivering benefit to them.
- **EXECUTION** – do what we say we are going to do.
- **LOYALTY** – creating an environment where business partners, employees and other stakeholders can realise their full potential.

Code of Practice

We are passionate about the importance of being open and transparent with our Business Partners.

This Code of Practice clearly outlines the key details of the relationship between Hall & Woodhouse and our Business Partners and aims to provide those people who are exploring the possibility of taking one of our pubs with clarity about the business relationship that they will have with us.

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The Recruitment Process

The recruitment of talented Business Partners and matching their abilities and passion to the right pub is key to our mutual success. Our recruitment process is designed not only to assess the suitability of potential Business Partners but to also allow them to develop and grow the plans that will make their pub 'great'.

All applicants will be required to complete our application form either online or by hand. This allows us to collate all of the 'necessary' information to process your application before you meet with one of our dedicated Area Managers, giving us more time to talk to you about your passions, motivations and what plans you have for running a great pub.

Once you have met with an Area Manager and you have both agreed that you are happy to proceed with your application, two things will happen. Firstly, we will submit your application for credit checking. Secondly, we will ensure you are matched to a pub that meets your skills and requirements in terms of location, retail offer and the level of available investment. You will then be asked to produce a Business Plan for your chosen pub.

By producing this Business Plan, you will formulate and grow the ideas that will make your pub great – who your customers are, what you want to be known for, what your product range is. There are also financial elements to consider as well. You will need to produce a cash flow forecast and a profit & loss account for your first year. Running a great front of house business does not guarantee success. Only with good financial controls will you be able to operate a great business as well as a great pub. You must have this cash flow and profit & loss account checked by an independent accountant who specialises in the licensed trade. Once complete, you will again meet an Area Manager to review your Business Plan for the pub.

The final stage of the recruitment process is to meet the Badger Pubs Director to discuss your Business Plan. Following the successful conclusion of the meeting, we will write to you with a formal offer for your chosen pub. You will be required to sign to say that you accept this offer before your Business Partnership Agreement is produced.

Approximately two weeks prior to the date on which you take occupation of your pub, we will arrange for you meet with your Area Manager for a Pre-Change Meeting. At this meeting, your Area Manager will confirm:

- the practicalities for the forthcoming change
- that you have read and understood each section of this Code of Practice
- collect from you your signed Business Partnership Agreement
- collect the monies for the deposit, training fee and change of DPS fee.

From start to finish, the recruitment process will take between two and three months. However, these timescales are very much driven by our ability to match you to a pub where we believe you have the opportunity to succeed and also by the time it takes for you to produce your Business Plan.

The Information that you will be provided about the Pub

During the recruitment process for your chosen pub, Hall & Woodhouse will provide you with the following information. This information will allow you to make informed decisions about the pub and help you to complete your business plan:

- Volume information for the previous 3 years trade
- Rateable Value of the site
- Energy Performance Certificate
- Floor plans of the site
- A copy of the Premises Licence for the pub, including any conditions attached as well as details of any enforcement action in relation to the Premise Licence taken in the last 2 years.
- A copy of the current Business Partnership Agreement Price List
- A blank Business Partnership Agreement
- An estimate of the value of the Fixtures & Fittings
- An estimate of the value of the Stock, Glassware and Loose Catering Effects.
- A breakdown of all the other costs involved in taking on the pub.
- We will ask the outgoing Business Partner to provide recent trading figures but cannot guarantee that these will be available.
- An explanation of how we have calculated the rent we are marketing the pub at.

The Business Partnership Agreement

The Business Partnership Agreement is a legally binding document that defines the business relationship between you and Hall & Woodhouse. The agreement will be produced following our formal offer of a pub to you and needs to be signed prior to you taking on the pub. You will not be allowed to take occupation of the pub until the Business Partnership Agreement is signed.

