

PARAMOUNT PLC

Annual Report & Financial Statements 2004

PARAMOUNT PLC



CONTENTS

Directors and advisors	2
Chairman's statement	3
Chief Executive's statement	4
Report of the directors	6
Report of the independent auditors	11
Group profit and loss account	12
Group and Company balance sheet	13
Group cash flow statement	14
Notes to the financial statements	15
Notice of Annual General Meeting	27

DIRECTORS

G. A. NAGGAR

Executive Chairman

N.A. BASING

Group Chief Executive

R. J. ELMAN F.C.A.

Finance Director and Executive Director

D. HUDD F.C.A.

Senior Independent Non-Executive Director

C. H. B. MILLS

Non-Executive Director and Chairman of the Remuneration Committee

N. A. SUMMERS C.A.

Non-Executive Director and Chairman of the Audit Committee

I.S. NEILL

Non-Executive Director

SECRETARY

B.M. PINCUS F.C.A.

ADVISORS

Auditors:

BDO Stoy Hayward LLP, 8 Baker Street
London, W1U 3LL

Bankers:

Barclays Bank Plc, PO Box 15161,
50 Pall Mall, London, SW1A 1QA

Nominated Advisors and Stockbrokers:

Evolution Beeson Gregory, The Registry,
100 Wood Street, London EC2V 7AN

Joint Financial Advisors:

Dawnay, Day Corporate Finance Limited,
8 – 10 Grosvenor Gardens, London, SW1W 0DH

Registrars:

Capita IRG plc,
Bourne House, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU

Lawyers:

Bircham Dyson Bell
50 Broadway, Westminster, London, SW1H 0BL

Financial Public Relations:

Cardew Chancery
12 Suffolk Street, London, SW1Y 4HG

Registered Office:

15 Grosvenor Gardens, London, SW1W 0BD

Telephone:

020 7828 3983

Fax:

020 7828 1992

Company Number:

1934366

Website:

www.paramountplc.com

PARAMOUNT PLC

CHAIRMAN'S STATEMENT

Groupe Chez Gerard is now a very different business from the one acquired over 12 months ago. Under the new management team, the group has undergone substantial changes leading to an excellent financial performance for the year. I am therefore very pleased to present Paramount's results for the period ended 27 June 2004.

	Paramount 12 months to 27 June 2004 (£m)	Groupe Chez Gérard* 12 months to 29 June 2003 (£m)
<i>Number of restaurants.</i>	21	26
Group Turnover	£31.77	£32.86
EBITDA **	£4.48	£2.18
Profit Before Tax***	£1.80	£(0.23)
Adjusted PBT ****	£2.66	£(0.13)
Earnings per share	1.36p	na

* Extracted from Groupe Chez Gérard Restaurants Ltd Statutory Accounts 2003

** Before reorganisation costs: Paramount (£90k) (2003: GCG (£980k))

*** Profit before tax and exceptionals. Paramount profit on sale of fixed assets £102k, and reorganisation costs (£90k); (2003: GCG, impairment costs (£1,256k), loss on sale of fixed assets (£1,646k) and reorganisation costs (£980k))

**** Profit before tax, exceptionals, Goodwill amortisation (£411k) and Fair Value Depreciation (£448k). (2003: Goodwill amortisation (£105k) Fair Value Depreciation £nil).

In our first full year of ownership (based on full year trading comparisons with Groupe Chez Gérard Restaurants Ltd), turnover grew by 5.6% on a like for like basis to £31.77m. This led to a substantial increase in profit before tax and exceptionals of £1.80m compared to a loss of £0.23m in the previous year. We believe the best performance guide for the business is Adjusted PBT (profit before tax, exceptionals, goodwill amortisation and fair value depreciation) which increased to £2.66m (2003: £(0.13)m).

On acquiring Groupe Chez Gérard in April 2003, we said that the first year would be focused on transition. The management team identified opportunities to strengthen the individual restaurant brands, reduce the Group's cost base, and focus on improving the dining experience and drive cash generation.

Beginning with a comprehensive review, a capital expenditure programme was re-introduced to upgrade the existing portfolio and maximise its earnings potential. A key feature was better use of existing space - several redundant storerooms, offices and annexes have been converted into dining areas, resulting in the addition of over 300 new covers. Sites that had consistently under-performed have been sold. The Livebait restaurant in Watling Street has been successfully converted into a Chez Gérard format. Selective refurbishments have also been undertaken, the largest being the re-launch of the flagship Bertorelli restaurant in Covent Garden.

As part of the process of rejuvenating the restaurant brands, many changes have been introduced to enhance the offering to our guests. The quality of food and wine has been improved by working with new suppliers or re-specifying with existing suppliers. Menus for each brand have been overhauled to reflect the broader choice of wines and focus on the most popular selling items. Together with the strong underlying performance of the business, these actions have helped to double the EBITDA margin from 7% to 14%.

During the transition phase, it was a priority to create stability throughout the business and develop a strong and motivated team to help take the business to the next phase. The management's success in achieving this goal was recently measured in an employee survey which registered that 90% of our restaurant teams would recommend working for our company, a strong indication of the successful integration of the business. I would like to add my thanks to the Board, senior management team and all staff for their commitment to the development and success of this business.

The business is now profitable, generating improved margins and with debt significantly reduced. The company can now enter its next phase which will involve growing through selective expansion of the brands. As a result the Directors are not recommending the payment of a dividend.

On 18 June 2004, I and the other principal shareholders in Paramount plc indicated our intention to make an offer for the company. We will continue to keep the market fully informed.

