Mission Statement
Paramount plc

"To consolidate the performance of our estate to achieve success in partnership with our licensees"

- ☐ The first pub retailer created out of the Monopolies and Mergers Commission Report on the Brewing Industry.
- ☐ Maximum support from 3 major and 1 regional brewer ensuring a wide variety of products.
- ☐ Strategy to manage change.
- ☐ A platform created for ongoing development.

Registered Office: St. Werburgh Chambers, Godstall Lane,
Chester CH1 2EP Telephone: 01244 321171
Company Number: 1934366

CONTENTS

Directors

R.D. PRICE	Chairman
P. H. STANDING	Chief Executive
L.E.JONES F.C.A.	Finance Director and Company Secretary
J. M. FRYER A.C.I.B.	Non-Executive Director and Chairman of Audit & Remuneration Committees
C.M. LAWSON	Non-Executive Director

Advisors

Auditors:	Grant Thornton, Heron House, Albert Square, Manchester M60 8GT
Solicitors:	Addleshaw Sons & Latham, Dennis House, Marsden Street, Manchester M2 1JD
Bankers:	Bank of Scotland, Douglas House, 117 Foregate Street, Chester CH1 1HE
	MeesPierson N.V., Princes House, 95 Gresham Street, London EC2V 7NA
Corporate Advisors:	MeesPierson Corporate Finance Limited, Camomile Court, 23 Camomile Street, London EC3A 7PP
	Grant Thornton, Heron House, Albert Square, Manchester M60 8GT
Stockbrokers:	Shaw & Co. Limited, Camomile Court, 23 Camomile Street, London EC3A 7PP
Registrars:	Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

Chairman's Statement

Chairman Robert Price reports:

I have been Chairman at Paramount since shortly after the Company was established and this will be my last Statement. During the last eight years we have acquired over 120 licensed premises, formed the Real Inns joint venture and obtained a full listing on the London Stock Exchange. However, it has become increasingly apparent to me and my colleagues that your Company was becoming constrained by lack of funds and that new ways of moving the Company forward had to be found.

I asked Peter Standing to join the Board to help me explore and evaluate ways of achieving this, and his statement sets out in more detail the current situation and the proposed way forward. The write down in assets resulting from the property valuation and the consequent effect on our reserves and our current inability to pay a dividend are matters of great concern to me. However, I am convinced that the fundamental reappraisal we have undertaken will provide the foundation for the new management team to utilise their skills and experience to take the Company forward with confidence.

During the last year or so, we have seen the departure of founder Board members and I would wish to thank them for their loyalty and service. I would also like to take the opportunity of thanking our tenants, our suppliers, our bankers and our advisers for their support. Lastly and most importantly, I would like to express my appreciation to the staff who have worked so tirelessly during a difficult time and to wish them, and the new Board of directors, every success in the future.

R. D. PRICE
Chairman
29th November, 1996

CHIEF Executive's STATEMENT

Introduction

This was my first full year as Chief Executive and it has been a challenging year of major change. Your Company has expanded rapidly since its flotation six years ago but is constrained by having insufficient funds to develop further the existing estate. This, in turn, has restricted our ability to increase profit. My task has been to improve systems, strengthen management but, above all, to seek out and evaluate ways of securing further funding to place the Company on a sound footing in order to provide the prospect of sustainable growth in profitability and long-term shareholder value.

Before outlining the substantial operational and management changes, both actual and proposed, I must first review the Company's performance and explain the exceptional write downs which have had a significant impact on the financial results and on the balance sheet. These exceptional charges have resulted in a loss for the year after tax of £6,985,000 (1995 - profit £811,000) and a reduction in net assets to £5,787,000.

Performance

Operating profit before exceptional items was slightly down on last year at £1.47 million although turnover increased by 27 percent to £7.5 million, largely due to the inclusion of a full year's trading in the pubs acquired from Boddingtons around Christmas 1994. This increase in turnover has not shown through in profitability due to a combination of increased administrative costs associated with the implementation of new systems, described below, and an increasing cost of temporarily managing poorly performing houses. Although the benefits of new systems should start to be seen in the current year, the fundamental challenge facing the Company is the need to upgrade and rationalise the estate.

We have determined a strategy to address this challenge, which I shall describe more fully later. As part of this process, your Board decided to critically review its provisioning policies particularly in relation to those parts of the estate where rationalisation is likely to occur. This has resulted in a substantial increase in bad debt provisions at 31st May 1996, the impact of which is shown as an exceptional item in the profit and loss account.

Paramount Estate

The Company has in recent years adopted a policy of carrying its estate in the balance sheet at historic cost, including capital refurbishment, with an examination of the appropriateness of that policy by an annual valuation of a representative sample of the estate, which was first undertaken in May 1995.

In conjunction with the changes in Real Inns described below, and in order to facilitate changes in the financial structure of the Company, your Board recently commissioned a full independent valuation of the Paramount estate. This valuation was undertaken on the basis of the existing use value of trading properties taken as a whole and the open market value of non-operational properties as more fully described in note 10 to the financial statements. Based on the recommendations of the valuers and taking into account an associated write down of fixtures and fittings, we have reduced the carrying value of our fixed assets by some £4.9 million to approximately £14.0 million. This reduction in value is, in our opinion, a reflection of the depressed market conditions for properties of the nature in our portfolio and has been exacerbated by the financial constraints on our ability to invest in the estate.

Real Inns

Real Inns results for the year were affected adversely by the uncertainty surrounding the future of our original joint venture partner John Labatt (UK) Limited. Interbrew had acquired Labatt's world-wide operations in 1995 and it became obvious that they planned to dispose of the Labatt interests in the UK resulting in an inability to agree any long term plans for Real Inns. However, in June 1996, Interbrew completed the sale of distribution rights for Labatt brands in this country to Whitbread plc and of John Labatt (UK) Limited, our joint venture partner, to Enterprise Inns plc. We are pleased to welcome Enterprise Inns plc as our new partners in Real Inns and are working with them to develop the strategy for this business.

As part of this change in ownership, we agreed with Enterprise Inns plc to obtain an independent valuation of the Real Inns estate in order to establish a basis from which to develop the Company. This valuation, which was completed on the basis of the existing use value of the individual trading outlets within the estate and the open-market value of the non-trading properties, together with a review of the consistency of accounting policies of Paramount and Real Inns, resulted in a decision to write down Paramount's share of the net assets of Real Inns by some £2.0 million. This has been shown as an exceptional item in the Paramount profit and loss account.

