

THIS DOCUMENT IS IMPORTANT

If you are in any doubt about the contents of this Prospectus you should consult a person authorised under the Financial Services Act 1986, who specialises in advising on the acquisition of shares and other securities. Investments in unquoted shares carry higher risks than investments in quoted shares and may be difficult to realise. The Shares are not listed, quoted or dealt in on any stock exchange, nor has any application been made to any stock exchange for listing, quotation or permission to deal in any of the Shares issued or proposed to be issued, nor are there any other arrangements in place for there to be dealings in the Shares, except that it is intended that an application will be made for the Shares to be traded through OFEX. OFEX is not a regulated market. Investment in a new and unquoted company which has not commenced business is speculative and involves a degree of risk. The attention of Investors is drawn to the Section headed 'Risk Factors' on page 17.

The directors of the Company, whose names and details appear on page 4, are the persons responsible for this Prospectus. The Directors (who have taken all reasonable care to ensure that such is the case) confirm that to the best of their knowledge the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect the import of such information.

This Prospectus has been drawn up in accordance with The Public Offers of Securities Regulations 1995 ('POS'). A copy of this Prospectus which is published on 4 September 2000, has been delivered to the Registrar of Companies in London in accordance with Regulation 4(2) of POS.

MERCHANT INNS PLC

(Reg. No. 3872646)

OFFER FOR SUBSCRIPTION

of up to 10,000,000 Ordinary Shares of 50p each in the capital of the Company,
at a price of £1 per Share payable in full on application

The minimum subscription is £700,000. The Offer is not underwritten and the Directors will not issue Shares in the Company unless applications are received in respect of the minimum subscription for the Company as set out in the terms and conditions of the application. Subject to achieving this, the Directors will proceed to allot the Shares therein for which valid subscriptions have been received pursuant hereto even if the Offer is not subscribed in full, giving preference according to the date of receipt of application. A description of the share capital of the Company is set out on page 22. The procedure for application is set out on pages 34 and 36 and the application forms are set out on pages 33 and 35.

The qualifying status of the Company has received provisional clearance under the Enterprise Investment Scheme, but formal clearance cannot be sought until it has been carrying on a qualifying business activity for four months. Subject as above, the Directors consider that qualifying individual subscribers for Shares should be able to obtain EIS relief within the EIS limits on the full amount subscribed, depending upon their circumstances.

The Sponsor acts for the Company and not for anyone else. In subscribing, Investors will be deemed to have requested performance on an execution only basis without advice and this Prospectus is not intended nor does it purport to provide investment advice. This document is a prospectus issued by the Company, and does not constitute a scheme or fund. No 'cooling off' period, or other rights specially available to Investors in the case of a scheme or fund, are applicable. The roles of the other advisers to the Company listed on page 4 are limited to those stated therein.

Any investment in the Company is made solely on the basis of this document and not on the basis of any other documentation or on the basis of any oral representation.

The Sponsor will pay introductory commissions of 3% to authorised persons (being persons authorised to carry on investment business for the purposes of the Financial Services Act 1986 in the United Kingdom) in respect of successful applications received through them.



DIRECTORS, SECRETARY, CONSULTANT AND ADVISERS

Directors

Robert Roddick Ackrill Breare MA (*Non-executive Chairman*)

Ian Griffiths BSc (*Senior Operational Director*)

Clive Anthony Harris (*Senior Executive Director*)

Gordon Henry Atkinson BSc (Est.Man.) FRICS (*Property Director*)

Afshin Taraz BA (Hons) MSc FCA (*Finance Director*)

Michael John Chicken BA (Hons) (*Non-executive Director*)

all of:

4 Newburgh Street

London W1F 7RF

Consultant

Anthony Derek Marten

Company Secretary

Malcolm Arnold Lassman LLB FCA

Registered Office

4 Newburgh Street

London W1F 7RF

Sponsor to the Company

Merchant Place Corporate Finance Limited

4 Newburgh Street

London W1F 7RF

Regulated by The Securities & Futures Authority Limited

Tax Advisers, Reporting Accountants & Auditors to the Company

Ernst & Young

Rolls House

7 Rolls Building

Fetter Lane

London EC4A 1NH

Solicitors to the Issue and to the Company

Howard Kennedy

19 Cavendish Square

London W1A 2AW

Registrars

Park Circus Registrars Limited

James Sellars House

144 West George Street

Glasgow G2 2HG

KEY POINTS

The following must be read in the context of the whole of this Prospectus from which it is derived including, particularly, the Section headed 'Risk Factors', on page 17.

The Issue	The Company intends to raise up to £10 million. This follows the success of the earlier First Series of Companies, which has raised approximately £6 million for similar businesses.
The Business	The Company intends to acquire and operate well-located freehold pubs in the UK.
Purchase Criteria	<p>Pubs to be acquired will have/will be:</p> <ul style="list-style-type: none">• Well located within approximately 5 miles of a significant population.• Already profitable.• Of a traditional/characterful nature.• Potential for expansion, particularly in relation to food sales.• Freehold.• Generally in the price range of £300,000 to £750,000 and capable of being on-sold at the end of the investment period to all three potential sets of buyers, i.e. owner/occupiers, managed operators or operators active in the leased market.
Tax Reliefs	EIS tax reliefs should be available on an investment of up to £150,000, providing income tax relief of up to 20% and CGT deferral of up to 40% (i.e. initially 60% in aggregate). There is no CGT on a sale of Shares after 3 years. CGT deferral is not limited to £150,000.
Criterion Asset Management	<p>Criterion Asset Management Limited ('CAM') have agreed to provide day-to-day, back office administration. They already manage over 2,900 pubs, acting for Wellington Pub Company plc, Innentrepreneur Pub Co., Phoenix Inns Limited, and the Inn Partnership as well as the First Series of Companies.</p> <p>The Company will also benefit from supplier discounts available through CAM's established position in the market.</p>
No Borrowing	It is intended that the Company will have no borrowings.

**Board of and
Consultant to
the Company**

The board of, and consultant to, the Company are highly experienced. This team includes:

Ian Griffiths – successfully achieved capital growth from the development of a number of food and pub outlets since 1977.

Gordon Atkinson – over 20 years licensed trade property management experience and, recently, licensed property sales agency.

Clive Harris – executive director of each of the First Series of Companies.

Anthony Marten – extensive track record starting in 1966.

Robert Breare – on advisory board of Alchemy Partners' Venture Capital Fund and has significant pub and leisure experience.

Tax Relief Certificates EIS tax relief certificates should be available by the end of February 2001.

Minimum Application £5,000.

Commission 3%.

Closing Date 13 October 2000 unless extended or, if the maximum subscription is reached by then, closed earlier.

Assistance Please contact Scott Arnot of Merchant Place Corporate Finance Limited by telephone on: (020) 7292 8810 or by fax on: (020) 7494 0944, or by e-mail on: scott@merchantplace.co.uk

A copy of this prospectus can be viewed at the website: www.merchantinns.co.uk.

Timetable of Events

<i>Subscription List opens</i>	<i>5 September 2000</i>
<i>Initial Closing Date</i>	<i>13 October 2000</i>
<i>Initial issue of Shares</i>	<i>13 October 2000</i>
<i>Despatch of definitive Share Certificates from</i>	<i>27 October 2000</i>
<i>Dealings expected to commence on OFEX</i>	<i>5 February 2001</i>
<i>Anticipated despatch of EIS Certificates</i>	<i>28 February 2001</i>

THE BUSINESS

The Objective

The Company intends to be a significant pub owner and operator in its chosen markets in the UK.

The Company's Activities

All pubs are intended to be well-located, already profitable, non-city pubs. The Company will be selective in its acquisitions, generally requiring each pub to have the following attributes:

- a profitable track record
- a traditional or characterful nature
- freehold
- have potential for expansion, particularly in relation to food sales
- not too reliant on a seasonal or tourist trade
- within approximately 5 miles of a significant population / catchment area

Price Range

We are likely to acquire pubs in the price range of £300,000 to £750,000. High enough to be economically feasible as a managed operation, but also being capable of being on-sold at the end of the investment period to owner/occupiers or operators active in the leased market. An additional benefit of purchasing pubs below £750,000 is to reduce the risk in relation to any one particular pub.

Target Geographical Location

Pubs are likely to be acquired in the more affluent areas within 50 miles distance of the M4, M5, M6 and M1 motorways.

Pub Management

On the acquisition of a pub, CAM will assume full responsibility for all day-to-day, back office administration, including matters such as personnel, health and safety, licensing, stock status and wet supplies, payments and provision of weekly financial information. See page 12 for further details.

In addition to supervising and monitoring CAM, the Company has overall responsibility for the control of strategy and running of each pub, including:- menu selection; all major works; appointment of and liaison with the pub manager; general operational standards; and non-wet sales supply contracts. The Company will conduct its work both by a 'hands on' approach at Board level, and by the appointment of regional managers and pub managers. It is the Board's intention to:

- ensure that the pub managers and other staff are properly trained and motivated to provide an excellent standard of customer service.
- undertake detailed analysis of the weekly, monthly and annual sales, turnover, costs and profit margin figures as compared to budget.

Sourcing of Pubs

Over 2,000 pubs are bought and sold each year, excluding portfolio sales. There is, therefore, expected to be a reasonable choice of pubs for purchase in the open market place. In addition, the Executive Directors, the Consultant and CAM, given their involvement in and knowledge of the industry, expect to be able to source a number of unadvertised potential purchases.

The Company already has potential acquisitions under discussion including:

- A popular stone built pub situated on the edge of the Peak District, comprising bar, restaurant and function suite.
- An old and very busy village Inn, based in rural Staffordshire. It has recently been refurbished.

Approval Process for Acquisition

All proposals for acquisition need to be approved by the Board. Prior to acquisition a detailed paper will be prepared. Each acquisition will need to meet the above criteria, plus:

- Satisfactory survey and understanding of demographics of the surrounding area.
- Evidence of current profitability.
- Analysis of local competition.
- Sound business plan to develop trade.
- Valuation by a leading valuer in the industry.

