



## Pub Operators Agreement Summary

**This document is intended as a summary and guide only. In the event of any inconsistency between this and the legal agreement then the latter will prevail.**

### A - Key Features:

- Your income is earned from: a) a fee based on an agreed fixed percentage of liquor sales and b) profit from all food sales. Therefore the more you sell the more you earn.
  - Capital is needed for a good faith deposit and to finance the food operation.
  - McMullen pay for rates, repairs and most operating costs apart from staff.
  - Managed house levels of investment and support.
  - Suitable for experienced pub operators or new entrants wishing to run their own business.
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### B - General:

**This agreement enables low cost entry into operating a pub. It also allows an operator to use their entrepreneurial skills to develop and grow their own business with the full help and support of McMullens as a partner, without the higher entry costs or longer term commitment of a tenancy or lease agreement.**

In simple terms the operator sets up a limited company which is contracted to operate the pub within agreed guidelines. In return the operator's company is paid an 'agreed percentage' of net of VAT liquor sales as a fee (the Weekly Sum). This percentage will be agreed and will vary depending on the trading style and size of the pub. This 'Weekly Sum' is paid directly to your company which in turn pays any staff employed to help in the running of the pub. Therefore the more the pub sells the greater the 'Weekly Sum' and the more you, the operator, will earn. There are costs that the operator's company incurs, such as music and entertainment, sales promotion and garden maintenance (this is not a definitive list) but these are within your control and determined by you.

McMullens will own and pay for the liquor stock but the operator will be solely responsible for the food operation (menus, food costs, crockery etc. and sales) and therefore will also benefit from the profit from food and the growth in food sales. The operator will pay a fee for the use of the kitchen and catering equipment (the Kitchen Fee).

McMullens will retain ownership of the till system, all fixtures and fittings, the liquor stock along with most of the running costs of the pub i.e. rates, electric, gas, water and repairs. We will also assist the operator with ensuring health & safety, food safety and licensing administration is completed correctly. In short we will work closely with you so that you are able to focus on your areas of expertise - driving sales and managing your team. We will take some of the business pressure, risk and responsibility for ensuring the property and equipment is maintained in good condition as well as paying for most of the non labour operating costs. Working together in this way we will both be able to make your pub and business as successful as possible for mutual advantage.

Your earnings, as with most business opportunities, will depend on how well you manage the business, how hard you work, how much you spend on your team and how much profit you make from sales of food.

## **C - What we require from you prior to taking over your pub:**

1. You will need to set up your own limited company. This is a relatively simple and cheap process that can be done online or through your accountant.
2. You will be required to hold a Personal Licence to sell liquor (check as certain convictions may exclude you from doing so).
3. You will be required to produce a detailed Business Plan and present it to McMullens as part of the pub selection process. This will form the basis of how we both agree the pub will be operated once you take over and will include an agreed minimum weekly liquor sales target.
4. You will be required to attend a week long 'Familiarisation Week' in a Training House before you take over your pub. This will enable you to be fully aware of the required commitment, and allow you to understand the challenges that you will be undertaking. It will also allow the Trainer to teach you all necessary processes, such as how to use the till system, cash handling, liquor stock ordering and control. You will also need to attend a 3 day general business course, preferably before you take over your pub. McMullens will cover the cost of this training.

## **D - Other key points:**

### **1. Employment status**

You will be self employed and all your staff will be contracted to work for you through your company. This will therefore be your own business and you will need to deal with all the employment aspects of running the pub. As a result you will have total responsibility for the retention, recruitment and training of your staff. McMullens will provide assistance with the minimum standards of training you will need to provide for all staff employed and will also make a number of development courses available to you. You will be responsible for paying all wages, bonuses, statutory payments and deductions. In this respect you will be required to maintain accurate records and make timely submissions of PAYE and Employers National Insurance to the Inland Revenue. You will therefore need an accountant but we will help you get the advice needed to set up the most suitable arrangements for your own circumstances. We will also supply you with some generic staff 'contract of employment' forms to assist you if needed.

