

Assignee Pack

A guide to the assignment process
and supporting information

Stonegate Group

PUB PARTNERS

Welcome to Stonegate Pub Partners

We are committed to building mutually profitable business relationships with each of our publicans by using our collective experience, resources and information to support your entrepreneurial flair. This is underpinned by our Publicans in Partnership philosophy, the terms of our agreements and our comprehensive training courses.

As with all business partnerships, it is important to ensure that right from the start, both parties have full understanding of the nature of the relationship and their responsibilities and obligations as partners. We are providing this information pack to give you clarity in the lease assignment process and to ensure that we share relevant information in advance, so that it will help you to make fully informed business decisions. It will also allow us to tailor our support to meet your specific business needs. We want to make sure that you understand the basis on which the assignment between us will proceed.

We are aware of the challenges that publicans face in today's marketplace and believe that by working together in partnership we can help you to build a long-term sustainable business after your assignment has been completed.



The assignment process

Our aim is to ensure that we facilitate the assignment of the right pubs to the right people and that all new publicans buying a pub business on assignment (Assignee) fully understand the risks and opportunities of running their own business in one of our pubs. We must also comply with the requirements for an assignment under the Pubs Code 2016 which can be viewed at

<https://www.stonegatepubpartners.co.uk/information-for-applicants>

As a result, the assignment process is designed to ensure that we learn as much about each other as possible and provide each other with all the necessary information to make a fully informed decision before we allow the formal assignment of the agreement. We hope that this step-by-step guide will help you to fully understand the process and answer any questions that you may have.

1. You will have already viewed the pub informally as a customer and then formally as a potential Assignee. We now recommend that you pay several visits as a customer at different times of the day and on different days of the week to get a good understanding of the nature of the current trade. You should also take time to visit other pubs in the area to get a feel for the competition. This background research is important and will help you to make an informed decision. Look for threats as well as opportunities.

2. If you decide to go ahead, you should indicate your interest to the publican selling the lease (Assignor) and make them your offer to purchase the lease. If the offer is accepted, the Assignor will in turn seek our consent to assign the lease.

Before you make an offer to buy the business, you should obtain a copy of the lease, current pricing and discounts, the premises licence and any related documentation from the Assignor. It is important you understand any prior or current trading issues and should ask the Assignor to disclose information on any enforcement actions, premises licence reviews, details of material changes to the commercial conditions in the pub's local area and how these might influence the costs and trading environment and restrictions to the property. This should not replace your own enquires with the relevant authorities.

You may have responsibilities under Transfer of Undertakings (Protection of Employment) Regulations 2006, and it is important you discuss this in full with the Assignor.

You should also obtain the last five year's trading history and audited accounts and satisfy yourself with the content. You must also make sure your offer considers any disrepair to the property. The Assignor will also need to provide you with factual pub and agreement information under Schedule 1 of the Pubs Code and an estimate of the following ingoing costs: stock and glassware, fixtures and fittings, rent deposit and cash float. Having obtained this information, we strongly recommend that you seek independent professional advice such as financial, legal, property, and rental valuation.

3. We will invite you to an initial interview and outline the terms of the lease agreement you are proposing to purchase. We will tell you about the help and support that we can provide and supply you with a copy of our current drinks price list and details of any discount scheme. We will also have provided you with a copy of any current investment agreement and Schedule 1 information.

You can then ask us any questions that you may have about the pub, the lease agreement or Stonegate Pub Partners.

You will also have the opportunity to explain why you are the right person to run the pub. You can tell us about your plans and any previous relevant experience. Before we agree to the assignment we ask you to submit a sustainable and balanced business plan following consideration of independent professional advice such as business, legal, property and rental valuation.

We will ask you to outline your investment proposals and to provide details of the funding you have available and your ability to complete the assignment within an agreed timescale. Should part of your funding be from loan capital you will also need to demonstrate how such a loan will be repaid from the business.

You will need to satisfy yourself that the proposed rent is sustainable and that the business will give you a satisfactory return to reflect the investment and effort that you will need to put in, after taking full account of the potential costs of your repairing obligations.

A copy of our Business Plan template is available on our website.
<https://www.stonegatepubpartners.co.uk/information-for-applicants>

As a minimum requirement the business plan must be prepared or reviewed by a suitably qualified trade accountant and be signed off by them and should include the following:

A detailed annual P&L and cash flow (by month), until they are representative of a mature level of trading.