The key terms of the Business Partnership Agreement are:

- 3 years in duration
- Protected under the terms of the Landlord & Tenant Act giving you the right to renew at the end of the term.
- There will be no open market rent review on renewal
- Rent increases or decreases by RPI on the anniversary date each year
- The supply agreement is for all draught and packaged beers, ciders, wines, spirits and minerals but does not include teas, coffees and food
- Gaming machine (AWPs, SWPs and pool tables) income will be shared 67% to you and 33% to Hall & Woodhouse. All equipment must be sourced from a nominated supplier.
- Repair of the pub is a shared responsibility between you and Hall & Woodhouse
- In the first 12 months, you will be required to engage Hall & Woodhouse's approved accountants and stock takers. You will be required to pay for the services that they provide and they will provide Hall & Woodhouse with copies of the information that they provide to you.
- There is no break clause within the agreement. However, Hall & Woodhouse are considerate to unforeseen circumstances and will take a view on a case by case basis. If we make the decision to allow you to terminate your Business Partnership Agreement, the notice period will be 6 months.
- You will be set an annual barrelage target for each year of the Business Partnership Agreement. If you exceed your annual target, your account will be credited with £1,000+VAT.

The Business Partnership Agreement can be raised in the name of sole traders, a partnership or a limited company. This gives you the flexibility to set up your business in a format that is most beneficial to you. If you decide to operate your business as a limited company, you will be required to act as a personal guarantor of the Business Partnership Agreement.

Initial Investment

Every Hall & Woodhouse Business partner will be required to make an initial investment in their pub business. The initial investment consists of the following:

- Deposit of £7,500. These monies are lodged with Hall & Woodhouse for your duration as a Business Partner. Interest will be earned on the deposit being calculated at the Bank of England base rate and paid twice yearly in June and December. You will be issued a deposit statement every six months which will detail the amount of interest earned as well as the tax deductions that we make on your behalf in relation to the interest earnings. You will also be issued with a tax voucher at the same time as the statement.
- Purchase of the Fixtures & Fittings*. The ingoing Business Partner will be required to purchase the fixtures and fittings at the pub from the outgoing Business Partner on the day of change. The value of these fixtures and fittings will be agreed between independent valuers who are appointed to act on each party's behalf. When you leave the pub, you will be required to sell the Fixtures and Fittings that you own to the next Business Partner at the pub.
- Purchase of the stock, glassware and loose catering effects*. The ingoing Business Partner will be required to purchase the stock, glassware and loose catering effects at the pub from the outgoing Business Partner on the day of change. The value of these items will be agreed between independent stock takers who are appointed to act on each party's behalf. When your time as a Hall & Woodhouse Business Partner comes to an end, you will be required to sell the stock, glassware and loose catering effects that you own to the next Business Partner at the pub.
- Working capital. You will require an amount of cash to support your business through the first few weeks of trading.
- Training Fee of £650+VAT. This fee is for the provision of:
 - 2 day Hall & Woodhouse Induction Programme.
 - 3 day BII Introduction to Licensed Retail Operations course
 - 1 day Basic Food Hygiene course
- Change of Designated Premises Supervisor fee - £170. This fee is payable to our licensing solicitors, Horsey Lightly Fynn, who will make the application for you to become the Designated Premises Supervisor at the pub on your behalf. Included in this cost is the fee payable to the appropriate local authority for processing the application.

*The amount required for the purchase of the fixtures & fittings and stock & glassware, as well as the working capital will depend on the size of the pub. The Area Manager will be able to quantify these figures for you when you have agreed on the pub you wish to apply for.

Rent

The rent for your property will be based on the Fair Maintainable Trade of the business. This is the level of turnover that we believe that the business is capable of delivering if being operated correctly and in a proper manner by a competent person. Using industry standards for gross profit % in relation to wet and dry turnover as well as operating costs as % of turnover, we will assess the profitability of the business and establish the rent. For clarity, gaming machine income will not be used in the calculation of a business' turnover.

We will share with you an explanation of how we have calculated the rent.

On the first and second anniversary of the commencement of the agreement, the rent will increase or decrease by the prevailing rate of the Retail Price Index. You will be advised in writing of your new annual rent at the appropriate time.

