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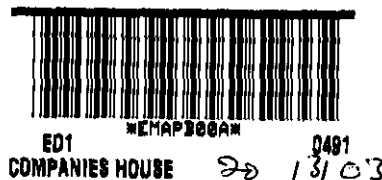
Copies of this document are being sent to shareholders of Paramount plc and of Groupe Chez Gerard plc. If you have sold or transferred all of your shares in Paramount plc and/or Groupe Chez Gerard plc, please forward this document and any enclosed documents to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Paramount Shares to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission will become effective and that dealings will commence in the New Paramount Shares within 14 days of the Offer being declared unconditional. If Paramount is unable to satisfy the requirement for Listing it will apply for the New Paramount Shares to be admitted to trading on AIM. No application has been or will be made for the New Paramount Shares to be listed on any other stock exchange.

A copy of this document, which comprises listing particulars relating to Paramount plc, in accordance with the Listing Rules made under Section 74 (4) of the Financial Services and Markets Act 2000, has been delivered for registration to the Registrar of Companies in England and Wales, as required by Section 83 of that Act.

Listing Particulars
issued in connection with the offer by
Dawnay, Day Corporate Finance Limited
on behalf of
Paramount plc 1934366
for the whole of the issued share capital of
Groupe Chez Gerard plc
not already owned by Paramount plc

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DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

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| “Acquisition” | the proposed acquisition of Groupe Chez Gerard by Paramount |
| “Admission” | the admission of the New Paramount Shares to the Official List becoming effective in accordance with the Listing Rules and to trading having been granted by the London Stock Exchange or admission to trading on AIM having been granted by the London Stock Exchange |
| “AIM” | the Alternative Investment Market of the London Stock Exchange |
| “Cash Alternative” | the cash alternative under the Offer pursuant to which GCG Shareholders who validly accept the Offer may receive cash consideration in lieu of New Paramount Shares |
| “Capita Registrars” | Capita IRG Plc |
| “Circular” | the circular to Paramount Shareholders dated 20 March 2003 containing information relating to the Acquisition and the notice of the Extraordinary General Meeting |
| “CREST” | the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) |
| “CREST Regulations” | the Uncertificated Securities Regulations 2001 (SI 2001 No.3775) |
| “Dawnay Day” | Dawnay, Day Corporate Finance Limited |
| “Dawnay Day Group” | Dawnay, Day International Limited, its subsidiaries and associated companies |
| “Enlarged Group” | Paramount and its subsidiaries following the completion of the Acquisition |
| “Extraordinary General Meeting” | the extraordinary general meeting of Paramount Shareholders convened for 14 April 2003, notice of which is set out at the end of the Circular |
| “Evolution Beeson Gregory” | Evolution Beeson Gregory Limited, the Company’s joint financial advisor, a member of the London Stock Exchange and regulated by the Financial Services Authority |
| “Form of Acceptance” | the form of acceptance, authority and election relating to the Offer accompanying the Offer Document |
| “GCG Group” | Groupe Chez Gerard and its subsidiaries |
| “GCG Shares” | ordinary shares of 25p each in the capital of Groupe Chez Gerard |
| “GCG Shareholder” | a holder of GCG Shares |
| “GCG Share Schemes” | the Groupe Chez Gerard 2000 Executive Share Option Scheme, and the 1994 Executive Share Option Scheme |
| “Groupe Chez Gerard” or “Chez Gerard” | Groupe Chez Gerard plc |
| “JOHCM” or “JO Hambro Capital Management” | JO Hambro Capital Management Limited and, where the context so requires, its discretionary investment clients |
| “JOHCMG” | JO Hambro Capital Management Group Limited, the parent company of JO Hambro Capital Management Limited |
| “Listing Rules” | the rules made under section 74 (4) of the Financial Services and Markets Act 2000 and published by the UK Listing Authority |

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|--|--|
| “London Stock Exchange” | London Stock Exchange plc |
| “New Paramount Shares” | new Paramount Shares to be issued as consideration for GCG Shares pursuant to the Offer |
| “Offer” | the offer by Dawnay Day on behalf of Paramount on the terms set out in the Offer Document for all of the issued GCG Shares not already owned by Paramount |
| “Offer Document” | the document addressed to GCG Shareholders dated 20 March 2003 which contains the Offer |
| “Official List” | the Official List of the UK Listing Authority |
| “Paramount” or the “Company” | Paramount plc |
| “Paramount Group” | Paramount and its wholly owned dormant subsidiary, Real Inns Ltd |
| “Paramount Shares” | ordinary shares of 5p each in the capital of Paramount |
| “Paramount Shareholder” | a holder of Paramount Shares |
| “Proposed Directors” | Nicholas Basing and Ian Neill, who are to be appointed to the board of Paramount as and when the Offer is declared unconditional |
| “Share Offer” | the offer of New Paramount Shares as consideration under the Offer |
| “Takeover Code” | the City Code on Takeovers and Mergers |
| “UK Listing Authority” or “UKLA” | the Financial Services Authority acting in its capacity as the competent authority for the purpose of Part VI of the Financial Services and Markets Act 2000 |
| “uncertificated” or “in uncertificated form” | a Paramount share recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| “Underwriting Agreement” | the agreement between the Company and JOHCM dated 13 March 2003 summarised in paragraph 10 of Part IV of this document |
| “United States” | the United States of America, its territories and possessions and any other areas subject to its jurisdiction, any state of the United States and the District of Columbia |

DIRECTORS AND ADVISERS

| | |
|---|--|
| Directors | Guy Anthony Naggar (<i>Chairman</i>) Ralph Julian Elman FCA (<i>Finance Director</i>) David Leslie Hudd FCA (<i>Non-Executive Director</i>) Christopher Harwood Bernard Mills (<i>Non-Executive Director</i>) Norman Andrew Summers CA (<i>Non-Executive Director</i>) |
| Proposed Directors | Nicholas Andrew Basing (<i>Chief Executive Designate</i>) Ian Smeeton Neill (<i>Non-Executive Director</i>) |
| Company Secretary | Barry Martin Pincus FCA The business address of the directors is 15 Grosvenor Gardens, London SW1W 0BD |
| Registered and Head Office | 15 Grosvenor Gardens London SW1W 0BD |
| Sponsor and joint financial adviser | Dawnay, Day Corporate Finance Limited 8 – 10 Grosvenor Gardens London SW1W 0DH |
| Joint financial adviser and stockbroker | Evolution Beeson Gregory Limited Royal Mint Court, London EC3N 4LB |
| Auditor | Baker Tilly 1 Old Hall Street, Liverpool L3 9SX |
| Solicitors | Bircham Dyson Bell 50 Broadway Westminster London SW1H 0BL |
| Registrars | Capita Registrars The Registry 34 Beckenham Road Beckenham, Kent BR3 4TH |
| Bankers | The Royal Bank of Scotland plc 38 Moseley Street, Manchester M60 2BE Barclays Bank 54 Lombard Street London EC3P 3AH |

PART I

General Information

1. Information on Paramount

Paramount was principally engaged in drinks retailing through its own licensed estate which was primarily situated in the North West of England, North Wales and Shropshire until July 2000 when, following completion of a strategic review by the board and shareholder approval, the entire business and assets of Paramount and its subsidiary, Real Inns Limited, were sold to KUC (Public Houses) Limited for approximately £19.6 million cash.

Since the disposal, Paramount has repaid all the Paramount Group's borrowings, simplified its capital structure and eliminated its deficiency of distributable reserves by way of a capital reconstruction, redeeming 1,400,000 convertible redeemable preference shares of £1 each at par in March 2001.

Paramount has no trade or business and its net assets (as shown in the interim accounts to 30 November 2002) were £5,199,000 primarily comprising cash and 655,000 GCG Shares. At 28 February 2003, Paramount's cash balances stood at £4,215,476 following the purchase and cancellation of 2,975,000 of its own shares for a cash consideration of £455,000 in December 2002.

