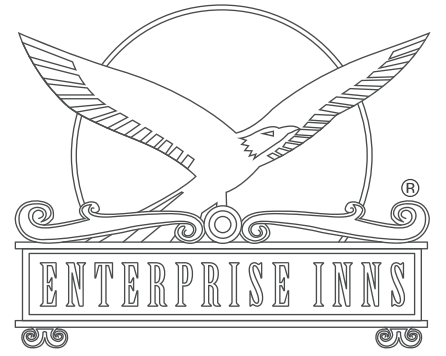


H: ASSIGNEE PACK

**A guide to the assignment process
and supporting information**

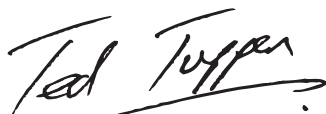


Welcome to Enterprise Inns

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

As with all business partnerships, it is important to ensure that right from the start, both parties have a 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 all 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 retailers 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.

A handwritten signature in black ink that reads "Ted Tuppen". The signature is written in a cursive style with a long horizontal stroke at the end.

Ted Tuppen CBE (Chief Executive)

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 retailers buying a pub business on assignment (assignee) fully understand the risks and opportunities of running their own business in one of our pubs. 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 person 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. You must provide all of the information requested in the Enterprise Inns application form to help us determine whether the property is potentially the right opportunity for you, and for us to consider your application. You can fill out an application form on our website www.enterpriseinns.com or contact the Recruitment Team on 0800 953 0073 to request a printed form.

When you make your offer to buy the business, you should make sure you have seen and obtained a copy of the lease and any related documentation. You should obtain the last 5 years trading history and audited accounts and satisfy yourself with the content. You must also make sure your offer takes into account any disrepair to the property. The assignor will also need to provide you with an estimate of the following ingoing costs; stock and glassware, fixtures and fittings, rent deposit and cash float, as well as a copy of the latest price list relating to the agreement. Having obtained this information, we strongly recommend that you seek legal, property and financial advice.

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

You can then ask us any questions that you may have about the pub, the lease agreement or Enterprise Inns.

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. We will be looking for a comprehensive, sustainable and balanced business plan to be prepared before the next meeting. A copy of our Business Blueprint is available on our website www.enterpriseinns.com.

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.

4.

If we both agree to continue, you will be invited to a second interview within two to three weeks. Before attending the second interview, you will need to produce a formal business plan showing how you propose to run the business, together with your financial projections for the first 12 months of trading. Your plan must have been prepared or at least reviewed by a suitably qualified licensed trade accountant and signed off by them.

Details of our recommended pub trade accountants who offer this service are available on our website www.enterpriseinns.com.

On completion of the assignment, providing you have used one of our recommended licensed trade accountants to advise you on your business plan, we will make a contribution of £250 towards the cost of taking this advice.

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, your referees and proof that you have the necessary funds available. You are welcome to bring your independent advisors to the meeting if you wish.

You will need to provide a Designated Premises Supervisor (DPS) who holds a Personal Licence. We strongly recommend you can satisfy this requirement to avoid any delays.

Whilst we will provide you with a copy of our Want of Repair Schedule it is worth pointing out to you that this report has been produced for us and supplied to the existing lessee. 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 lessee's responsibility to complete these repairs prior to the completion of the assignment. If they do not it 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.

You must be a Personal Licence Holder and it is compulsory for you to attend the five-day Business Foundation Programme prior to the assignment completing unless you are an existing Enterprise retailer moving to another pub, an existing Enterprise retailer taking an additional pub, a recognised multiple with more than two pubs, or have attended, within the last 3 years, a competitor training course which delivered all qualifications, including Institute for Licensed Retail Operation (ILRO), Award in Beer and Cellar Quality (ABCQ) and Level 2 Food Safety Award.

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

6.

Completion of the assignment will usually take between four and six weeks from the date of our acceptance and payment of fees by the existing retailer. You must then agree a mutually acceptable date for the completion of the assignment with the existing retailer and for you to take possession of the property. Please tell us the change date as far as possible in advance.

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 conditions of the property

Repairs to the property

Once the Assignor has requested permission from Enterprise Inns to assign their lease, the Regional Property Manager will arrange to inspect the property and provide a Lease Assignment – Want of Repair Schedule to the Assignor. This will detail the extent of the repairs required to meet the assignor's commitments under the terms of the lease.

In the event that the assignor is unable to carry out the items contained in the Want of Repair Schedule, we may, as a last resort invite you to enter into an Outstanding Repair Deed.

The Outstanding Repair Deed is a contract which allows us to recover the cost of any repair items and repairing covenants not completed from the original Want of Repair Schedule. These costs will be collected on the Provisional Completion Statement. Enterprise Inns will then take full responsibility for the delivery of these outstanding works once you have taken over the premises.