Improving Profit Margin

The Company will seek to maximise the profit of each pub by a number of measures including, where appropriate:-

- Improving purchasing terms through CAM's established position in the market. Supplier discounts negotiated by CAM are up to 49% of the trade wholesale price.
- Careful selection of the right management and staff and incentivising them.
- Refurbishment to attract the target customers.
- Increasing dining and children's play areas.
- Improvement of the food side of business by providing higher quality service, better food, and regular updating of menu.

Generally, if a pub is already generating a good return (as is intended on acquisition), there is no intention to 're-theme' or dramatically change the pub, which could threaten the existing client base. Rather, the above should enhance the existing profitability - a modest increase in turnover or gross margins could generate a significantly higher bottom line profit.



EXAMPLES OF ACQUISITIONS MADE BY FIRST SERIES OF COMPANIES

Since December 1999, Merchant Place Corporate Finance have established 3 companies which have acquired freehold pubs. These companies are referred to as the First Series of Companies. Together, they have raised £6 million for investment in pubs, of which £2.1 million has been utilised and about £1.6 million allocated to specific acquisitions. All involve CAM, the Sponsor and Clive Harris.

The three pubs below are examples of the acquisitions made by the First Series of Companies.

Midlands County Town Wine Bar

This Wine Bar and Restaurant is based in the centre of a Midlands county town and is considered to be one of the leading food establishments in the area. Trading at turnover levels in excess of £500,000 pa, it was acquired at approximately 1.3 X turnover.

Rural Sussex Pub

This 15th Century pub near Petworth, Sussex is well known for its feature garden. It was previously in the same family for 14 years. The acquisition price was 1.6 X turnover.

Peak District Pub

This is a characterful 18th Century stone property, located in a small village in Derbyshire in the Peak District National Park. It has a large feature garden overlooking a reservoir. Turnover benefits from year round local trade, as well as tourist trade. The previous owners were in occupation for 16 years. Purchase price was 1.1 X turnover.



ILLUSTRATIVE BREAKDOWN OF OPERATING PROFIT

The figures set out below are designed to illustrate the typical breakdown of the operating profit for a pub on acquisition, showing the split of turnover between food, drink and gaming machines, and the split of expenditure between salaries, rates, depreciation and repairs. These figures are based on recent operating pubs acquired by the First Series of Companies. Whilst based on actual figures these figures should not be regarded as indicative of the anticipated profits of any pub acquired by the Company, simply to help in the understanding of the proposed business. **No forecast is intended or implied.** They do not take account of the measures proposed on page 6 to increase profitability.

	£
Turnover per week	
Drink	3,640
Food	3,437
Turnover per annum	368,000
Gross Profit %	
Drink	57%
Food	58%
Gross Profit from Drink and Food	211,535
Machines/other income	7,000
Total Gross Profit	218,535
Salaries & Wages	(91,000)
Operating Costs	(22,635)
Rates ^{Note 1}	(4,700)
Depreciation	(6,000)
Repairs	(4,000)
Total Costs	(128,335)
Pub Operating Profit ^{Note 2}	90,200

Notes:

1. Rates will increase as a result of the new rating list that came into force in April 2000.
2. Calculated before CAM's fee, the regional managers' fees, and the Company's overhead costs

PUB INDUSTRY STATISTICS

The pub industry benefits from being a mature, well established industry, with capital values increasing on average at a rate in excess of RPI (for the twenty year period to 1999). The Company's business plan takes account of the changing demographics of the population as well as the trend of increasing sales of food, further details of which are set out below.

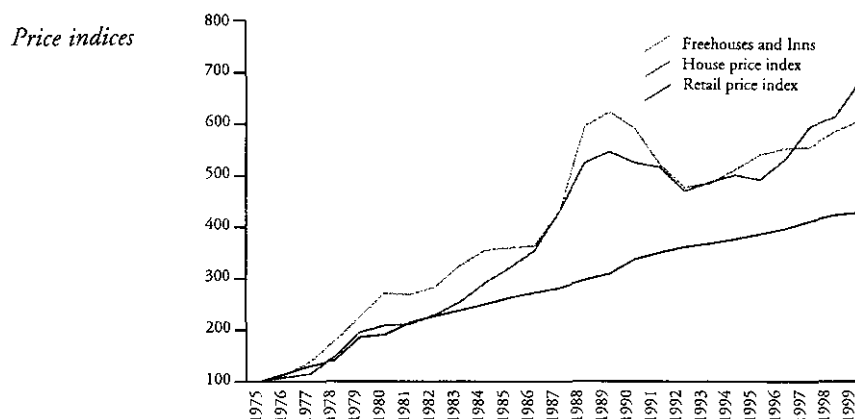
Industry Size and Ownership

There are approximately 60,000 pubs in the UK, 53,200 of which are in England & Wales. In November 1989, major breweries were required to either dispose of their brewery business or release from their brewer's tie half of the public houses they owned in excess of 2,000. This has caused a shift in ownership, such that as at the end of 1998, of the 60,000 pubs in the UK, 19,700 were owned by brewers, 21,700 by pub companies and 18,600 by independents (source: British Licensed Retailers Association). It is estimated that between 2,000 and 5,000 public houses have changed hands each year since 1990 within the UK, excluding portfolio sales.

Over 500,000 people are employed in pubs, bars and licensed clubs (excluding hotels and restaurants) (source: British Licensed Retailers Association).

Capital Values

Set out below is a graph based on the 1999 Business Review published by Christie & Co., a firm of public house surveyors and valuers. The graph compares public house values with house prices and the retail price indices.

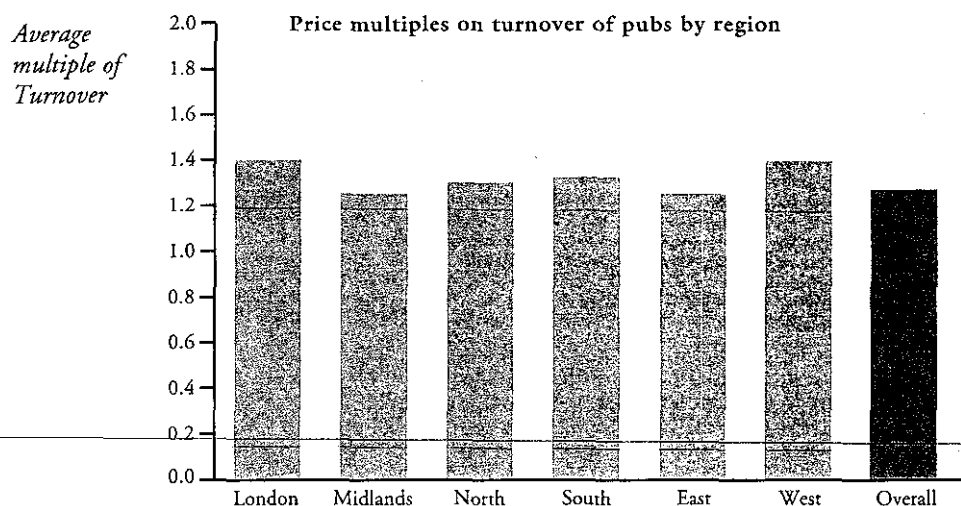


The graph shows a strong, be it not perfect, historical correlation between public house values and RPI with pub values increasing at a rate in excess of inflation. The compounded annual rate of increase for public house values over the period 1976 to 1999 was 7.8%, compared to 8.3% for houses and 6.2% for inflation.

Purchase Price Multiple

The capital values of individual pubs are often determined by reference to a multiple of turnover and presently are in the range of about one and two times turnover, dependent on factors such as location, profitability, potential and 'asset backing'.

Below is a graph based on information provided by Fleurets, Chartered Surveyors, which shows this multiple for each region of the country for 1998/1999. This graph shows an overall average of approximately 1.28 times.



Source: Fleurets

Pub Catering / Food Business

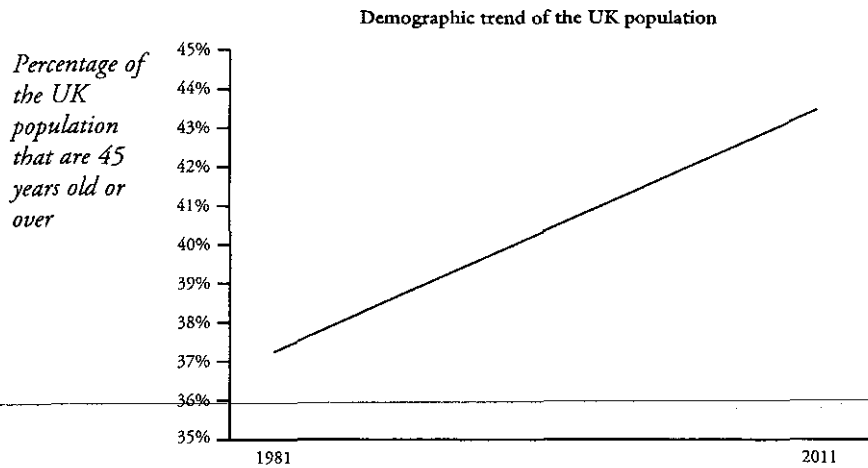
The pub catering market has increased in value by over 30% between 1993 and 1998. Mintel estimates that pubs now serve more than 1,300 million meals a year, to around three quarters of the population. Over the next three years, Mintel forecasts growth as follows:

	£m
1993	3,358
1994	3,568
1995	3,752
1996	3,934
1997	4,143
1998 (estimate)	4,414
1999 (forecast)	4,634
2000 (forecast)	4,852
2001 (forecast)	5,026
2002 (forecast)	5,252

Source: Mintel

Demographics

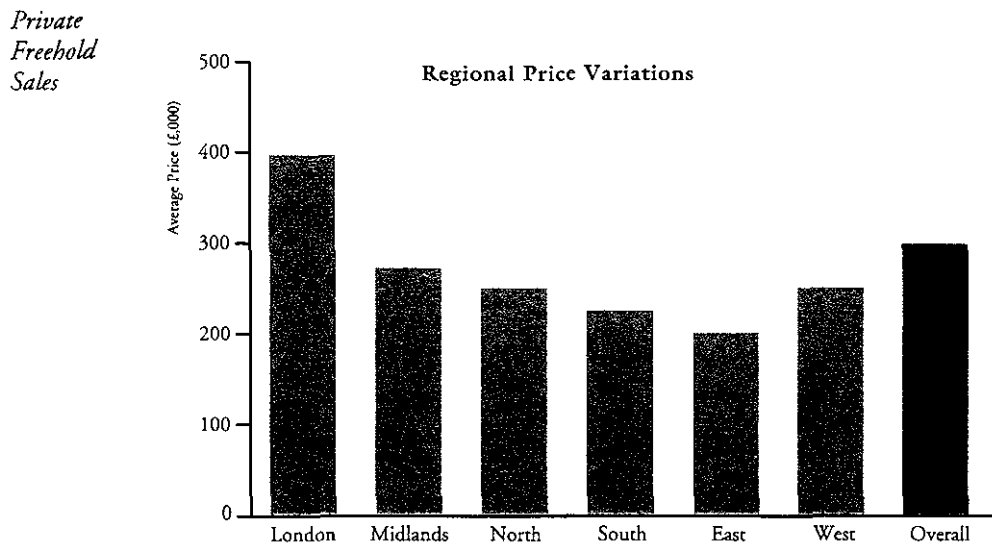
Demographics show that there are now relatively fewer 18 to 25-year olds, and that there is an increasing number of more middle-aged and early-retired people. This change in demographics is considered to be part of the reason for the above-mentioned increase in food business.



