Pubs Code Rent Review Protocol

- We will send a trigger letter to the tenant confirming the date the rent review in their agreement falls due, no more than 12 months prior to the rent review date.
- An inspection will take place of the premises by a representative of the company, to collect information in connection with carrying out an assessment of rent and to outline the process including how the rent assessment process will be concluded and documented.
- No later than 3 months after that inspection and no less than 6 months before the rent review date, we will provide the tenant with a rent assessment proposal.
- We will advise the tenant to obtain their own independent professional advice.

- The Rent Assessment Proposal (RAP) or Rent Proposal will include a Rent Assessment Statement and the information specified in Schedule 2 of the Pubs Code Regulations 2016.
- We will calculate the rent using the profits method of valuation which follows the valuation principles issued by the Royal Institution of Chartered Surveyors.
- The valuation will be undertaken in accordance with the guidelines of the Royal Institution of Chartered Surveyors and will be based on the terms and rent review provisions of the agreement.
- The RAP will be prepared and signed by a valuer who is a Chartered Surveyor and member of the RICS.
- The Rent Assessment Proposal will trigger the commencement of the negotiations.
- Once we have provided the tenant with the Rent Assessment Proposal we will make contact to discuss the rent proposal and enter into negotiations. A tenant may undertake negotiations on their own behalf or may choose to appoint a third party to represent them. We would recommend that if a third party is appointed they are appropriately qualified, have relevant experience in tied pub rent reviews and hold professional indemnity insurance. (PCA Factsheet 'Getting help & support with the Pubs Code & Arbitration')
- If the tenant disagrees with the proposal we would ask that they or their appointed representative put forward a counter proposal with supporting evidence.
- Where the parties are unable to agree the tied rent by negotiation the matter will be referred to either the Pubs Independent Rent Review Scheme (PIRRS) or the Royal Institution of Chartered Surveyors (RICS). They will appoint an appropriately qualified third party to determine the market rent.
- Once the tied rent is agreed in writing between the parties it will be documented by a rent review memorandum, our systems will then be updated and the matter completed.
- The new tied rent will be effective from the rent review date. Where there is a change in the rent, before the new rent is agreed we will agree in writing how any recoverable rent is to be paid, to the tenant or us, as the case may be.

The Rent Assessment Statement contains, in the comments section of the valuation notes, assumptions and any disregards made by the valuer to estimate profitability.

- The Rent Assessment Statement is a forecast profit and loss statement which illustrates estimated sales, gross profit margins and operating costs likely to affect the net profitability of running a business from the tied pub for the period of 12 months beginning with the day on which revised rent is payable.

- The figures provided are net of VAT.

- The profit and loss statement compares the valuer's assumed costs expected from a REO to external cost data supplied by the BBPA. The costs adopted within the profit and loss account have been benchmarked against the BBPA "Running a Pub guide to costs for tied tenants and lessees". Any variances will be explained by the valuer in the Valuation comments section of the RAP

In assessing the rent we have considered and had regard to:

- trading format and location
- style and type of operation, including trade split between wet & dry turnover
- full tie compliance
- fair maintainable turnover (FMT) that can be generated at the property by a reasonably efficient operator (REO)
- assessment of potential gross profit resulting from the FMT with regard to levels of discount paid off purchases
- operational waste
- sediment waste
- assessment of net profit before rental after deduction of reasonable costs to be expected of the REO
- allowances to reflect cost of capital, including stock and inventory depreciated at appropriate market rate
- resultant divisible balance apportioned by way of a bid to arrive at a property rent
- comparable information, if reliable and appropriate.

We have disregarded:

- personal goodwill, i.e. the value of any profit generated over and above market expectations
- authorised improvements
- cost of a manager - in the event a manager is employed rather than direct operation by the tenant this will increase wage costs above what we would typically expect for the REO tenant and reduce the net profitability
- gaming machine income
- any other matters not relating to or directly pertinent to the current rent review.