Wirral Taverns

Since 1992, Paramount had a management contract with Wirral Taverns Limited to manage its estate of, latterly, some 40 houses which it in turn leased from Whitbread plc. During the year, as a result of a decision by Whitbread plc to sell that and other similar estates, the leases and hence the management contract were terminated. Although we considered the possibility of acquiring these properties, your Board concluded that the opportunity did not match our priorities.

Despite the loss of the management contract we were able to avoid, as a result of negotiation with suppliers, any negative effect on discounts through loss of the barrelage volumes attaching to the Wirral Taverns estate. In fact, our discount arrangements remain at a significantly higher level, in real terms, than a year ago. However, there were costs associated with the cessation of our relationship with Wirral Taverns which are shown as an exceptional item in the profit and loss account.

New Systems

We devoted considerable time and resources during the year to the development of new systems and procedures resulting in the implementation in June 1996 of integrated order taking, credit control and accounting systems, the benefits from which will commence during the current year.

In addition, Paramount, along with Real Inns, has entered into a distribution agreement with Burtonwood Brewery PLC who will manage stockholding and distribution on our behalf.

All ordering is now performed by Paramount staff in Chester and orders transferred to Burtonwood by electronic data link. This arrangement gives Paramount direct control over throughput and ordering by the pubs and we combine order taking with credit control. Our nominated drinks suppliers deliver goods in bulk to Burtonwood on enhanced terms which are confidential to ourselves and the individual supplier. New computer systems were introduced to facilitate and manage this new operation as well as to replace the existing financial software. The system should produce tangible improvements in performance and profitability and should fully justify the short term net cost of introduction.

The Future

The events of the last year have confirmed the Board's view that operational improvements in themselves would not be sufficient to place your Company on a firm and secure footing on which to build a profitable future. Whilst there have been no significant changes in the level and pattern of trading during the current year, our priority has been to seek out the most satisfactory way of introducing new capital and to ensure that the Company has the experience and support to move forward successfully.

As a result of exploratory discussions with interested parties we considered a variety of proposals, which were carefully evaluated by the Board and its advisors. We have today announced, in conjunction with these results, a series of proposals which include a rights issue and the introduction of a new senior management team. The proposals are set out fully in the circular being sent to shareholders.

These proposals, when implemented, will provide the Company with the capital necessary to allow significant investment to improve the existing estate whilst also providing fresh impetus and direction from a new management team. The associated capital reduction will assist towards a return to dividends for shareholders.

Conclusion

My period with the Company has certainly been a challenging one. However, we have faced up to the challenges and, although there has been a significant and disappointing impact on the financial position of the Company, I believe we have created a firmer foundation on which to build. The proposals being sent to shareholders today will, in my view, provide the opportunity for the Company to move forward positively and successfully, to the benefit of the shareholders, tenants, employees and suppliers. My proposed successor as chief executive, Paul Davies, brings a wealth of relevant experience to the role and I wish him well.

Finally, I would like to record my appreciation for the support provided by my Board colleagues over the last 18 months or so, and to the other employees of the Company for their efforts on your behalf.

P. H. STANDING
Chief Executive

29th November 1996

Report of the Directors

The directors present their report and the Group financial statements for the year ended 31st May 1996.

1 PRINCIPAL ACTIVITIES

The Group and Company are principally engaged in retailing in the brewing industry through its own licensed estate which is primarily situated in the North West and North Wales.

2 RESULTS AND DIVIDENDS

The loss for the year after taxation and exceptional items amounted to £6,985,000 (1995 profit £811,000). The directors do not recommend payment of a dividend. An interim net dividend of 0.047p per ordinary share was paid in January 1996. After the above dividend, the deficit of £7,042,000 (1995 profit - £551,000) has been transferred to reserves.

3 REVIEW OF BUSINESS

A review of the Group's activities and its financial position at 31st May 1996 are reported in the Chairman's and Chief Executive's statements on pages 5 to 7.

4 FUTURE DEVELOPMENTS

The Company is currently constrained by having insufficient funds for investment in its existing estate and your Board has for some time recognised the need to secure further funding to allow for such investment. Consequently, the Board proposes a rights issue to raise approximately £2.6 million for the Company, net of expenses. The Company will offer by way of rights up to 2,988,411 new Cumulative Second Convertible Redeemable Preference Shares of £1 each at par payable in full on acceptance. The proceeds of the proposed rights issue will allow for significant capital investment to improve the estate and aid towards developing Paramount into a substantial drinks, and drink-related leisure business.

In addition, the Company proposes a capital reorganisation by a reduction of the Company's share premium account, to eliminate the deficit on the profit and loss account. In order to enhance the marketability of the Company's existing ordinary shares, the directors consider it would be more appropriate to consolidate the existing ordinary 2.5p shares into new ordinary shares of 25p each. The directors will seek shareholders approval for this conversion. If the above proposals are approved your Board considers that the foundations will be in place for concerted growth.

5 DIRECTORS AND THEIR INTERESTS

The directors at 31st May 1996 together with their beneficial interests, and interests of their families, in the share capital of the Company, were as follows:

	Ordinary shares	
	At 31st May 1996	At 1st June 1995
Executive		
R. D. Price	1,024,888	1,024,888
P. H. Standing	138,235	138,235
L. E. Jones	112,000	112,000
Non-executive		
L. C. Dickson (resigned 4-7-96)	28,000	28,000
J. M. Fryer	—	—

L. D'Arcy and A. Mearns resigned as directors on 4th April and 31st May 1996 respectively.
C.M. Lawson was appointed a non-executive director on 4th July 1996.
There are no non-beneficial holdings relevant to the directors of the Company.
The Company operates a share option scheme by which certain directors and employees are able to subscribe for shares.
The market value of the ordinary shares in the Company was 6.2p at 31st May 1996 (1995-1996 High: 7.25p Low: 4.5p)
During the period from the end of the financial year to 29th November 1996 the interest of the directors are unchanged.