Source: Social Trends 29, Office for National Statistics

Regional Price Variances

The graph below demonstrates the different prices paid in the various regions of the country during 1998/1999.



Source: Fleurets

Note: A few sales of large pubs in one region can distort the average figures.

CRITERION ASSET MANAGEMENT LIMITED

The Company has appointed Criterion Asset Management Limited ('CAM') to provide day-to-day back office administration services. CAM have a similar role in relation to the First Series of Companies.

Pubs Already Managed

CAM is a well-known manager in the pub industry and currently acts for a diverse range of clients with over 2,900 pubs across England and Wales. In addition to the First Series of Companies, CAM act for the Wellington Pub Company plc, Phoenix Inns Limited and the Inn Partnership in running their estates, and undertakes the property management of pubs owned by Innpreneur Pub Co.

Location

CAM is based in Thame, Oxfordshire. They employ approximately 94 people directly. Head office deals with all accounting, data, insurance, risk management and administrative functions. Linked to the head office is a national network of area-based managers, building surveyors and estate managers, all of whom are experienced in the licensed trade.

Senior Manager

The senior manager responsible at CAM for the Company's pubs is Tim Grouch. He has over 30 years' experience in the brewing and pub industry. He worked for Courage Ltd until 1991 holding the positions of National Account Manager (1979 - 1982) and Area Director with responsibility for up to 500 pubs (1982 - 1991). From 1991 to 1997, he was a Regional Director with Grand Met Estates Limited and subsequently Phoenix Inns Limited, responsible for up to 1,600 public houses. He joined CAM on its creation in 1997 as Operations Director responsible for all of its pub operations.

Responsibilities

CAM will undertake all day-to-day back office administration to include:

- Paying all bills with appropriate authorisation
- Arranging all wet supplies and supply arrangements.
- Dealing with all licensing issues.
- Advising on environmental, health and safety and risk assessment issues.
- Arranging regular stocktakes.
- Providing accounting information - for each pub (based on daily input from remotely accessible tills).
- Dealing with personnel matters.

Negotiated Buying Power

Given CAM's significant position in the pub industry, it has been able to negotiate, on the Company's behalf, attractive discounts with a leading UK supplier of beers, lagers, wines and spirits. These discounts are considered by the Board to be much more attractive than the Company would otherwise be capable of achieving.

Management Fee

The management fee will be £5,200 per annum per pub, together with the cost of operating the Company's payroll in total no more than £7,500 per annum per pub.

Ownership

CAM is a wholly owned subsidiary of Criterion Asset Management Holdings Limited, which in turn is a subsidiary of Le Grand Gap Limited, a privately owned company. The principal UK subsidiary of a larger international group has the ability to exercise a controlling influence over CAM through its holdings of warrants to subscribe for ordinary shares of Criterion Asset Management Holdings Limited.

HISTORY OF DIRECTORS AND CONSULTANT

Robert Breare MA (47) *Non-executive Chairman*

Robert is an experienced businessman with interests in the venture capital, pub and leisure sectors. He is currently on the advisory board of Alchemy Partners' venture capital/buy-out fund. He is executive chairman of Noble House Leisure Limited, which operates a restaurant chain; he is non-executive director of Capital Bars plc and non-executive chairman of Refresh UK Ltd, a beer brand company.

Between 1987 and 1989, Robert was chief executive of Parkdale Holdings plc, during which time profits rose eight-fold, largely arising from its hotel and leisure club division. Parkdale was acquired by Pavilion Leisure plc in 1989. In 1990, Robert founded Arcadian International plc alongside the majority of the Board and executive team of Parkdale. Arcadian built up a portfolio of hotels and leisure resorts with profits before tax reaching £5.7 m in 1997. Arcadian was acquired by Patriot American Hospitality Inc in 1997. Robert left Arcadian in 1999 and became chief executive officer for a year of Rhesus Holdings Limited (now called InnSpired Group Ltd), the holding company for Alchemy's brewing and pub interests.

Robert is to act as non-executive chairman. He will receive a fee of £3,000 p.a., plus 0.3% p.a. of the gross subscriptions raised under the Offer.

Ian Griffiths BSc (49) *Senior Operational Director*

Following university, Ian ran his own design and build company before joining the S & K Group of restaurants, hotels and pubs, firstly as a manager then in 1989 as a director. He was responsible for the acquisition and development of Newby Grange Hotel, Cumbria (1979); Egerton Arms, Rochdale (1985); Kershaw House, Halifax (1986); Kings Arms, Chipping Campden (1986); The Bull at Burford (1990); The Harcourt Arms, Oxfordshire (1991); The Bollin and The Bay restaurants (1992). In 1993/1994 the S&K Group was re-structured, resulting in a de-merger of its divisions. Ian's division included the aforementioned Egerton Arms which is currently running profitably under management with operating profits in 1999 of £100,000 plus.

His role will include vetting all potential acquisitions, assisting in the overall strategy of the individual pubs, and in overseeing the regional managers, including their appointment. He will receive a fee £4,000 p.a. plus 0.6% p.a. of the gross subscriptions raised under the Offer.

Clive Harris (49) *Senior Executive Director*

Clive is an executive director of each of the First Series of Companies, all of which are involved in the pub business.

Clive specialises in business and operational management. He was Assistant Vice President responsible for acquisitions with Security Pacific Finance Limited for 8 years until 1987 and Managing Director of IAF Management Services plc (a holding company for a varied range of businesses) from 1987 to 1995. Recently, he also spent a year as Deputy General Manager with Itochu Europe plc. He is a director and founding shareholder of Merchant Place Corporate Finance Limited and of Merchant Administration Limited.

His main role will include communications and co-ordination amongst the Board, CAM, the Management Team and the specific teams involved in each pub acquisition and operation. He will receive a fee of 0.3% p.a. of the gross subscriptions raised under the Offer.

Gordon Atkinson BSc (Est. Man.) FRICS (50) *Property Director*

Gordon is an experienced acquisition surveyor and property manager. Presently, he advises purchasers on licensed property acquisitions. He has also recently been appointed by DTZ Debenham Tie Lung, to act as a licensed property consultant within their Licensed, Leisure and Business Property team in Bristol. Between 1998 and 2000 he was actively involved in private practice, specialising in the buying and selling of licensed premises. Between 1979 and 1998, he was a member of the estate management team at Whitbread plc, providing in-house professional property services to various divisions. Prior to Whitbreads, Gordon had various property posts at Manchester Corporation, Messrs Edward Rushton, Son & Kenyon, the Property Services Agency and the Hong Kong Government.

His role will include responsibility for vetting all potential acquisitions, preparing briefs for the development and refurbishment of pubs together with taking responsibility for overseeing day-to-day property matters. He will receive a fee of 0.3% p.a. of the gross subscriptions raised under the Offer.

Afshin Taraz BA (Hons) MSc FCA (51) *Finance Director*

After university, Afshin qualified with Peat Marwick Mitchell (now KPMG) in their London Office. He then joined Arthur Andersen & Co., and, during a 10-year career, he was involved in a variety of commercial enterprises, including in the leisure industry. Afshin then joined S & W Berisford plc as Divisional Finance Director of their Kelton Engineering Group and was part of the management team which successfully brought that division back to profit, prior to its sale to Unipart.

Afshin is now senior partner of Thompson Taraz & Co., a firm of Chartered Accountants and Registered Auditors, with its principal office in Central London. Through his practice, Afshin has been involved with providing a full range of financial control and management services, including taxation, to a number of small public companies.

His role will include all aspects of financial management. He will receive a director's salary of 0.3% p.a. of the gross subscriptions raised under the Offer.

Michael Chicken BA (Hons) (40) *Non-executive Director*

Following University he started a Merchant Banking career in 1981. By 1991 he was Head of Structured Finance and Assistant Director of Property at British & Commonwealth Merchant Bank. He then joined Terrace Hill Capital Limited (re-named Neill Clerk Capital Limited). He left in September 1998 to set-up Merchant Place Corporate Finance Limited which, to date, has raised over £60 million for property and tax efficient products. He is also a director of three other EIS companies: St Mark Homes Capital plc, St Mark Homes II plc, and Harvest Pictures plc.

He will receive a fee paid to Merchant Place Corporate Finance Limited of 0.4% p.a. of the gross subscriptions raised under the Offer.

Anthony Marten (53) *Consultant*

Tony is highly experienced in the pub industry. Most recently he was Retail Director of Morland plc prior to its acquisition by Greene King plc. Previously, for 8 years, he was Retail Director of Marston Thompson & Evershed plc, responsible for 240 managed houses. Prior to that he was Operations Director, Midsummer Leisure plc. His grounding in the pub industry was at Courage and Imperial Inns and Taverns, where he worked for 22 years in a range of management roles including Area Manager, Regional General Manager and Operation Services Director.

