

26-06-95

2850597

DATED

24th September 1993

1993

PROCESSED FOR FILING

A. R. SANDERS ESQ AND OTHERS

-and-

MERCURY TAVERNS PLC

WE HEREBY CERTIFY THAT THIS IS A TRUE
AND CORRECT COPY OF THE ORIGINAL.
DATED THIS 24th DAY OF May 1995

Wryce. G.

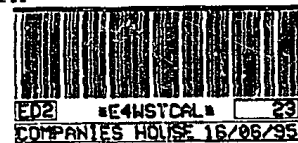
SALE AND PURCHASE AGREEMENT

-relating to-

MERCURY LEISURE LIMITED

Edge & Ellison
Rutland House
148 Edmund Street
BIRMINGHAM
B3 2JR

DOC.REF: MERCURY.SPA
SOL.REF: JCA.RDB
DATE : 23.09.95



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40-00-95

DATE OF AGREEMENT:

24th September

1991

PARTIES:

1. THE PERSONS whose names and addresses appear in Schedule 5
2. MERCURY TAVERNS PLC (Company Number 2850597) whose registered office is at Mercury House, Amber Business Village, Amington, Tamworth, Staffordshire, B77 4RP

INTRODUCTION:

The Vendors are the beneficial owners of all the issued shares in the capital of the Company. They have agreed to sell those shares to the Purchaser upon the terms set out below

AGREEMENT:

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement these words have the following meanings:-

"the Accounts"	the audited financial statements of the Company for the year ended on the Balance Sheet Date
"the Act"	the Companies Act 1985 (as amended)
"agreed form"	in the form of the draft a copy of which is annexed to this Agreement
"the Auditors"	Ernst & Young of 3 Colmore Row, Birmingham, B3 2DB
"the Balance Sheet Date"	27th February 1993
"the Business"	the business of the management of licensed premises which the Company and MDP presently carry

	on
"the Company"	Mercury Leisure Limited
"Completion"	completion as per clause 4
"the Consideration Shares"	129,998 ordinary shares of £1 each in the capital of the Purchaser credited as fully paid
"contingent liabilities"	any liability which may arise after Completion as a result wholly of events or omissions prior to Completion which under good accounting practice would be considered to give rise to a contingent liability for which provision should be duly made in the Accounts
"the Disclosure Letter"	the letter delivered by the Vendors' Solicitors to the Purchaser immediately prior to exchange of this Agreement which contains certain disclosures to the Warranties
"fully indemnified"	fully indemnified from and against all actions, costs, claims, damages, demands, expenses, liabilities, losses and proceedings suffered or incurred
"the Group"	the Company and the Subsidiary
"Industrial Property"	patents, trade marks, registered designs, trade or business

	names, know-how, copyright and any other intellectual property rights and all applications for any of the above
"the London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"the Management Accounts"	the management accounts of the Company for the 6 months ended 28 31 August 1993 in the form attached to the Disclosure Letter
"MDP" "the Pension Schemes" "the Property"	MDP Hotel & Leisure Limited One Small Self-Administered Scheme and one <i>Stanplan A</i> the leasehold properties of the Group details of which appear in Schedule 4
"the Purchaser"	Mercury Taverns PLC
"the Shares"	the entire issued share capital of the Company
"the Specified Rate"	2% above the base lending-rate from time to time of National Westminster Bank PLC
"the Small Self-Administered Scheme"	the Mercury Leisure Limited Small Self-Administered Scheme
"the Subscription Agreement"	the subscription agreement of even date made between the Purchaser (1) A. R. Sanders and others (2) and Natwest Ventures Investments Limited and Murray Ventures PLC (3)

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"the Subsidiary"	the company details of which are listed in Schedule 2,
"Stanplan A"	the Stanplan A administered by Standard Life Trustee Company Limited
"the Tax Deed"	a deed in the agreed form which contains certain covenants relating to Taxation
"Taxation"	shall have the same meaning afforded to it in the Tax Deed
"the Taxes Act"	The Income and Corporation Taxes Act 1988
"the Vendors"	the persons whose names and addresses appear in Schedule 5
"the Vendors' Solicitors"	Messrs Wragge & Co of 55 Colmore Row, Birmingham, B3 2AS
"the Warranties"	the warranties and representations contained in Schedule 3

1.2 Words and phrases which are defined in the Act have the same meaning in this Agreement and words and phrases which are defined in the Tax Deed shall unless the context otherwise requires have the same meaning hereunder

1.3 Where reference is made to a statutory provision this includes all prior enactments, amendments and modifications relating to that provision and any regulations made under it

1.4 References to clauses and schedules are to the clauses and schedules of this Agreement unless stated otherwise

1.5 References to the masculine gender include the feminine and vice versa. Similarly, references to the

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singular include the plural and vice versa

1.6 The headings and index to this Agreement are inserted for convenience only. They are not to affect its interpretation or construction

1.7 The various Schedules all form part of this Agreement

1.8 In Schedule 3 all references to "the Company" are to include a corresponding reference to the Subsidiary

2. SALE OF THE SHARES

2.1 The Vendors (as beneficial owners) agree to sell and the Purchaser agrees to buy the Shares free from any incumbrance but together with the benefit of all rights attaching to them as at Completion

2.2 The Vendors waive and will procure the waiver of all rights of pre-emption over the Shares (whether conferred by the articles of association of the Company or otherwise)

3. CONSIDERATION

The consideration for the sale of the Shares and the obligations of the Vendors pursuant to this Agreement is the issue and allotment of the Consideration Shares to the Vendors in the proportions set out in Schedule 5