If you decided to renew your agreement at the end of your three year term, the rent for the first year of the new agreement will be set at the year 3 rent of your previous agreement, increased or decreased by the prevailing rate of the Retail Price Index.

If at any time you feel that the rent being charged is not reflective of the fair maintainable trade of the business you may ask for it to be reviewed. Your request will be considered by the Hall & Woodhouse's Rent Panel who will ask you to provide financial and business information that supports your request.

First Year Business Partner Support

During the first 12 months of your Business Partnership Agreement, you will receive a level of support that will provide you with the foundations from which to build a 'great' business.

- Your Area Manger will conduct three monthly business reviews with you in addition to visiting you and your business a minimum of eight times in the first 6 months. In the second six months, they will visit at least once a month. All of the meetings between you and your Area Manager will be minuted and you will be emailed a copy of the agreed discussion points and actions.
- Open Book Accounting and Stocktaking. You will required at you own expense to use our approved accounting and stock taking services during the first 12 months. We strongly believe these disciplines underpin the financial stability of you business. The accounts and stock taking figures will be shared with Hall & Woodhouse. This means that when you are spending time with your Area Manager, they can focus on helping you to drive your profit rather than fact finding about your financial results.
- A complimentary mystery customer visit will be carried out after you have been in the pub for four months. Designed to provide advice and guidance on how your customers view your business, this can be an invaluable tool for you and your staff.
- Your Property Surveyor will visit within your first eight weeks at the pub. During this visit they will discuss with you your and Hall & Woodhouse's maintenance responsibilities, carry out a site inspection and condition survey as well advising you of any planned maintenance that will be completed at the pub in the near future.

Ongoing Business Partner Support

At the end of your first 12 months, your Area Manager will agree with you the frequency on which they will visit to conduct business reviews with you. If you feel that you require further or less support as your agreement progresses, your Area Manager will happily increase or decrease the frequency of these visits. However, they will conduct a business review with you not less than twice a year and visit no less than once every three months.

Ongoing support and advice is also available in the following areas:

- Marketing – bespoke house promotions, brand promotions, POS and merchandise
- Badger Times – bi monthly publication with news from the estate, hints & tips and product promotions
- Property Expertise – our surveyor will conduct an Annual Property Meeting with you. This will include an inspection and condition survey of the pub, inspection of all statutory certification and required compliance. They will also manage any planned maintenance that occurs in your pub.
- Telesales & Distribution – providing Business partners with update product information and their weekly trade delivery
- Technical Services – carrying out planned preventative maintenance visits on a four month cycle and providing a responsive repair service
- Hallmark – the Hall & Woodhouse sign of quality is awarded to those houses meeting exacting standards in customer service, food and drink quality and house keeping.
- Legislation – Periodic updates on relevant legislative changes
- Badger Ales – The provision of award winning cask and bottle ales. Badger cask ales are only supplied to Hall & Woodhouse pubs

Hall & Woodhouse also retain the services of a number of third party specialists whose expertise is available to Business Partners at no additional charge. The services provided include:

- Competitive buying
- Advice on business rates
- Advice on gaming machines
- Advice on utility providers and tariffs

Training

We expect our Business Partners to undertake a comprehensive training programme during their first three months at their pub to learn the necessary tools and techniques to make a success of their business.

- The training fee provides the following courses:
 - Hall & Woodhouse Induction Programme (2 days). The morning of Day 1 provides Business Partners with an introduction to Hall & Woodhouse and with the afternoon and evening sessions dedicated to helping you to develop the plans that will make your business great. On Day 2, Business Partners will undertake the BII Award in Beer and Cellar Quality.
 - BII Introduction to Licensed Retail Operations (3 days)
 - Chartered Institute of Environmental Health Basic Food Hygiene (1 day)

Once you have successfully completed the above courses within 3 months of taking on you pub, you will given two 9 gallon casks of Badger First Gold, one of our award winning cask ale.