His role as consultant will be to advise in particular on acquisitions and on post-acquisition strategy. He will receive a consultant's fee of 0.3% p.a. of the gross subscriptions raised under the Offer.

TAX RELIEFS FOR INVESTORS

Introduction

To obtain the tax reliefs described below it is necessary to acquire Ordinary Shares in a qualifying company and claim the relief. On the basis of the information provided, including a draft of this document, the Inland Revenue has given provisional confirmation that the Company is a qualifying company.

The summary below gives only a brief outline of how the tax reliefs are given assuming the Investor is a 40% tax payer. It does not set out all the rules which must be met for periods of between three and five years by the Investor and the Company. The summary is not a substitute for the Investor obtaining professional advice before applying for Shares.

New EIS Relief

On 6 April 1998 the re-investment rollover relief scheme (Chapter 1 of Part V of the Taxation of Chargeable Gains Act 1992) merged with the EIS. The new EIS relief has four elements:

1. Income Tax Relief (up to £150,000)

Individuals can obtain income tax relief on the amount subscribed for Shares (up to £150,000 in the tax year 1999/2000) in one or more qualifying companies provided they are not connected with the issuing company. Husbands and wives can each invest up to £150,000. To calculate the relief, the lower rate of tax (currently 20%) is multiplied by the amount subscribed. The relief is given against the individual's income tax liability for the tax year in which the shares are issued unless the individual makes a carry back claim.

Example

	£
Gross investments in Shares	10,000
Less income tax relief at 20%	(2,000)
Net cost of investment	8,000

An individual who subscribes for Shares after 5 April 2000, and before 6 October 2000, may elect to carry back part of the subscription to the previous tax year so that relief at 20 percent can be set against his 1999/2000 income tax liability. The amount of subscription that can be carried back is limited to the smaller of (a) £25,000, (b) half of the amount subscribed, and (c) the unused balance of his £150,000 relief available for 1999/2000. Any Investor proposing to carry back such tax relief should tick the box on the application form so that Shares can be issued by not later than 5 October 2000.

2. Capital Gains Tax Deferral (unlimited and in addition to income tax relief)

To the extent to which a UK resident investor (includes individuals and certain trustees) subscribes for qualifying shares, he can claim to defer paying tax on all or part of a chargeable gain arising on the disposal of any asset. Although there is a limit of £150,000 for income tax relief and the exemption from CGT (see 1 above and 3 below), there is no limit on the amount of gains that can be deferred.

The subscription must be made and the shares issued within one year before or three years after the date of the disposal which gives rise to the gain or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as a disposal of shares or an earlier breach of the EIS rules.

By utilising both the income tax relief and CGT deferral, the aggregate of upfront benefit can be up to 60% of the amount invested.

3. Exemption from CGT

Any capital gains realised on the disposal of the Shares on which EIS income tax relief has been given and not withdrawn are tax free, provided the shares have been held for at least 3 years.

Example

	£
Realised value of Shares	22,000
Less original gross investment in Shares	(10,000)
Tax free gain	12,000

4. Loss Relief against Income or Gains

Tax relief is available where there is a loss on a disposal at any time of Shares on which EIS income tax relief (see 1 above) has been given and not withdrawn, or CGT deferral relief (see 2 above) has been given and not withdrawn. The amount of the loss (after taking account of the income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which the disposal occurs, or taxable income in the preceding year or carried forward as a capital loss for set off against future capital gains.

Example

	£
Realised value of shares	Nil
Gross investment in shares	(10,000)
Less income tax relief at 20%	2,000
Loss before tax relief	(8,000)
Tax Relief	3,200
Net loss	(4,800)

Inheritance Tax - Business Property Relief

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least two years and certain conditions are met at the time of the transfer, 100% business property relief is available, which reduces the inheritance tax liability on the transfer to nil.

Tax Relief Certificates

Provisional EIS clearance in respect of the Offer has been received from the Inland Revenue. The Directors will be able to apply for final clearance once the Company has been trading for a period of four months. Accordingly, the Directors anticipate that EIS 3 Certificates, which Investors need to claim the tax relief, should be made available by the end of February 2001, subject to Inland Revenue working practices.

Dividends

For dividends paid, no ACT is payable by the Company. Shareholders receive a notional tax credit, such that basic rate tax-payers have no further tax to pay on the dividend received and higher rate tax-payers have a liability to pay higher rate equivalent to 25 per cent of the amount of the dividend received.

THE FIGURES IN THIS SECTION ARE EXAMPLES ONLY. THEY ARE NOT, AND SHOULD NOT BE CONSTRUED AS, FORECASTS OF THE LIKELY PERFORMANCE OF THE INVESTMENT DESCRIBED IN THIS PROSPECTUS. PLEASE NOTE THAT THIS IS ONLY A CONDENSED SUMMARY AND SHOULD NOT BE CONSTRUED AS CONSTITUTING ADVICE WHICH A POTENTIAL INVESTOR SHOULD OBTAIN FROM HIS OR HER OWN INVESTMENT OR TAXATION ADVISER BEFORE APPLYING FOR SHARES.

RISK FACTORS

1. Business Risks

The Company will be subject to the usual risks of companies owning and operating pubs, including general economic conditions, uninsured calamities, ongoing requirement for refurbishment, finding sufficient suitable public houses, opening of competing pubs, licence restrictions and the loss of licences, and other factors.

2. Value

The value of the Shares and the Company's assets may go down as well as up and an Investor may not get back the full amount he has invested.

3. The Future

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these do not guide the future. Aims, targets, plans, intentions and projections referred to are no more than that and do not imply forecasts. Legislation may change and its interpretation may not be correct. The past performance of the management is not necessarily a guide to their future performance.

4. Taxation

This document is prepared in accordance with current legislation, Inland Revenue practice and its interpretation by the Company's advisers. Legislation and Inland Revenue practice may change and its interpretation may not be correct. The rates of tax reliefs may be altered. The levels and bases of and reliefs from taxation may change. Tax reliefs referred to are those currently available and are personal to the Investor. Their value depends on the individual circumstances of the Investor. Failure to hold EIS investments for at least three years will, and using them to obtain or improve the terms of credit may, result in a loss of tax relief obtained initially with a requirement for repayment of such tax relief with interest. The availability of the tax reliefs described in this document depends on the Company achieving and maintaining EIS status. No guarantee can be given that the Company will achieve and maintain such status.

5. Market for Shares

None of the Shares are quoted or listed. Investments in unquoted shares carry higher risks than investments in quoted shares, may be difficult to realise, and there can be no certainty that market makers will be prepared to deal in them. It may be difficult to obtain reliable information on the current value of the Shares or on the extent of the risks to which the Shares are exposed.

Although an application will be made for the Ordinary Shares to be dealt in 'off exchange' through OFEX, this should not be taken as implying that there will be a liquid market in the Shares. Whilst the Directors have no reason to believe the Company's application to join OFEX will be refused, admission (and continued admission) to OFEX is entirely in the discretion of J P Jenkins Limited. OFEX is not the Official List of the London Stock Exchange.

Investment in the Company may not be suitable as a medium or short-term investment.

6. No Compensation Scheme

No Investors' Compensation Scheme or similar is available for claims related to the Shares or subscriptions therefore.

7. Suitability

This investment may not be suitable for all recipients of this document. Applicants are advised not to proceed unless they have taken independent advice from an adviser authorised under the Financial Services Act 1986, who specialises in investments of this kind.

GENERAL INFORMATION

Performance Based Reward Structure

The management will be paid on a performance basis through the ownership of 'A' Shares.

The management team will hold 105 'A' Shares: 14 by Robert Breare, 35 by Ian Griffiths, 14 by Gordon Atkinson, 14 by Afshin Taraz, 14 by Merchant Administration Limited, and 14 by Merchant Place Corporate Finance Limited.

The 'A' Shares will not be entitled to receive any dividend until distributable profits exceed a hurdle rate of 7% per annum of the Company's ordinary share capital, together with any share premium, and thereafter will receive 10% of the excess.

This is illustrated as follows:

Cumulative Distributable Profits over 3 years

Assumed to be evenly split (based on £5 million initial capital)	Investors	'A' Shares
---	-----------	------------

£1,000,000	1,000,000	Nil
£2,000,000	1,905,000	95,000
£3,000,000	2,805,000	195,000

During the first 3 years if the hurdle rate is not achieved in one year, then the following year's hurdle rate will be increased by the deficit.

No Borrowing

The Directors intend to operate the Company without borrowings.

Fees of CAM and Regional Managers

CAM will charge a fee of up to £5,200 p.a. per pub for the services it provides as listed on page 12. In addition there will be the cost of running the company's payroll. The estimated aggregate is no more than £7,500 p.a. per pub.

Regional managers, who will generally supervise between 4 and 8 pubs, will be provided by Merchant Administration Limited at a fee of £12,500 p.a. per pub.

Overhead Costs

The remuneration of Directors and the Consultant on pages 13 and 14 totals £7,000 p.a. plus 2.5% p.a. of gross funds subscribed under the Offer. In addition, there will be 0.2% p.a. administrative charge payable to Merchant Administration Limited, to cover 'head office' costs of rent, rates, service charges, heating, electricity, telephone, postage, IT, general insurance and other office costs. Malcolm Lassman, as secretary will receive £5,000 p.a. plus 0.1% p.a. of gross funds subscribed.

It is the Directors' intention that administrative overhead less net interest income should be no more than 3.15% of gross subscriptions under the Offer. To reflect their commitment to this overhead and cash flow control, if overheads exceed this target, the 'A' Share dividend will be reduced, in so far as this is possible, so that the profit allocation to ordinary shareholders will be as if administrative overheads less net interest income had amounted to 3.15% of capital raised. Administrative expenses do not include project costs, for example acquisition costs, nor do they include registrars' fees, OFEX related and monitoring fees, or any costs in relation to the issue.

Merchant Place Corporate Finance Limited are to be paid £4,000 per annum as a fee to monitor the Company's compliance with the EIS regulations.