REPORT OF THE DIRECTORS

Continued

The following represent the options granted to the directors at 31 May 1996 and 1995

Exercisable between		16 Sept 1993	9 January 1995	22 Nov 1995	7 October 1997	3 April 1998	Number of options	
		16 Sept 2000	9 January 2002	22 Nov 2002	7 October 2004	3 April 2005	At 31 May 1996	At 1 June 1995
R. D. Price	Number	468,000	117,000	456,300	208,700	–	1,250,000	1,250,000
	Option price	10.89p	6.41p	5.12p	7.75p	–		
P.H.Standing	Number	–	–	–	–	650,000	650,000	650,000
	Option price	–	–	–	–	7.5p		
L.E. Jones	Number	–	–	–	–	650,000	650,000	650,000
	Option price	–	–	–	–	7.5p		

The details of the non-executive directors are as follows:

Mr. J. M. Fryer A.C.I.B. (53) An associate of the Chartered Institute of Bankers with more than 30 years experience in finance and banking.

Mrs. C. M. Lawson (53) A qualified solicitor representing Burtonwood Brewery P.L.C.

In accordance with the Memorandum and Articles of Association of the Company, Mr. L.E. Jones retires by rotation and seeks re-election.

6 CORPORATE GOVERNANCE

Statement of compliance with the Cadbury Code of Best Practice: The Board has carried out a review of the Company's compliance for the year ended 31st May 1996. Other than the matters referred to in the following paragraphs, the Board considers that the Company has been in compliance with the requirements of the Cadbury Code of Best Practice throughout the financial year.

One non-executive director has not been appointed for a specific term but retires by rotation in accordance with the Company's Arcticles of Association. The directors' re-election is approved by the Board and shareholders at the Annual General Meeting.

In consideration of the size of the Company, there are only two non-executive directors and therefore the Audit Committee and the Remuneration Committee are comprised of the following directors:

Remuneration Committee	Audit committee
J.M. Fryer, Chairman	J.M. Fryer, Chairman
C.M. Lawson	C.M. Lawson
L.E. Jones, Secretary	L.E. Jones, Secretary

Corporate governance arrangements: The Board comprises an executive chairman, two executive directors and two non-executive directors. The Board meets regularly and is responsible for the proper management of the Company. These responsibilities include the Company's system of internal financial control, business strategy, approval of major capital projects and the raising of finance. The non-executive directors are kept informed of all major operational and strategic issues.

Internal financial control: The Board has overall responsibility for the Company's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded. The Board has reviewed the effectiveness of the system of internal financial control in operation during the year and for the period up to the date of approval of the financial statements.

The control environment is supported through accounting and control policies and procedures, clearly drawn lines of accountability and delegation of authority. Financial performance of the public houses is monitored centrally by the executive committee. Operational management has a clear responsibility for the identification of business risk and the implementation of an appropriate control response.

6 CORPORATE GOVERNANCE *continued*

Going concern: After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the forseeable future. For this reason, they continue to adopt the going concern basis in preparing financial statements.

The auditors have confirmed that, in their opinion, with respect to the above directors' statements on internal financial control and on going concern, the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the relate d guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on their financial statements; and that the directors' other statements above appropriately reflect the Company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

7 REPORT OF THE REMUNERATION COMMITTEE

Members of the Remuneration Committee are set out in note 6 above. Terms of Reference for the Remuneration Committee are as follows:

To determine on behalf of the Board and shareholders the Group's broad policy for executive reward and the entire individual remuneration including terms of service for each of the executive directors.

In so doing, to give the executive appropriate encouragement to enhance the Group's performance and ensure that they are fairly but reasonably rewarded for their individual responsibilities, abilities and contribution.

To report and account directly to the shareholders, on behalf of the Board, for their decisions. During the year the Remuneration Committee issued a policy statement which is endorsed by the Board. The two elements of this statement are:
Total rewards to executive directors are intended to provide a comprehensive benefit package which both attracts and motivates individuals of calibre and experience to achieve continuous improvement in shareholder benefits, whilst at all times maintaining the highest level of integrity. Reflecting individual responsibilities, abilities, expertise and preferences, a balance is sought to reflect guaranteed income through salary and pension with incentives aligned to measurable criteria to cover both short and long term periods.

Total rewards will be set with acknowledgement of comparable rewards in industry-related public companies and those of similar scale and also with sensitivity to subordinate staff within the Group with whom the packages will as far as possible be consistent and fair.

The following terms apply for each director in their service contract. The notice period is in line with the market.
R.D. Price - terminable by 3 years notice.
P.H. Standing - terminable by 2 years notice.
L.E. Jones - terminable by 2 years notice.
J.M. Fryer -terminable by 3 years notice.
C.M. Lawson - no service contract.

A detailed breakdown of directors remuneration and share options for the year may be found in note 5 to the financial statement and note 5 of the directors report.

REPORT OF THE DIRECTORS

Continued

8 REAL INNS LIMITED AND WIRRAL TAVERNS LIMITED

The Company is party to a joint venture with Enterprise Inns plc through Real Inns Limited. During the financial year Real Inns operated 97 licensed premises. Paramount manages these houses and undertakes all the organisational roles in exchange for a management fee. Wirral Taverns Limited also signed a management agreement with the Company to manage its portfolio of public houses. During the year the management contract was terminated. Further information on the development of these relationships is given in the Chief Executive's Statement.

9 RELATED PARTIES

Bass Brewers Limited and Burtonwood Brewery P.L.C. are substantial shareholders and both companies have trading and supply agreements in the ordinary course of business with the Company. BST Developments, in which relatives of R.D. Price have interests, provides building and repair services to the Company in the ordinary course of business. Also relatives of R.D. Price have an interest in Wirral Taverns Limited (see note 8 above). Other than the foregoing, no director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business.

10 SUBSTANTIAL SHAREHOLDERS

In addition to the holdings noted under Directors and their Interests above, the Company has been notified under s.198 - 208 Companies Act 1985 of the following interests, as at 29th November 1996, in 3% or more of its issued ordinary share capital.

	Number of ordinary shares	% of issued ordinary shares
Greenalls Group P.L.C.	19,070,967	16.1%
Burtonwood Brewery P.L.C.	10,105,897	8.5%
Nomura International plc & Nomura Securities Co, Ltd.	9,000,000	7.6%
Bass Brewers Limited	5,096,600	4.3%
Ivory and Sime	4,833,334	4.1%

Number of ordinary shares in issue at 29th November 1996, 118,594,525.
Number of shareholders at 29th November 1996, 2,630.