Since the completion of the disposal of its business (retailing from public houses and other licensed premises) in July 2000 the board has evaluated several possible acquisition opportunities. The board of Paramount has now resolved to recommend the Acquisition to Paramount Shareholders. Paramount has already acquired 655,000 GCG Shares (representing approximately 3.18 per cent. of Groupe Chez Gerard's issued share capital) at a cost of £394,000 (including costs), funded out of its cash deposits. The prospects of Paramount depend on the outcome of the Offer.

Financial information concerning Paramount is set out in Part III.

2. Groupe Chez Gerard

Groupe Chez Gerard is the holding company of the GCG Group which operates 23 restaurants: 12 branded as "Chez Gerard"; 7 as "Livebait"; one as "Café Fish" and 3 as "Bertorelli". It also has 3 non trading sites which are being marketed for sale. The GCG Group made a pre tax loss of £3,351,000 in the year to 30 June 2002 on net assets of £7,700,000. The chairman's statement dated 24 September 2002, on the results to 30 June 2002 described a recovery programme involving the disposal of sites (one of which, Scotts, was completed after the year end), repayment of debt and reduction in central costs.

Groupe Chez Gerard announced its interim results for the six months to 31 December 2002 on 28 February 2003. Profit before tax was £873,000 (including non-recurring items) and £400,000 (before non-recurring items) on net assets of £8,890,000. The main non-recurring item recognised in this period is net exceptional income of £448,000 which includes a profit of £787,000 realised on the disposal of Scotts and impairment charges and provisions on the three restaurants closed in the period pending disposal, totalling £339,000. Restaurant contribution from the reduced turnover has fallen to £1.63 million from £2.48 million before impairment charges for the same period last year. This decline is stated to be "the result of a combination of factors: fewer operating restaurants, still negative like for like sales adverse external factors and lower margins." The operating activities produced £1.8 million in cash, slightly down on the same period last year (2001: £2.1 million). This was offset by the one off receipts from the disposals of Scotts and Livebait, Chelsea and lower capital expenditure.

Further information on Groupe Chez Gerard is set out in Part II.

3. Intentions for Groupe Chez Gerard

If the Offer is declared unconditional, Paramount will become the holding company of the GCG Group and will appoint Nick Basing as Group Chief Executive. His initial brief will be to focus on improving cashflow of the Enlarged Group's trading operations by increasing restaurant profitability, reducing support office costs, some disposals and selective rebranding. A key objective will be to enhance customers' dining experiences in the restaurants. After the initial rationalization, this should create a strong platform for future growth.

The board of Paramount believes that the prospects of the Enlarged Group are promising in the medium to long term recognizing the current economic uncertainties and their potential unfavourable impact on short term results.

4. The Offer

The Offer, full details of which are set out in the Offer Document, is being made by Dawnay Day on behalf of Paramount for all the issued GCG shares not already owned by Paramount on the following basis:

| | |
|---------------------|---|
| For every GCG Share | 3.75 New Paramount Shares (the Share Offer) |
| | or |
| | 75p cash (the Cash Alternative) |

The Share Offer values Groupe Chez Gerard at £13.1 million (based on the middle market price of a Paramount Share) on 17 March 2003, being the latest practicable date prior to publishing this document, as derived from the Official List and the Cash Alternative values Groupe Chez Gerard at £15.5 million.

Fractions of Paramount Shares will not be allotted or issued to GCG Shareholders. Fractional entitlements to Paramount Shares will be aggregated and sold in the market and the net proceeds of sale will be retained for the benefit of the Enlarged Group.

JOHCM has irrevocably undertaken, save in the event of a higher competing offer emerging, to procure acceptances of the Share Offer in respect of its clients' aggregate holdings of 5,513,000 GCG Shares (representing 26.7 per cent. of the GCG Shares in issue). Other GCG Shareholders have stated their intention to accept the Offer and elect for the Cash Alternative in respect of 4,344,481 GCG Shares (representing 21.1 per cent. of the GCG Shares in issue). The total number of GCG Shares subject to irrevocable undertakings and statements of intent to accept the Offer amount to 47.8 per cent. of Groupe Chez Gerard's issued share capital. As stated above, Paramount already holds 655,000 GCG Shares representing approximately 3.18 per cent. of Groupe Chez Gerard's issued share capital.

The Offer is conditional (inter alia) on:

- (i) the passing of resolutions to be proposed at the Extraordinary General Meeting;
- (ii) valid acceptances having been received which, when aggregated with any GCG Shares held by Paramount, amount to over 50 per cent. of Groupe Chez Gerard's issued share capital;
- (iii) the UK Listing Authority and the London Stock Exchange admitting the New Paramount Shares to Listing and trading on the London Stock Exchange, or alternatively, the New Paramount Shares being admitted to trading on AIM; and
- (iv) no delays or restrictions being imposed by the Competition Commission or other governmental, quasi-governmental or supra national body or authority.

Unless a higher offer is made by a third party, the Offer is final and will not be increased.

The Cash Alternative will remain open until 3.00 p.m. on 10 April 2003 and, if the Offer is then unconditional as to acceptances, will not be extended thereafter. If, at that time, the Offer is not unconditional as to acceptances and is extended beyond that time, the right is reserved to close or to extend the Cash Alternative. If the Cash Alternative lapses or closes, the right is also reserved to reintroduce a cash alternative as long as (i) the Offer is still conditional as to acceptances or (ii) Paramount exercises its rights under sections 428 to 430F (inclusive) of the Companies Act 1985 to acquire GCG Shares compulsorily. The right is also reserved to revise, increase and/or extend the Cash Alternative should the Panel so agree or in the event of a competitive situation arising. For this purpose, references in this document to the Offer being unconditional as to acceptances at a particular time shall be deemed to be references to the Offer becoming or being declared unconditional as to acceptances by reference to acceptances received up to that time.

The first £3.2 million required to satisfy the consideration payable to accepting GCG Shareholders who elect to receive cash will be paid out of Paramount's cash balances. The balance up to approximately £7,605,000 will be satisfied by JOHCM, which has agreed, pursuant to the Underwriting Agreement, to procure allottees at a price of 20p per share for up to 38,025,000 New Paramount Shares to which GCG Shareholders who elect for the Cash Alternative would otherwise be entitled under the Share Offer. Further details of the underwriting arrangements are given in paragraph 10 of Part IV. The maximum number of New Paramount Shares capable of being issued under the Offer (assuming no exercise of options under the GCG Share Schemes) is 74,873,138.

In view of the time limits imposed by the Takeover Code, it is not practicable to effect a rights issue between the date the amount of cash needed to satisfy elections for cash under the Offer is known and the date the consideration is payable. Accordingly, the board of Paramount is seeking Paramount Shareholders' approval to waive pre-emption rights over the New Paramount Shares capable of being issued under the Underwriting Agreement.

Appropriate proposals will be made to participants in the GCG Share Scheme if the Offer becomes or is declared unconditional in all respects.

5. Details of the New Paramount Shares

Full acceptance of the Share Offer would involve the issue of up to 74,873,138 New Paramount Shares representing approximately 76 per cent. of Paramount's enlarged issued share capital. If elections for the Cash Alternative are made in respect of 4,313,170 or more GCG Shares, full acceptance of the Offer would involve the issue of 58,698,750 New Paramount Shares representing approximately 71 per cent. of Paramount's enlarged issued share capital.

The New Paramount Shares will rank *pari passu* with the existing Paramount Shares in all respects including the right to receive all dividends or other distributions made or paid after 10 April 2003. The GCG Shares will be acquired free from all liens, charges, equitable interests, encumbrances and third party rights and together with all rights now or hereafter attaching thereto, including the right to all dividends and other distributions (if any) hereafter declared, made or paid.

6. Listing, settlement and dealings

The existing Paramount Shares have been admitted to the Official List and to trading on the London Stock Exchange. Application has been made to the United Kingdom Listing Authority for the New Paramount Shares to be listed and to the London Stock Exchange for such shares to be admitted to trading. It is expected that Admission will take place and that dealings in New Paramount Shares will commence on the first dealing day following that on which the Offer becomes or is declared unconditional in all respects, other than in respect of Admission. The New Paramount Shares will not be available to the public in conjunction with the application except by way of valid acceptances of the Offer or under the terms of the Underwriting Agreement. All Paramount Shares in issue are, and the New Paramount Shares will be, in registered form and may be held in either certificated form or in uncertificated form (i.e. in CREST).