### **2. Capital requirement**

There is no 'incoming' capital but, as is usual, you will be required to lodge, with McMullens, a 'good faith' deposit of up to £10,000 for the duration of your agreement. It will attract interest at 2% over the standard Natwest Deposit rate whilst it is lodged with McMullens and will be returned to you at the end of your agreement subject to the pub being left in good condition and no outstanding sums owing to McMullens. You will also need some working capital to finance the food operation (food stock, crockery, kitchen items, serviettes etc.) and any other outgoings required to set up and establish your company in the initial stages of its operation.

### **3. Payment to you of the weekly sum and food sales**

You will deduct the gross (VAT inclusive) food sales in cash from the total takings of the pub before banking the balance – all liquor sales, less any agreed expenses - into McMullen's bank account.

Your fee (the Weekly Sum) is calculated as the 'agreed percentage' of the preceding week's net of VAT liquor sales. McMullens will pay this weekly, less any other payments due by you, directly into your nominated bank account, on receipt of an invoice from you.

## **4. Operation of the pub**

### **Business development:**

You will be required to prepare and present a detailed Business Plan as part of the application process. Once successful your BDM (Business Development Manager) will work with you on an ongoing basis to help you develop and implement the plan. As growing sales is fundamental to your success it is essential you also produce a quarterly promotional plan. These will then form the basis of regular business reviews that you will have with your BDM. Agendas for these meetings will also include a review of the Profit & Loss account for the pub and any other items necessary to help you be as successful as possible running the pub.

### **Food sales:**

The market positioning of the food offer should be consistent with a requirement to also grow liquor sales and will be agreed as part of your business plan. You will be responsible for creating your menu, paying your food suppliers, costing the items and deciding your food gross profit. We can help and advise you but all the profit from food sales is part of your earnings.

### **Machines:**

All machine income will be attributed to McMullens and help contribute to the operating costs paid by McMullens. As part of your role as operator of the business you will be expected to follow agreed procedures to maximise machine income.

### **Training:**

Building teams of well trained staff is key to the success of any pub therefore we offer a full programme of training courses which are available for both personal and staff development. In most cases these will be made available to you free of charge and should be booked through your BDM.

## **5. Pub administration and control**

### **Tills and banking:**

McMullens will supply and maintain the EPOS till system, all back of house systems and credit card facilities. You will be required to enter all sales transactions, including food, through this EPOS system and regularly bank all takings into the McMullens bank account, after deducting the food takings and any agreed expenses.

### **Control of liquor stock:**

All the liquor stock, which includes snacks (crisps etc), remain the property of McMullens and must be ordered through McMullens or our nominated supplier. We will agree both the most appropriate liquor stocking policy for the pub as well as retail pricing. You will be required to manage and control the liquor stock, using the EPOS system, so as to achieve a yield in excess of 98%. The value of any deficits, at retail prices, will be deducted from your 'Weekly Sum'. Liquor stock control and management will be audited regularly by an Auditor provided by and paid for by McMullens.

**Insurance:**

McMullens will insure the buildings and landlord's fixtures and fittings. You are required to insure for employment liability and public liability risks as well as your personal possessions. These latter insurances will need to be in place before you take over the business.

**Repairs:**

McMullens is responsible for all property and equipment repairs. This does not include repairs as a result of damage caused by negligence.

**Health and Safety:**

You are responsible for ensuring that the premises and the operation of the business comply with all Health and Safety Regulations at all times.

**Support:**

The McMullen head office team (property, cellar services and retail administration departments), in addition to your BDM, will be available to assist throughout each week to ensure the smooth running of your pub to the high standards expected by our customers.

**6. Accommodation**

Live in accommodation is provided in all of our pubs. The size, style, finish and interior decoration differ from pub to pub and should be taken into account when making your application. McMullens will pay for all utility and council tax costs as part of our support of this agreement.

**7. Termination of the agreement**

During the first 6 months, 1 week's notice applies, thereafter the agreement can be terminated with 3 months notice. McMullens also retain the right to terminate the agreement if you commit a breach of the terms and fail to rectify it.

**28<sup>th</sup> February 2011**