

Stonegate Group

PUB PARTNERS

MRO Proposal Policy

This policy sets out our considerations to ensure that the MRO proposal complies with the Pubs Code in terms of reasonableness and commonality.

How this policy has been applied in relation to the individual circumstances is set out in the MRO Compliance Record and Declaration.

MRO Agreement

MRO proposals will usually be based on a new tenancy. Consideration will be given to any leasehold site restrictions or the length of term being offered as to whether a Deed of Variation (DOV) should be offered instead of a new tenancy.

Length of Term

The length of term offered for an MRO tenancy will depend on when the MRO option is exercised and a range of other considerations. If the option is exercised mid-term, the proposal will generally reflect the remaining period of the existing tied tenancy.

If exercised at renewal or within the last 12 months of the term (and we are not opposing renewal), the proposed term will be based on what we would offer for a tied lease renewal and what we would offer for a free-of-tie lease renewal. In addition, we will consider the prospects of the pub for future development or management within our estate, the fact that the MRO tenancy will be protected under the Landlord and Tenant Act 1954, any expressed wishes of the tenant regarding term length, and any contractual right to renewal contained in the existing tied tenancy. These decisions are made by our Asset Optimisation Panel following a full asset review to determine the most appropriate operating model for the pub. Typically, tied renewals are offered for around five years, reflecting our potential intention to take the pub back for managed operations in the future.

Annual Indexation & Cyclical Upwards Only Rent Reviews

Both annual indexation and cyclical upwards only rent reviews are common in the FOT market, however, we do not adopt both in combination within our MRO proposal. Our MRO proposal will always include annual indexation, and the option of a cap and collar will be considered. If annual indexation is contested by a publican and upheld in arbitration (and not subject to further appeal), we will require cyclical upwards only rent reviews to be inserted if the MRO term is over 5 years in duration to ensure that there is the opportunity for the rent to be reviewed during the course of the agreement.

User Clause

The user clause will be as a public house and/or restaurant together with ancillary bed and breakfast. If other use is required, this must be approved in writing by us and satisfy any necessary statutory consent.

Decorating Obligations

Dependent on the MRO term offered the decorating cycle will be adjusted to either synchronise with the decorating cycle in the tied tenancy or only be applicable at the end of the term if less than 5 years in duration.

Repairing Obligations

The current condition of the pub will be reviewed and considered. Upon completion of a dilapidations survey if Stonegate are responsible for some repairs, we will either carry out the work and the MRO tenancy will be fully repairing, or the MRO tenancy will be amended so that the publican does not become liable for that work.

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Completion of dilapidations is not a pre-condition for the publican to enter the MRO tenancy.

Payment Terms & Security

To establish what terms should be offered a full review of the account will be carried out and a score given of low, medium, or high based on current account balances and trading/ payment history with Stonegate over the last 6-12 months. The annual accounts will be taken into account if made available by the publican. The proposed level of deposit and requirement for personal guarantors will then be based on the score given. The offer of monthly terms will be considered so that debt/ payment levels can be managed.

Ingoing Funds

A provisional completion statement will be prepared to calculate the estimated funds that would be due on completion taking into account funds already held in a deposit or repairs and maintenance fund account. Any increase in rent will be payable on completion, and any outstanding debt would need to be cleared. If an increase in deposit is required, then a build-up payment plan will be considered.

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