The Offer will remain open for acceptance until 3.00 p.m. on 10 April 2003. It may be extended to a later date but the Offer is not capable of being kept open after 1.00 p.m. on 21 May 2003 unless it has become or been declared unconditional as to acceptances on that day, provided that Paramount has reserved the right to extend the Offer to a later date with the permission of the Takeover Panel.

Subject to the Offer becoming or being declared unconditional in all respects (and, in the case of GCG Shareholders not resident in the United Kingdom, except as provided in the Offer Document) settlement of the consideration to which any GCG Shareholder is entitled under the Offer will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of the later of such date and 10 April 2003, or (ii) in the case of acceptances of the Offer received, complete in all respects after the later of 10 April 2003 and the date on which the Offer becomes or is declared unconditional in all respects but while it remains open for acceptance, within 14 days of such receipt, in the following manner depending upon whether the accepting GCG Shareholders' shares are in certificated or uncertificated form:

(i) *GCG Shares in uncertificated form (that is, in CREST)*

Where an acceptance relates to GCG Shares in uncertificated form:

- (a) any New Paramount Shares to which the accepting GCG Shareholder is entitled will be issued in uncertificated form. Paramount will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the GCG Shareholder concerned with such shareholder's entitlement to New Paramount Shares; and
- (b) any cash consideration to which the accepting GCG Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting GCG Shareholder's payment bank in respect of the cash consideration due, in accordance with the CREST payment arrangements.

Paramount reserves the right to settle all or any part of the consideration referred to in paragraph (i) and/or (ii) above, for all or any accepting GCG Shareholder(s), in the manner referred to in paragraph (b) below, if, for any reason, it wishes to do so.

(ii) *GCG Shares in certificated form*

- (a) Where an acceptance relates to GCG Shares in certificated form, the New Paramount Shares to which the accepting GCG Shareholder is entitled will be issued in certificated form. Definitive certificates for the New Paramount Shares and cheques for any cash due, as appropriate, will be despatched by first-class post (or by such other method as may be approved by the Panel). All such cash payments will be made in pounds sterling by cheque drawn on a branch of a U.K. clearing bank.
- (b) Definitive certificates for the New Paramount Shares and/or cheques in respect of any cash due will be despatched by first class post to accepting GCG Shareholders or their appointed agents not later than 28 April 2003 or 14 days after the Offer becomes unconditional in all respects or 14 days after receipt of a valid acceptance, whichever is the later. Pending the dispatch of definitive certificates transfers will be certified against the register.

All documents and remittances sent by or to GCG Shareholders or their appointed agents will be sent at their own risk. No temporary documents of title will be issued.

The receiving agents to the Offer are Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH.

7. Overseas GCG Shareholders

The Offer will not be posted to GCG Shareholders who are citizens of jurisdictions outside the United Kingdom where it would be illegal for them to receive it. The Offer extends to any GCG Shareholders not resident in the United Kingdom to whom the Offer document, the Form of Acceptance and any related documents may not be despatched and such GCG Shareholders may collect copies of these documents from Dawnay, Day Corporate Finance Limited, 10 Grosvenor Gardens, London SW1W 0DH. Paramount and Dawnay Day reserve the right to notify any matter to all or any GCG Shareholder(s) with (a) registered address(es) outside the United Kingdom or whom Paramount knows to be (a) nominee(s) holding GCG Shares for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom by announcement in the United Kingdom by paid advertisement in a newspaper published and circulated in the United Kingdom.

The Offer and the Cash Alternative are not being made, directly or indirectly, in or into the United States, Canada, Australia, South Africa or Japan. The New Paramount Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) and the relevant clearances have not been, and will not be, obtained from the securities commission in any province of Canada. No prospectus in relation to the New Paramount Shares has been or will be lodged with or registered by the Australian Securities Commission. Accordingly, the New Paramount Shares may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States, Canada or Australia.

8. Controlling Shareholder

JOHCM's business is investment management. JOHCM's investment management clients hold 5,513,000 GCG Shares as follows:

| | |
|--|----------------------|
| Oryx International Growth Fund Limited | 612,000 GCG Shares |
| Trident North Atlantic Fund | 3,094,000 GCG Shares |
| Trident Holdings | 1,324,000 GCG Shares |
| Trident High Tor | 483,000 GCG Shares |

Oryx International Growth Fund Ltd, is a closed end investment company incorporated in Guernsey as a company limited by shares and listed on the London Stock Exchange. The Trident North Atlantic Fund is an open ended investment company incorporated in the Cayman Islands. Trident Holdings and Trident High Tor are separate portfolios managed on behalf of institutional clients of JOHCM.

In respect of these holdings, JOHCM on behalf of its associates has given an irrevocable undertaking (save in the event of a higher competing offer emerging) to accept the Share Offer and thereby to receive 20,673,750 New Paramount Shares. In addition JOHCM and its associates already hold 3,275,000 Paramount Shares on behalf of Oryx International Growth Fund Ltd and has agreed to procure allottees for up to 38,025,000 New Paramount Shares to which GCG Shareholders who elect to receive the Cash Alternative pursuant to the Underwriting Agreement as referred to in paragraph 4 of this Part I. The total number of Paramount Shares in issue following the Acquisition will vary according to the level of acceptances received and the extent to which GCG Shareholders elect for the Cash Alternative. Accordingly, clients of JOHCM may hold between 29.0 per cent. and 75.1 per cent. of the issued Paramount shares capital following the Acquisition.

JOHCM is acting in concert (as defined in the Takeover Code) in relation to Paramount with Guy Naggar (a director of Paramount) and Peter Klimt (who hold no shares or other interest in Groupe Chez Gerard) with whom JOHCM co-operated to promote changes to Paramount's board in May 2001. A resolution is to be proposed at the Extraordinary General Meeting to waive the requirement which would otherwise arise by virtue of Rule 9 of the Takeover Code for JOHCM, Guy Naggar and Peter Klimt to make an offer for the Paramount Shares not already held by them. This waiver will extend to the increase in their percentage shareholdings arising from the Acquisition, the Underwriting Agreement and from any subsequent purchase by Paramount of its own shares.

Paramount is satisfied that it is capable of carrying on its business independently of JOHCM (including any associate thereof (e.g. its discretionary investment management clients)) and that all transactions and relationships between Paramount and JOHCM and its associates are and will be at arms length and on a normal commercial basis, having entered into relationship agreement (a summary which is set out in paragraph 10.1(ii) of Part IV) containing legally binding undertakings by JOHCM to that effect. The relationship agreement provides that there will always be a majority of directors of the board of Paramount who are independent of JOHCM. If a conflict of interest arises any directors of Paramount who are associated with JOHCM, or its discretionary investment management clients, such directors will take no part in the Paramount board's decisions on those matters.

Guy Naggar is Chairman of Paramount and, with his wife, is interested in 2,321,362 Paramount Shares. His relationship with Peter Klimt is described in paragraph 10 below and in paragraph 3.3 of Part IV. Peter Klimt is interested in 2,321,363 Paramount Shares. These shareholdings each represent 9.7 per cent. of Paramount's issued share capital (19.5 per cent. in total).

9. Continuing Listing of Paramount Shares

It is a requirement for listing that at least 25 per cent. of the listed company's shares are in "public hands". In circumstances where this condition is not met, the UKLA may suspend the listing of the Paramount Shares. If substantial elections for the Cash Alternative are made by GCG Shareholders who accept the Offer, it is possible that the combined holdings of JOHCM and the directors of Paramount could amount to over 75 per cent. of Paramount's enlarged issued share capital. If this should occur and insufficient Paramount Shares are sold to third parties to satisfy the conditions for listing, Paramount will seek admission of its issued share capital to the Alternative Investment Market and announce the cancellation of the listing of Paramount Shares on the Official List.