11 ALLOTMENT OF UNISSUED SHARES

The Notice of the Annual General Meeting includes special business (items 5 and 6) in the notice of meeting.

A resolution will be proposed at the Annual General Meeting (item 5 of the Notice of meeting) to renew the existing authority of the directors, to allot unissued shares and securities convertible into or rights to subscribe for shares of the Company up to a nominal value of £987,500, such authority to expire at the end of next year's Annual General Meeting. In accordance with institutional guidelines the maximum number of shares which the directors will be authorised to allot will represent 33% of the issued ordinary share capital of the Company as at 29th November 1996. In addition, the directors consider it advisable that, again in accordance with institutional guidelines, they continue to have the power until the end of next year's Annual General Meeting (or for a period of fifteen months if expiring sooner) to:

a. make appropriate arrangements in respect of fractional entitlements arising on the issue of equity securities pro rata to shareholders existing holdings or deemed holdings, and in

11 ALLOTMENT OF UNISSUED SHARES *Continued*

respect of legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory; and

b. make allotments of equity securities for cash otherwise than to existing shareholders in proportion to their existing holdings up to a maximum aggregate nominal value not exceeding £148,125, being 5% of the ordinary issued share capital of the Company as at 29th November 1996, and for this purpose a resolution will be proposed at the Annual General Meeting as set out in item 6 of the Notice of meeting.

12 DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the result of the Group for the year ended on that date and such financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985. The directors confirm that the financial statements for the financial year ended 31st May, 1996 comply with these requirements and that appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates have been used in their preparation. The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

13 AUDITORS

A resolution to re-appoint Grant Thornton as auditors will be put to the members at the Annual General Meeting

By order of the Board

L. E. JONES
Company Secretary
29th November 1996

Report of the Auditors to the Members of Paramount PLC

We have audited the financial statements on pages 14 to 28 which have been prepared under the accounting policies on pages 14 and 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 12, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, of those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st May, 1996 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
Registered Auditors
Chartered Accountants
Manchester
29th November, 1996

Accounting Policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards.

Certain cost categories previously classified as administrative expenses have been re-allocated in 1996 to cost of sales to more appropriately reflect the nature of such costs. The 1995 comparatives have been restated by an amount of £469,000 to reflect this new basis of classification.

BASIS OF CONSOLIDATION

The financial statements consolidate the results of the Company and of its subsidiary undertakings. The accounting periods of the subsidiary undertakings are co-terminous with that of the parent undertaking.

TURNOVER

Turnover represents income receivable, net of value added tax, from the Group's principal activities in the retail brewing industry.

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No.19, investment properties are included in the balance sheet at their open market values. The surplus(es) or deficit(s) on revaluation of individual properties are transferred to a revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

This policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation which is provided on a straight line basis, to write off these assets, less their estimated residual values, over their expected useful lives at the following annual rates:

Freehold property	Nil
Short leasehold property	Equally over the term of the lease
Motor vehicles	20%
Plant and office equipment	10% to 20%

Freehold properties comprising public houses and other licensed premises are maintained, as a matter of Company policy, by a programme of repair and refurbishment such that the residual values of these properties are at least equal to their book values. The appraisal of residual values is based on prices prevailing at the time of acquisition. Provision is made in the profit and loss account in the event of any permanent diminution in value. Having regard to this, it is the opinion of the directors that depreciation of any such property as required by the Companies Act and standard accounting practice would not be material. Leasehold premises are amortised over the length of the lease. No amortisation is provided in the year of acquisition or disposal.

Accounting Policies

Continued

ACCOUNTING FOR ASSOCIATED UNDERTAKINGS

Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence, are treated as associated undertakings and are equity accounted after making adjustment for consistent accounting policies.

STOCKS

Stocks, work-in-progress and fixtures and fittings are valued at the lower of cost and net realisable value. Stock includes wet stock which the Company has acquired on change-over of tenant.

INVESTMENTS

Investments held as fixed assets have been valued at cost, less any provision for permanent diminution in value.

GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings is written off directly to reserves.

DEFERRED TAXATION

Deferred taxation is the taxation attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.
Deferred taxation is computed under the liability method, using the tax rates estimated to arise when the timing differences reverse, and is provided to the extent that it is probable that a liability or asset will crystallise.

OPERATING LEASES

Assets held under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the term of the lease.

PENSIONS

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

GROUP PROFIT AND LOSS ACCOUNT

For the Year Ended 31st May, 1996

	Notes	Before exceptional items 1996 £'000	Exceptional items (note 3) 1996 £'000	Total 1996 £'000	Total (Restated) 1995 £'000
TURNOVER	1	7,485	—	7,485	5,873
Cost of sales		(5,072)	—	(5,072)	(3,859)
Gross profit		2,413	—	2,413	2,014
Administration expenses		(1,236)	(1,115)	(2,351)	(810)
		1,177	(1,115)	62	1,204
Share of profit/(loss) of associated undertaking	2	295	(2,027)	(1,732)	362
OPERATING PROFIT/(LOSS)		1,472	(3,142)	(1,670)	1,566
Disposal of subsidiary undertakings		—	(195)	(195)	—
Property revaluation provision		—	(4,918)	(4,918)	—
		1,472	(8,255)	(6,783)	1,566
Profit on sales of freehold estate		31	411	442	137
		1,503	(7,844)	(6,341)	1,703
Interest payable and similar charges	4	(871)	(178)	(1,049)	(790)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	632	(8,022)	(7,390)	913
Tax on profit/(loss) on ordinary activities	7	68	337	405	(102)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		700	(7,685)	(6,985)	811
Equity dividends	8	(57)	—	(57)	(260)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	17	643	(7,685)	(7,042)	551
EARNINGS/(LOSS) PER ORDINARY SHARE					
Basic	9	0.59p	(6.50p)	(5.91p)	0.73p
Fully diluted	9	0.53p	(5.61p)	(5.08p)	0.64p

There were no recognised gains or losses other than the loss for the financial year.

The holding Company has taken advantage of Section 230 of the Companies Act 1985, and not presented its own Profit and Loss Account.

The accompanying accounting policies and notes form an integral part of these financial statements.