GA Naggar
Chairman
14 September 2004

PARAMOUNT PLC

GROUP CHIEF EXECUTIVE'S STATEMENT

GROUP CHIEF EXECUTIVE'S STATEMENT

Introduction

I am pleased to report the business has responded positively to the year of transition by delivering a strong performance at all levels. The significant improvement in earnings reflects the company's success in building value for shareholders and unlocking the latent vitality of our brands. The turnaround plan is now complete. We now have a solid platform from which we can grow, however we remain focused on continuing to deliver strong performance from our existing estate.

Financial results

In the previous financial year, Paramount owned the businesses of Groupe Chez Gerard Restaurants Plc for the final 13 weeks. Prior to this it was a cash shell with no trading operations. Therefore, the Paramount comparatives reflect the relatively short period of ownership of Groupe Chez Gerard in 2003.

Turnover grew to £31.77m (2003: £6.67m) and EBITDA, pre reorganisation costs, increased to £4.48m (2003: £0.2m). Our success in returning the Group to profitability was demonstrated by the achievement of Adjusted PBT (profit before tax, exceptionals, goodwill amortisation and fair value depreciation) of £2.66m. The cash generative nature of the business together with the £0.86m proceeds from the sale of 5 sites was reflected in the reduction in debt by 74.6% to £0.88m (2003: £3.45m). Earnings per share increased to 1.36p (2003: (2.02)p).

Strategy to Grow

The strategy for the next phase of the company's longer term development will be executed through the following four themes: leveraging yield from the existing portfolio; infilling new sites in central London; the roll-out of Caffé Bertorelli and Brasserie Chez Gérard outside London; and the pursuit of world class hospitality standards.

Leverage

Within our new strategy, we intend to continue to drive the yield from our existing portfolio of good locations. While many of the refurbishments have now been completed, further improvements to the brand's fascias are underway to maximise passing trade. Both Café Fish and Bertorelli have been rebranded which is underpinning the improvement in these businesses. A substantial re-development project at our flagship Chez Gérard site in Covent Garden Piazza is underway and will complete during the first half. The project includes the addition of a new offering, 'Le Petit Chez Gérard', a patisserie / piazza café that opened, very promisingly at the end of August 2004.

We are testing a new EPOS system across a number of sites which, if successful, will further improve our ability to monitor business performance and respond more effectively to product issues.

The sales and marketing team has been further strengthened to respond to the many opportunities to build demand and to stay in touch with our guests. We have recently been adopted as the preferred restaurant group with a number of key trading partners and have signed agreements for the new financial year.

We expanded our proprietary database by 10% which has been effective in building relationships with our most loyal guests and driving demand at particular periods in the year or at specific sites. Our customer website www.santeonline.co.uk has been significantly improved providing more news, information and advice.

Infill

We believe there is an opportunity to exploit our proven business model within central London by adding new sites. We currently operate fifteen London restaurants which leaves a number of prime areas within the capital where we are not represented. Therefore we are looking to acquire new sites within central London to expand the highly successful Chez Gérard or Bertorelli formats. At present, we are in advanced negotiations involving a number of sites in prime districts in central London.

Roll-out

Given the continued strength of the eating out market across the country, combined with our proven ability to manage a restaurant portfolio over a national base, a selective roll-out programme outside London is being planned. We are testing two new formats, Brasserie Chez Gérard and Caffé Bertorelli. These are based on the original brands but have

been adapted for all day trading, with a lower spend per head expected and require reduced capital investment. The first Caff  Bertorelli opened in Bristol in early September and initial signs are encouraging.

Taking advantage of other trends, in addition we have created, Deli Bertorelli, a new retail format, using the brand's reputation for quality produce to supply premium foods and wine. The pilot site is opening in Charlotte Street in London in September 2004.

World Class hospitality

Our business is about achieving 100% satisfaction from our guests. We operate luxury restaurant brands that require continued investment and intensity of effort in order to maintain their high standards of hospitality, food, drink and service, within attractive surroundings. Alison Sharpe, who has a proven track record in food service, was recently appointed as Training Development Manager. In terms of the food and wine offering, brand and development chefs are now in place, responsible for constantly reviewing and enhancing the menu offerings.

Increased focus on learning from our guests, by introducing mystery guest monitoring and customer comment cards, is now in place.

People

Our business is dependent on our people for its sustained success and we have been delighted to retain the majority of the wider management team throughout our restaurants. Our aim is to retain and recruit top talent at all levels. During the last year we introduced an incentivisation programme in which all employees can take part by competing with other restaurants to win holidays and long weekend breaks. A bonus scheme has been introduced and as a result bonuses paid to operational management reached a record total.

We commissioned focus groups with our staff to pick up feedback in order to ensure we are an attractive employer. The response has been very positive indicating that motivation internally is now high. We aim to ensure this continues by expanding our incentivisation scheme whilst continuing to add talent to the business at all levels.

New appointments to further strengthen our management team have included Director of People, Keith Lockton and Pauline Milner as our new Property & Development Director.

I have been delighted by the degree to which people have developed and responded positively to the significant change in the business over the last year. We have an outstanding team of people in terms of their will and expertise to build the business further. I extend my deepest thanks to every member of our team.

Outlook

It is our belief that the trading environment has recovered to some extent from the low point of two years ago. While the global environment remains uncertain, the UK leisure sector is showing signs of continued recovery. The 8.3% rise in like for like sales since the year end supports this and represents a strong start to the new financial year.

With the turnaround now achieved, we look forward to the next phase of the Group's development. I am confident we have the right people managing a strong portfolio of locations and brands with which to build on the momentum of the last 18 months.