Marketability Of Shares, OFEX and Exit Route

The Directors intend to apply in December 2000 for all the Shares in issue to be traded through OFEX, which is a share dealing facility operated by J.P. Jenkins Limited. OFEX is not a regulated market, but a mechanism whereby member firms of the London Stock Exchange can effect business off exchange in the shares of certain unquoted companies. Under OFEX, companies are provided with an independent market maker, screen based prices and entry to a comprehensive company information and announcement system provided by Newstrack and distributed by Bloomberg, ICV-Topic, Market-EYE, Reuters and QST. Pricing information may be obtained through J.P. Jenkins Limited on the Internet at: www.ofex.co.uk.

A person wishing to buy or sell shares which have a trading facility on OFEX must complete his trade through his own stockbroker, as J.P. Jenkins Limited cannot deal directly with the general public.

In time the Company will consider moving to the Alternative Investment Market or seeking a listing on the full market. At the end of 3 years an extraordinary general meeting will be held to consider the future of the Company. At that meeting Shareholders will be asked to vote on various options. These options will include a) liquidation, b) moving to AIM (if the Company is not already on AIM), c) seeking a full listing (if the Company is not already on the full list) and d) trade sale.

On a sale or flotation of the Company, it is the Directors intention to recognise the rights of the A shares at such time having regard to any increase in capital value of the pubs then owned by the Company.

Sponsor

The Sponsor is Merchant Place Corporate Finance Limited. Founded in September 1998, MPCF specialises in tax efficient and property related investment products. Since launch it has quickly established itself in its chosen niches and, to August 2000, has raised over £60 million for enterprise zone syndicates, commercial property investments and other EIS companies. MPCF is regulated by the Securities & Futures Authority Limited.

OTHER INFORMATION

Minimum Investment

The minimum investment from each Investor is £5,000, and thereafter in multiples of £500.

Initial Closing Date

The closing date of this Offer is 13 October 2000. The Offer may close earlier if fully subscribed before that date, and the Directors reserve power to extend the closing date, subject to receipt of the minimum subscription by then. If sufficient applications have been received by 5 October 2000 to meet the minimum subscription level of £700,000, then Shares will be issued on that date.

Further Assistance

For further information in relation to this Prospectus, a prospective Investor should consult their own professional adviser, or Scott Arnot of Merchant Place Corporate Finance Limited by telephone: 020 7292 8810, or by fax: 020 7494 0944, or by e-mail: scott@merchantplace.co.uk.

~~For information on the processing of submitted applications contact Park Circus Registrars Limited by telephone: 0141 353 2620, or by fax: 0141 353 2296.~~

Applications

Applications for Shares may only be made and accepted on the Application Forms on pages 33 and 35, and subject to the terms and conditions of this Prospectus.

Commission

Commission at the rate of 3% of subscriptions accepted will be paid by the Sponsor out of its fee to authorised (in terms of the Financial Services Act 1986) agents introducing such subscriptions.

The Right To Invest

The Directors, the Consultant and advisers (other than the auditors), any of their directors, partners or employees, have the right to invest in the Company.

Share Certificates

Definitive Share Certificates should be sent out from 27 October 2000.

EIS Certificates

The Directors are confident that the commencement of business will be prompt. EIS Certificates are therefore expected to be issued by the end of February 2001.

Report And Accounts

The first audited accounts available for Investors will be for the period ending 30 September 2001. Report and accounts will be sent out within four months thereof and annually thereafter. As required under the OFEX Code, the Company also intends to announce interim quarterly results within 3 months of the end of the period to which they relate.

Sponsor Fee

Merchant Place Corporate Finance Limited will receive a fee of 7.75% of gross subscriptions raised under the Offer (further details of which are set out on page 27).

Model Code

As required by OFEX, the Company has adopted the Model Code, this being the code on directors' dealings in securities published by the London Stock Exchange.

Subscription Level

The minimum subscription is £700,000 and the maximum subscription is £10,000,000.

STATUTORY AND GENERAL INFORMATION

1. Share Capital

- 1.1 The Company was incorporated in England and Wales as a public company limited by shares under the Companies Acts 1985 ("the Act"), with company number 3872646, on 3 November 1999.
- 1.2 50,000 Redeemable Preference Shares of £1 each with a nominal value of £50,000 were allotted, as to one-quarter paid up, to Merchant Place Corporate Finance Limited on 15 August 2000 and will be redeemed from the proceeds of the Offer.
- 1.3 On 15 August 2000 the Company was issued with a certificate entitling it to borrow and do business under Section 117 of the Act.
- 1.4 The main objects of the Company as set out in the Memorandums of Association are to carry on the business as a general commercial company.
- 1.5 The liability of the members of the Company is limited.
- 1.6 Pursuant to an Ordinary Resolution passed on 15 August 2000, the Directors were generally and unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £5,050,051.50 such authority to expire on the later of the date falling 15 months after the date on which the Ordinary Resolution was passed and the next annual general meeting of the Company, but so that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired.
- 1.7 The Directors are empowered pursuant to Section 95 of the Act to allot shares pursuant to the authority referred to in paragraph 1.6 above as if Section 89(1) of the Act did not apply. This power expires on the later of the date falling 15 months after the date on which the relevant Resolution was passed and the next annual general meeting of the Company, unless previously renewed or extended and is limited to the allotment of Shares up to one hundred percent of the aggregate nominal value of the ordinary shares of the Company. Once this power has expired, unless previously renewed or extended, Section 89 (1) of the Act will apply to any proposed allotment of Shares for cash.
- 1.8 As at the date of this document, the Company's authorised and issued share capital is as follows:

	Ordinary Shares of 50p each	"A" Ordinary Shares of 50p each	Redeemable Preference Shares of £1 each
Authorised	10,000,000	105	50,000
Issued and fully paid	2	0	50,000 (as to one-quarter paid up)

- 1.9 Other than as provided herein, since incorporation no share or loan capital of the Company has been issued, or agreed to be issued, as fully or partly paid up for cash, or for a consideration other than cash.
- 1.10 No share or loan capital of the Company is under option, or is proposed to be put under option, or agreed conditionally or otherwise to be put under option.

2. Accounting Reference Date

The accounting reference date of the Company is 30 September in each year.

3. Directors' and other Interests

- 3.1 Other than their directorships of the Company, the current UK directorships of the Directors and those held during the previous five years are set out below:

Name	Current	Past
Robert Breare	Talisman Management and Investment Limited	Wyndham UK Holdings Limited
	Taipan Taverns Limited	Malmaison Management Limited
	Arbuckles Group Limited ²	Ettington Park Hotel Limited
	The Far East Beer Company Limited	Ettington Park Group Limited
	Ushers of Trowbridge Limited	Clipper Inns Limited
	Rhesus Limited	Clipper Hotels Limited
	Rhesus Positive Limited	Chilston Park Limited
	Ushers Brewery Limited	Brantridge Management Limited
	The Little Pub Company Limited	WYN UK Developments Limited
	Innspired Group Limited	WYN International Resorts Limited
	Alcouse Finance plc	WYN International Limited
	Innspired Pubs Plc	WYN Hotels Limited
	Innspired Company Limited	WYN Hotels (UK) Limited
	Capital Bars plc	WYN UK Group Services Limited

	Innspired Taverns Limited Innspired Inns Limited Refresh Group Limited Noble House Leisure Limited Refresh UK plc Blundell's School	WYN (Italy) Limited Ambassador Hotels Limited Wyndham French Holdings Limited Westminster & Country Properties (London) Limited Westminster & Country Properties (Bicester) Limited Westminster & Country Finance Limited Westminster & Country Construction Co. Limited W & C P (Exeter) Limited W & C (Estates) Limited Tillian Limited Mollington Banastre Hotel Limited The Malmaison Hotel (Newcastle) Limited The Malmaison Hotel (Manchester) Limited The Malmaison Hotel (Leeds) Limited The Malmaison Hotel (Birmingham) Limited The Malmaison Company (Edinburgh) Limited The Great Eastern Hotel Company Limited Ses Fontanellas (Brantridge) Limited Ronald Wilson (Properties) Limited Polycourt Limited Pagle Limited Malmaison Resources Limited Malmaison Limited Malmaison Hotels Limited L'Horizon Hotels Limited Housemanor Limited European New Timeshare Limited Malmaison (Ell) Limited The Malmaison Hotel (Glasgow) Limited Malmaison Brand Limited Mentmore Golf and Country Club plc Brewers and Licensed Retailers Association USW Limited Parkdale (Archerfield) Limited* Jetcastle Limited* Westminster and Country Holdings Limited* Hawc Trust Limited* Smithfield Developments Limited* Astonfawn Limited* Taraz & Co Limited*
Afshin Taraz	Taraz Financial Advisory Services Limited Foundation for Traditional Medicine Limited West End Business Advisory Services Limited CGT Direct Limited Future Financial Group Limited Future Financial Facilities Management Limited Future Financial Education Services Limited Thompson Taraz Business Services Limited Future Financial Research & Development Limited Future Financial Procurement Limited	
Clive Harris	CHC Corporate Finance Limited L.P.M.S. Financial Services Limited Techrent Limited Merchant Place Corporate Finance Limited Merchant Administration Limited Claymoss Leisure Limited	Itochu Consumer Finance Limited Response Collections Limited Benton Finance Limited Vector Networks Limited