10. Directors

Guy Anthony Naggar – *Chairman*

Guy Naggar has been the Chairman of Dawnay, Day & Co., Limited, a member of the London Investment Banking Association, since 1981 and Chairman of Dawnay, Day International Limited since May 2000. He originally trained as a merchant banker with Samuel Montagu & Co and later became Deputy Chairman of Charterhouse Bank. The Dawnay Day Group, which employs over 150 people, provides a variety of financial and property services. During the past 20 years, Guy Naggar together with his business partner, Peter Klimt, have also built up investment companies owning UK commercial properties with an estimated gross value in the region of £800 million. Guy Naggar's, whose family interests own half of Dawnay Day International, joined the board of Paramount on 3 May 2001.

Ralph Julian Elman FCA – *Finance Director*

Ralph Elman is senior partner of Elman Wall, a London based accounting practice. He is Finance Director of Judges Capital PLC and is former Finance Director of several quoted companies including International Communications & Data plc and Delyn plc and has worked as Finance Director of subsidiaries of Great Universal Stores plc and RR Donnelley & Sons Company. Ralph Elman joined the board of Paramount on 3 May 2001.

David Leslie Hudd FCA – *Non-Executive Director*

David Hudd was a partner of Price Waterhouse until 1982. Since then he has been Chairman or Chief Executive of a number of listed companies, largely in the leisure sector. He was, until April 1998, Executive Chairman of Vardon plc (now Cannons Group plc) a company he founded. He is non-executive Chairman of API plc, (a listed company which operates internationally manufacturing foils, laminates and other products used in the packaging and security industries) and part-time Executive Chairman of Falkland Islands Holdings plc, a company involved in general trading in the Falkland Islands whose shares are traded on the Alternative Investment Market and a non-executive director of QA plc, (a listed company involved in IT training). David Hudd joined the board of Paramount on 27 November 2001.

Christopher Harwood Bernard Mills – *Non-Executive Director*

Christopher Mills joined the board of JOHCM in 1993 as Chief Investment Officer. He is Chief Executive of North Atlantic Smaller Companies Investment Trust plc (NASCIT) and of American Opportunity Trust Plc. NASCIT is the winner of numerous Micropal and S&P Investment Trust awards. Before joining JOHCM, he worked from 1975 for Samuel Montagu Limited, Montagu Investment Management Limited, and its successor company, Invesco MIM, until 1993. He was director of Invesco MIM and held positions as Head of North American Investments and Head of North American Venture Capital. Christopher Mills joined the board of Paramount as non-executive director on 3 May 2001.

Norman Andrew Summers CA – *Non-Executive Director*

Norman Summers is a Chartered Accountant and until 1994 was a senior manager with Ernst & Young. He has extensive experience of the leisure, hospitality and restaurant sectors. From 1994 to 2000 he was a senior executive and ultimately Director of financial operations with The Greenalls

Group plc (now De Vere Group) a pub and hotel operator with significant restaurant operations. He is currently the Chairman of North West Pubs Ltd (a recently formed private restaurant and pub operator) and Chairman of NIM (Consultants) Limited (a private company which provides financial consultancy services). Norman Summers joined the board as a non-executive director on 3 May 2001.

11. Proposed Directors

The board of Paramount has agreed to appoint Nicholas ("Nick") Basing and Ian Neill to the board as and when the Offer is declared unconditional.

Nicholas Andrew Basing – Group Chief Executive

Nicholas ("Nick") Basing (aged 41) has spent most of the last 15 years developing and growing multi-site businesses in leisure and hospitality. Nick completed the Advanced Management Program at Harvard Business School in 1999. He was awarded an MBA in 1990.

He joined Granada plc in 1988 and subsequently held senior executive positions with Goodwood Ltd, First Leisure Corporation plc and The Rank Group plc. During this time, he was responsible for many new site openings, including cinemas, bars, cafes and nightclubs, as well as the turn-around of numerous leisure sites in the UK.

In 2000, Nick joined the management board of a substantial division of Unilever plc with responsibility for innovation and new business. Since January 2002 he has led a Management Buy-In team seeking to acquire a restaurant business, acted as a consultant to the chairman of a quoted restaurant group, and led Paramount's due diligence team investigating the acquisition of Groupe Chez Gerard.

Ian Smeeton Neill – Non-Executive Director

Ian Neill (aged 54) has been chief executive of Wagamama noodle restaurants since 1997. He has over thirty years leisure sector experience primarily in multiple casual dining. He joined PizzaExpress Ltd in 1978 to develop their franchising program leaving as director and general manager in 1988. In 1989 he joined Mecca Leisure Group plc as managing director for branded catering. On the acquisition of Mecca by The Rank Organization plc he was placed in overall control of the combined restaurant assets, as managing director of Rank Restaurants Ltd. He has also run his own company Shadowfax Restaurants Ltd which was sold to PizzaExpress plc in 1996 and is a partner in the Soho Pizzeria Partnership. He is a fellow of the Hotel Catering and International Management Association and former chairman of the British Franchise Association.

PART II

Information on Groupe Chez Gerard

1. Financial Information

The financial information set out in this Part II does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information in this Part II has been extracted without material adjustment from the audited accounts of Groupe Chez Gerard for the 52 weeks ended 30 June 2002 and the audited accounts for the 53 weeks ended 1 July 2001 which contained comparative figures for the 52 weeks ended 25 June 2000 re-presented as described in the next paragraph.

(a) Restatement of accounts

The accounting policies set out in this Part II have been applied consistently throughout the three accounting periods ended 30 June 2002 with the following exceptions:

Pre-opening costs

The financial statements for the accounting period ended 1 July 2001 disclosed a change in the way in which pre-opening costs were accounted for. Under the previous policy, pre-opening costs were written off to the profit and loss account in equal instalments over the twelve month period following the opening of a restaurant. The new policy for pre-opening costs is: "costs incurred during the start-up of a new site that cannot be included in the cost of the fixed asset are expensed as incurred and disclosed separately in the profit and loss account below administrative expenses." The effect of the change of policy in relation to the accounting period ended 25 June 2000 was to reduce the profit for that year by £131,000 and to reduce the accumulated profit and loss account in the balance sheet by £179,000. The amounts shown relating to the accounting period ended 25 June 2000 in this Part II have been restated to reflect this change in accounting policy.

Accordingly the financial statements for the three accounting periods to 30 June 2002 are shown using the same accounting policy regarding pre-opening costs.

The financial statements for the 52 weeks ended 30 June 2002 disclosed a change of accounting policy and a change in presentation:

Deferred taxation

Provision was previously made for deferred taxation only to the extent that it was probable that the liability would crystallise in the future. The new policy, which was introduced to comply with a new financial reporting standard (FRS 19 – Accounting for Deferred Tax) is set out in section (f)1. (xi) of this Part II and the effect of the change is set out in note 11 in section (f) of this Part II.

Marketing Costs

The change in presentation in the financial statements related to centrally controlled marketing expenditure of £476,000 in the period to 30 June 2002 (2001: £755,000) which was previously reported within Restaurant administrative expenses, has been reported within Administrative expenses in the profit and loss account.

The financial statements for the period to 30 June 2002 contained comparative information which had been re-presented in relation to the change in accounting policy for deferred tax and the disclosure of centrally controlled marketing expenditure. The financial information relating to the accounting period ended 1 July 2001 in this Part II shows the re-presented amounts. However, as to the effect of these matters in relation to the accounting period ended 25 June 2000, the amounts shown in respect of that period in this Part II have not been re-presented for these items.

Audited statutory accounts for the three periods to 30 June 2002 on which unqualified audit reports (not containing a statement under section 237 (2) or (3)) have been given by the auditors Baker Tilly, 2 Bloomsbury Street, London WC1B 3ST have been delivered to the Registrar of Companies in England and Wales.