A summary P&L for 5 years or until the end of the agreement.

A sensitivity analysis which identifies the impact on profit of an increase or decrease in sales of 10%. A different percentage can be used if more appropriate.

A sensitivity analysis which identifies the impact on profit of an increase or decrease in overheads of 10%. A different percentage can be used if more appropriate.

Should either sensitivity analysis result in a significant profit reduction or loss you should submit a contingency plan which identifies your proposal to reduce or overcome the impact on profit. The Business Plan sign off sheet must also be completed in full, signed and dated.

Details of the BII's recommended Accountants who offer this service are available on our website.

4. If after our meeting we both agree to continue, you will be invited to a second interview within two to three weeks. At this second interview we will discuss your business plan with you in detail and answer any further questions you have regarding the pub, the lease agreement or any aspect of the business. We will ask you for details of your solicitors, and proof that you have the necessary funds available. You are welcome to bring your independent advisors to the meeting if you wish.

Whilst we will provide you with a copy of our Schedule of Dilapidations, it is worth pointing out to you that this report has been produced for us and supplied to the existing publican. It is designed to draw to their attention the repairs which are required. This report may not contain the entire scope of the repairing liability. You should take independent advice on this. It is the present publican's responsibility to complete these repairs prior to the completion of the assignment. If they do not complete these, they will become your responsibility.

5. Following the second interview, we will determine if we are able to consent to the proposed assignment, providing we have received all the information requested. If we agree to the assignment of the property you will need to instruct your own solicitor to advise you and be responsible for their fees, any Stamp Duty Land Tax (SDLT) and any fees payable to HM Land Registry.

We will also expect you to complete our Stonegate Group training modules which will prepare you for the journey you are about to embark on with Stonegate Pub Partners. The modules cover the essentials of running a successful business and prepare you for the day you take over your pub and beyond. The modules supported by videos and pub principle guides can all be accessed via a PC, laptop or mobile devices at a time to suit you.

You will be given the opportunity of joining the Repairs and Maintenance Fund to assist you in making an adequate provision for dealing with your on-going repairing liability.

You must confirm you have received all the required information under the Pubs Code and sign Heads of Terms before we can proceed with instructing our solicitors. You will need to hold a Personal Licence and be appointed as the Designated Premises Supervisor (DPS). We strongly recommend you satisfy this requirement to avoid any delays. You will also need proof of your right to work in the UK.

6. Completion of the assignment will usually take around 8 weeks from when you have been approved and within 4-6 weeks from when we instruct our solicitors.

7. You must agree a mutually acceptable date for the completion of the assignment with the existing publican and for you to take possession of the property. Please tell us the change date as far in advance as possible.

For us, the letting of a pub and the creation of a new business is a significant event and we do not enter into such transactions lightly. It is important that as a prospective Assignee you conduct all possible checks, build a comprehensive and balanced business plan and take all the necessary independent professional advice before you make your final decision.

The condition of the property

Once the Assignor has requested permission from us to assign their lease, the Property Representative will arrange to inspect the property and provide a Lease Assignment – Schedule of Dilapidations to the Assignor.

The Schedule is not intended to be a full structural survey or full schedule of dilapidations and cannot be relied upon as such by you. We recommend that you do take independent advice relating to the condition of the premises and the repairing obligations contained in the lease which will become your responsibility upon completion of the transaction. All repairing obligations are by way of “put and keep” obligation and if there is any outstanding disrepair, whether or not it is referred to in the Schedule of Dilapidations, it will become your responsibility to remedy on completion of the assignment.

The approval process

Once your offer has been accepted at the initial interview we will need to meet with you again to find out more about you. At this interview we will also explain the lease and our role in detail. You will need to provide the following information at least one week before meeting with the Regional Manager and be able to comply with all the terms of the lease for the remainder of the term.

The interview pack - what you should bring to the interview.

- A Business Plan which has either been prepared or reviewed by a suitably qualified trade accountant and signed off by them.
- Proof of the finance available to buy the lease and the date the funds will be available.
- Proof of Personal Licence before completion
- Proof of completion of PEAT - we strongly recommend it is completed.
- Proof of right to work in the UK



The interview

At the interviews we will go over all the information provided and discuss your plans for the pub and your experience and idea of running a business as well as your understanding of the obligations contained in the lease and your ability and commitment to comply.