Nick Basing
Group Chief Executive
14 September 2004

PARAMOUNT PLC

REPORT OF THE DIRECTORS

The directors present their report and the audited Group financial statements for the year ended 27 June 2004.

1 PRINCIPAL ACTIVITIES OF THE GROUP

The principal activity of the Group during the period was the ownership and management of a restaurant business.

2 RESULTS AND DIVIDENDS

The results of the Group are set out in the profit and loss account on page 12. The profit for the period after taxation amounted to £1,109,000 (2003: loss £668,000). The directors do not recommend payment of an ordinary dividend (2003-£nil).

3 REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the Group's activities and its financial position at 27 June 2004 is included in the Chairman's Statement on page 3.

4 DIRECTORS AND THEIR INTERESTS

The directors during the period, together with their beneficial interests in the share capital of the Company as at the period end, were as follows:

	2004 Ord. Shares No.	2003 Ord. Shares No.
Executive		
G.A. Naggar	10,211,362	2,471,362
N.A. Basing	193,750	103,750
R. J. Elman	200,000	200,000
Non-Executive		
D.L. Hudd	100,000	100,000
C.H.B. Mills	-	-
I.S. Neill	225,000	-
N.A. Summers	100,000	100,000

Details of the executive and non-executive directors are as follows:

- G. A. Naggar: Chairman of Dawnay, Day International Limited and formerly Executive Chairman of Delyn plc a cash shell company.
- R. J. Elman: Chartered Accountant and former Finance Director of the Delyn Group.
- N. A. Basing: former senior executive of Unilever plc and Granada plc.
- C. H. B. Mills: Chief Investment Officer of J. O. Hambro Capital Management Limited.
- N.A. Summers: Chartered Accountant and Chairman N.I.M. (Consultants) Limited and Chairman of North West Pubs Limited.
- D. L. Hudd: Chartered Accountant and Chairman of API Group plc and Chairman of Falkland Islands Holdings plc. Non-executive director of QA plc and Falkland Oil and Gas Ltd.
- I.S. Neill: Chief Executive of Wagamama Ltd.

PARAMOUNT PLC
REPORT OF THE DIRECTORS
Continued

4 DIRECTORS AND THEIR INTERESTS *Continued*

During the period from 27 June 2004 to 14th September 2004 the interests of the directors remained unchanged.

There are no non-beneficial holdings relevant to the directors of the Company.

Details of the executive share options held by directors to subscribe for ordinary shares of 5p in the Company are set out below.

All options have been issued without discount to the then current mid-market price. There are performance criteria which must be met before any of these options may be exercised.

The mid-market price of the ordinary shares in the Company was 34p at 27 June 2004 (2003-2004 High: 36.5p Low: 13.8p)

Executive Share Option Scheme

	2003	Granted	Lapsed	2004	Exercise Price	Exercise Period
N.A. Basing	2,300,000	-	-	2,300,000	20p	14/4/06 to 14/4/13
N.A. Basing	-	620,689	-	620,689	29p	30/03/07 to 30/03/11
I. S. Neill	-	310,344	-	310,344	29p	30/03/07 to 30/03/11

5 CORPORATE GOVERNANCE

The directors seek to comply with corporate governance best practice to the extent considered appropriate and those aspects of the Combined Code of Corporate Governance appropriate to the Company's size and its status as an AIM-listed company. The directors consider that Corporate Governance is important and have adopted a number of procedures set out in the Combined Code. Further explanation of how the principles have been applied is set out below.

Directors of the Board

The current board comprises of three executive directors and four non-executive directors. The board considers this to be adequate. The board meets regularly.

Remuneration and Audit Committees

The Remuneration Committee and the Audit Committee are comprised of the following directors:

Remuneration Committee

C.H.B. Mills (Chairman)
D.L. Hudd
N.A. Summers

Audit Committee

N.A. Summers (Chairman)
C.H.B. Mills
D.L. Hudd

The Remuneration and Audit Committee have established terms of reference.

The Remuneration Committee meets whenever business needs require. The Audit Committee meets a minimum of three times a year.

PARAMOUNT PLC

REPORT OF THE DIRECTORS

Continued

Relationship with Institutional Investors and Shareholders

The board has designated the chairman as its principal contact with private shareholders and institutional investors, analysts, the press and other interested parties.

Internal controls

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 control environment is supported through accounting and control policies and procedures, clearly drawn lines of accountability and delegation of authority. Operational management had a clear responsibility for the identification of business risk and the implementation of an appropriate control response.

Given the Company's size and strong operational controls exercised by senior management, the Board does not consider an internal audit function necessary at this point.

Going Concern

The directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

6 REMUNERATION COMMITTEE

The Remuneration Committee comprises non-executive directors as set out in note 5 above.

The terms of reference for the Remuneration Committee are 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. The details on directors' remuneration are included on page 17.

7 RELATIONSHIP WITH MAJOR SHAREHOLDERS

In addition to the holdings noted under directors and their interests above, the Company has been notified under Section 198-208 Companies Act 1985 of the following interests, as at 13 September 2004, in 3% or more of its issued share capital.