(b) Consolidated Profit and Loss Accounts

| | | 52 weeks ended 25 June 2000 (re-presented) £'000 | 53 weeks ended 1 July 2001 (original) £'000 | 53 weeks ended 1 July 2001 (re-presented) £'000 | 52 weeks ended 30 June 2002 £'000 |
|--|-------|--|---|---|--|
| | Notes | | | | |
| Turnover | 2 | 38,210 | 38,314 | 38,314 | 37,553 |
| Cost of Sales | | (22,626) | (23,046) | (23,046) | (23,369) |
| Gross Profit | | 15,584 | 15,268 | 15,268 | 14,184 |
| Restaurant administration expenses | 3 | (9,084) | (9,510) | (8,755) | (9,649) |
| Impairment charges | | — | — | — | (1,367) |
| Restaurant contribution | | 6,500 | 5,758 | 6,513 | 3,168 |
| Goodwill amortisation | | (276) | (124) | (124) | (124) |
| Administration expenses | 3 | (2,630) | (3,005) | (3,760) | (3,057) |
| Re-organisation costs | | — | — | — | (514) |
| Pre-opening costs | | (297) | (816) | (816) | (247) |
| Other operating income | 4 | 233 | 292 | 292 | 220 |
| Operating (loss)/profit | | 3,530 | 2,105 | 2,105 | (554) |
| Exceptional items | 5 | (5,888) | 193 | 193 | (2,316) |
| Net interest payable | 6 | (498) | (295) | (295) | (481) |
| (Loss)/profit on ordinary activities before taxation | | (2,856) | 2,003 | 2,003 | (3,351) |
| Taxation | 8 | (603) | (140) | (407) | 554 |
| (Loss)/profit attributable to shareholders | | (3,459) | 1,863 | 1,596 | (2,797) |
| Dividends | 9 | (917) | (578) | (578) | — |
| | | <u>(4,376)</u> | <u>1,285</u> | <u>1,018</u> | <u>(2,797)</u> |
| Basic earnings per share | 10 | (16.8p) | 9.0p | 7.7p | (13.6p) |
| Diluted earnings per share | 10 | (16.8p) | 9.0p | 7.7p | (13.5p) |
| Additional earnings per share | 10 | <u>12.0p</u> | <u>8.8p</u> | <u>8.2p</u> | <u>3.8p</u> |

(c) Statement of Total Recognised Gains and Losses

| | 52 weeks ended 25 June 2000 (re-presented) £'000 | 53 weeks ended 1 July 2001 (original) £'000 | 53 weeks ended 1 July 2001 (re-presented) £'000 | 52 weeks ended 30 June 2002 £'000 |
|--------------------------------------|--|---|---|--|
| (Loss)/profit for the financial year | (3,459) | 1,863 | 1,596 | (2,797) |
| Prior year adjustments | | | | |
| – FRS 19 (Note 11) | — | — | (2,024) | — |
| Total recognised gains and losses | <u>(3,459)</u> | <u>2,294</u> | <u>1,596</u> | <u>(4,821)</u> |

(d) Consolidated Balance Sheet

| | | As at 25 June 2000 (re-presented) £'000 | As at 1 July 2001 (original) £'000 | As at 1 July 2001 (re-presented) £'000 | As at 30 June 2002 £'000 |
|---|-------|---|--|--|-----------------------------------|
| | Notes | | | | |
| Fixed Assets | | | | | |
| Intangible assets | 12 | 1,205 | 1,111 | 1,111 | 987 |
| Tangible assets | 13 | 15,245 | 22,028 | 22,028 | 19,605 |
| | | 16,450 | 23,139 | 23,139 | 20,592 |
| Current Assets | | | | | |
| Stocks | 14 | 364 | 309 | 309 | 348 |
| Debtors | 15 | 10,178 | 2,052 | 2,052 | 1,810 |
| Cash at bank and in hand | | 34 | 21 | 21 | 25 |
| | | 10,576 | 2,382 | 2,382 | 2,183 |
| Current liabilities | | | | | |
| Creditors: Amount falling due within one year (including convertible unsecured loan notes) | 16 | (7,967) | (6,292) | (6,292) | (5,426) |
| Net current assets/ (liabilities) | | 2,609 | (3,910) | (3,910) | (3,243) |
| Total assets less current liabilities | | 19,059 | 19,229 | 19,229 | 17,349 |
| Creditors: Amounts falling due after more than one year | 17 | (7,823) | (6,708) | (6,708) | (8,079) |
| Provisions for liabilities and charges | 18 | — | — | (2,024) | (1,570) |
| Net assets | | 11,236 | 12,521 | 10,497 | 7,700 |
| Capital and reserves | | | | | |
| Called up share capital | 19 | 5,155 | 5,155 | 5,155 | 5,155 |
| Share premium | 20 | 8,342 | 8,342 | 8,342 | 8,342 |
| Other reserves | 20 | (3,098) | (3,098) | (3,098) | (3,098) |
| Profit and loss account | 20 | 837 | 2,122 | 98 | (2,699) |
| Equity shareholders' funds | 20 | 11,236 | 12,521 | 10,497 | 7,700 |

(e) *Cash flow statement*

| | | 52 weeks ended 25 June 2000 £'000 | 53 weeks ended 1 July 2001 £'000 | 52 weeks ended 30 June 2002 £'000 |
|--|-------|---|--|---|
| Net cash inflow from operating activities | 21(a) | 4,817 | 3,179 | 3,323 |
| Returns on investments and servicing of finance | | | | |
| – net interest paid | | (477) | (352) | (418) |
| Taxation | | | | |
| – corporation tax paid | | (1,102) | (402) | (56) |
| Capital expenditure and financial investment | | | | |
| – purchase of tangible fixed assets | | (4,385) | (7,904) | (4,504) |
| – sale of tangible fixed assets | | — | 5,369 | 325 |
| Acquisitions and disposals | | | | |
| – sale of Richoux Limited | | — | 2,215 | 250 |
| – sale of Richoux Coffee Company Limited | | 425 | — | — |
| Equity dividends paid | | (882) | (928) | (288) |
| Net cash (outflow)/inflow before financing | | (1,604) | 1,177 | (1,368) |
| Financing | 21(b) | 1,607 | (1,190) | 1,372 |
| Increase/(decrease) in cash in the year | | 3 | (13) | 4 |
| Increase/(decrease) in cash in the period | | 3 | (13) | 4 |
| Cash (inflow)/outflow from (increase)/decrease in debt and lease financing | | (1,607) | 1,116 | (1,372) |
| Movement in net debt | | (1,604) | 1,103 | (1,368) |
| Net debt at start of period | | (6,289) | (7,893) | (6,790) |
| Net debt at end of period | 21(c) | (7,893) | (6,790) | (8,158) |

(f) *Notes forming part of the financial information*

1. *Accounting Policies*

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

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, except with regard to the matters described in the initial paragraphs of Section 1 of this Part II.

(ii) *Basis of consolidation*

The consolidated financial statements include the accounts of Groupe Chez Gerard Plc and its subsidiary undertakings. Subsidiaries acquired are consolidated using the acquisition method. The results are incorporated from the date that control passes. The difference between 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.

(iii) *Goodwill*

Goodwill not previously written off on acquisition is amortised over 20 years as, in the opinion of the directors, this represents the period over which the goodwill is effective.

(iv) *Turnover*

Turnover represents amounts invoiced by the GCG Group in respect of goods sold and services rendered during the year, stated net of value added tax.

(v) *Pre-opening costs*

Costs incurred during the start-up of a new site that cannot be included in the cost of the fixed asset are expensed as incurred, and disclosed separately in the profit and loss account below administrative expenses.

(vi) *Tangible fixed assets*

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

| | |
|---------------------------------------|--|
| Freehold properties | – 50 years |
| Leasehold properties and improvements | – equally over the unexpired term of the lease |
| Fixtures and fittings | – 5 years |
| Computer equipment | – 3 to 5 years |

The GCG Group's 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 the occurrence of any impairment in property values.

(vii) *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.

(viii) *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.

(ix) *Pensions*

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

(x) *Investments*

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

(xi) *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 GCG Group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

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

The turnover of the GCG Group during the year derives from the restaurant business arising in the United Kingdom.