4. COMPLETION

4.1 The Purchaser will not be bound to complete the purchase of any of the Shares unless the Vendors satisfy all of their obligations pursuant to clauses 4.3 and 4.4 at the same time

4.2 Subject to clause 4.1 the sale and purchase of the Shares will be completed at the offices of the Vendors' solicitors immediately following exchange of this Agreement. The following are then to occur

4.3 The Vendors are to deliver to the Purchaser:-

- 4.3.1 duly executed transfers in respect of the Shares in favour of the Purchaser or its nominee
- 4.3.2 the share certificates relating to the Shares ^{and relating to the shares in the Subsidiary} (or an indemnity for lost share certificates in ^{which are held by the Company} a form reasonably satisfactory to the Purchaser)
- 4.3.3 the statutory books of the Company and the Subsidiary written up to date
- 4.3.4 the Tax Deed duly executed by the Vendors
- 4.3.5 all title deeds and documents relating to the Property
- 4.3.6 the letter from the Bank of Scotland in the agreed form in respect of the release of the debenture over the Company's assets
- 4.4 The Vendors are to ensure that a board meeting of the Company is held at which the transfer of the Shares is approved for registration subject only to being stamped
- 4.5 The Purchaser will then:-
- 4.5.1 issue and allot the Consideration Shares to the Vendors in the proportions set out in Schedule 5
- 4.5.2 deliver to the Vendors certificates for the Consideration Shares and record their names in the Purchaser's Register of Members in respect of them in the proportions set out in Schedule 5
- 4.5.3 deliver to the Vendors an executed counterpart of the Tax Deed
- 4.6 After Completion the parties will do all acts and

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things which may prove necessary to implement in full their respective obligations under the terms of this Agreement

4.7 The Vendors undertake to the Purchaser to use ^{all reasonable} their best endeavours to procure the release at Completion (or as soon thereafter as is practicable) of the Company from all guarantees, indemnities, bonds, letters of comfort, undertakings, licences and other arrangements to which it is a party and which relate to liabilities in respect of ^{Mercury Hotels & its holding limited} MDP or its business or properties occupied by it and to indemnify and to keep indemnified on a continuing basis the Purchaser and the Company from all claims, liabilities, costs and expenses arising in respect or by reason thereof.

4.8 The Vendors will indemnify and keep indemnified the Purchaser and the Company in respect of any monies or other liabilities owed by the Company to or in connection with MDP

4.9 ~~Rider 1 Oppose~~

5. THE WARRANTIES

5.1 The Vendors warrant and represent to the Purchaser in the form of the Warranties as at Completion

5.2 The Warranties are given subject to all matters fairly disclosed in the Disclosure Letter. No other information of which the Purchaser has knowledge (whether actual or constructive) is to prejudice any claim made by the Purchaser or operate to reduce the amount recoverable from the Vendors pursuant to the Warranties

5.3 The Vendors warrant and represent that as far as they are aware the information contained in the Disclosure Letter and any documents annexed to ~~it~~ it:-

5.3.1 is true and accurate; and

5.3.2 does not omit anything which would make this information, untrue, incorrect or misleading

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- 4.9 The Vendors shall use all reasonable endeavours to procure that the charge dated 20892 and created in favour of the Royal Bank of Scotland by the ^{Subsidiary} ~~Company~~ shall be released as soon as practicable following completion and shall indemnify and keep indemnified on a continuing basis the Purchaser and Company from all claims liabilities costs and expenses arising as a result of the existence of such charge.

[Handwritten signature]

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5.4 Each of the Warranties is separate and independent. They are not limited by reference to any other Warranty or part of this Agreement

5.5 Any amount paid by the Vendors to the Purchaser pursuant to the Warranties and the Tax Deed is to be paid in cash

5.6(a) The Vendors shall not be liable in respect of a claim made under the Warranties unless the amount thereof

- (i) exceeds £5,000 in respect of any single claim; and
- (ii) together with the aggregate amount of all other single claims of £5,000 or more (if any) under the Warranties and the Tax Deed; exceeds £50,000 and in such event the Vendors shall be liable for the whole of all such claims and not merely the excess

(b) the Vendors shall not be liable in respect of any claim made under the Tax Deed unless the aggregate amount of all claims under the Tax Deed exceeds £5,000 and in such event the Vendors shall be liable for the whole of all such claims and not merely the excess

(c) The maximum aggregate liability of the Vendors to the Purchaser in respect of claims for breach of any of the provisions of this Agreement shall not exceed £1,000,000 but shall be unlimited in relation to the Tax Deed

(d) The liability of the Vendors shall be joint and several save that:-

- (i) the liability of each of M. Butler and K. Thornton shall not exceed 5% of each claim

(ii) the liability of each of A.R. Sanders and R.

Bourton shall not exceed 90% of each claim

5.7 The liability of the Vendors under the Warranties shall be limited as follows:-

- (a) No claim shall be admissible and no liability in respect thereof shall arise unless notice in writing giving reasonable details of the claim alleged (supported by such reasonable evidence as is then available) and if possible a genuine pre-estimate of the amount thereof has been given to the Vendors as regards the Warranties by not later than close of business on the second anniversary of the date hereof
- (b) Any claim shall (if it has not been previously settled or withdrawn) be deemed to have been withdrawn at the expiration of one year after notice shall have been served on the Vendors pursuant to clause 5.7(a) unless proceedings in respect of it have commenced by being both issued and served on the Vendors

5.8 No claim shall be capable of being made under the Warranties to the extent that disclosure of the subject matter thereof has been made in the Disclosure Letter