GROUP BALANCE SHEET

At 31st May, 1996

	Notes	1996 £'000	1996 £'000	1995 £'000
FIXED ASSETS				
Tangible assets	10		13,964	17,527
Investments	11		1,573	2,971
			15,537	20,498
CURRENT ASSETS				
Stocks	12	22		341
Debtors	13	1,481		3,246
Cash at bank and in hand		26		46
		1,529		3,633
CREDITORS: amounts falling due within one year	14	2,284		2,567
NET CURRENT (LIABILITIES)/ASSETS			(755)	1,066
TOTAL ASSETS LESS CURRENT LIABILITIES			14,782	21,564
CREDITORS: amounts falling due after more than one year	14		8,995	8,700
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation	15		—	204
			5,787	12,660
CAPITAL AND RESERVES				
Called up share capital	16		4,190	4,175
Share premium account	17		7,504	7,481
Merger reserve	17		242	210
Profit and loss account	17		(6,149)	794
			5,787	12,660
Equity shareholders' funds			4,562	11,435
Non-equity shareholders' funds			1,225	1,225
			5,787	12,660

The financial statements were approved by the board of directors on 29th November, 1996 and signed on their behalf by:

R. D. PRICE

DIRECTORS

L. E. JONES

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Balance Sheet

At 31st May, 1996

	Notes	1996 £'000	1996 £'000	1995 £'000
FIXED ASSETS				
Tangible assets	10		13,964	17,527
Investments	11		1,573	3,296
			15,537	20,823
CURRENT ASSETS				
Stocks	12	22		341
Debtors	13	1,481		3,246
Cash at bank and in hand		26		46
		1,529		3,633
CREDITORS: amounts falling due within one year	14	2,284		2,638
NET CURRENT (LIABILITIES)/ASSETS			(755)	995
TOTAL ASSETS LESS CURRENT LIABILITIES			14,782	21,818
CREDITORS: amounts falling due after more than one year	14		8,995	8,700
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation	15		–	202
			5,787	12,916
CAPITAL AND RESERVES				
Called up share capital	16		4,190	4,175
Share premium account	17		7,504	7,481
Merger reserve	17		282	323
Profit and loss account	17		(6,189)	937
			5,787	12,916
Equity shareholders' funds			4,562	11,691
Non-equity shareholders' funds			1,225	1,225
			5,787	12,916

The financial statements were approved by the board of directors on 29th November, 1996 and signed on their behalf by:

R. D. PRICE R D Price R D Price

DIRECTORS

L. E. JONES L E Jones L E Jones

The accompanying accounting policies and notes form an integral part of these financial statements.

GROUP CASH FLOW STATEMENT

For the year ended 31st May, 1996

	Notes	1996 £'000	1996 £'000	1995 £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	22		1,437	(554)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid		(828)		(790)
Finance lease interest		(6)		–
Dividends paid		(193)		(272)
Dividends received from associated undertaking		51		337
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(976)	(725)
TAXATION				
UK corporation tax paid			(1)	(17)
INVESTING ACTIVITIES				
Investment in associated undertaking		–		(1,273)
Purchase of tangible fixed assets		(588)		(2,689)
Sale of tangible fixed assets		318		239
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(270)	(3,723)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			190	(5,019)
FINANCING				
Repayment of borrowings		(300)		(533)
Issue of shares less expenses		–		5,602
Redemption of shares		–		(175)
Capital element of finance lease payments		(41)		–
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	23		(341)	4,894
DECREASE IN CASH AND CASH EQUIVALENTS	24		(151)	(125)

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

1 TURNOVER AND PROFIT/(LOSS) FOR THE YEAR

The turnover and profit/(loss) for the year are attributable to the principal activities of the Group which are carried on entirely within the United Kingdom.

2 SHARE OF PROFIT/(LOSS) OF ASSOCIATED UNDERTAKING

The Group owns 50% of the issued ordinary share capital of Real Inns Limited.

The adjusted results of Real Inns Limited are as follows:	1996	1995
	£'000	£'000
Turnover	6,134	4,581
(Loss)/profit before tax	(3,398)	724
(Loss)/profit attributable to the Group	(1,699)	362
Tax attributable to the Group (note 7)	(26)	(62)
(Loss)/profit after tax, attributable to the Group	(1,725)	300
Retained (loss)/profit attributable to the Group	(1,776)	58

3 EXCEPTIONAL ITEMS

	1996	1995
Administration expenses	£'000	£'000
Bad debt provisions	750	—
Costs of cessation of Wirral Taverns agreement and similar items	215	—
Termination provisions	150	—
	1,115	—
Disposal of subsidiary undertakings		
Goodwill written off	131	—
Net assets written off	64	—
	195	—
Property valuation provision		
Permanent diminution in property valuation	4,432	—
Permanent diminution in fixtures and fittings valuation	421	—
Related provisions	65	—
	4,918	—
Real Inns		
Permanent diminution in property valuation	1,638	—
Additional provisions	389	—
	2,027	—
Profit on estate disposals		
Release of prior year provision	(411)	—
Interest		
Write off of financing costs	178	—
Tax credit		
Release of prior year provision	(337)	—
TOTAL	7,685	—

NOTES TO THE FINANCIAL STATEMENTS

continued

4 INTEREST PAYABLE

	1996	1995
	£'000	£'000
On bank loans and overdrafts	865	790
Finance lease charges	6	—
	871	790
Exceptional item (note 3)	178	—
	1,049	790

5 DIRECTORS AND EMPLOYEES

The average weekly number of persons (including directors) employed by the Group during the year was:

	1996	1995
	No.	No.
Administration	59	23

Staff costs	£'000	£'000
Wages and salaries	519	309
Social security costs	39	37
Other pension costs	14	12
	572	358

The emoluments of each of the executive and non executive directors are set out below:

	Salary		Benefits		Pension contribution		Total	
	1996	1995	1996	1995	1996	1995	1996	1995
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R.D. Price	69	65	8	8	7	7	84	80
P.H. Standing	44	10	—	—	—	—	44	10
A. Mearns	46	42	6	8	4	4	56	54
L.E. Jones	50	4	—	—	—	—	50	4
A. Barbour*	—	5	—	—	—	—	—	5
L.C. Dickson*	—	—	—	—	—	—	—	—
L. D'Arcy*	—	—	—	—	—	—	—	—
J.M. Fryer*	5	—	—	—	—	—	5	—
C.M. Lawson*	—	—	—	—	—	—	—	—
	214	126	14	16	11	11	239	153

* *Non executive director*

During the year P.H. Standing waived his entitlement to £14,000 of salary.