3. Administrative Expenses

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|-----------------------------------|---------------|---------------|---------------|
| Administrative expenses include: | | | |
| Auditors' emoluments | 40 | 40 | 39 |
| Auditors' non-audit fees | 40 | 40 | 22 |
| Depreciation | | | |
| – owned assets | 1,660 | 1,710 | 2,355 |
| – assets held under finance lease | 105 | 98 | 90 |
| Operating lease rentals | | | |
| – plant and equipment | 73 | 45 | 39 |
| – land and buildings | 2,235 | 2,660 | 3,117 |

4. Other Operating Income

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---------------|---------------|---------------|---------------|
| Other income | 212 | 246 | 217 |
| Rental income | 21 | 46 | 3 |
| | <u>233</u> | <u>292</u> | <u>220</u> |

5. Exceptional Items

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|----------------|---------------|----------------|
| Profit on sale of fixed assets | — | 193 | (441) |
| Provision for loss on disposal of fixed assets | — | — | (1,875) |
| Profit on sale & leaseback of freehold properties | 1,926 | — | — |
| Reorganisation costs | (123) | — | — |
| Impairment provision for leasehold properties | (1,000) | — | — |
| Richoux disposal provision | (6,590) | — | — |
| Loss on disposal of Richoux Coffee Company Ltd | (101) | — | — |
| | <u>(5,888)</u> | <u>193</u> | <u>(2,316)</u> |

6. Net Interest Payable

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---------------------------|---------------|---------------|---------------|
| On bank loan | 468 | 270 | 469 |
| On finance lease | 27 | 23 | 12 |
| On convertible loan notes | 3 | 2 | — |
| | <u>498</u> | <u>295</u> | <u>481</u> |

7. Employees and Directors

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Staff costs including executive directors during the year amounted to: | | | |
| Wages and salaries | 13,495 | 14,712 | 14,544 |
| Social security costs | 779 | 796 | 793 |
| Other pension costs | 73 | 94 | 80 |
| | <u>14,347</u> | <u>15,602</u> | <u>15,417</u> |
| | No. | No. | No. |
| The average number of employees during the year was: | | | |
| Restaurant staff | 878 | 839 | 877 |
| Office and management | 42 | 41 | 28 |
| | <u>920</u> | <u>880</u> | <u>905</u> |

8. Taxation

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Current tax: | | | |
| The taxation charge, which is based on the results for the year, is made up as follows: | | | |
| Corporation tax: On ordinary activities | 890 | 126 | — |
| On exceptional items | (37) | 14 | — |
| Adjustments in respect of previous periods | (250) | — | (100) |
| Total current tax | <u>603</u> | <u>140</u> | <u>(100)</u> |

Deferred tax:

| | | |
|--|------------|--------------|
| Origination and reversal of timing differences | 267 | (454) |
| Total deferred tax | <u>267</u> | <u>(454)</u> |
| Tax on result for the period | <u>407</u> | <u>(554)</u> |

Factors affecting tax charge for period:

The tax assessed for the period is higher than the standard rate of corporation tax (30 per cent.) as explained below:

| | | |
|--|------------|--------------|
| Profit/(loss) on ordinary activities before tax | 2,003 | (3,351) |
| Profit/(loss) on ordinary activities multiplied by the standard rate of (30 per cent.) corporation tax | 601 | (1,005) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 98 | 466 |
| Capital allowances (in excess of)/ less than depreciation | (626) | 495 |
| Utilisation of tax losses | 67 | 44 |
| Adjustment to tax charge in respect of previous period | — | (100) |
| Current tax charge for the period | <u>140</u> | <u>(100)</u> |

Factors that may affect future tax charges:

As at 30 June, the GCG Group had capital losses of some £7,234,000 available for carry forward to offset against future capital gains.

9. Dividends

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Interim dividend per ordinary share – nil (2001-1.40p; 2000 – 1.35p) | 278 | 289 | — |
| Final dividend per ordinary share – nil (2001-1.40p; 2000 – 3.10p) | 639 | 289 | — |
| | <u>917</u> | <u>578</u> | <u>—</u> |

10. Earnings per share

Basic earnings per share have been calculated on the loss or profit on ordinary activities after taxation for the year and on a weighted average number of shares of 20,621,170 (2001: 20,621,170, 2000: 20,613,905). Additional earnings per share are on the above basis but excluding exceptional items and the impact of adopting UITF Abstract 24 on pre-opening costs, net of related tax (for 2000) and the impact of adopting FRS19 on deferred tax (for 2001 and 2002).

Diluted earnings per share assumes options and convertible loans have been converted into ordinary shares. The calculations are as follows:

| | 2001 (<i>as re-presented</i>) | | | 2002 | | |
|---|---------------------------------|---------------|--------------|----------------|---------------|---------------|
| | <i>Profit</i> | <i>Shares</i> | <i>Per</i> | <i>Loss</i> | <i>Shares</i> | <i>Per</i> |
| | <i>£'000</i> | <i>No.</i> | <i>Share</i> | <i>£'000</i> | <i>No.</i> | <i>Share</i> |
| | | <i>'000</i> | <i>Pence</i> | | <i>'000</i> | <i>Pence</i> |
| Reconciliation of diluted EPS | | | | | | |
| Basic EPS | | | | | | |
| (Loss)/profit attributable to shareholders | 1,596 | 20,621 | 7.7 | (2,797) | 20,621 | (13.6) |
| Dilutive effects: | | | | | | |
| – Options | — | — | — | — | 45 | — |
| – Convertible unsecured loan notes | — | — | — | — | — | — |
| Diluted EPS | <u>1,596</u> | <u>20,621</u> | <u>7.7</u> | <u>(2,797)</u> | <u>20,666</u> | <u>(13.6)</u> |
| Basic EPS | | | | | | |
| (Loss)/profit attributable to shareholders | 1,596 | 20,621 | 7.7 | (2,797) | 20,621 | (13.6) |
| Adjustments: | | | | | | |
| – UITF 24 pre-opening costs | 267 | — | 1.3 | — | — | — |
| – FRS 19 deferred tax | — | — | — | (454) | — | (2.2) |
| – Impairment charges | — | — | — | 1,367 | — | 6.6 |
| – Re-organisations costs | — | — | — | 514 | — | 2.5 |
| – Exceptional items | (193) | — | (0.9) | 2,316 | — | 11.2 |
| – Current tax on the above | 14 | — | 0.1 | (154) | — | (0.7) |
| – Tax on UITF 24 adjustment & exceptional items | — | — | — | — | — | — |
| Additional EPS | <u>1,684</u> | <u>20,621</u> | <u>8.2</u> | <u>792</u> | <u>20,621</u> | <u>3.8</u> |

| | 2000 (as re-presented) | | | | 2001 | |
|---|------------------------|---------------|---------------|--------------|---------------|------------|
| | Loss | Shares | Per | Profit | Shares | Per |
| | £'000 | No. | Share | £'000 | No. | Share |
| | | '000 | Pence | | '000 | Pence |
| Reconciliation of diluted EPS | | | | | | |
| Basic EPS | | | | | | |
| (Loss)/profit attributable to shareholders | (3,459) | 20,614 | (16.8) | 1,863 | 20,621 | 9.0 |
| Dilutive effects: | | | | | | |
| – Options | — | 12 | — | — | — | — |
| – Convertible unsecured loan notes | 2 | 52 | — | — | — | — |
| Diluted EPS | <u>(3,457)</u> | <u>20,678</u> | <u>(16.8)</u> | <u>1,863</u> | <u>20,621</u> | <u>9.0</u> |
| Basic EPS | | | | | | |
| (Loss)/profit attributable to shareholders | (3,459) | 20,614 | (16.8) | 1,863 | 20,621 | 9.0 |
| Adjustments: | | | | | | |
| – UITF 24 pre-opening costs | 131 | — | 0.6 | 174 | — | 0.8 |
| – FRS 19 deferred tax | — | — | — | — | — | — |
| – Impairment charges | — | — | — | — | — | — |
| – Re-organisations costs | — | — | — | — | — | — |
| – Exceptional items | 5,888 | — | 28.6 | (193) | — | (0.9) |
| – Current tax on the above | — | — | — | 39 | — | (0.2) |
| – Tax on UITF 24 adjustment & exceptional items | (76) | — | (0.4) | — | — | — |
| Additional EPS | <u>2,484</u> | <u>20,614</u> | <u>12.0</u> | <u>1,805</u> | <u>20,621</u> | <u>8.8</u> |

11. Prior Year Adjustments

53 weeks ended 1 July 2001

The figures in the primary statements and notes thereto relating to the 52 weeks ended 25 June 2000 have been re-presented to reflect the following two items, the total impact of which has been to increase opening reserves for the year ended 1 July 2001 by £431,000.