5.9 The Warranties shall not extend to any claim or liability if and to the extent that specific provision or reserve thereof was made in the Accounts or was specifically referred to in the notes thereto

5.10 The Warranties shall not extend to any claim or liability to the extent that it arises as a result of a voluntary act or omission or voluntary acts or omissions of or a transaction or transactions entered into by the Purchaser or the Company or the Subsidiary after the Completion Date

otherwise than in the ordinary course of business

5.11 The Warranties shall not extend to any claim or liability to the extent that any Taxation for which the Company or the Subsidiary is or may be liable to be assessed or accountable is reduced or extinguished as a result of such a claim or liability

5.12 No claim shall be capable of being made under the Warranties to the extent that the Purchaser and/or the Company and/or the Subsidiary has recovered an amount in respect of any loss or damage suffered by it arising out of the subject matter thereof from insurers under a valid subsisting insurance policy (the Purchaser using its reasonable endeavours to effect such recovery)

5.13 The Purchaser shall not be entitled to recover any sum in respect of any claim for breach of any of the Warranties or in respect of any claim under the Tax Deed or otherwise obtain reimbursement or restitution under this Agreement more than once in respect of the same loss or damage and for the avoidance of doubt any amount paid under the Warranties shall pro tanto reduce the amount otherwise payable under the Tax Deed in respect of the same loss or damage and vice versa. The Purchaser shall not be entitled to recover any sum in respect of any claim under the Tax Deed or for breach of any of the Warranties or otherwise obtain reimbursement or restitution under this Agreement to the extent that the Investors (as defined in the Subscription Agreement) shall already have recovered an amount in respect of the subject matter of such claim from the Purchaser pursuant to the Subscription Agreement

5.14 Nothing herein or in the Warranties or in the Tax Deed

shall be deemed to relieve the Purchaser or the Company or the Subsidiary from any common law duty to mitigate any loss or damage incurred by it

5.15(a) The liability of the Vendors in respect of a breach of any of the Warranties relating to Taxation shall not exceed the liability which the Vendors would have been under had the said breach given rise to claim for Taxation under the Tax Deed

(b) The Vendors shall not be liable hereunder in respect of any claim ^{relating to Taxation} under any of the Warranties ~~relating to~~ ~~Taxation~~ to the extent that the Vendors were not aware of the subject matter thereof at the date hereof

5.16 The Vendors shall not be liable for breach of a Warranty in respect of any claim based upon a liability which is contingent unless such contingent liability becomes an actual liability and is due and payable

5.17 The Warranties shall not extend to any claim or liability:

(a) to the extent that it consists of a Liability to Taxation for which the Company or the Subsidiary is or may become wholly or primarily liable as a result of

transactions in the ordinary course of business since the ~~Accounting Date~~ ^{Balance Sheet} ~~but for the avoidance of doubt the Warranties shall extend to any claim or liability for which the Company or the Subsidiary is or may become liable as a result~~ ^{of}

(b) to the extent that it consists of a Liability to Taxation which arises or is increased as a result of any change or changes in rates of Taxation, legislation relating to Taxation or Inland Revenue published practice or the practice of H M Customs & Excise made after the date hereof

(c) Which would not have arisen but for the provisions of

Sections 245 or 768 of the Taxes Acts

- (d) If and to the extent that such claim or liability would not have arisen or would have been reduced or eliminated but for the failure or omission on the part of the Company to make any claim election surrender or disclaimer or to give any notice or consent or to do any other thing under the provisions of any Fiscal Legislation after Completion the making giving or doing of which was taken into account (and the Company was entitled to take into account) in computing the provision for Taxation in the Accounts and sufficient details of which are specifically disclosed in the Disclosure Letter
 - (e) If and to the extent that the amount thereof in relation to one of the Company and the Subsidiary corresponds to an increase in the value of the assets of another of the Company and the Subsidiary resulting from a reduction in its liability to Taxation and such increase in value of the assets is certified as such (at the expense of the Vendors) by the auditor for the time being of the relevant Company or Subsidiary acting as experts not as arbitrator
- 5.18(a) Where the Company or the Purchaser is entitled to recover from any other person any sum in respect of any matter to which a claim made under the Warranties or pursuant to the provisions of the Tax Deed relates the Company or Purchaser as the case may be shall (at the Vendors request and cost) take all reasonable steps to enforce such rights and shall at the request and expense of the Vendors assign any such right to

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the Vendors in such form as they shall reasonably require

- (b) If any of the Vendors shall have made any payment in respect of a claim made under the Warranties or pursuant to the Tax Deed and the Company or the Purchaser shall recover any sum pursuant to Clause 5.18(a) above or otherwise receive a refund or repayment of all or part of the subject matter of the claim, the Purchaser shall pay to the Vendors a sum equal to the amount of such sum recovered or such refund or repayment (less any tax that is payable or paid by the Purchaser or the Company as a result of the receipt of such sum and less any costs incurred by the Purchaser or the Company in taking action pursuant to the provisions of Clause 5.18(a) not already reimbursed by the Vendors) (but not in any case exceeding the amount of the payment made by the Vendors and not in any case if any claim by the Purchaser is still outstanding against the Vendors) (but without prejudice to the rights of the Vendors to defend any such claim))less any costs incurred by the Purchaser or the Company in taking action pursuant to the provisions of Clause 5.18(a) not already reimbursed by the Vendors) and in the case of a claim which relates to Taxation any such sum paid to the Vendors shall be increased to include a sum equal to such interest and/or repayment supplement (as defined by Section 825 of the Taxes Act) as shall have been received in respect thereof

- (c) For the purposes of Clause 5.21(b), the Company shall

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be deemed to receive a refund or repayment of
Taxation:

- (i) if and when the Company would have received such a repayment but for a liability to any Taxation in respect of which the Company is not entitled to be indemnified under the Tax Deed; or
- (ii) if and when the Company would have received such a repayment had the claim for Taxation been discharged by payment of Taxation; or
- (iii) if and when the Company was able to obtain the benefit of a reduction in its liability to Taxation as a result of such claim

5.19 The Purchaser acknowledges and agrees with the Vendors and each of them that save for the Warranties (as qualified by the Disclosure Letter) and the Tax Deed it does not rely in relation to the purchase of the Company on any information warranties representations or statements of any description whether express or implied by any of the Vendors or any of their agents or advisors

5.20 All Warranties which relate to the Vendors' awareness, knowledge, information or belief are (unless stated to be given without having done so) given by them after having made all reasonable enquiries into the relevant matter and the Vendors shall be deemed to be aware of all matters of which they ought reasonably to have known of having regard to the information available to them. If a claim, ^{which relates to Taxation} is made under the ^{such Warranties shall operate subject to clause 5.15(b) and in that context} Warranties ~~which relates to Taxation~~ then all reasonable enquiries shall be deemed to mean all reasonable enquiries of the Company's taxation advisors and its auditors and shall not

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extend to any further enquiries whatsoever

6. NOTICES

6.1 Any notice given under this Agreement is to be in writing signed by or on behalf of the party giving it. The notice may be served by leaving it at or sending it by ordinary first class post, pre-paid recorded delivery or registered post to:-

6.1.1 in the case of the Vendors, their respective addresses set out in Schedule 5 or such other addresses within the United Kingdom as they may notify to the Purchaser from time to time;

6.1.2 in the case of the Purchaser its registered office for the time being

6.2 Any notice so served is deemed to have been received:-

6.2.1 in the case of personal service upon delivery

6.2.2 in the case of ordinary first class post, pre-paid recorded delivery or registered post
forty-eight hours from the time of posting

6.3 For notices served by post it will be sufficient in proving service to establish that the envelope containing the notice was properly stamped, addressed and posted

7. COSTS

The Purchaser will pay all of the costs of all of the Vendors relating to the preparation and execution of this Agreement

8. CONFIDENTIALITY

Save to the extent required by law no announcement concerning the terms of or any matters contemplated by this Agreement or any matter ancillary to it may be made by the Vendors except with the prior written consent of the Purchaser

9. ENTIRE AGREEMENT

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This Agreement (together with the various documents referred to in it) constitutes the entire agreement between the parties relating to the sale and purchase of the Shares. No variation of this Agreement will be effective unless it is in writing signed by or on behalf of all of the parties

10. FURTHER ASSURANCE

10.1 All provisions of this Agreement which have not been performed in full at Completion are to remain in full force and effect notwithstanding Completion

10.2 The Vendors will do all acts and execute all deeds and documents reasonably required by the Purchaser (at the expense of the Purchaser) to transfer validly the Shares to the Purchaser and to assure to it the rights agreed to be granted pursuant to this Agreement

11. BENEFIT AND BURDEN

11.1 This Agreement is binding upon and will enure for the benefit of the successors-in-title and personal representatives of the parties

11.2 The Purchaser may assign all or any of its rights under this Agreement provided that such assignment is to either a member of the British Venture Capital Association or an entity actively involved in the business of providing equity investments to businesses

11.3 All obligations, warranties, representations, indemnities and undertakings on the part of the Vendors are (unless otherwise stated and subject always to clause 5.6(d)) entered into on a joint and several basis. The Purchaser may release or compromise the liability of any of the Vendors without affecting the liability of the others

11.4 Any waiver of a breach or default of the terms of this Agreement will not constitute a waiver of any subsequent

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breach or default

12. GOVERNING LAW

This Agreement is governed by English law. The parties agree to submit to the non-exclusive jurisdiction of the English Courts

IN WITNESS of which this Agreement has been executed as a Deed on the date set out above

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SCHEDULE 1

"the Company"

Registered Number : 2001159
 Date of Incorporation : 18th March 1986
 Authorised Share Capital : £100 divided into 100 ordinary shares of £1 each
 Issued Share Capital : £100 registered as follows:-

<u>Member</u>	<u>No. of Shares</u>	<u>Class of Shares</u>
A R Sanders	45	ordinary
R Bourton	45	ordinary
K Thornton	5	ordinary
M Butler	5	ordinary

Registered Office : Mercury House
 Mercury Park
 Amber Business Village
 Amington
 Tamworth

Accounting Reference Date : 29th February

Directors : A R Sanders
 R Bourton
 K Thornton
 M Butler

Secretary : A R Sanders

Auditors : Ernst & Young

Charges and Debentures : Chargee Document Date
 Bank of Scotland Debenture 11.12.92

SCHEDULE 2

"the Subsidiary"

Name : MDP Hotel & Leisure Limited
 Registered Number : 138202 (Scotland)
 Date of Incorporation : 11 May 1992
 Authorised Share Capital : £1000 divided into 1000 ordinary shares of £1 each
 Issued Share Capital : £[] registered as follows:-

<u>Member</u>	<u>No. of Shares</u>	<u>Class of Shares</u>
[]	[]	[]
[]	[]	[]

Registered Office : []

Accounting Reference Date : []

Directors : []

Secretary : []

Auditors :

Charges and Debentures :

<u>Chargee</u>	<u>Document</u>	<u>Date</u>
[]	[]	[]

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SCHEDULE 2

"the Subsidiary"

Name : MDP Hotel & Leisure Limited
 Registered Number : 138202 (Scotland)
 Date of Incorporation : 11 May 1992
 Authorised Share Capital : £1000 divided into 1000 ordinary shares of £1 each
 Issued Share Capital : £[1000] registered as follows:-

Member	No. of Shares	Class of Shares
[Mercury Leisure Ltd]	[750]	[Ordinary]
[Paul Devall]	[125]	[Ordinary]
[Margaret Devall]	[125]	[Ordinary]

Registered Office : + Admiral House
 30 Maritime Street
 Leith
 Edinburgh EH6 6SE

Accounting Reference Date : [30th April]

Directors : [A.S. Baker C.P. Devall]
 [A.R. Sanders R. Barton]

Secretary : [A.S. Baker]

Auditors : Chienne & Tate.