We will only approve your application to purchase the business if you can afford to purchase the lease and have enough capital available to run the business effectively when you acquire the lease.

You must also confirm you are in receipt of all the Schedule 1 pub factual information required under the Pubs Code and you have produced a sustainable and balanced business plan following the consultation of independent professional advice. You will need to demonstrate how your business plan has utilised reliable accounts from the publican and explain the variances between your projections and the trading history.

Following this interview, we will decide whether or not we can approve your application to purchase the business.



Planning and legal documents

The contract of sale and licence to assign.

Once accepted, the next formal step is to advise your solicitor, the Assignor will also advise their solicitor and broker (if applicable). The Assignor's solicitor will prepare the contract of sale which will be sent to your solicitor. We will instruct our solicitors to prepare a Licence to Assign once we have received our administration fee from the Assignor.

The assignment is most likely to proceed smoothly if all parties agree a target date for completion at this stage, preferably with about six week's lead time. Both you and the Assignor will need to sign a copy of the contract for the purpose of the lease. Us, you and the Assignor will need to sign the Licence to Assign. Once all three solicitors have all these signed documents from each of their clients, they will swap contracts which is known as Exchange.

Upon Exchange of Contracts everyone knows that the purchase is almost certain to complete. This allows us to set up a new trade account for you. To allow this all to happen smoothly and give you time to arrange your move, contracts should be exchanged not less than two weeks before completion. Completion is when the purchase is completed and the business is handed over to you.

The Licence to Assign gives our permission for the lease to be sold and the business cannot change hands without it.

Licenses

To ensure you can trade and meet relevant legislation there are a number of licences and permits you must apply for. Please visit our website at <https://www.stonegatepubpartners.co.uk/information-for-applicants> and view our 'Licensing Policy' document for further information. It is important you understand your obligations in this area and would recommend you take independent professional advice.



Changing hands

Remember

Formal completion of the lease assignment must happen before you take occupation of the pub. Your solicitor must complete the purchase before you actually occupy the pub. The Assignor will remain responsible for all aspects of the business until this time.

How we can help

Your Regional Manager will contact you a few days before the changeover to make sure that you have all the information you need and will also discuss and agree a first order for drinks. Your dedicated member of the Lettings team will be chasing solicitors to make sure they can still complete the sale at the agreed time and that they have all the information they need to do this.



Frequently asked questions

Q. What information should I expect to receive from the current publican?

A. They will need to provide you with the following information to enable you to make an informed choice as to whether you want to proceed and make an offer for the business.

- The latest audited accounts and the previous five years, including trading history if they have them.
- Rateable value of the property
- Copies of the VAT returns, ideally for the last two years
- The Publican's own thoughts on trade, completion and the future of the pub
- Details of any repairs which are needed.
- The current rent and any future rent increases which may affect the value of the lease and any other recharges that the publican may pay.
- Any items of inventory that are subject to a lease or hire purchase agreement.
- A copy of the lease and any other documentation relating to it including an up-to-date pricelist.
- A copy of the premises licence and details of any reviews carried out within the last two years.
- Details of any material changes, restrictions or enforcement actions that they are aware of
- Information in respect of any obligations which you may have in connection with the transfer of undertakings (Protection of Employment) Regulations 2006(a)
- Estimated ingoing costs for stock and glassware, fixtures and fittings, rent deposit and cash float.

Q. Can Stonegate Pub Partners refuse my application to purchase the lease?

A. All assignments are subject to our consent, and we will complete due diligence checks on any potential buyer to ensure that they are suitable to take over the business. This includes having a sustainable and balanced business plan, adequate training, funding and correct understanding of their liability. Only at this point will we approve you. If you are not able to meet these requirements then the application may be refused.

Q. What do you require me to provide?

A. We will require the following information:

- A completed business plan (to include a mature cash flow forecast and profit and loss account) which has either been prepared or reviewed by a suitably qualified trade accountant and signed off by them.
- Written confirmation that that you have taken independent financial advice and received all of the information required under Schedule 1 of the Pubs Code Regulations 2016
- Proof of your finances and the date your funds will be available.
- Proof of your Personal Licence or your ability to obtain one before completion
- Signed Heads of Terms
- Proof of completion of PEAT - we strongly recommend it is completed.
- Proof of right to work in the UK

Q. How long will the assignment take?

A. From when you are approved by us, the process can take approximately 8-12 weeks. You need to ensure that following approval, your solicitor is instructed and working on the contract of the sale. The timescales to aim for are set out below. They allow the pub to change hands smoothly.