- Ongoing training is available for you and your staff via our online training service. You will be able to train your staff in the comfort of your own business by purchasing training credits from Hall & Woodhouse. Your Area Manager will assist you in identifying the training needs of you and your team.

Supply Agreement

You will be required to purchase all of your draught and package beers, ciders, wines, sprits and minerals from Hall & Woodhouse. The supply agreement does not include tea, coffee or food.

As a brewer, the supply agreement is fundamental to our business as it provides us with the ability to sell our beers through our pub estate and allows us to provide the enhanced level of support that Hall & Woodhouse Business Partners receive compared to a free trade pub. The supply agreement also allows us to invest in the pub estate and further develop our product range for our mutual benefit.

You will be set an annual barrelage target for the three years of your agreement for the purchase of draught beers, ciders & wines. If you exceed this target, your account will be credited with £1,000+VAT.

If Hall & Woodhouse can demonstrate beyond all reasonable doubt that product covered by the Supply Agreement has been purchased by a Business Partner from a supplier other than Hall & Woodhouse, we reserve the right to, in lieu of forfeiture of the Business Partnership Agreement, invoice the Business Partner for the total volume of product purchase outside of the Supply Agreement at a rate of £150+VAT per barrel (36 gallons).

Beer Quality

Hall & Woodhouse are passionate about beer quality and are dedicated to ensuring that the perfect pint is served every time.

Hall & Woodhouse Beer Quality Auditors will make appointments to visit your pub three times a year. During these visits, they will score your pub against the Beer Quality Standards that form a part of the Business Partnership Agreement. By offering advice and guidance, they will help you to maintain an outstanding standard of beer quality which will be of benefit to your customers and, in turn, both of our businesses.

In the unlikely event that your business does not meet the required Beer Quality Standards, a Beer Quality Auditor will return within four weeks to undertake and unannounced audit.

Flow Metering

In instances where a Business Partner is suspected of buying products covered by the Supply Agreement from suppliers other than Hall & Woodhouse or where a Business Partner has failed two or more Beer Quality Audits, Hall & Woodhouse reserve the right to install flow metering equipment at the pub.

The Business Partner will:

- Be able to view all dispense and line cleaning information relating to their pub at any time via an on-line account.
- Will keep the flow metering equipment switched on at all times.
- Will in no way tamper with the flow metering equipment.
- Will not receive any allowance for any product used in the installation and ongoing calibration of the system.
- Allow access to the flow metering equipment to any Hall & Woodhouse approved contractor given 24 hours notice.

Hall & Woodhouse will:

- Not impose any penalty for loss of profit from products monitored by flow metering equipment unless a variation between dispensed and delivered volume is confirmed by the provider of the flow metering equipment as having been caused by product being purchased from outside of the Supply Agreement.

Payment Terms

The agreed annual rent will be invoiced weekly in advance and you will receive 14 days credit on your drinks purchases from Hall & Woodhouse.

All invoiced amounts will be collected by Direct Debit from your nominated bank account. You will be charged an administration fee of £25 for any Direct Debit requests that are returned unpaid.

Gaming Machines

Hall & Woodhouse Business Partners are required to source all of their gaming and quiz machines as well as pool tables from a list of nominated suppliers.

You will pay a weekly rent to the suppliers for these machines from which Hall & Woodhouse will receive a royalty of £7 per week.

Once the weekly rent has been paid, the remaining income from the machine will be shared with Hall & Woodhouse. You will receive 67% of this income with Hall & Woodhouse receiving 33%.

A representative from your chosen nominated supplier will visit periodically to collect the cash from your machines. Once the rent has been deducted from this cash, they will give you 67% of the remaining amount and remove from site the balancing 33% which they will pay to Hall & Woodhouse.

All required Gaming Licences and Permits will be applied for and paid by your chosen nominated supplier of gaming machine.

Building Repairs

Hall & Woodhouse and their Business Partners share the responsibility for the maintenance of the pub. Broadly speaking, the division of responsibility is Hall & Woodhouse being responsible for major repairs and the exterior of the building with the Business Partner responsible for minor and internal repairs. A full breakdown of the repair responsibility will be provided in the Business Partner's Handbook.