The details of directors' share interests are set out in note 5 to the directors' report on pages 8 and 9.

Payment of £nil (1995 - £33,600) were made to Hall Livesey Brown, a business in which Mr. L.E. Jones is interested in respect of employment services to the Group.

Notes to the Financial Statements

Continued

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996	1995
	£'000	£'000
Profit/(loss) is stated after charging		
Depreciation	89	54
Auditors' remuneration - audit services	33	18
- non audit services	33	15
Payments under operating leases - hire of plant and machinery	34	52

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1996	1995
	£'000	£'000
Tax (credit)/charge attributable to profit/(loss) on ordinary activities before exceptional items:		
Current year		
UK corporation tax at 33% (1995 - 33%)	14	140
Deferred tax (note 15)	(108)	—
Group share of associated undertaking's corporation tax (note 2)	26	62
	(68)	202
Prior year		
UK corporation tax	(337)	—
Deferred tax	—	(100)
	(405)	102

There is no tax attributable to exceptional items.

The Company has unrelieved trading losses of £1.2 million (1995 - £0.5million) to be offset against future trading profits.

8 EQUITY DIVIDENDS

	1996	1995
	£'000	£'000
Ordinary shares: interim paid 0.047p (1995 - 0.047p)	57	55
Ordinary shares: final proposed nil (1995 - 0.173p)	—	205
	57	260

9 EARNINGS PER SHARE

Basic earnings/(loss) per ordinary share is based on the relevant profit/(loss) for the financial year and on 118,298,229 ordinary shares, of 2.5p each, being the weighted average number of ordinary shares in issue during the year ended 31st May 1996 (1995 - 110,410,953).

Fully diluted earnings/(loss) per ordinary share is based on the relevant adjusted profit/(loss) and on 136,994,340 (1995 - 129,107,064) ordinary shares of 2.5p each which takes account of all outstanding share options and the conversion of the convertible redeemable preference shares. Earnings have been adjusted in connection with the share options by adding interest deemed to be earned from 2 ½% consolidated stock on the proceeds of such share issues.

NOTES TO THE FINANCIAL STATEMENTS

Continued

10 TANGIBLE ASSETS

Group and Company	Investment properties £'000	Freehold properties £'000	Short leasehold properties £'000	Plant equipment and motor vehicles £'000	Total £'000
Cost or valuation					
At 1st June, 1995	435	16,624	191	399	17,649
Additions	—	626	—	115	741
Disposals	—	(268)	—	(19)	(287)
Transfer from current assets	—	555	111	—	666
Revaluation	(105)	(4,187)	(182)	(214)	(4,688)
At 31st May, 1996	330	13,350	120	281	14,081
Depreciation/Amortisation					
At 1st June, 1995	—	—	36	86	122
Charge for the year	—	—	6	83	89
Revaluation	—	—	(42)	(52)	(94)
At 31st May, 1996	—	—	—	117	117
Net book value					
At 31st May, 1996	330	13,350	120	164	13,964
At 31st May, 1995	435	16,624	155	313	17,527

The freehold and leasehold interests in the properties held by the Company (excluding the Real Inns estate) were revalued by Chestertons plc, International Property Consultants, as at 30th September 1996 on the basis of existing use value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. Properties regarded by the Company as non-operational were valued on the basis of open market value. The valuation figure incorporated in the financial statements is the valuation of the portfolio valued as a whole. The sources of information and particular assumptions made in producing the valuation are set out in the valuation report.

At 31st May 1996, the net book value of plant and equipment acquired under finance leases was £74,000 (1995 - £nil) on which depreciation of £41,000 (1995 - nil) has been charged.

11 FIXED ASSET INVESTMENTS

Group	Share of net assets of associated undertaking £'000	Listed on stock exchange £'000	Total £'000
At 1st June, 1995	2,970	1	2,971
Costs written off	(33)	—	(33)
Provision release	411	—	411
Share of losses	(1,776)	—	(1,776)
At 31st May, 1996	1,572	1	1,573

The Company owns 50% of the ordinary share capital of Real Inns Limited, a company registered and operating in England and Wales. The main activity of the Company is the sale of beer and sundry sales to tenants of its freehold estate. At 31st May, 1996 the issued share capital of Real Inns Limited was £6,395,850 divided equally between Ordinary A (Paramount P.L.C.) and Ordinary B

NOTES TO THE FINANCIAL STATEMENTS

Continued

11 FIXED ASSET INVESTMENTS *Continued*

(John Labatt Brewing (UK) Limited) shares of £1 each. Profit and loss reserves at that date amounted to (£3,690,516) and the profit on ordinary activities after taxation for the six month period ended 31st May 1996 was £209,112.

The proportion of profits and reserves of the associated undertaking attributable to the Group are taken from the audited accounts for the year ended 30th November, 1995 and the audited accounts for the six month period ended 31st May, 1996.

As at 31st May 1996 the Company's subsidiary undertakings, each of which were dormant, were Adamdock Limited and North West Amusements Limited. These companies were struck from the registrar of companies on 11th June 1996.

Company	Shares in associated undertaking	Shares in subsidiary undertakings	Listed on stock exchange	Total
Cost	£'000	£'000	£'000	£'000
At 1st June, 1995	3,231	2,054	1	5,286
Disposals	—	(2,054)	—	(2,054)
At 31st May, 1996	3,231	—	1	3,232
Amounts written off				
At 1st June, 1995	—	1,990	—	1,990
Disposals	—	(1,990)	—	(1,990)
Provided in year	1,659	—	—	1,659
31st May, 1996	1,659	—	—	1,659
Net book value				
At 31st May, 1996	1,572	—	1	1,573
At 31st May, 1995	3,231	64	1	3,296

The investments listed on the stock exchange had a market value at 31st May, 1996 of £1,000 (1995 - £1,000).