	Number ordinary shares	% of issued ordinary shares
J O Hambro Capital Management Limited	55,532,085	67.3%

8. RELATIONSHIP AGREEMENT

The Company has entered into a Relationship Agreement with J O Hambro Capital Management Limited ("JOHCM") whereby JOHCM has agreed that it will exercise the voting rights which it is entitled to exercise over Paramount shares to ensure that:

- (a) Paramount can carry on its business and make decisions independently of JOHCM at all times;
- (b) there shall at all times be a majority of directors on the board who are independent of JOHCM;
- (c) any related party agreements involving JOHCM are approved by directors independent of JOHCM;
- (d) any transactions between the Company and JOHCM or any of its associates will be on arm's length terms; and
- (e) any proposals for issue of further Paramount shares will not be obstructed by JOHCM if the directors independent of JOHCM believe this to be in the interests of the Company.

This agreement continues in force until JOHCM ceases to be entitled to exercise the voting rights in respect of 30% or more of the issued Paramount shares.

PARAMOUNT PLC

REPORT OF THE DIRECTORS

Continued

9. DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required by Company 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 period and of the result of the Group for the period ended on that date.

In preparing the financial statements for the year ended 27 June 2004 the directors confirm that the financial statements for the financial year ended 27 June 2004 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 and that applicable accounting standards have been followed. The directors are responsible for maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the Company and Group, and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities, and for preparing the financial statements on the going concern basis.

10. EMPLOYEE INVOLVEMENT

Employees are provided with regular information regarding the Company's affairs and are consulted on a regular basis wherever feasible and appropriate.

11. DISABLED EMPLOYEES

The Company makes every effort to ensure that disabled people receive equal opportunities and are not discriminated against on the grounds of their disability.

12. SUPPLIER POLICY AND PRACTICE

The Group has a standard code and also agrees terms and conditions with each supplier. Payment is then normally made in accordance with these terms, subject to the supplier's own adherence to the agreed terms and conditions. The Group's practice in respect of the period with regard to its payment of suppliers, as defined by the Companies Act 1985, has been 45 days.

13. AUDITORS

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

PARAMOUNT PLC

REPORT OF THE DIRECTORS

Continued

14. ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting includes special business (items 5, 6 and 7) in the notice of the 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 £1,362,332 such authority to expire at the end of next period's Annual General Meeting. 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 at 14 September 2004.

In addition, the directors consider it advisable that they be empowered until the end of next period's Annual General Meeting to allot shares for cash otherwise than pro rata to existing shareholders up to a maximum aggregate nominal value not exceeding £206,414, being 5% of the ordinary issued share capital of the Company as at 14 September 2004, 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. The directors have no present intention of exercising these authorities.

Although the Company has no present intention in making market purchases of its own ordinary shares, it would like to have the flexibility to consider such purchases in the coming period. Resolution No. 7 seeks the authority from shareholders for the Company to purchase its own shares. The Company would only exercise the authority if the effect of doing so would be to increase earnings per share of the remaining shareholders and be in the best interests of shareholders generally. In addition, in exercising such authority, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

By order of the board



B. M. PINCUS
Company Secretary

14 September 2004

PARAMOUNT PLC

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PARAMOUNT PLC

We have audited the financial statements of Paramount Plc for the year ended 27 June 2004 on pages 12 to 26 which have been prepared under the accounting policies set out on pages 15 and 16.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Group Chief Executive's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

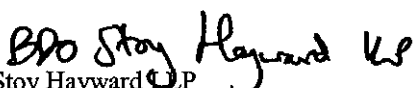
BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 Group's 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 Group as at 27 June 2004, and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO Stoy Hayward LLP
Chartered Accountants
And Registered Auditors
London

14 September 2004

PARAMOUNT PLC
GROUP PROFIT AND LOSS ACCOUNT

		Year ended 27 June 2004	Period ended 29 June 2003
	Notes	£'000	£'000
Turnover	2	31,767	6,671
Cost of sales		<u>(17,998)</u>	<u>(4,224)</u>
Gross profit		13,769	2,447
Administrative expenses	4		
Goodwill amortisation		(411)	(82)
Restaurant expenses		(9,152)	(1,847)
Support office costs		(2,237)	(956)
Re-organisation costs		(90)	(412)
		<u>(11,890)</u>	<u>(3,297)</u>
Operating profit / (loss)		1,879	(850)
Profit on disposal of fixed assets		102	-
Net interest (payable) / receivable	5	(169)	90
Profit / (loss) on ordinary activities before taxation		1,812	(760)
Tax on profit / (loss) on ordinary activities	6	(703)	92
Profit/ (loss) on ordinary activities after taxation		<u>1,109</u>	<u>(668)</u>
Dividends		-	-
Profit/ (loss) retained	18	1,109	(668)
Basic earnings per share	7	1.36p	(2.02)p
Diluted earnings per share		1.34p	(2.02)p

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 15 to 26 form part of these financial statements.

PARAMOUNT PLC
GROUP AND COMPANY BALANCE SHEET

	Notes	Group		Company	
		27 June	29 June	27 June	29 June
		2004	2003	2004	2003
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	9	3,586	3,847	-	-
Tangible assets	10	17,144	18,421	-	-
Investments	11	-	-	17,892	17,892
		<u>20,730</u>	<u>22,268</u>	<u>17,892</u>	<u>17,892</u>
CURRENT ASSETS					
Stocks	12	617	651	-	-
Debtors	13	1,892	1,758	3,667	53
Cash at bank and in hand		78	158	62	142
		<u>2,587</u>	<u>2,567</u>	<u>3,729</u>	<u>195</u>
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	14	(5,576)	(6,511)	(2,773)	(3,213)
		<u>(2,989)</u>	<u>(3,944)</u>	<u>956</u>	<u>(3,018)</u>
NET CURRENT (LIABILITIES)/ASSETS					
		<u>17,741</u>	<u>18,324</u>	<u>18,848</u>	<u>14,874</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS: amounts falling due after more than one year	15	(952)	(3,580)	-	-
PROVISION FOR LIABILITIES AND CHARGES	16	(738)	(245)	-	-
NET ASSETS		<u>16,051</u>	<u>14,499</u>	<u>18,848</u>	<u>14,874</u>
CAPITAL AND RESERVES					
Called up share capital	17	4,128	4,011	4,128	4,011
Share premium account	18	4,476	4,256	4,476	4,256
Merger reserve	18	3,469	3,363	3,469	3,363
Capital redemption reserve	18	3,446	3,446	3,446	3,446
Profit and loss account	18	532	(577)	3,329	(202)
EQUITY SHAREHOLDERS' FUNDS	18	<u>16,051</u>	<u>14,499</u>	<u>18,848</u>	<u>14,874</u>