Charges and Debentures	Chargees	Document	Date
	[]	[]	[]

The Royal Bank of Scotland
 Bond and Floating charge
 20.8.92

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SCHEDULE 3"the Warranties"

The Vendors give the following warranties and representations both as at exchange of this Agreement and as at Completion:-

1. INFORMATION

1.1 As far as the Vendors are aware all information contained in the Disclosure Letter or any of its annexures is true and accurate in all material respects. The Vendors are not aware of any fact or matter not disclosed in writing to the Purchaser which renders any such information untrue, incorrect or misleading

1.2 The details contained in Schedules 1, 2 and 4 are true and accurate in all respects

1.3 There is no person in accordance with whose instructions the directors of the Company are accustomed to act (whether or not they may be legally obliged to do so)

1.4 The copy of the memorandum and articles of association of the Company annexed to the Disclosure Letter is true, accurate and up-to-date. It has annexed to it copies of all resolutions and agreements as are referred to in section 380 of the Act

1.5 The Company has no subsidiaries other than the Subsidiary

2. CAPACITY

2.1 The execution and delivery of this Agreement and the Tax Deed by the Vendors will upon execution constitute legally binding obligations on the part of the Vendors.

2.2 The execution and delivery of and the performance by the Vendors of their obligations pursuant to this Agreement

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and the Tax Deed will not conflict with, result in a breach of or give rise to a right of termination of any obligation pursuant to:-

- 2.2.1 any contract or agreement to which the Vendors (or any of them) are a party or subject; or
- 2.2.2 any order, judgment, ordinance, regulation or other restriction imposed by any regulatory body or Court having jurisdiction over any of the Vendors or the Company

3. THE ACCOUNTS

3.1 A true copy of the Accounts is annexed to the Disclosure Letter.

3.2 The Accounts:-

- 3.2.1 comply with the provisions of the Act and all other relevant statutes
- 3.2.2 have been prepared in accordance with generally accepted accountancy practice and are true and fair in all material respects
- 3.2.3 *as far as the Vendors are aware* make proper provision or reserve for all actual liabilities *as at the Balance Sheet Date*
- 3.2.4 make proper provision for or note of (in accordance with generally accepted accountancy practice) all capital commitments and known contingent liabilities and make adequate provisions for all bad and doubtful debts and
- 3.2.5 as far as the Vendors are aware show a true and fair view of the state of affairs of the Company as at the Balance Sheet Date and for the accounting period ended at that date

3.3 As far as the Vendors are aware proper provision or

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reserve has been made in the Accounts for all taxation liable to be assessed on the Company or for which the Company is accountable in respect of:-

3.3.1 profits gains or income earned arising accruing or received or deemed to arise, accrue or have been received for any purpose

3.3.2 transactions effected or deemed to have been effected or any event before the Balance Sheet Date

3.3.3 distributions made or deemed to have been made down to such date provided for in the Accounts

3.4 As far as the Vendors are aware proper provision has been made in the Accounts for deferred taxation in accordance with generally accepted accountancy principles

3.5 As far as the Vendors are aware the aggregate book value of plant and machinery for which capital allowances have been claimed under Part II of the Capital Allowances Act 1990 does not exceed the written-down value of the qualifying expenditure under that Act

3.6 If each of the capital assets of the Company (other than assets on which capital allowances are claimed but are not calculated separately) were disposed of for a consideration equal to the book value of that asset in or adopted for the purposes of the Accounts as far as the Vendors are aware no liability to corporation tax on chargeable gains or balancing charge under the Capital Allowances Act 1990 would arise (for this purpose there will be disregarded any relief or allowance available to the Company (other than amounts falling to be deducted from the consideration receivable under Section 38 of the Taxation of Chargeable

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3.7 The results shown by the Accounts were not materially affected by:-

3.7.1 transactions of a nature not usually undertaken by the Company

3.7.2 circumstances of an extraordinary, exceptional or non-recurring nature

3.7.3 charges or credits relating to prior years

3.7.4 any change in the basis of accounting

4. THE MANAGEMENT ACCOUNTS

The Management Accounts have been prepared in good faith in accordance with good management accounting practice on a basis consistent with previous management accounts prepared by the Company and as far as the Vendors are aware reflect the trading performance of the Company in all material respects for the period from the Balance Sheet Date to and the state of affairs of the Company as at ^{28th} ~~31st~~ August 1993

5. EVENTS SINCE THE BALANCE SHEET DATE

Since the Balance Sheet Date:-

5.1 The Company has carried on the Business in the ordinary and usual course so as to maintain the same as a going concern without any interruption or material alteration in its nature, scope or manner

5.2 The Company has not disposed of any assets or assumed any material liabilities otherwise than in the ordinary course of carrying on the Business

5.3 As far as the Vendors are aware the Business has not been adversely affected by any abnormal factor not affecting similar businesses

5.4 As far as the Vendors are aware there has been no

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deterioration in the financial position of the Company.