12 STOCKS

	1996		1995	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Fixtures in trade	—	—	259	259
Raw materials	22	22	62	62
Work in progress	—	—	20	20
	22	22	341	341

13 DEBTORS

	1996		1995	
	Group	Company	Group	Company
Due within one year:	£'000	£'000	£'000	£'000
Trade debtors	905	905	1,861	1,861
Amounts owed by associated undertaking	102	102	109	109
Prepayments and accrued income	410	410	1,120	1,120
Advance corporation tax recoverable	64	64	156	156
	1,481	1,481	3,246	3,246

14 CREDITORS

	1996 Group £'000	1996 Company £'000	1995 Group £'000	1995 Company £'000
Amounts falling due within one year:				
Current instalments due on loans	—	—	550	550
Bank overdrafts	498	498	367	367
Trade creditors	970	970	562	562
Finance lease obligations	29	29	—	—
Amounts owed to subsidiary undertakings	—	—	—	71
Corporation tax	—	—	340	340
Advance corporation tax payable	160	160	140	140
Other taxes and social security costs	88	88	57	57
Other creditors	295	295	133	133
Dividend payable	89	89	225	225
Accruals	155	155	193	193
	2,284	2,284	2,567	2,638

	1996 Group £'000	1996 Company £'000	1995 Group £'000	1995 Company £'000
Amounts falling due after more than one year:				
Instalments due on bank loans	8,950	8,950	8,700	8,700
Finance lease obligations within five years	45	45	—	—
	8,995	8,995	8,700	8,700

Loans and overdrafts are repayable as follows:

	1996 Group £'000	1996 Company £'000	1995 Group £'000	1995 Company £'000
Within one year or on demand	498	498	917	917
After one year and within two years	—	—	600	600
After two years and within five years	1,500	1,500	2,300	2,300
After five years	7,450	7,450	5,800	5,800
	9,448	9,448	9,617	9,617

Banks loans and overdraft are secured upon the Company's assets and bear interest at rates varying between 8.5% and 11%. Bank loans are due for repayment by July 2001.

Notes to the Financial Statements

Continued

15 DEFERRED TAXATION

Deferred taxation provided for and not provided for in the financial statements is set out below.

Provided on accelerated capital allowances	Group	Company
	£'000	£'000
At 1st June, 1995	204	202
Profit and loss account (note 7)	(108)	(106)
ACT recoverable	(96)	(96)
At 31st May, 1996	—	—

Unprovided deferred taxation, in respect of capital allowances in excess of depreciation, amounts to £260,000(1995 - £250,000) based on corporation tax at 33%. The amounts unprovided represent contingent liabilities at the balance sheet date (note 21).

16 CALLED UP SHARE CAPITAL

	1996	1995
	£'000	£'000
Authorised		
150,000,000 ordinary shares of 2.5p each	3,750	3,750
1,400,000 convertible redeemable preference shares of £1 each	1,400	1,400
	5,150	5,150
Allotted, called up and fully paid 118,594,525		
(1995 - 118,001,932) ordinary shares of 2.5p each	2,965	2,950
1,225,000 convertible redeemable preference shares of £1 each	1.225	1,225
	4,190	4,175

On 5th December 1995 the Company issued 592,593 new ordinary shares at 6.75p per share as part of the consideration for the purchase of a public house.

Under the Company share option scheme, directors and employees hold options to subscribe for up to 5,085,000 (1995 - 5,085,000) ordinary shares at prices between 5.12p and 10.89p per share, exercisable up to April 2005.

The convertible redeemable preference shares are convertible quarterly from 31st August 1994 to 28th February 2001 at the holder's option on the basis of 100 ordinary shares for every £9 in nominal value of convertible redeemable preference shares. Holders of these shares may apply for them to be redeemed at par on the conversion dates, but the Company is only obliged to redeem on each such date, the higher of (a) 64,474 shares and (b) were a previous redemption date, falling on or after 31st August 1996, has passed but the number of shares redeemed on that date was less than 64,474 ("shortfall"), 64,474 shares plus the aggregate of any previous shortfalls. The Company must compulsorily redeem (or alternatively, if the Company wishes and holders do not object, convert) any convertible redeemable preference shares remaining in issue on 2nd March 2001. The convertible redeemable preference shares carry no entitlement to a dividend.

There are no voting rights attached to the convertible redeemable preference shares unless there is a meeting affecting the shares' characteristics or in respect of winding up the Company. Holders of convertible redeemable preference shares have the right to the return of their capital in priority to the holders of ordinary share capital in the event of a winding up of the Company. Dependent on the date of winding up they are also entitled to a varying share of the surplus after the repayment of the ordinary shareholders' capital.

NOTES TO THE FINANCIAL STATEMENTS

Continued

17 RESERVES

Group	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1st June, 1995	7,481	210	794
Retained loss for the year	—	—	(7,042)
On allotment of shares	23	—	—
Goodwill write back on disposal of subsidiary undertakings	—	73	58
Transfer	—	(41)	41
At 31st May, 1996	7,504	242	(6,149)

The cumulative amount of goodwill written off at 31st May, 1996 was £40,000 (1995 - £171,000).

Company	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1st June, 1995	7,481	323	937
Retained loss for the year	—	—	(7,167)
On allotment of shares	23	—	—
Transfer	—	(41)	41
At 31st May, 1996	7,504	282	(6,189)

The loss attributable to members of the parent undertaking, dealt with in that company's financial statements, is £7,110,000 (1995 - profit £702,000).

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 Group £'000	1995 Group £'000
(Loss)/profit for the financial period	(6,985)	811
Dividends	(57)	(260)
	(7,042)	551
Redemption of shares	—	(175)
Issue of shares net of expenses	38	5,602
Goodwill write back on disposal of subsidiary undertaking	131	—
(Decrease)/increase in shareholders' funds	(6,873)	5,978
Opening shareholders' funds	12,660	6,682
Closing shareholders' funds	5,787	12,660

19 OPERATING LEASES

There are operating lease commitments falling due in the next financial year as follows:

Group and Company	1996 £'000	1995 £'000
Expiring within one year	3	—
Expiring in two to five years	73	52
	76	52

NOTES TO THE FINANCIAL STATEMENTS

Continued

20 CAPITAL COMMITMENTS

Group and Company

	1996 £'000	1995 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	50	120

21 CONTINGENT LIABILITIES

There are no contingent liabilities at 31st May 1996 or 31st May 1995 except in respect of deferred taxation (note 15).