The financial statements were approved by the board of directors on 14 September 2004, and signed on its behalf by:

G. A. NAGGAR

DIRECTORS

R. J. ELMAN

The notes on pages 15 to 26 form part of these financial statements.

PARAMOUNT PLC
GROUP CASH FLOW STATEMENT

		Year ended 27 June 2004 £'000	Period ended 29 June 2003 £'000
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	3,364	343
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	24	(163)	127
TAXATION		76	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	24	(703)	(75)
ACQUISITIONS AND DISPOSALS	24	(443)	(13,826)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>2,131</u>	<u>(13,431)</u>
FINANCING	24	<u>(2,211)</u>	<u>8,774</u>
DECREASE IN CASH IN THE PERIOD		<u>(80)</u>	<u>(4,657)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash in the period		(80)	(4,657)
Cash outflow/(inflow) from change in debt and lease financing		<u>2,654</u>	<u>(3,554)</u>
Change in net debt resulting from cashflows		2,574	(8,211)
Reclassification of liquid resources		-	(372)
Finance leases acquired		<u>-</u>	<u>(52)</u>
NET (DEBT) / FUNDS AT START OF YEAR		(3,448)	5,187
NET DEBT AT END OF YEAR	25	<u>(874)</u>	<u>(3,448)</u>

The notes on pages 15 to 26 form part of these financial statements.

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

BASIS OF PREPARATION

The financial statements consolidate the results of the Company and its subsidiaries. Paramount Plc's accounting period ends on the Sunday nearest to 30 June, and hence reports its results for the year ended 27 June 2004. The comparative figures are for the 13 months from 1 June 2002 to 29 June 2003. The parent company has taken advantage of the exemption in s230 CA1985 not to publish its own profit and loss account. The accounting periods of the subsidiaries are coterminous with that of the parent undertaking.

BASIS OF CONSOLIDATION

Subsidiaries acquired are consolidated using the acquisition method. The results are incorporated from the date that control passes. The difference between the fair value of the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired, "goodwill", is treated as set out below.

Purchased goodwill

Goodwill on acquisition is amortised over 10 years as, in the opinion of the directors, this represents the period over which the goodwill is effective.

Turnover

Turnover represents amounts invoiced by the Group in respect of goods sold and services rendered during the period, stated inclusive of service charge and net of value added tax.

Tangible fixed assets

Depreciation is provided on all fixed assets at rates calculated to write off the cost less estimated residual value of each asset over their expected useful life as follows:

Leasehold properties and improvements	- equally over the unexpired term of the lease
Fixtures and fittings	- 5 years straight line
Computer equipment	- 3 years straight line

Impairment of fixed assets and goodwill

The need for any fixed asset impairment is assessed by comparing the carrying value of the asset against the higher of realisable value and value in use.

Stocks

Stocks are valued on a first in, first out basis at the lower of cost and net realisable value.

Net realisable value is based on the estimated selling price less further costs expected to be incurred to subsequent sale.

Leases

Assets held under finance leases or hire purchase agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreements. The excess of the payments over the recorded obligations are treated as finance charges which are amortised over the term of each agreement to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

Pensions

The Group makes contributions to personal plans for certain of its permanent employees which are charged against profit.

Investments

Fixed assets investments are stated at cost less any provision for impairment in value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 TURNOVER

Turnover and profit for the year is attributable to the principal activities of the Group, which are carried on entirely within the United Kingdom.

3 DIRECTORS AND EMPLOYEES

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

	2004	2003
	No.	No.*
Restaurant staff	632	195
Administration	22	12
Comparable figures for year	654	207

The 2003 comparative results represent 13 weeks of ownership of Groupe Chez Gerard by Paramount. The full year 2003 comparative for Groupe Chez Gerard was 834 Restaurant staff, 23 Administration staff.

	£'000	£'000
Staff costs including directors:		
Wages and salaries	11,586	2,812
Social security costs	655	146
Other pension costs	54	8
	12,295	2,966

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

Directors and employees (continued)

The emoluments of each of the directors are set out below:

	Salary, benefits and fees	Bonus	Contributions to personal pensions	Total	Total
	2004 £'000	2004 £'000	2004 £'000	2004 £'000	2003 £'000
G.A. Naggar	15	-	-	15	30
N.A. Basing*	142	79	14	235	44
R.J. Elman	31	-	-	31	41
C.H.B. Mills	15	-	-	15	30
N.A. Summers	15	-	-	15	30
D. Hudd	15	-	-	15	30
I.S. Neill	30	-	-	30	6
	263	79	14	356	211

*Highest paid director

Included in the total for 2003 were contributions to personal pensions of £2,000 in respect of N.A. Basing. The details of directors' share interests are set out in note 4 to the Directors' Report on pages 6 and 7.