The approval process

Once your offer has been accepted we will need to meet with you 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

- A Business Blueprint, including P&L and projected cash flow forecast which has either been prepared or reviewed by a suitably qualified trade accountant and signed off by them
- A copy of Your Pub Business Plan Summary
- A completed Application Form
- References from any previous landlords or employers
- References from your bank and/or mortgage company
- Proof of the finance available to buy the lease and the date the funds will be available
- Proof of Personal Licence or ability to obtain one.

This information will enable us to consider your suitability; please remember we can and will do, everything possible to expedite a mutually successful business transfer. It is simply not in our interest to prolong the process. Furthermore, we will not withhold our permission for any reason which is unreasonable or other than stated within our agreement with the retailer.

The interview

At the interview's 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 and if you have a sustainable and balanced business plan.

You will need to demonstrate how your business plan has utilised reliable accounts from the retailer 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.

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 weeks lead time. Both you and the assignor will need to sign a copy of the contract for the purpose of the lease. Enterprise Inns, you and the assignor will need to sign the Licence to Assign and Outstanding Repair Deed. Once all three solicitors have all these signed documents from each of their clients they will swap contracts which is known as Exchange.

After 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.

Premises licence

To ensure that you can trade in the future the assignor needs to sign and complete a form for Consent to Transfer the Premises Licence and pass this to you with the original premises licence. You will then need to complete an application to transfer the premises licence and an application to vary the Designated Premises Licence (DPS) to the relevant authorities within the prescribed timescales.

Machine permits

If there are any Amusement With Prize Machines on site you need to apply to the Local Authority to transfer the relevant permissions from the assignor to yourself. Your Local Authority will be able to advise you on this if you have any queries.

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 Legal Support 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. If you have any questions or queries relating to the assignment please call our Legal Support Team on 0121 733 7700 who will be on hand to help you.

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

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 retailer'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 retailer 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.

Q. Can Enterprise Inns refuse my application to purchase the lease?

A. All assignments are subject to the consent of Enterprise Inns who 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 Enterprise Inns approve you. If you are not able to meet these requirements then the application may be refused.

Q. What information does Enterprise Inns require me to provide?

A. Enterprise Inns will require the following information:

- A completed business plan (to include a 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.
- A completed Your Business Plan Summary.
- A completed application form.
- References from any previous leases held.
- References from your bank and/or mortgage company.
- Proof of your finances and the date your funds will be available.
- Proof of your Personal Licence or your ability to obtain one.

Q. How long will the assignment take?

A. From when Enterprise Inns approves you, the process can take 8-12 weeks. You need to ensure that following approval, your solicitor is instructed and working on the contract of the sale. Then 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 Enterprise Inns 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 (where applicable).

Once a completion date has been agreed, our solicitor will provide a provisional completion statement that will show the costs payable to Enterprise Inns 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.

Check list

1. Made 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 and 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 application form in full
7. Initial meeting with the Regional or Recruitment Manager
8. Prepared the Business Blueprint
9. Meeting with trade accountants to determine the profit and loss and cash flow forecast
10. Completed the Business Blueprint in preparation for the second interview
11. Booked on the Business Foundation Programme
12. Provided details of references, solicitors and proof of funding
13. Arranged for all licensing applications and transfers
14. Attended the Business Foundation Programme
15. Legal completion of the assignment

Questions?

We hope that we answered the majority of these within the guide, however, if you need any further assistance or guidance, please call us direct on 0800 953 0073 or email enquiries@enterpriseinns.plc.uk and our dedicated team will be on hand and pleased to help you.

Useful contacts

Trade accountants

Our recommended trade accountants are listed on our website www.enterpriseinns.com or are available from the Regional Manager. We will also consider other regional licensed trade accountants approved by the Company.

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.

Tel: 01787 378050

Website: www.avlp.com

Solicitors

Visit the Law Society Website, the place to find law firms in your area that can help with your legal issues.

Website: www.lawsociety.org.uk/choosingandusing/findasolicitor.law

On our website there is a list of panel solicitors who have previously represented Enterprise retailers 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.

Trade Associations

BII Wessex House, 80 Park Street, Camberley, Surrey GU15 3PT

FLVA 126/128 Bradford Road, Brighouse, West Yorkshire HD6 4AU.

Tel: 01484 710534

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 strongly recommended to take experienced independent professional advice from an accountant and solicitor. 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.

Enterprise Inns plc,
3 Monkspath Hall Rd,
Solihull, West Midlands B90 4SJ
Freephone: 0800 953 0073
Email: enquiries@enterpriseinns.plc.uk
www.enterpriseinns.com