	Planetlaptops.com Limited	
	Claymoss Productions Limited	
	Musketeers Pubs Limited	
	Marent Limited	
Ian Griffiths	S & K (North) Limited	Everyday Restaurants Limited ¹
	Steak & Kabab Hotel & Restaurant (Carlisle) Limited	
Gordon Atkinson	None	None
Michael Chicken	St Mark Homes Capital plc	Patent I plc ¹
	St Mark Homes II plc	Reversionary Recovery 3 Nominees Limited
	Central Asset Finance Limited	Patent II plc ¹
	Merchant Place Corporate Finance Limited	Central Equipment Rental Limited ¹
	Harvest Pictures plc	Circus Leasing Limited ¹
	Harvest Pictures II Limited	City Tenancies Limited ¹
	Claymoss Leisure Limited	Neill Clerk Capital Limited
	Claymoss Productions Limited	Home Tenancies Limited ¹
	Musketeers Pubs Limited	Park Circus (Secretaries) Limited
	Marent Limited	Home Partners Plus 01 plc ¹
	Merchant Administration Limited	Home Partners Plus 02 plc ¹
	E-Hub.com Plc	Manor Court Residents' Amenity Co. Limited ¹
	Merchant Place Limited	Norcity Homes plc*
		NC NOM plc ¹
		NC BRP plc ¹
		Manchester Village Homes plc ¹
		Norhomes plc ¹
		Short Leasehold plc*
		Peartree Business Centre Limited
		Mansebridge Care Homes plc ¹
		Park Circus (Management) Limited
		St Mark Homes Income plc ¹
		Terrace Hill Group plc
		Westview Investments Limited
		LPMS Financial Services Limited
		Park Circus Registrars Limited
		AIM Without Tears Limited ¹
		Terrace Hill Investments Limited
		Accumulus I (Third) Nominees Limited ¹
		Accumulus II (Third) Nominees Limited ¹
		NC (City & Home-Secured) Limited
		NC (Norcity-Secured) Limited
		NC (Norcity-Free) Limited
		NC (City & Home-Free) Limited
		NC (Clyde-Free) Limited
		NC (Clyde-Secured) Limited
		NC (Res) Limited
		Accumulus Nominees Limited ¹

3.2 The Directors of the Company have no past convictions.

3.3 The Directors of the Company have no past disqualifications from acting as a director.

3.4 None of the Directors have been adjudged bankrupt or been the subject of public criticism.

3.5 There have been no bankruptcies, receiverships, liquidations or dissolutions of any of the companies where the directors were directors at the time of, or within 12 months preceding the date of such event, except:

those marked "*" in Clause 3.1 are companies placed into members' voluntary liquidation (solvent),

those marked with "†" in Clause 3.1 are companies that have been dissolved (solvent),

that company marked with "‡" in Clause 3.1 was placed into liquidation (insolvent),

that company marked with "§" in Clause 3.1 was placed in administrative receivership in July 2000.

- 3.6 Other than as provided in paragraph 3.11 below, none of the Directors has any interest (whether beneficial or non-beneficial) in the issued share capital of the Company.
- 3.7 The Directors are not aware of any shareholding which, after completion of the Offer, is expected to amount to three per cent or more of the Company's issued share capital.
- 3.8 There are no outstanding loans granted by the Company to any of the Directors, nor are there any guarantees granted by the Company for their benefit.
- 3.9 None of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to the Company or is proposed to be acquired, leased to, or disposed of, by the Company.
- 3.10 None of the Directors is aware of any person(s) who could, directly or indirectly, jointly or severally, exercise control over the Company.
- 3.11 The interests of the Directors in the share capital of the Company (all of which are beneficial) as at the date of this document are as follows:

Name	No. of Ordinary Shares	No. of "A" Ordinary Shares	No. of Redeemable Preference Shares
Robert Breare	Nil	14	Nil
Afshin Taraz	Nil	14	Nil
Ian Griffiths	Nil	35	Nil
Gordon Atkinson	Nil	14	Nil
Michael Chicken*	1	14	50,000
Clive Harris*	1	14	Nil

* Michael Chicken and Clive Harris are both directors and shareholders of Merchant Place Corporate Finance Limited and Merchant Administration Limited, which own 50,000 redeemable preference shares and 14 'A' Shares, and 14 'A' Shares respectively.

- 3.12 The aggregate remuneration paid and benefits in kind granted to the Directors by the Company during the financial year ended 30 September 2000 will be nil and it is estimated that the aggregate of such remuneration and benefits in kind to be granted to the Directors and proposed directors in respect of the financial year ending 30 September 2001 under arrangements in force at the date of this document will be £22,400 for the Company based on the minimum subscription.
- 3.13 Michael Chicken and Clive Harris are both directors and shareholders of Merchant Place Corporate Finance Limited, and Merchant Administration Limited, which have entered into the sponsorship agreement and administration agreement, respectively, the terms of which are summarised in Clause 10 below.

4 Articles of Association

The Articles of Association of the Company contain, inter alia, the following provisions:

Share Capital

The capital of the Company as at the date of adoption of these Articles is £5,050,052.50 divided into 10,000,000 Ordinary Shares of 50p each, 50,000 Redeemable Preference Shares of £1 each and 105 'A' Ordinary Shares of 50p each ("A' Shares").

4.1 Rights Attaching to the Redeemable Preference Shares:

4.1.1 As Regards Income

The Redeemable Preference Shares carry the right to receive a fixed cumulative preferential dividend from the revenue profits of the Company which are available for distribution and which the directors determine to distribute by way of dividend in priority to any dividend payable on the Shares or 'A' Shares at the rate of 0.1% per annum (exclusive of any imputed tax credit available to shareholders) on the nominal amount thereof, but confer no other right to a dividend.

4.1.2 As Regards Voting and General Meetings

The Redeemable Preference Shares confer no right to receive notice of, or to attend or vote at, general meetings except where the rights of holders of the Redeemable Preference Shares are to be varied or abrogated.

4.1.3 As Regards Capital

On a winding up the holders of the Redeemable Preference Shares shall be entitled to be paid out of the assets of the Company available for distribution the nominal amount paid up on such shares pari passu with, and in proportion to, amounts of capital paid to the holders of Shares or 'A' Shares, but do not confer any right to participate in any surplus assets of the Company.

4.1.4 Redemption

The Redeemable Preference Shares are capable of being redeemed by the Company at any time and on their redemption the

holders thereof shall subject to the provisions of the Act be paid £1 per Redeemable Preference Share held and each redeemable Preference Share which is redeemed shall thereafter be redesignated as and sub-divided into two Ordinary Shares of 50p each in the authorised but unissued capital of the Company without any further resolution or consent.

4.2 Rights Attaching to the Ordinary and 'A' Shares

4.2.1 As Regards Income

The holders of 'A' Shares as a class shall be entitled to receive in respect of each accounting period for which audited accounts for the Company are produced (pro rata to their respective holdings of 'A' Shares) 10% of the following, namely:-

$$X - (Y + Z)$$

where X = the profits available for distribution and arising in the relevant accounting period (hereinafter referred to as the 'Preferential Dividend').

where Y = the greater of nil or 7% of the nominal amount and any premium thereon paid up on the entire issued share capital of the Company as at 6 April 2001.

where Z = the greater of (a) nil or (b) the amount of profits that would have been available for distribution in the relevant accounting period if there was no Excess, minus 'X'. In respect of accounting periods ending after 30 September 2003 'Z' shall be nil.

where 'Administrative Overheads' shall mean all administrative expenses and overheads of the Company during the relevant accounting period after allowing for net interest income received during the period but excluding:-

- (i) the direct costs of any acquisition or operation of public houses owned by the Company including, without limitation, surveyors and valuation fees;
- (ii) any legal and/or estate agent fees and expenses payable on disposal of any public houses owned by the Company;
- (iii) any fees and expenses payable to the Company's registrars;
- (iv) any fees and expenses payable to the Sponsor under the Company's offer for subscription dated on or about 4 September 2000 (the 'Offer');
- (v) any Company secretarial fees and expenses;
- (vi) any fees and expenses payable in respect of the Company's OFEX admission and ongoing membership thereof.

where 'Excess' shall mean the amount by which Administrative Overheads in any accounting period of the Company shall exceed 3.15% of the gross amount raised by the Company under the Offer.

If, in any accounting period referred to above, profits available for distribution represent an amount less than 'Y', then the shortfall shall be aggregated to the amount of 'Y' for the purpose of calculating the rights of 'A' shareholders to income under this Article in the following accounting period, and so on until such shortfall is extinguished in full.

Unless the Company has insufficient profits available for distribution and the Company is thereby prohibited from paying dividends by the Act, the Preferential Dividend shall become due and payable within a period of six months following the end of the relevant accounting period (or as soon thereafter as the same may lawfully be paid) without any recommendation or resolution of the directors of a Company or members in general meeting and if not then paid shall be a debt due by the Company.

If in any accounting period of the Company the whole or any part of the Preferential Dividend is not paid in full by the due date then the Company shall pay on the date or dates of actual payment in full thereof an amount of interest calculated at the rate of 2 per cent per annum over the base rate from time to time in force of Barclays Bank Plc on such unpaid Preferential Dividend (or the unpaid part thereof) from the due date of payment thereof until the date or dates of actual payment in full and such arrears and interest together shall be a debt owed by the Company to the holders of the 'A' Shares.

The holders of the Ordinary Shares as a class shall be entitled to receive the balance of such profits available for distribution in the relevant accounting period.

4.2.2 As Regards Capital

On a return of the capital on a winding up or otherwise (other than on redemption or purchase of shares) the assets of the Company available for distribution to the shareholders shall be applied, in priority to any payment to the holders of any other class of shares in the capital of the Company, in paying to the holders of the 'A' Shares all arrears, deficiencies and accruals (if any) of the Preferential Dividend and interest thereon up to and including the date of commencement of the winding up (in the case of winding up) or the return of capital (in any other case) and payable whether such dividend has been declared or not, together with a further amount (apportioned as between the holders of the 'A' Shares pro rata to their respective holdings thereof) equivalent to the Preferential Dividend, save that references therein to the relevant accounting period shall be to the period from the commencement of the relevant accounting period during which the return of capital or winding up

shall occur down to and including the date of commencement of winding up or the return of capital (as appropriate) and references therein to audited accounts shall be to management accounts for such period prepared consistently with the audited accounts.

The balance of such assets shall be divided amongst the holders of Ordinary Shares and 'A' Shares (pro rata to their respective holdings of such Shares).

4.2.3 As Regards Voting and General Meetings

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership and subject to any special terms as to voting upon which the Shares may be held, each holder of 'A' Shares and Shares present in person or by proxy shall on a poll have one vote for every Share of which he is the holder.