Hall & Woodhouse operate a 24 hour, 7 day a week Maintenance Help Desk through which all maintenance issues are logged. This ensures that each call is tracked from start to completion and that each Business partner receives an efficient and timely maintenance service.

Capital Investment

Hall & Woodhouse is committed to improving the quality of its' pubs through a programme of capital investment. Any proposed alterations to your pub would be quantified in terms of the benefit to you and Hall & Woodhouse and agreed by both parties before any commitment is made to undertake the works.

Hall & Woodhouse would manage any investment works from conception through to completion, including obtaining any required planning and licensing approvals. Hall & Woodhouse will also pay for all works in the first instance.

You would be required to:

- Complete a revised Business Plan to reflect the investment works and the anticipated benefit to your business.
- Purchase from Hall & Woodhouse any additional fixtures and fittings that form a part of the investment works within an agreed timeframe.
- Agree that a rent review will take place which will reflect the revised Fair Maintainable Trade of the business following the completion of the investment.

Insurance

Hall & Woodhouse arrange buildings insurance for each of their pubs. Each Business Partner is recharged an annual premium for the buildings insurance based on the rateable value of the business. This premium is lower than that which could be obtained by the Business Partner if they insured the building themselves. If however, you are able to obtain a like for like buildings insurance quote where the premium is lower than that which you are being charged, Hall & Woodhouse will 'price match' this quote.

The excess on any building insurance claim will be £1,500+VAT.

Business Partners are required to obtain

- Contents insurance which should provide cover for all contents at the pub including items of Fixture and Fittings which Hall & Woodhouse retain ownership of, stock and cash in gaming machines at the premises.
- Thirty party and public liability insurance.

Licensing

Hall & Woodhouse hold the Premises Licence for each of their pubs. The annual Premises License renewal fee will be paid by Hall & Woodhouse and will be recharged in full to the Business Partner for the pub along with an administration fee for managing the payment process.

The Business Partner will be required to nominate a personal licence holder as the Designated Premises Supervisor for their pub. Licensing specialist Horsey Lightly Fynn will facilitate the process of registering the nominated individual as the DPS for the site. The Business Partner will be responsible for paying Horsey Lightly Fynn for this service.

As a Business Partner, you must run your pub in accordance with the Licensing Act 2003 and in line with any conditions of the current Premises Licence.

Security of Tenure

The Hall & Woodhouse Business Partnership Agreement is protected by the Landlord and Tenant Act. This means that you have the right to renew your agreement when your existing agreement ends.

There are some very rare circumstances where we do not have to renew your agreement. For example, if we decide to manage the pub ourselves or to incorporate the site into a development scheme. You may be entitled to compensation if we do not grant you a new agreement.

Independent Advice

We would strongly recommend that you take independent professional and legal advice when producing the Business Plan for your pub and before entering into a Hall & Woodhouse Business Partnership Agreement.

Badger Line

Hall & Woodhouse operate the Badger Line as a route through which Business Partners can report an issue, in the unlikely event, that it remains outstanding despite previous attempts to reach a resolution. Issues can be logged via phone or email and will be handled through to resolution by a dedicated member of our Commercial Team.

Following the response from the Badger Line, if you are still not satisfied that the matter has been resolved, you can refer it to the Director of Badger Pubs.

Following the response from Director of Badger Pubs, if you are still not satisfied that the matter has been resolved, you can refer it to the Group Managing Director of Hall & Woodhouse whose decision will be final.

Code of Practice Disputes

If at any time you feel that Hall & Woodhouse have not adhered to this Code of Practice, you should log you fact with the Badger Line and we will take all reasonable steps to resolve the matter.

If you still feel that the matter has not been resolved to your satisfaction, you may send to the British Institute of Innkeepers a description of the circumstances and an explanation of why you believe this Code of Practice has not been adhered to. They will then provide a mediation service in relation to the dispute.