

YOUNG AND CO'S BREWERY PLC

LEISURE MACHINE SUPPLY & PROFIT SHARE ARRANGEMENTS

Legal Requirements

The provision of leisure machines for your customers can generate a significant additional income stream for you, not only in the profit that they produce but also in ancillary liquor and food sales from those customers who play them.

In order to have a £70 Category C (Fruit Machine) you will need to ensure that you have notified your local authority and gained their consent, this is a formality as you are permitted up to 2 of these types of machines under the Gambling Act 2005 however the application must be made by or on behalf of the **Premises Licence Holder (PLH)** this consent will run indefinitely or until there is a change of PLH. If you wish to have more than 2 Category C machines you will require a Permit which is also issued by the local authority but needs to be renewed annually and attracts an annual renewal fee. Permit applications and renewals will generally be administered by the machine supplier with Young & Co.'s Brewery plc reimbursing them for the appropriate fees.

It is always good practice to ensure that whoever makes the application for your premises licence also notifies the local authority of you intention to use up to 2 Category C machines (even if you don't intend to have them). Category C Fruit machines may only be used by persons over 18 years of age and therefore need to be sited where they can be adequately supervised (penalties exist for allowing under age play).

There is no permit or minimum age requirement for other types of leisure machines such as video and quiz type games.

Currently Amusement Machine Licence Duty (AMLD) is payable in respect of each Category C machine sited within a premises, this licence is obtained and paid for by the machine supplier who reclaims the cost of such licenses together with an administration fee, on a daily basis from the gross machine income at each scheduled cash collection.

AMLD is not currently levied in respect of other types of leisure machines generally found in pubs.

Leisure Machine Income

Under the terms of your Tenancy Agreement there is a machine tie in respect of any Category C (Fruit Machine) and/or any SWP (Payout Quiz Game) machine/s sited within any of our tenanted houses with Young & Co.'s Brewery plc receiving a direct share of the cash box income.

What is the Tenant's Machine Share?

As a tenant, in respect of Category C (Fruit Machines) you will receive fifty percent of the machine income after VAT, Amusement Machine Licence Duty (AML) and the machine rental has been deducted.

A "Shortfall" situation occurs when there are insufficient monies in the cash box to meet the liabilities of AML and the machine rental, in this situation the loss or "Shortfall" will be split equally between Young & Co.'s Brewery plc and their tenant with the machine supplier charging both parties accordingly.

As a tenant, in respect of SWP (Payout Quiz Games) after the deduction of VAT and other supplier fees, the remaining income is split at sixty percent to the supplier; thirty percent to the tenant and ten percent to Young & Co.'s Brewery plc.

Due to these machines being operated by our suppliers on a profit share basis and no AML being applicable a "shortfall" situation cannot arise.

What is Left on Site by the Machine Operator?

In respect of Category C (Fruit Machines) your supplier will leave you your fifty percent of the machine income; in addition you will receive the total VAT on the gross machine take. The VAT on the rent element will be deducted from this. [The machine operator will leave you with a statement, which clearly sets out the VAT position, which will assist with your declaration to HM Revenue & Customs].

In respect of SWP (Payout Quiz Games) your supplier will leave you your thirty percent of the machine income with any VAT liability clearly identified.

Can I Install Any Other Leisure Machines in the Pub?

Yes you can. Items such as pool tables, table football etc can be hired from the nominated suppliers only (see below). Tenancy agreements assigned or created since 1st May 2002 attract royalty fees of £10.01 per week where Young & Co.'s Brewery plc **do not** receive a direct share of the cashbox income. These fees will be collected on behalf of Young & Co.'s Brewery plc by the machine supplier and will be reflected in the relevant equipment supply terms quoted to you.

What Machine Suppliers Can I Use?

All leisure machines **must** be provided by one of our 5 nominated suppliers.

GAMESTEC LEISURE	National Supplier
METROCOIN PETRON	National Supplier Regional Supplier-
AMUSEMENTS RV SMITH	London & South East Regional Supplier-
SIMMONDS	London & South Regional Supplier- South/South West

Some Tips on Getting the Best from Your Machines

- Always site your machines to give maximum visibility and accessibility, ideally in areas where your drinkers gather but avoid dining areas.
- Do not block access routes to machines or place furniture or other items so close that it doesn't allow your customers enough room to play them. If a machine is awkward or difficult to get to, it won't get played!
- Make sure your machine is always clean and presentable; it will make it more attractive to players.
- Report any breakdowns promptly to your machine supplier; it's always an idea to keep their number in handy place and to ensure that all of your staff know what to do if a breakdown occurs in your absence. Machine suppliers should respond to breakdowns within 1 trading session, if they don't call them again.
- Monitor the results; if you note an unexplained income decline contact your supplier.

Need Any Advice About Your Machines?

Young & Co.'s Brewery plc's Commercial Manager closely monitors income levels of all AWP and SWP machines and meets with all our machine suppliers on a regular basis.

For up to date advice on any leisure machine issues or queries including details of royalty fees, supplier contact details and general machine information, please contact Mr. Bill Epsley, Commercial Manager at Young's on 020 8875 7166 or mobile on 07971 148122. Likewise should you encounter any difficulties with your current supplier and need assistance in resolving them please don't hesitate to call.