5. **Variation of Class Rights**

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by such rights or in the absence of any such provision with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

6. **Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to Section 80 of the Act, to issue debenture stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not any time without the previous sanction of shareholders in general meeting exceed a sum equal to 20 per cent of the aggregate of the nominal capital of the Company for the time being paid up and the amounts standing to the credit of the share premium account.

7. **Litigation**

So far as the Directors are aware, there are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company which are having, or may have, a significant effect on the financial position of the Company.

8. **Minimum subscription and net proceeds of the Issue**

8.1 The minimum amount that must be raised by the issue of Shares pursuant to this Prospectus for the Company to provide for the items specified in paragraph 21 of POS (the "Minimum Subscription") is made up as follows:

(i) Issue costs including commission	£54,250 (i.e. 7.75% of £700,000)
(ii) Repayment of monies borrowed	Nil
(iii) Working Capital and/or acquisition of pubs	£595,750
(iv) Repayment of Redeemable Preference Shares	£50,000
Total Minimum Subscription	£700,000

8.2 On the basis of the Minimum Subscription, the gross proceeds of the Offer will amount to £700,000 and, after deduction of the expenses of the Offer, the net proceeds of the Offer will be approximately £645,750.

8.3 On the basis of the Maximum Subscription, the gross proceeds of the Offer will amount to £10,000,000 and, after deduction of the expenses of the Offer, the net proceeds of the Offer will be approximately £9,225,000.

8.4 The expenses of the Offer will be paid by the Company.

9. **Consent**

Ernst & Young has given and not withdrawn its written consent to the issue of this Prospectus, with the inclusion herein of its report and/or the references thereto and to its name, in the form and context in which it appears.

10. **Material Contracts**

The only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company since incorporation, and are or may be material in the context of the Company, are as follows:-

10.1 Sponsorship agreement made between (1) the Company, (2) the Directors, and (3) Merchant Place Corporate Finance Limited ('the Sponsor') dated 25 August 2000, whereby the Sponsor has agreed to use its reasonable endeavours to procure subscriptions for Shares pursuant to the Offer on the terms of this Prospectus in consideration of a fee of 7.75% of such subscriptions. Out of that fee the Sponsor will discharge all costs relating to the Issue and commission of 3% of subscriptions to be paid to authorised agents through whom valid applications for Shares are made. The Directors of the Company, and the Company, have granted to the Sponsor certain warranties and indemnities in connection with the Issue. The Sponsor is

entitled to terminate its obligations as sponsor if the Company is in default of its obligations or any of the warranties given to the Sponsor are materially incorrect.

- 10.2 Receiving Agent and Registrar's agreement dated 25 August 2000 and made between (1) the Company, and (2) Park Circus Registrars Limited of James Sellars House, 144 West George Street, Glasgow G2 2HG, whereby Park Circus Registrars Limited were appointed receiving agent to the Offer and registrar to the Company for an initial set-up fee of £1,500, plus an annual fee of £1.25 per shareholder plus out of pocket expenses subject to a minimum fee of £750 per annum and to annual review. All fees are exclusive of VAT.
- 10.3 Agreement made between (1) the Company and (2) Criterion Asset Management Limited ("CAM") dated 25 August 2000 whereby CAM has agreed to provide certain services to the Company as set out on page 12 for a fee of £5,200 per annum per pub. The Agreement continues until terminated by either party given to the other not less than 6 months notice of termination.
- 10.4 Agreement between (1) the Company and (2) Merchant Administration Limited ("MAL") dated 25 August 2000 whereby MAL has agreed to provide the Company with general administrative services, including the provision of regional manager(s) for a fee of £12,500 per annum per pub. The Agreement continues for 2 years and thereafter until terminated by either party given to the other not less than 12 months notice of termination.
- 10.5 Each Director has entered into a Consultancy Agreement with the Company dated 25 August 2000. The Agreement may be terminated by either party given to the other not less than 6 months notice of termination (except 12 months in the case of Robert Breare), notice not to be given until an initial 12 months has elapsed. The fee payable to each Director is as set out on pages 13 and 14. ~~Under the Agreement each Director is required to devote such time as is reasonably necessary in respect of the performance of his consultancy duties to the Company.~~

11. General

- 11.1 The amount payable on application and allotment of each Share is £1, including a premium of £0.50 per Share.
- 11.2 The auditors of the Company are Ernst & Young of Rolls Buildings, Fetter lane, London, EC4A 1NH.
- 11.3 The Company has no subsidiaries.
- 11.4 Subject to the achievement of the minimum subscription in respect of the Offer, if the Offer is not taken up in full the amount of the capital subscribed thereunder may be allotted in any event.
- 11.5 The promoters of the Company are, or may be considered to be, Merchant Place Corporate Finance Limited and the Directors.
- 11.6 The registered office of the Company and the principal place of business is 4 Newburgh Street, London, W1F 7RF.
- 11.7 The Directors consider that the prospects of the Company for the financial year ending 30 September 2000 are satisfactory.
- 11.8 The Directors, whose names, addresses and functions appear on page 4, accept responsibility for the information contained in this document.
- 11.9 Ernst & Young, whose address is stated on page 4, accept responsibility for their Accountants' Report contained herein.
- 11.10 The Company is not dependent on any patents or other intellectual property rights, licences or particular contracts, which are of fundamental importance to the Company's business.
- 11.11 The Company has no investments in progress.
- 11.12 No amount or benefit in the sum of £10,000 or more in cash or in kind has been paid or given by the Company since incorporation to any promoter or to any other person (excluding trade suppliers) immediately preceding the date of this Prospectus, or is intended to be paid or given.
- 11.13 The Directors consider that, upon receipt of the minimum subscription under the Offer, the Company will have sufficient working capital for its present requirements.
- 11.14 The preliminary expenses of the Company of £500 (including VAT) will be paid by Merchant Place Corporate Finance Limited.
- 11.15 The Company has no indebtedness, no mortgages, charges, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, term loans, other liabilities under acceptances or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.
- 11.16 Other than as provided herein, since incorporation no commissions, discounts, brokerages or other special terms have been paid or agreed in connection with the issue or sale of any share or loan capital of the Company.
- 11.17 The Shares are proposed to be issued for the purposes described in this Prospectus, namely to raise funds to enable the Company to carry on business as a pub owner and operator.
- 11.18 The Company has not entered into any directors' consultancy or service agreements, other than as provided herein.

12. Registration

A copy of this document has been delivered to the Register of Companies in London for registration, in accordance with Regulation 4(2) of POS.

13. United Kingdom Taxation of Dividends

When dividends are paid to shareholders the Company no longer has to account to the Inland Revenue for an amount of advance corporation tax ('ACT'). However, a tax credit attaching to the dividends received will be equal to 10 per cent of the aggregate of the dividend and tax credit. No tax will be withheld when the dividend is paid. The tax credit will satisfy the individual's lower and basic rate liability, but cannot be reclaimed, even if it exceeds the individual's liability to income tax. Individual tax payers liable to higher rate tax in respect of dividends will pay 32.5% on the aggregate of the dividend and tax credit, with part of that liability being met by the tax credit.

Corporate Shareholders resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company and will be able to treat any dividend so received and the related tax credits as franked investment income.

Subject to certain exceptions for individuals who are Commonwealth citizens, European Economic Area nationals, residents of the Isle of Man, or the Channel Islands, and certain others, the right of a holder of a share who is not resident in the United Kingdom (for tax purposes) to any part of the tax credit in respect of dividends on such a share depends in general upon the existence and terms of any double tax treaty which exists in the United Kingdom and the country in which the person is resident. Persons who are not resident in the United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities, the possible application of such treaty provisions and what relief or credit may be claimed in the jurisdiction in which they are resident.

14. No Offer to Overseas Persons

No person receiving a copy of this Prospectus in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him, nor should he in any event use the application form, unless in the relevant territory such an invitation can lawfully be made to him and the application form can be lawfully used without compliance with any unfulfilled registration or other lawful requirements. Persons resident in, or a citizen of, territories outside the United Kingdom should consult their own professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to subscribe for Shares under this Issue.

15. Report and Accounts

Investors will receive copies of the annual report and accounts of the Company and be entitled to attend any meeting of the shareholders.

16. Available Copies of Prospectus

Copies of this document are available free of charge to the public on any weekday (excluding Saturdays and Bank Holidays) at Howard Kennedy, 19 Cavendish Square, London W1A 2AW until the final closing date of the Offer.

4th September 2000.

The redeemable preference shares confer no right to receive notice of, or attend or vote at, general meetings except where the rights of holders of the redeemable preference shares are to be varied or abrogated. On a winding up the holders of the redeemable preference shares shall be entitled to be paid out of the assets of the company available for distribution the nominal amount paid up on such shares *pari passu* with, and in proportion to, amounts of capital paid to the holders of shares or 'A' shares, but do not confer any right to participate in any surplus assets of the company. The redeemable preference shares are capable of being redeemed by the company at any time and on their redemption the holders thereof shall, subject to the provisions of the Act, be paid £1 per redeemable preference share held and each redeemable preference share which is redeemed shall thereafter be redesignated as and sub-divided into two shares of 50p each in the authorised but unissued capital of the company without any further resolution or consent.

Rights attaching to the ordinary and 'A' Shares:

As regards income: The holders of 'A' shares as a class shall be entitled to receive in respect of each accounting period for which audited accounts for the company are produced (pro rata to their respective holdings of 'A' shares) 10% of the distributable profits in excess of 7% of a hurdle rate of the nominal amount and any premium thereon paid upon the entire issued share capital of the company as at the last day of the relevant accounting period following the date of adoption of these Articles of Association. If the hurdle rate is not achieved in one accounting period, then the hurdle rate will be increased by the deficit. The 'A' share dividend will reduce to the extent that the administrative overheads, after allowing net interest income, exceed 3.15% of the gross subscriptions raised by the company under the offer. There are certain exclusions from the calculation of administrative overheads.