5.5 Save to the extent set out in the Management Accounts and as far as the Vendors are aware the value of the Company's net assets has not been reduced below that shown in the Accounts

5.6 No property of the Company has been transferred, leased, mortgaged, sold, encumbered or made the subject of any dealing, option or agreement

5.7 The Company has not acquired or agreed to acquire any property

5.8 There has been no increase in the rate of the remuneration of the directors of the Company

5.9 The Company has not paid or declared any dividend or other distribution of capital or income in respect of any share capital of the Company

5.10 No loan or loan capital of the Company has been repaid in whole or in part or has become due or liable (with or without notice or lapse of time or both) to be declared due or liable

5.11 The Company has continued to pay its creditors in the ordinary course of business

6. LEGISLATION

6.1 All necessary licences, consents, permits and authorities (public and private) have been obtained by the Company to enable it to carry on its business effectively in the places and in the manner in which it is now carried on. All such licences, consents, permits and authorities are valid and subsisting. The Vendors know of no reason why any of them should be suspended, cancelled or revoked

6.2 So far as the Vendors are aware the Company has

conducted its business in all material respects in accordance with all applicable laws and regulations of the United Kingdom

6.3 As far as the Vendors are aware there has been no violation of, or default with respect to, any statute, regulation, order, decree or judgment of any Court or any governmental agency of the United Kingdom or any foreign country which could have a material adverse effect upon the assets or business of the Company

7. LITIGATION

7.1 No material claim has been made against the Company which has not been settled in full.

7.2 The Company is not at present engaged whether as plaintiff or defendant or otherwise in any legal action, proceedings or arbitration and is not being prosecuted for any criminal offence. There are no circumstances of which the Vendors are aware likely to lead to any such claim, legal action, proceedings, arbitration or prosecution.

7.3 The Company is not subject to any order or judgment given by any Court or governmental agency and has not been a party to any undertaking or assurance given to any Court or governmental agency which is still in force

7.4 Neither the Company nor any director nor (so far as the Vendors are aware not having made enquiries of any employees of the Company) any officer or employee of the Company has committed any criminal, illegal or unlawful act or breach of any legislation which could adversely affect the Company

7.5 Neither the Company nor any director nor as far as the Vendors are aware (not having made enquiries of any employee of the Company) any officer or employee of the Company has

the Vendors that it no longer intends to deal with the Company or indicated an intention to materially reduce orders placed with the Company. As far as the Vendors are aware no customer is likely to cease to deal with the Company following Completion.

8.9 No supplier to the Company is entitled to charge interest in respect of any monies owed to it by the Company. So far as the Vendors are aware the Company has no actual liability for unpaid interest in respect of the late payment of any invoice or other liability paid or settled prior to Completion.

8.10 The Company has no actual liability to AIB and there are no monies owed by the Company to AIB in each case in excess of £5,000

9. RECORDS AND RETURNS

9.1 So far as the Vendors are aware the Company has duly and punctually made all returns which ought to have been made for the purposes of taxation. So far as the Vendors are aware all such returns (and all other information supplied to the Inland Revenue or other fiscal authority concerned for any such purpose) are correct in all material respects and made on a proper basis. So far as the Vendors are aware no such return is disputed by the fiscal authority concerned. As far as the Vendors are aware there is no fact which is likely to be the occasion of any dispute or of any claim for taxation in respect of any financial period down to and including the Balance Sheet Date. As far as the Vendors are aware the Company has duly and punctually paid all tax which it has become liable to pay and is under no liability to pay any penalty or interest in connection with any claim for tax;

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9.2 The Company and its directors and (so far as the Vendors are aware without having made enquiry of the employees) officers and employees have complied in all material respects with the provisions of the Companies Acts 1948 to 1985 and all returns, particulars, resolutions and other documents required under such legislation to be delivered on behalf of the Company to the Registrar of Companies or to any other authority whatsoever have been properly made and delivered

9.3 As far as the Vendors are aware all proper books of account, minute books, registers and records have been maintained by the Company and are in its possession

9.4 None of the Company's records systems, controls data or information is recorded, stored, maintained, operated or otherwise dependent upon or held by any means (including any electronic, mechanical or photographic process whether computerised or not) which are not under the exclusive ownership and direct control of the Company.

9.5 Neither the Company nor any class of its members has passed any resolution at Annual General Meetings which was special business

10. EMPLOYEES

10.1 The Company has no liability in relation to any connected person of any of the Vendors

10.2 There are not in existence any service agreements with directors, officers or employees of the Company which cannot be terminated by three months notice or less without giving rise to any claim for damages or compensation (other than a statutory redundancy payment)

10.3 There is no liability on the part of the Company to

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pay compensation or make payments under the Employment Protection (Consolidation) Act 1978 and the Vendors are not aware of any outstanding claim against the Company by any present or former director, officer or employee or of any dispute between the Company and a material number or class of its employees

10.4 No written undertakings or assurances have been given to the employees of the Company as to the continuance or introduction or increase or improvement of any pension rights or entitlements which the Company and/or the Purchaser would be required to implement in accordance with good industrial relations practice and whether or not there is any legal obligation so to do

10.5 So far as the Vendors are aware all appropriate notices have been issued under the Employment Protection (Consolidation) Act 1978 to all directors and all employees of the Company