(a) Adoption of UITF Abstract 24 – ‘Accounting for start-up costs’

The GCG Group’s policy for the recognition of costs incurred during the start-up of a new site was changed during the year in accordance with UITF Abstract 24. The effects of the change in policy are:

| | 2000 £'000 | 2001 £'000 |
|-------------------------------------|---------------|---------------|
| Profit and Loss Account | | |
| Decrease in profit for the year | <u>(131)</u> | <u>(174)</u> |
| Balance Sheet | | |
| Decrease in profit and loss account | <u>(179)</u> | <u>(353)</u> |

(b) Treatment adopted upon FRS 15 implementation

A prior year adjustment has been made to correct the accounting treatment adopted in the accounts for year ended 25 June 2000 in relation to the depreciation of freehold and long-leasehold properties.

In those accounts, a prior year adjustment was made in respect of depreciation applied for the first time to freehold property and long-leasehold property with more than 20 years to run at the balance sheet date, reflecting depreciation for the period from when assets were first acquired through to 26 June 1999.

This treatment has been corrected, in accordance with FRS15, such that depreciation on these assets has now been dealt with prospectively from 27 June 1999.

The effects of this change in accounting treatment are as follows:

| | 2000 £'000 | 2001 £'000 |
|---|---------------|---------------|
| Profit and Loss Account | | |
| Increase in depreciation | 42 | 27 |
| Decrease in operating profit | (42) | (27) |
| Decrease in exceptional profit on sale and leaseback of freehold properties | 477 | — |
| Decrease in exceptional profit on sale of fixed assets | — | (18) |
| Increase in exceptional loss on establishing Richoux disposal provision | (84) | — |
| Decrease in profit/increase in loss for the year | <u>(603)</u> | <u>(45)</u> |
| Balance Sheet | | |
| Increase in net book value of fixed assets | 610 | 565 |
| Increase in profit and loss account | <u>610</u> | <u>565</u> |

52 weeks ended 30 June 2002

The GCG Group's policy for the recognition of deferred taxation was changed during the period in accordance with FRS 19 – 'Accounting for Deferred Tax'.

The comparative figures in the primary statements and notes thereto have been re-presented to reflect the new policy.

The effects of the change in policy are as follows:

| | 2001 £'000 | 2002 £'000 |
|--|----------------|----------------|
| Profit and Loss Account | | |
| Decrease/(increase) in taxation | <u>(267)</u> | <u>454</u> |
| Balance Sheet | | |
| Increase in provisions for liabilities and charges | <u>(2,024)</u> | <u>(1,570)</u> |
| Decrease in profit and loss account | <u>(2,024)</u> | <u>(1,570)</u> |

12. Intangible fixed assets

| | <i>Goodwill</i> £'000 |
|---------------------------------|--------------------------|
| Cost | |
| At 26 June 2000 | 5,520 |
| Disposals | (3,033) |
| Reclassifications | 31 |
| At 1 July 2001 and 30 June 2002 | <u>2,518</u> |
| Amortisation | |
| At 26 June 2000 | 4,315 |
| Charge in year | 125 |
| Disposals | (3,033) |
| At 1 July 2001 | <u>1,407</u> |
| Charge in year | 124 |
| At 30 June 2002 | <u>1,531</u> |
| Net book value | |
| At 30 June 2002 | <u>987</u> |
| At 1 July 2001 | <u>1,111</u> |
| At June 2000 | <u>1,205</u> |

13. Tangible fixed assets

| | <i>Leasehold properties & improvements £'000</i> | <i>Fixtures, fittings and equipment £'000</i> | <i>Construction in progress £'000</i> | <i>Total £'000</i> |
|--------------------------------------|--|---|---|------------------------|
| Cost | | | | |
| At 26 June 2000 | 14,518 | 5,011 | — | 19,529 |
| Additions at cost | 5,709 | 2,216 | 879 | 8,804 |
| Reclassifications | (644) | (393) | — | (1,037) |
| Disposals | (31) | — | — | (31) |
| At 1 July 2001 | 19,552 | 6,834 | 879 | 27,265 |
| Additions at cost | 2,211 | 1,489 | — | 3,700 |
| Reclassifications | 857 | 22 | (879) | — |
| Disposals | (555) | (192) | — | (747) |
| At 30 June 2002 | 22,065 | 8,153 | — | 30,218 |
| Depreciation | | | | |
| At 26 June 2000 | 3,102 | 1,792 | — | 4,894 |
| Prior year adjustment (see Note 11b) | (610) | — | — | (610) |
| As re-presented | 2,492 | 1,792 | — | 4,284 |
| Charge for the year | 738 | 1,070 | — | 1,808 |
| Disposals | (552) | (303) | — | (855) |
| At 1 July 2001 | 2,678 | 2,559 | — | 5,237 |
| Impairment charges | 3,348 | — | — | 3,348 |
| Charge for the year | 1,010 | 1,405 | — | 2,445 |
| Disposals | (278) | (139) | — | (417) |
| At 30 June 2002 | 6,788 | 3,825 | — | 10,613 |
| Net book value | | | | |
| At 25 June 2000 (as re-presented) | 12,026 | 3,219 | — | 15,245 |
| At 1 July 2001 (as re-presented) | 16,874 | 4,275 | 879 | 22,028 |
| At 30 June 2002 | 15,277 | 4,328 | — | 19,605 |

The net book value of assets held under finance lease included in fixtures and fittings is £134,000 (2001: £224,000; 2000: £365,000).

14. Stocks

| | <i>2000 £'000</i> | <i>2001 £'000</i> | <i>2002 £'000</i> |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| Food and beverages for resale | 364 | 309 | 348 |

15. Debtors

| | <i>2000 £'000</i> | <i>2001 £'000</i> | <i>2002 £'000</i> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Amounts falling due within one year: | | | |
| Trade debtors | 555 | 466 | 493 |
| Other debtors | 5,865 | 45 | 3 |
| Fixed asset disposals | 2,402 | 250 | — |
| Prepayments and accrued income | 1,356 | 1,291 | 1,314 |
| | 10,178 | 2,052 | 1,810 |

16. Creditors: Amounts falling due within one year

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Convertible unsecured loan notes | 75 | — | — |
| Obligations under finance lease | 104 | 104 | 104 |
| Trade creditors | 3,149 | 3,088 | 2,970 |
| Corporation tax | 568 | 306 | 150 |
| Other taxation and social security costs | 1,028 | 781 | 1,036 |
| Other creditors | 1,528 | 1,220 | 209 |
| Accruals | 876 | 504 | 957 |
| Dividend payable | 639 | 289 | — |
| | <u>7,967</u> | <u>6,292</u> | <u>5,426</u> |

The convertible unsecured loan notes were issued as part of the consideration for the acquisition of Charlotte Street Restaurants Plc in 1995. They were unsecured and attracted interest at 4 per cent. per annum. The notes were redeemed at par on 10 July 2000.

17. Creditors: Amounts falling due after more than one year

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---------------------------------|---------------|---------------|---------------|
| Bank credit facility | 7,589 | 6,579 | 8,053 |
| Obligations under finance lease | 234 | 129 | 26 |
| | <u>7,823</u> | <u>6,708</u> | <u>8,079</u> |

Analysis of repayments

| | <i>Bank credit facility</i> | | | <i>Finance Lease</i> | | |
|------------------------------|-----------------------------|---------------|---------------|----------------------|---------------|---------------|
| | 2000 £'000 | 2001 £'000 | 2002 £'000 | 2000 £'000 | 2001 £'000 | 2002 £'000 |
| Due within one year | — | — | — | 104 | 104 | 104 |
| Due between one & two years | — | — | — | 104 | 104 | 26 |
| Due between two & five years | 7,589 | 6,579 | 8,053 | 130 | 25 | — |
| | <u>7,589</u> | <u>6,579</u> | <u>8,053</u> | <u>338</u> | <u>233</u> | <u>130</u> |

Interest on the bank credit facility was payable at Libor plus 2.0 per cent. during the year. Subsequent to the year end, the rate has fallen to Libor plus 1.75 per cent. The facility is secured by cross-guarantees from two of Groupe Chez Gerard's subsidiaries.