4 ADMINISTRATIVE EXPENSES

	2004 £'000	2003 £'000
Administrative expenses include:-		
Auditors' remuneration – audit services to Group (Company £11,735)	56	16
Auditors' non audit fees to Group (Company - £22,405)	37	12
Depreciation - owned assets	2,098	543
Depreciation – leased assets	-	19
Amortisation of goodwill	411	82
Operating lease rentals – equipment	34	7
Operating lease rentals – land and buildings	3,018	629
Re-organisation costs – subsidiary company board changes	-	257
Re-organisation costs – restaurant closures	-	120
Re-organisation costs – other	90	35

5 NET INTEREST (PAYABLE)/RECEIVABLE

	2004 £'000	2003 £'000
On bank deposits	-	90
On bank loans	(169)	-
	(169)	90

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

6 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES	2004	2003
	£'000	£'000
Current tax		
UK Corporation tax - on ordinary activities	210	-
Deferred tax:		
Origination and reversal of timing differences	493	(92)
Tax on result for the year/period	703	(92)
Factors affecting tax charge for year:		
The tax assessed for the year is lower than the standard rate of corporation tax of 30% (2003: 30%) as explained below:		
Profit / (Loss) on ordinary activities before tax	1,812	(760)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax	544	(228)
Effects of:		
Expenses not deductible for tax purposes	182	195
Capital allowances (more than)/less than depreciation	(93)	33
Utilisation of tax losses	(423)	-
Current tax charge for the period	210	-

The Company has unrelieved trading losses of £0.2m (2003 - £0.2m), and capital losses of approximately £7.7m (2002 - £7.7m). As regards the Company's subsidiary undertakings, Real Inns Limited has unrelieved capital losses of approximately £2.2m (2002 - £2.2m), and Groupe Chez Gerard Restaurants Limited has unrelieved capital losses of approximately £6m (2003 - £6m), and unrelieved trading losses £nil (2003 - £1.2m)

7 EARNINGS PER SHARE

Basic earnings per ordinary share is based on the profit for the year of £1,109,000 (2003: loss £668,000) and on 81,772,320 ordinary shares of 5p each being the weighted average number of ordinary shares in issue during the period (2003: 33,061,963).

Diluted earnings per share is based on 82,450,000 ordinary shares, which takes account of the dilutive share options outstanding in the period (2003: Diluted earnings per share equalled basic earnings per share)

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

8 ACQUISITIONS

Acquisition of Groupe Chez Gerard Plc

On 14 April 2003 the Group acquired Groupe Chez Gerard Plc for £15,215,000 paid by cash (£10,300,000) and by issue of shares (£4,915,000).

In calculating the goodwill arising on acquisition, the fair value of net assets of Groupe Chez Gerard Plc were assessed in the period ended 29 June 2003 and adjustments from book value were made where necessary. These adjustments were re-assessed by the Board of Paramount Plc on the first anniversary of the acquisition and the final adjustments of £150,000 to creditors are included within the following table.

	Book value £'000	Revised Fair value adjustments £'000	Fair value £'000
FIXED ASSETS			
Intangible assets	740	(740)	-
Tangible assets	15,641	3,267	18,908
CURRENT ASSETS			
Stocks	694	-	694
Debtors	1,357	-	1,357
Cash at bank and in hand	24	-	24
Total assets	18,456	2,527	20,983
CREDITORS			
Due within one year	(5,438)	(150)	(5,588)
Due after more than one year	(3,922)	-	(3,922)
Provision for liabilities and charges	(337)	-	(337)
Net assets	8,759	2,377	11,136
			£'000
Cash consideration			10,300
Shares issued as consideration			4,915
Net assets acquired			(11,136)
Goodwill arising on acquisition			4,079

The fair value adjustments relate primarily to the assessed fair value of the leasehold properties on acquisition, and consequent adjustments to the goodwill in the acquired company.

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

9 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Group	
Cost	
At 30 June 2003	3,929
Addition arising from fair value reassessment	150
At 27 June 2004	<u>4,079</u>
Amortisation	
At 30 June 2003	82
Charge in year	411
At 27 June 2004	<u>493</u>
Net book value	
At 27 June 2004	<u>3,586</u>
At 29 June 2003	<u>3,847</u>

10 TANGIBLE FIXED ASSETS

	Leasehold properties and improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Group			
Cost			
At 30 June 2003	26,384	7,142	33,526
Additions	560	998	1,558
Disposals	(3,585)	(900)	(4,485)
At 27 June 2004	<u>23,359</u>	<u>7,240</u>	<u>30,599</u>
Depreciation			
At 30 June 2003	10,478	4,627	15,105
Charge for year	1,064	1,034	2,098
Disposals	(3,240)	(508)	(3,748)
At 27 June 2004	<u>8,302</u>	<u>5,153</u>	<u>13,455</u>
Net book value			
At 27 June 2004	<u>15,057</u>	<u>2,087</u>	<u>17,144</u>
At 29 June 2003	<u>15,906</u>	<u>2,515</u>	<u>18,421</u>

The net book value of assets held under finance lease included in fixtures and fittings is £nil (2003: £44,000).

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

11 FIXED ASSETS INVESTMENTS

Company	2004 £'000	2003 £'000
Subsidiary undertakings	17,892	17,892
Subsidiary undertakings		
Cost:		
At 27 June 2004 and 30 June 2003		18,799
Amounts provided:		
At 27 June 2004 and 30 June 2003		(907)
Net book value		
At 27 June 2004 and 30 June 2003		17,892

The Company has investments in the following principal subsidiary undertakings.