10.6 No director or employee is remunerated on a profit sharing or bonus or commission basis

10.7 As far as the Vendors are aware (without having made enquiry of any of the employees) all National Insurance and Graduated Pension Contributions and sums payable by the Company to the Inland Revenue under the P.A.Y.E. system have been duly and properly paid. As far as the Vendor is aware, ^{without having made enquiry of any of the} proper records have been maintained in respect of all such ^{Employees} matters. So far as the Vendors are aware, ^{without having made enquiry of any of the} the Company has ^{of any of the Employees} deducted all tax required by law to be deducted from all other payments to or treated as made to employees and ex-employees of the Company. So far as the Vendors are aware, ^{without having made enquiry of any of the} the Company ^{of any of the} has accounted to the Inland Revenue for all tax so deducted ^{Employees}

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together with all tax chargeable on benefits provided for its employees and ex-employees

11. INSURANCES

11.1 The Company maintains all such insurance policies against all such risks and in such amount as a prudent business carrying on the business would maintain. Details of all insurance policies effected by the Company are contained in the Disclosure Letter

11.2 As far as the Vendors are aware the Company has never received a report or recommendation from its insurance advisors which has not been implemented in full

11.3 Nothing has been done or omitted to be done and there are no special circumstances whereby any of the policies has or so far as the Vendors are aware may become void or voidable

11.4 There is no claim outstanding under any policy of insurance nor are the Vendors aware of any circumstances likely to give rise to such a claim

12. THIRD PARTY RIGHTS

12.1 No mortgage, charge or lien on the undertaking, property or assets of the Company or any part thereof has been created or agreed to be created.

12.2 No guarantee has been given by the Company.

12.3 The Company is not a party to any contract for hire or rent or hire purchase or purchase on credit sale or by instalments.

12.4 All the property and assets owned by the Company or used in connection with its business are in its sole, absolute, legal and beneficial ownership and are not subject to any third party rights of whatsoever nature

12.5 No person other than the Company has given a guarantee

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contravenes the provisions of the Resale Prices Act 1976 nor is the Company in default under or in contravention of the provisions of any of those Acts

15.2 Is by virtue of its terms or by virtue of any practice for the time being carried on in connection with it a Consumer Trade Practice (within the meaning of the Fair Trading Act 1973 Section 13) or susceptible to or under reference to the Consumer Protection Advisory Committee or the subject matter of a report to or an Order by the Secretary of State under the provisions of Part II of that Act; or

15.3 Infringes Article 85 of the Treaty establishing the European Economic Community, constitutes an abuse of dominant position contrary to Article 86 of that treaty or infringes any regulation or other enactment giving effect to either Article

15.4 The Company has not pursued and is not pursuing any course of conduct which amounts to an anti-competitive practice within the meaning of Section 2(1) of the Competition Act 1980 and is not subject to or under notice of any investigation, report or order under that Act

16. REAL PROPERTY

16.1 The Property comprise all the land and premises occupied or otherwise used by the Company and the Company is not and has not at any time since the date of its incorporation been the original lessee of any property (other than the Property) or given a guarantee or entered into any direct covenant with either a lessor or assignor of any property

16.2 All title deeds and agreements to which the Company is a party and other documents owned by or which ought to be in

the possession of the Company are in the possession of the Company and are properly stamped

16.3 There is appurtenant to the Property all rights and easements necessary for its existing and continued use and enjoyment by the Company in relation to its business

16.4 The Company owns beneficially the leasehold interests in the Property.

16.5 The particulars of the Property as shown in Schedule 4 are true complete and accurate in all respects

16.6 As far as the Vendors are aware the Property is not affected by :-

16.6.1 any outstanding dispute or notice of complaint

16.6.2 any exception reservation right covenant restriction or condition which is of an unusual or onerous nature or which affects the use of the Property for the purpose for which it is used

16.6.3 any notice order or proposal made or issued by or on behalf of any government or statutory authority

16.6.4 the carrying out of any work upon any building the modification of any planning permission or the imposition of any building or improvement line

17. The Company is not for any reason anticipating the expenditure of any substantial sum of money in respect of the Property

18. Any consents required for the granting of the leases set out in Schedule 4 ("the Leases") were duly obtained and have been placed with the title deeds

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19. All covenants conditions or agreements contained in the Leases whether on the part of the landlord or tenant have in all material respects been observed and performed up to date and there has been no complaint alleging any breach

20. There are no notices negotiations or proceedings pending in relation to rent reviews or any other matter nor is any rent presently liable to be reviewed

21. The Company has not entered into and is not proposing to enter into any agreement for the assignment of the Lease or the subletting of the whole or any part or parts of the Property

22. The Landlord has not elected to waive VAT exemption (exercised the option to tax) in respect of the Property nor evidenced any intention of doing so

23. ENVIRONMENTAL MATTERS

23.1 As far as the Vendors are aware the activities of the Company at the Property are and have at all times been carried on in compliance with domestic and (where appropriate) foreign environmental protection statutes and regulations (including but not limited to atmospheric, land, water and noise pollution) and with all occupational health and safety statutes and regulations

24. SHARES

24.1 No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the issue of any share or loan capital of the Company under any option or other agreement (including without limitation conversion rights)

24.2 The Company has never had any subsidiaries other than the Subsidiary

24.3 The Company has never had a participating interest in any other Company

24.4 There are no rights of pre-emption over or restrictions relating to the transfer of the Shares (whether contained in the Company's articles of association or otherwise) which could prevent their sale by the Vendors to the Purchaser pursuant to this Agreement

25. PENSIONS

25.1 The Company neither operates nor is a participant in any pensions arrangements other than the Pension Schemes. It has no legal or moral obligation to provide "relevant benefits" within the meaning of Section 612(1) of the Income and Corporation Taxes Act 1988 other than under the Pension Schemes