- Exchange of contracts – four to six weeks from your solicitors being advised to proceed
- Licence to Assign completed – in two to three weeks from when your solicitors are told to proceed.
- The sale completing and the pub changing hands – two weeks after the exchange of contracts and the Licence to Assign is signed.

Q. What else do I need to pay in addition to the agreed purchase price?

A. In addition to the amount you have agreed to pay the Assignor for the business, you will need to pay us the following:

- Rent in Advance (please refer to payment terms within the lease)
- Other recharges (e.g. buildings insurance) – these will be discussed with the Regional Manager
- Deposit
- Repairs & maintenance fund
- Once a completion date has been agreed, our solicitor will provide a provisional completion statement that will show the costs payable to us on completion. (Please note these costs should be paid via your solicitor).
- In addition to the above, you will need to ensure you have further funds to cover your legal fees, any Stamp Duty Land Tax and any fees payable to HM Land Registry; your first drinks order and working capital.

Q. Do I need to arrange my own property survey?

A. We strongly recommend that you arrange for your own surveyor to conduct a full inspection of the premises to identify any existing disrepair and advise you on your potential liability under the terms of the lease.

Checklist

- 1. Completed several customer visits and formally viewed the pub
- 2. Looked at all the competition and assessed the market
- 3. Evaluated the selling particulars, trading history, profitability and sustainability
- 4. Evaluated the property disrepair report and/or a property survey report
- 5. Agreed in principle, the purchase price and arranged any funding
- 6. Completed the online profile
- 7. Proof of completion of PEAT, proof of your Personal Licence and your right to work in the UK
- 8. Attended an initial meeting with the Regional Manager
- 9. Received all information required from the assignor under the Pubs Code Regulations 2016
- 10. Met with trade accountants to determine the profit and loss and cash flow forecast
- 11. Completed the Business Plan in preparation for the second interview
- 12. Provided details of references, solicitors and proof of funding
- 13. Arrange for all licensing applications, transfers and register for Machine Games Duty
- 14. Complete all training modules on your Stonegate training platform

Useful contacts

Trade accountants

The BII's recommended trade accountants are listed on our website stonegatepubpartners.co.uk or are available from the Regional Manager. You may also use other licensed trade accountants with relevant experience.

Property consultants

Are you looking for an experienced surveyor or valuer, who is properly and professionally qualified to do such work? The Association of Valuers of Licensed Property (AVLP) is the leading authority for property advice on hotels, restaurants, pubs, bars, clubs or other leisure related premises.

Website: avlp.com

Solicitors

Visit the Law Society Website, the place to find law firms in your area that can offer legal advice. On our website there is a list of panel solicitors who have previously represented publicans during assignments and agreements and are therefore more familiar with the terms. You are not obliged to be represented by one of these solicitors, however you may find they are able to offer a more efficient service due to their previous experience.

Website: lawsociety.org.uk/ indasolicitor

Trade Associations

BII: <https://www.bii.org/>

FLVA: <https://flva.co.uk/>

Please note that whilst most of this information is factual and can be verified from our information systems, in some cases it is based on our opinion of the property and/or the business. We have made it clear wherever we have expressed an opinion. It is important to remember that the trade history is about the past performance of the pub, and does not imply that sales will continue at this level in the future. The success of the business will largely depend upon the quality and execution of your business plan. You must satisfy yourself that the pub business you are buying on assignment is sustainable, and that the premium you are paying accurately reflects the true value of the business, and that it leaves you enough available working capital to operate the business and to achieve your business plan investment.

We have done everything we can to make sure that the information and opinions contained are reliable. Nonetheless, you are required to take independent financial advice and we strongly recommend that you take independent professional advice regarding rental valuation, legal and property matters. We recommend you do so whether this is your first business venture and whether or not you have previous commercial experience. It is your responsibility to determine the extent of the advice required and then how to interpret and use this advice.

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stonegategroup.co.uk

Stonegate Group 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ | 0121 272 5200
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