	Country of incorporation	Principal activity	Holding	%
Groupe Chez Gerard Restaurants Limited*	UK	Restaurant Operator	Ordinary Shares	100%
Paramount Restaurants Ltd	UK	Restaurant Owner	Ordinary Shares	100%
Real Inns Limited	UK	Dormant	Ordinary shares	100%

*Indirectly held by Paramount plc

12 STOCKS

Group	2004 £'000	2003 £'000
Food and beverages for resale	230	249
Serviceware and kitchen utensils	387	402
	617	651

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS
Continued

13 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	541	414	-	-
Amounts due from group companies	-	-	3,625	20
Other taxation and social security costs	-	-	38	5
Other debtors	1	-	-	-
Corporation Tax	-	76	-	-
Prepayments and accrued income	1,350	1,268	4	28
	<u>1,892</u>	<u>1,758</u>	<u>3,667</u>	<u>53</u>

14 CREDITORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade creditors	2,944	2,843	29	-
Corporation tax	210	-	-	-
Other taxation and social security costs	860	836	-	-
Subsidiary loan	-	-	2,696	2,698
Other creditors	723	571	-	-
Obligations under finance lease	-	26	-	-
Accruals and deferred income	839	2,235	48	515
	<u>5,576</u>	<u>6,511</u>	<u>2,773</u>	<u>3,213</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2004	2003
	£'000	£'000
Bank credit facility	<u>952</u>	<u>3,580</u>

Analysis of repayments	Bank Credit Facility		Finance Lease	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Due within one year	-	-	-	26
Due between one and two years	952	-	-	-
Due between two and five years	-	3,580	-	-
	<u>952</u>	<u>3,580</u>	<u>-</u>	<u>26</u>

The bank credit facility represents the balance of drawn down funds against a credit facility of £6million which carried a rate of LIBOR plus 2.0% during the period. The facility is secured by cross-guarantees from two of the Company's subsidiaries. The purpose of the facility is to fund working capital and capital expenditure.

The finance lease was taken out to fund new site development and spread the risk of borrowing. Interest was payable at Bank rate plus 1%.

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

16 PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax	
	2004 £'000	2003 £'000
Group		
Accelerated capital allowances	740	315
Short-term timing differences	(2)	(1)
	<u>738</u>	<u>314</u>
Tax losses carried forward	-	(69)
	<u>738</u>	<u>245</u>
Provision at 30 June 2003	245	-
Deferred tax recognised on acquisitions	-	337
Deferred tax charge/(credit) in profit & loss account for period (Note 6)	493	(92)
Provision at 27 June 2004	<u>738</u>	<u>245</u>

17 CALLED UP SHARE CAPITAL

	2004		2003	
	Number	Nominal Value £'000	Number	Nominal Value £'000
Authorised:				
5p ordinary shares	<u>135,000,000</u>	<u>6,750</u>	<u>135,000,000</u>	<u>6,750</u>
Allotted, called-up and fully paid – 5p ordinary shares:				
At 30 June 2003			80,216,997	4,011
Issued for cash			1,465,526	73
Issued for shares acquired			<u>883,050</u>	<u>44</u>
At 27 June 2004			<u>82,565,573</u>	<u>4,128</u>

The shares issued during the year relate to the compulsory acquisition of the remaining Groupe Chez Gerard Plc shares, the cost of which had already been accounted for in the previous year.

Share Options

Approved and unapproved share options issued under the company schemes are as follows:

Exercise Price	Date Granted	Number Granted	Number Lapsed	Outstanding 27 June 2004	Range of Dates Exercisable
20p	April-Aug 2003	3,537,500	-	3,537,500	April 2006-Aug 2013
29p	March 2004	1,620,688	-	1,620,688	Mar 2007-Mar 2014
30p	Nov 2003	566,666	-	566,666	Nov 2006-Nov 2013
		<u>5,724,854</u>		<u>5,724,854</u>	

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

18 RESERVES AND RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital	Share Premium Account	Merger Reserve	Capital Redemption Reserve	Profit & Loss Account	Total Shareholders ' Funds
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
At 30 June 2003	4,011	4,256	3,363	3,446	(577)	14,499
Shares issued	117	220	106	-	-	443
Profit for the year	-	-	-	-	1,109	1,109
At 27 June 2004	4,128	4,476	3,469	3,446	532	16,051
Company						
At 30 June 2003	4,011	4,256	3,363	3,446	(202)	14,874
Shares issued	117	220	106	-	-	443
Profit for the year	-	-	-	-	3,531	3,531
At 27 June 2004	4,128	4,476	3,469	3,446	3,329	18,848

As permitted by S.230 Companies Act 1985, the Company has not presented its own profit and loss account.

19 CAPITAL COMMITMENTS

Capital commitments for which no provision have been made in these financial statements are:

	2004 £'000	2003 £'000
Contracted for projects	10	41

20 OPERATING LEASE COMMITMENTS

At 27 June 2004 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Leases which expire:				
Under 1 year	-	53	-	-
Within 1 to 2 years	-	243	8	12
Within 2 to 5 years	-	-	26	20
After 5 years	2,839	3,020	-	-
	2,839	3,315	34	32

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS *Continued*

21 POST BALANCE SHEET EVENTS

There have not been any events since the balance sheet date which require disclosure.

22 FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

In the director's opinion, there is no material difference between the book value and current value of any of the Group's financial instruments (2003:nil)

(b) Cash deposits/borrowings

The Group invests surplus funds at prevailing money market rates. Details of interest paid on borrowings are disclosed in note 15.