25.2 The Pension Schemes are either exempt approved schemes or are capable of receiving such approval within Section 592(1) of the Income and Corporation Taxes Act 1988. The Vendors are not aware of any matter which could result in the withdrawal or withholding of that approval

25.3 All contributions payable by the Company to the Pension Schemes have been made. The benefits which are prospectively and contingently payable under the Pension Schemes can be provided by the funds available for each member of the Pension Schemes

25.4 So far as the Vendors are aware the Company has fulfilled all its obligations under the Pension Schemes

25.5 True copies of the Trust Deeds and Rules and ancillary deeds of the Pension Schemes have been delivered to the Purchaser together with true copies of all relevant explanatory booklets, announcements and other communications

to employees relating to the Pension Schemes

25.6 The Pension Schemes are respectively governed solely by these deeds and documents which have been properly and validly brought into effect. The Company has no obligation to the Pension Schemes in respect of any present or former employees or directors other than under these deeds and documents

25.7 All insurance premiums in respect of the Pension Schemes (whether payable by the Company or by the respective trustees or administrator of the Pension Schemes) have been paid

25.8 All lump sum death-in-service benefits which may be payable under the Stanplan A are fully insured

25.9 All consultancy, legal and other fees, charges or expenses in respect of each of the Pension Schemes (whether payable by the Company or by the respective trustees of the Pension Schemes) have been paid. There are no outstanding charges for services rendered in respect of either of the Pension Schemes

25.10 So far as the Vendors are aware the Pension Schemes each conform with:-

- 25.10.1 the preservation requirements specified in Section 63 and Schedule 16 to the Social Security Act 1973
- 25.10.2 the equal access requirements specified in Section 53 of the Social Security Pensions Act 1975
- 25.10.3 the provisions of the European Communities Act 1972 and the requirements of Article 119 of the

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Treaty of Rome

25.11 So far as the Vendors are aware each of the Pension Schemes has been administered in accordance with:-

- 25.11.1 the Social Security Pensions Act 1975
(as amended by the Health and Social Security Act 1984)
- 25.11.2 the Social Security Act 1985
- 25.11.3 the Social Security Act 1986
- 25.11.4 the trusts, powers and provisions of the Pension Schemes
- 25.11.5 the general requirements of trust law and common law

25.12 So far as the Vendors are aware no claim has been made against the trustees or administrator of either of the Pension Schemes or against any other person whom the Company is or may be liable to compensate or indemnify in respect of any act, omission or other matter concerning the Pension Schemes. The Vendors ^{are} not aware of any circumstances which may give rise to such a claim

25.13 The Small Self-Administered Scheme has been registered with and the appropriate levy has been paid to the Registrar of Occupational and Personal Pension Schemes in accordance with Part V of the Social Security Pensions Act 1975

25.14 All information about the Pension Schemes and their members which has been supplied to the Purchaser and/or its advisers is true, complete, accurate and up-to-date and contains no material omission

25.15 The Company has given no undertaking or assurance about the introduction, continuance or improvement of other pension rights or entitlements which it would have to

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implement in accordance with good industrial relations
practice whether or not it was legally obliged to do so

25.16 The Company has never participated in an occupational
pensions scheme which has been closed to new members

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SCHEDULE 4

"the Property"

Leasehold

<u>Description of Property</u>	<u>Date of Lease</u>	<u>Parties</u>	<u>Term of Lease</u>	<u>Current Rent Payable</u>
Unit 18 Amber Business Village Amber Close Amington Tamworth Staffordshire	6.9.92 <i>AB</i>	Anthony Raymond Sanders & Richard Bourton(1) & Mercury Leisure Limited (2)	21 years	£15,000 p.a. <i>BA</i>
Unit 19 Amber Business Village Amber Close Amington Tamworth Staffordshire	6.9.92	Anthony Raymond Sanders & Richard Bourton(1) & Mercury Leisure Limited (2)	21 years	£15,000 p.a. <i>BA</i>
Unit 20 Amber Business Village Amber Close Amington Tamworth Staffordshire	6.9.92	Anthony Raymond Sanders & Richard Bourton(1) & Mercury Leisure Limited (2)	21 years	£15,000 p.a. <i>BA</i>

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SCHEDULE 5

"The Vendors"

<u>Name</u>	<u>Address</u>	<u>Number of Consideration Shares to be issued and allotted</u>	<u>Liability Percentage</u>
Anthony Raymond Sanders	Little Paddocks, Mill Lane, Darzeley Green Tarnworth in Arden to Warwickshire	58499	90%
Richard Bourton			90%
Kevin Thornton			5%
Mark Leslie Butler			5%
			100%
Ruford Bourton	Gold Acre, Byron Road Elford, Tarnworth Staffordshire B79 9BAW	58499	
Kevin Thornton	15 Sunny Bank Close Streethy, Walsall Staffordshire WS9 0YR	6500	
Mark Leslie Butler	16 Winthorpe Drive Poppy Fields Solihull B91 3UW	6500	

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SIGNED AND DELIVERED as
a deed by ANTHONY RAYMOND
SANDERS in the presence of:

Dr Vaghe
as below.

SIGNED AND DELIVERED as
a deed by RICHARD BOURTON
in the presence of:

Dr Vaghe
as below

SIGNED AND DELIVERED as
a deed by KEVIN THORNTON
in the presence of:

Dr Vaghe
Solicitor
55 Colmore Row Birmingham.

SIGNED AND DELIVERED as
a deed by MARK LESLIE BUTLER
in the presence of:

Dr Vaghe
as above

SIGNED AND DELIVERED as a deed)
MERCURY INNS AND TAVERNS PLC)
acting by two directors or)
by one director and its)
secretary)

Director

Director/Secretary