22 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1996 £'000	1995 £'000
Operating (loss)/profit	(1,670)	1,566
Share of associate loss/(profit)	1,732	(362)
Depreciation	89	54
Decrease/(increase) in stocks	60	(139)
Decrease/(increase) in debtors	693	(1,772)
Increase in creditors	533	99
Net cash inflow/(outflow) from ordinary operating activities	1,437	(554)

23 CHANGES IN FINANCING DURING THE YEAR

	Loans	Share capital and share premium ordinary	preference	Finance lease
	£'000	£'000	£'000	£'000
As 1st June, 1994	9,783	4,829	1,400	—
Net cash (outflow)/inflow	(533)	5,602	(175)	—
At 31st May, 1995	9,250	10,431	1,225	—
Issue of shares net of expenses	—	38	—	—
Inception of finance leases	—	—	—	115
Net cash outflow	(300)	—	—	(41)
At 31st May, 1996	8,950	10,469	1,225	74

24 CHANGES IN CASH AND CASH EQUIVALENTS

	Cash at bank and in hand	Bank overdraft	Total
	£'000	£'000	£'000
At 1st June, 1994	20	(216)	(196)
Increase/(decrease) in cash and cash equivalents	26	(151)	(125)
At 31st May, 1995	46	(367)	(321)
Decrease in cash and cash equivalents	(20)	(131)	(151)
At 31st May, 1996	26	(498)	(472)

FIVE YEAR REVIEW

	Before exceptional items 1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000
PROFIT AND LOSS ACCOUNT					
Turnover	7,485	5,873	3,559	2,599	2,820
Profit on ordinary activities before tax	632	913	527	450	109
Tax on profit on ordinary activities	68	(102)	(130)	(176)	(170)
Profit/(loss) for the financial year	700	811	397	274	(61)
Dividends	(57)	(260)	(236)	(75)	(50)
Profit/(loss) retained	643	551	161	199	(111)
BALANCE SHEET					
Tangible assets	13964	17,527	14,732	14,785	14,762
Investments	1,573	2,971	1,596	1,536	1,328
Cash at bank and in hand	26	46	20	17	11
Stock	22	341	464	526	528
Debtors	1,481	3,246	1,495	966	1,849
Creditors	11,279	11,267	11,321	10,912	12,032
Provisions for liabilities and charges	—	204	304	246	273
Net assets	5,787	12,660	6,682	6,672	6,173
STATISTICS					
Earnings per ordinary share					
basic	0.59p	0.73p	0.77p	0.54p	(0.15p)
fully diluted	0.53p	0.64p	0.58p	0.42p	(0.11p)
Dividends per ordinary share	0.05p	0.22p	0.20p	0.15p	0.09p

The earnings per share for 1994 and previous years have been adjusted to reflect the Rights Issue during 1995.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninth Annual General Meeting of Paramount P.L.C. ("the Company") will be held at Dennis House, Marsden Street, Manchester M2 1JD on 31st December, 1996 at 10.00 a.m. for the purpose of dealing with the following business of which items 5 and 6 are special business:

ORDINARY BUSINESS

1. To recieve the reports of the directors and the auditors and the audited accounts of the Company for the year ended 31st May 1996.

2. To re-elect as a director of the Company Mr. L. E. Jones who retires by rotation.

3. To elect Mrs. C. M. Lawson as a director.

4. To re-appoint Grant Thornton as auditors and to authorise the directors to fix the remuneration of the auditors.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT, in addition and without prejudice to the authority in the terms set out in resolution numbered 1 in the notice of an extraordinary general meeting of the Company to be held on 23rd December 1996 but otherwise in substitution for any other existing such authorities, pursuant to section 80(1) of the Companies Act 1985 (the "Act"), the directors of the Company be and they are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (as defined for the purposes of section 80 of the Act) up to an aggregate nominal amount of £987,500, provided that this authority unless renewed shall expire at the close of the next Annual General Meeting of the Company, save that the Company may before such expiry make any offer, agreement or arrangement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot the relevant securities in pursuance of such offer or agreement or other arrangements as if the authority conferred hereby had not expired.

6. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT:

(a) subject to and conditional upon the passing of resolution 4 above, the directors of the Company be and they are hereby empowered pursuant to section 95(1) of the Act (as defined in resolution 4 above) to allot pursuant to the authority granted by resolution 4 above equity securities (as defined for the purposes of section 95 of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:

(i) the allotment of equity securities in connection with a relevant rights issue; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £148,125 and unless previously renewed, revoked or varied such power shall expire at the close of the next Annual General Meeting of the Company (or, if sooner, at the expiration of 15 months after the passing of this resolution), save that the Company may before such expiry make an offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired;

(b) For the purposes of this resolution:

(i) "relevant rights issue" means an offer of equity securities open for acceptance for a

Notice of Annual General Meeting

Continued

period fixed by the directors of the Company to holders on the register on a fixed record date of ordinary shares in the Company and/or to holders on the register on a fixed record date of cumulative second convertible redeemable preference shares of £1 each in the capital of the Company and/or to holders on the register on a fixed record date of convertible redeemable preference shares of £1 each in the capital of the Company (the entitlements of the holders of each such class of preference shares pursuant to such offer being determined by reference to the ordinary shares each such class of preference shares shall be deemed to have been converted into on such record date as contemplated by Article 4 of the Company's Articles of Association) in proportion (or as nearly as may be practicable) to their respective holdings or deemed holdings (as the case may be) but subject in any such case to such exclusions or other arrangements as the directors of the Company may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory; and

(ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

By Order of the Board

L. E. JONES
Company Secretary

29th November, 1996

Registered Office:
St. Werburgh chambers,
Godstall Lane,
Chester CH1 2EP

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her place. A proxy need not be a member of the Company.
2. To be valid, the instrument appointing a proxy together with any power of attorney or other authority under which it is signed and a notarially certified copy of such power or authority, must be deposited at the registered office of the Company not less than 48 hours before the time fixed for the Annual General Meeting or any adjournment thereof.
3. The completion and return of a form of proxy will not affect the right of a member to attend and vote in person at the meeting.
4. Holders of convertible redeemable preference shares of £1 each in the capital of the Company are entitled to receive notice of the meeting but are not entitled to attend or vote at the meeting by virtue of their holding of such shares.
5. A copy of the service contract of each of the directors of the Company is available for inspec tion during normal business hours until the close of the Annual General Meeting at the regis tered office of the Company and also at the place of the Annual General Meeting from 15 min utes prior to its commencement until the close of the meeting.