(c) Undrawn committed bank facilities

The Group has undrawn committed bank borrowing facilities available to it of £3,604,000 all of which expire within 2 years (2003: £2,420,000)

(d) Currency exposure

The Group had no material currency exposure in the period (2003:nil)

(e) Hedges

The Group had no material hedged transactions or positions in the period (2003:nil)

(f) Treasury policy

The Group treasury operates as a centralised service managing interest rates and financing, and reports regularly to the Board through the Finance Director. Operations are financed by retained profits and bank borrowings. The Group does not trade in financial instruments.

23 RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2004	2003
	£'000	£'000
Operating profit / (loss)	1,879	(850)
Depreciation and amortisation	2,509	644
Decrease in stocks	34	43
Increase in debtors	(222)	(284)
(Decrease)/increase in creditors	(836)	790
Net cash inflow from operating activities	3,364	343
	2004	2003
	£'000	£'000

24 ANALYSIS OF CASH FLOW HEADINGS

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

Interest received	9	148
Interest paid	(172)	(21)
	(163)	127

PARAMOUNT PLC

NOTES TO THE FINANCIAL STATEMENTS

Continued

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payments to acquire tangible fixed assets	(1,558)	(75)
Sale of tangible fixed assets	855	-
	<u>(703)</u>	<u>(75)</u>

ACQUISITIONS AND DISPOSALS

Purchase of subsidiary undertakings	(443)	(9,928)
Net overdraft acquired with subsidiaries	-	(3,898)
	<u>(443)</u>	<u>(13,826)</u>

FINANCING

(Decrease)/increase in borrowings	(2,628)	3,580
Capital element of finance lease payments	(26)	(26)
Cash inflow from change in net debt and finance leases	(2,654)	3,554
Shares redeemed	-	(455)
Shares issued	443	5,675
Net cash (outflow)/inflow from financing	<u>(2,211)</u>	<u>8,774</u>

25 ANALYSIS OF CHANGES IN NET DEBT

	At 30 June 2003	Cash Flow	At 27 June 2004
	£'000	£'000	£'000
Cash in hand and at bank	158	(80)	78
Debt due after one year	(3,580)	2,628	(952)
Finance lease obligations	(26)	26	-
	<u>(3,448)</u>	<u>2,574</u>	<u>(874)</u>

26 RELATED PARTY TRANSACTIONS

Mr G.A. Naggar, a director of the Company, has a significant interest in Dawnay Day Corporate Finance Ltd, which acts as co-advisor to the Company, and the financial statements include £15,000 for their services (2003: £234,044), of which £15,000 was outstanding at the year end (2003: £Nil). He is also a director and shareholder in HomeDouble Limited, who have rented offices to the company during the year, on an arms length basis. Total rent charged amounted to £2,367, of which £nil was outstanding at the year end.

Mr R.J. Elman, a director of the Company, is also a partner of Elman Wall, Chartered Accountants, who have provided accountancy assistance to the Company and the financial statements include £7,000 for their services (2003: £30,000), of which £Nil was outstanding at the year end (2003: £Nil).

PARAMOUNT PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventeenth Annual General Meeting of Paramount PLC, ("the Company") will be held at Chez Gerard, Southbank – 9 Belvedere Road, Southbank, London SE1 8YL on 26 October 2004 at 10.00am for the purpose of dealing with the following business of which items 5, 6 and 7 are special business.

ORDINARY BUSINESS

- 1 To receive the reports of the directors and the auditors and the audited accounts of the Company for the period ended 27 June 2004.
- 2 To re-elect G.A. Naggar as a director of the Company.
- 3 To re-elect N.A. Summers as a director of the Company.
- 4 To re-appoint BDO Stoy Hayward LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company 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 the directors of the Company be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined for the purposes of section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £1,362,332 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, this authority to replace any previous authority under section 80 of the Act which is hereby revoked with immediate effect.

- 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 5 above, the directors of the Company be and they are hereby empowered pursuant to section 95(1) of the Act (as defined in resolution 5 above) to allot pursuant to the authority granted by resolution 5 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 £206,414; and

unless previously renewed, revoked or varied such power shall expire at the close of the next Annual General Meeting of the Company, 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;

PARAMOUNT PLC

NOTICE OF ANNUAL GENERAL MEETING

continued

(b) For the purposes of this resolution;

(i) "relevant rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors of the Company to holders on the register on a fixed record date of ordinary shares in the Company in proportion (or as nearly as may be practicable) to their respective holdings but subject in any 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.

7 That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 12,384,836 (representing approximately 15 per cent of the Company's issued share capital at 14 September 2004);

(ii) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 1p;

(iii) the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;

(iv) the authority hereby conferred shall expire on the close of the next annual general meeting of the Company;

(v) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

By Order of the Board

B. M. Pincus
Company Secretary
14 September 2004
Registered Office:
15 Grosvenor Gardens
London SW1W 0BD

PARAMOUNT PLC

NOTICE OF ANNUAL GENERAL MEETING

continued

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 or 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 preclude a member from attending and voting in person at the meeting should he or she so wish.
- 4 Pursuant to Regulation 34 of The Uncertificated Securities Regulations 1995 only those members registered in the Register of Members of the Company as at 10.00am on 24 October 2004 being not more than 48 hours before the time fixed for the meeting are entitled to attend or vote at the meeting in respect of the number of shares registered in their name at 10.00am on 24 October 2004. Changes to entries in the Register after 10.00am on 24 October 2004 shall be disregarded in determining the right to attend or vote at the meeting.