On a return of the capital on a winding up or otherwise (other than on redemption) the assets of the company available for distribution to the shareholders shall be applied, in priority to any payment to the holders of any other class of shares in the capital of the company, in paying to the holders of the 'A' shares all arrears, deficiencies and accruals (if any) of the preferential dividend and interest thereon up to and including the date of commencement of the winding up (in the case of winding up) or the return of capital (in any other case) and payable whether such dividend has been declared or not, together with a further amount (apportioned as between the holders of the 'A' shares pro rata to their respective holdings thereof) equivalent to the preferential dividend, save that references therein to the relevant accounting period shall be to the period from the commencement of the relevant accounting period during which the return of capital or winding up shall occur down to and including the date of commencement of winding up or the return of capital (as appropriate) and references therein to audited accounts shall be to management accounts for such period prepared consistently with the audited accounts. The balance of such assets shall be divided amongst the holder of the ordinary shares and 'A' shares (pro rata to their respective holdings of such shares).

As regards voting and general meetings: Each holder of 'A' shares and shares present in person or by proxy shall on a poll have one vote for every share of which he is the holder.

iii) Reconciliation of shareholders' funds and movements on reserves

	<i>Share Capital</i>	<i>Total</i>
	£	£
Shares issued during the period	50,054	50,054
As at 15 August 2000	<u>50,054</u>	<u>50,054</u>

Yours faithfully

Ernst & Young

APPLICATION FORM

This Application Form should be completed and sent to Park Circus Registrars Limited, James Sellars House, 144 West George Street, Glasgow G2 2HG. The subscription list will open at 10.00 am on 5 September 2000.

(Minimum Application £5,000, and thereafter in multiples of £500.)

MERCHANT INNS PLC

No. of Ordinary Shares

Amount enclosed (No. of Ordinary Shares of £1 each) £

Tick Box if investing prior to 5th October 2000 and you intend to carry back part relief to the tax year 1999/2000

To the Directors,
Merchant Inns plc

Gentlemen,

I/We irrevocably offer to subscribe for the number of fully paid Ordinary Shares of 50p each nominal value of £1 per share set out above subject to the Memorandum and Articles of Association of Merchant Inns plc and the Terms and Conditions of Application set out in the Prospectus.

NOTE: All cheques to be made payable to 'Merchant Inns plc'.

Signature

Date

BLOCK CAPITALS

Mr/Mrs/Miss or Title

Forenames in Full

Surname

Address in Full

Postcode

Tel: Day Evening

Fax: Day Evening

e-mail: Day Evening

Staple or pin here your cheque(s)/bankers draft(s) for the amount shown above. If through an Agent, Agent's name, address and authorisation to be stated below. Such signature commits the Agent to fulfil responsibility for the identification procedure necessary under the Money Laundering Regulations 1993 and Guidance Notes issued by the Joint Money Laundering Steering Group.

Name of Agent Signature

Name of Firm

Address Authorised Code

FSA (SIB)

Tel. No. SRO/RPB

The Sponsor notifies Investors that it regards them as execution-only customers in respect of their applications for Shares. This means that it is reasonable for the Sponsor to believe that Investors do not expect the Sponsor to be advising them as to the investment merits of the transaction. Accordingly, by completing this Application Form Investors confirm that they simply want a transaction to be carried out and that the Sponsor will not be responsible to them for ensuring that the transaction is a suitable one for them.

PLEASE COMPLETE BELOW FOR ACKNOWLEDGEMENT

FOR OFFICE USE ONLY

Name

An application has been received for:

Address for acknowledgement

MERCHANT INNS PLC £

in name of

On behalf of Park Circus Registrars Limited

TERMS AND CONDITIONS OF APPLICATION

- 1) Applicants may be individual persons or limited companies provided they are residents of the United Kingdom.
- 2) Applications must be made by completing the Application Form, including the signature and dating thereof.

Completed applications must be sent to:

Park Circus Registrars Limited, James Sellars House, 144 West George Street, Glasgow G2 2HG.

- 3) The subscription list will open at 10.00 am on 5 September 2000, and will close on 13 October 2000. The Offer may close earlier if fully subscribed before that date, and the Directors reserve the right to extend the closing date.
- 4) Payment must be made by cheque or bankers draft made payable to 'Merchant Inns plc'.
- 5) The minimum investment is £5,000. Thereafter, investment must be in multiples of £500. The Directors reserve the right to reject any application in whole or in part without giving any reason.
Applications will be dealt with on a first come, first served basis, subject always to the discretion of the Directors to allot shares as they see fit.
- 6) It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 1993, Merchant Place Corporate Finance Limited may at its absolute discretion require verification of identity from any person lodging an Application Form ('the Applicant') and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

~~If within a reasonable period of time following a request for verification of identity and in any case by no later than 12.00~~

Noon on the relevant date of allotment Merchant Place Corporate Finance Limited has not received evidence satisfactory as aforesaid, the Company with the agreement of Merchant Place Corporate Finance Limited may, at its absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant without interest (without prejudice to the rights of the Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Where possible, Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name, and
- (b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Merchant Place Corporate Finance Limited's right to require verification of identity as indicated above).

- 7) *A commission of 3% of the issue price will be paid by the Sponsor to authorised intermediaries in respect of successful applications to subscribe submitted through them. Due completion of the agent's box on the application form warrants that the agent is duly authorised to transact investments of this type under the Financial Services Act 1986, and that they undertake to fulfil responsibility for the identification procedures necessary under the Money Laundering Regulations 1993, and Guidance Notes issued by the Joint Money Laundering Steering Group.*
- 8) No application will be accepted by fax.
- 9) All cheques, certificates and other documents despatched by post will be at the risk of the Applicant.
- 10) Applications will be irrevocable and Applicants will have no right of cancellation.
- 11) No person receiving a copy of this Prospectus or an application form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such form, unless in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements without any action being required by or on behalf of the Company for the purpose of making such invitation or offer lawful in such territory.
It is a condition of any application by the person outside the UK that he must satisfy himself as to the full observance of the laws of any relevant territory in connection with the application including obtaining any requisite or governmental or other consents which may be required and to comply with the requisite formalities, and paying any issue, transfer or other taxes due in any such territory. This Prospectus and the other documents relating to the Offer have not been submitted to the clearance procedures of any European authority. The Company reserves the rights in its absolute discretion to reject application made by any person outside the UK.
- 12) In the case of a joint application, references in these terms and conditions of application to 'you' are to each joint applicant and the liability of joint applicants is joint and several.
- 13) Applications for investment in tax year 1999/2000 must be received by 5 October 2000.

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MERCHANT INNS PLC

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NOTE: All cheques to be made payable to 'Merchant Inns plc'.

Signature _____

Date _____

BLOCK CAPITALS

Mr/Mrs/Miss or Title _____

Forenames in Full _____

Surname _____

Address in Full _____

Postcode _____

Tel: Day _____ Evening _____

Fax: Day _____ Evening _____

e-mail: Day _____ Evening _____

Staple or pin here your cheque(s)/bankers draft(s) for the amount shown above. If through an Agent, Agent's name, address and authorisation to be stated below. Such signature commits the Agent to fulfil responsibility for the identification procedure necessary under the Money Laundering Regulations 1993 and Guidance Notes issued by the Joint Money Laundering Steering Group.

Name of Agent _____ Signature _____

Name of Firm _____

Address _____ Authorised Code _____

_____ FSA (SIB) _____

Tel. No. _____ SRO/RPB _____

The Sponsor notifies Investors that it regards them as execution-only customers in respect of their applications for Shares. This means that it is reasonable for the Sponsor to believe that Investors do not expect the Sponsor to be advising them as to the investment merits of the transaction. Accordingly, by completing this Application Form Investors confirm that they simply want a transaction to be carried out and that the Sponsor will not be responsible to them for ensuring that the transaction is a suitable one for them.

PLEASE COMPLETE BELOW FOR ACKNOWLEDGEMENT

FOR OFFICE USE ONLY

Name _____

Address for acknowledgement _____

An application has been received for:

MERCHANT INNS PLC £ _____

in name of _____

On behalf of Park Circus Registrars Limited

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- 4) Payment must be made by cheque or bankers draft made payable to 'Merchant Inns plc'.
- 5) The minimum investment is £5,000. Thereafter, investment must be in multiples of £500. The Directors reserve the right to reject any application in whole or in part without giving any reason.

Applications will be dealt with on a first come, first served basis, subject always to the discretion of the Directors to allot shares as they see fit.

- 6) It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 1993, Merchant Place Corporate Finance Limited may at its absolute discretion require verification of identity from any person lodging an Application Form ('the Applicant') and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

If within a reasonable period of time following a request for verification of identity and in any case by no later than 12.00

Noon on the relevant date of allotment Merchant Place Corporate Finance Limited has not received evidence satisfactory as aforesaid, the Company with the agreement of Merchant Place Corporate Finance Limited may, at its absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant without interest (without prejudice to the rights of the Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Where possible, Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name, and
- (b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Merchant Place Corporate Finance Limited's right to require verification of identity as indicated above).

- 7) A commission of 3% of the issue price will be paid by the Sponsor to authorised intermediaries in respect of successful applications to subscribe submitted through them. Due completion of the agent's box on the application form warrants that the agent is duly authorised to transact investments of this type under the Financial Services Act 1986, and that they undertake to fulfil responsibility for the identification procedures necessary under the Money Laundering Regulations 1993, and Guidance Notes issued by the Joint Money Laundering Steering Group.
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- 10) Applications will be irrevocable and Applicants will have no right of cancellation.
- 11) No person receiving a copy of this Prospectus or an application form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such form, unless in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements without any action being required by or on behalf of the Company for the purpose of making such invitation or offer lawful in such territory.

It is a condition of any application by the person outside the UK that he must satisfy himself as to the full observance of the laws of any relevant territory in connection with the application including obtaining any requisite or governmental or other consents which may be required and to comply with the requisite formalities, and paying any issue, transfer or other taxes due in any such territory. This Prospectus and the other documents relating to the Offer have not been submitted to the clearance procedures of any European authority. The Company reserves the rights in its absolute discretion to reject application made by any person outside the UK.

- 12) In the case of a joint application, references in these terms and conditions of application to 'you' are to each joint applicant and the liability of joint applicants is joint and several.
- 13) Applications for investment in tax year 1999/2000 must be received by 5 October 2000.