Interest on the finance lease is payable at Bank Base Rate plus 1 per cent.

18. Provisions for Liabilities and Charges

| | <i>Deferred tax</i> | |
|--|---------------------|---------------|
| | 2001 £'000 | 2002 £'000 |
| Accelerated capital allowances | 1,523 | 1,078 |
| Rolled-over capital gains | 150 | 150 |
| Short-term timing differences | 501 | 547 |
| | <u>2,174</u> | <u>1,775</u> |
| | (150) | (205) |
| Tax losses carried forward | <u>2,024</u> | <u>1,570</u> |
| Provision at 2 July 2001 | | 2,024 |
| Deferred tax credit in profit & loss account for period (Note 8) | | (454) |
| Provision at 30 June 2002 | | <u>1,570</u> |

19. Share Capital

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Authorised: | | | |
| 26,740,506 Ordinary shares of 25p each (2001: 26,740,506; 2000: 26,740,506) | <u>6,685</u> | <u>6,685</u> | <u>6,685</u> |
| Allotted, issued and fully paid: | | | |
| 20,621,170 Ordinary shares of 25p each (2001: 20,621,170; 2000: 20,621,170) | <u>5,155</u> | <u>5,155</u> | <u>5,155</u> |

Share Schemes

Under Groupe Chez Gerard's Executive Share Option Schemes, the following options to subscribe for a total of 1,191,169 Ordinary shares have been granted and were outstanding as at 30 June 2002.

| <i>Exercise period</i> | <i>Number of Ordinary Shares</i> | <i>Subscription Price</i> |
|------------------------|--|-------------------------------|
| 1999-2003 | 140,000 | 222.0p |
| 1999-2006 | 24,375 | 151.3p |
| 1999-2006 | 8,252 | 151.3p |
| 2000-2007 | 7,627 | 151.3p |
| 2001-2004 | 3,443 | 151.3p |
| 2000-2007 | 1,965 | 151.3p |
| 2000-2004 | 8,283 | 151.3p |
| 2001-2008 | 13,086 | 151.3p |
| 2001-2005 | 120,000 | 194.0p |
| 2001-2005 | 1,343 | 151.3p |
| 2001-2008 | 9,435 | 151.3p |
| 2001-2005 | 32,974 | 151.3p |
| 2002-2009 | 809 | 151.3p |
| 2002-2006 | 13,954 | 151.3p |
| 2003-2010 | 27,000 | 151.3p |
| 2003-2007 | 26,297 | 151.3p |
| 2003-2010 | 184,615 | 162.3p |
| 2004-2011 | 156,000 | 119.5p |
| 2004-2011 | 181,211 | 71.0p |
| 2005-2012 | 230,500 | 61.0p |

Of the above options, 541,261 options to subscribe for ordinary shares have been issued under the unapproved Groupe Chez Gerard 2000 Executive Share Option Scheme and are exercisable in whole or part at any time between the third and seventh or tenth anniversaries of their respective dates of grant, and 389,908 options to subscribe for ordinary shares have been issued under the approved Groupe Chez Gerard 2000 Executive Share Option Scheme and are similarly exercisable in whole or part at any time between the third and tenth anniversaries of their respective dates of grant.

The remaining options have been issued under the 1994 Executive Share Option Scheme and are exercisable in whole or part at any time between the third and seventh anniversaries of their respective dates of grant.

Options granted under both schemes are exercisable only subject to the satisfaction of certain performance criteria.

20. Reserves and reconciliation of movements in equity shareholders' funds

| | <i>Share Capital £'000</i> | <i>Share Premium Account £'000</i> | <i>Merger Reserve £'000</i> | <i>Profit & Loss Account £'000</i> | <i>Total Share holders Funds £'000</i> |
|-------------------------------------|------------------------------------|--|-------------------------------------|--|--|
| At 26 June 2000 (re-presented) | 5,155 | 8,342 | (3,098) | 837 | 11,236 |
| Profit attributable to shareholders | — | — | — | 1,863 | 1,863 |
| Dividends | — | — | — | (578) | (578) |
| At 1 July 2001 | 5,155 | 8,342 | (3,098) | 2,122 | 12,521 |
| Prior year adjustments (Note 11) | — | — | — | (2,024) | (2,024) |
| As re-presented | 5,155 | 8,342 | (3,098) | 98 | 10,497 |
| Loss for the period | — | — | — | (2,797) | (2,797) |
| At 30 June 2002 | <u>5,155</u> | <u>8,342</u> | <u>(3,098)</u> | <u>(2,699)</u> | <u>7,700</u> |

21. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities

| | <i>2000 £'000</i> | <i>2001 £'000</i> | <i>2002 £'000</i> |
|---|-----------------------|-----------------------|-----------------------|
| Operating profit | 3,530 | 2,105 | (554) |
| Exceptional items | (123) | — | — |
| Depreciation and amortisation | 2,041 | 1,932 | 3,936 |
| Decrease/(increase) in stocks | 58 | 5 | (39) |
| Increase/(decrease) in debtors | (1,046) | 123 | 4 |
| Increase/(decrease) in creditors | 357 | (986) | (24) |
| Net cash inflow from operating activities | <u>4,817</u> | <u>3,179</u> | <u>3,323</u> |

(b) Financing

| | <i>2000 £'000</i> | <i>2001 £'000</i> | <i>2002 £'000</i> |
|---|-----------------------|-----------------------|-----------------------|
| Increase/(decrease) in borrowing | 1,711 | (1,011) | 1,475 |
| Capital element of finance lease payments | (104) | (104) | (103) |
| Redemption of convertible loan notes | — | (75) | — |
| | <u>1,607</u> | <u>(1,190)</u> | <u>1,372</u> |

(c) Analysis of changes in net debt

| | <i>At 2 July 2001 £'000</i> | <i>Cash flow £'000</i> | <i>At 30 June 2002 £'000</i> |
|--------------------------|-------------------------------------|--------------------------------|--------------------------------------|
| Cash at bank and in hand | 21 | 4 | 25 |
| Debt due after 1 year | (6,578) | (1,475) | (8,053) |
| Finance lease obligation | (233) | 103 | (130) |
| Total | <u>(6,790)</u> | <u>(1,368)</u> | <u>(8,158)</u> |

22. Capital commitments

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

| | <i>2000 £'000</i> | <i>2001 £'000</i> | <i>2002 £'000</i> |
|-------------------------|-----------------------|-----------------------|-----------------------|
| Contracted for projects | <u>1,187</u> | <u>350</u> | <u>105</u> |

23. Operating lease commitments

At 1 July 2001 the GCG Group was committed to making the following payments during the next year in respect of operating leases:

| | <i>Land and buildings</i> | | | <i>Other</i> | | |
|----------------------|---------------------------|--------------|--------------|--------------|-----------|-----------|
| | 2000 | 2001 | 2002 | 2000 | 2001 | 2002 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Leases which expire: | | | | | | |
| Under 1 year | — | — | — | — | 4 | — |
| Within 1 to 2 years | — | — | — | 4 | — | 9 |
| Within 2 to 5 years | 88 | 88 | 287 | 70 | 41 | 27 |
| After 5 years | 2,563 | 3,405 | 3,231 | — | — | — |
| | <u>2,651</u> | <u>3,493</u> | <u>3,518</u> | <u>74</u> | <u>45</u> | <u>36</u> |

24. Related Party Transactions

Groupe Chez Gerard has taken advantage of the exemptions provided by Financial Reporting Standard 8 in not disclosing transaction with group undertakings.

25. Subsidiary Companies

Groupe Chez Gerard owns 100% of the ordinary share capital of the following subsidiary companies all of which have their registered office at 8 Shelton Street, London WC2H 9UW:

| <i>Company</i> | <i>Activity</i> |
|-------------------------------------|---|
| Groupe Chez Gerard Restaurants Ltd. | Ownership and Management of Restaurant business |
| Charlotte Street Restaurants plc | Dormant |
| Leviathon Limited | Dormant |
| Livebait Restaurants Ltd. | Dormant |

26. Post Balance Sheet Events

The GCG Group completed the disposals of its Scotts and Livebait Chelsea restaurants on 22 July 2002 and 6 September 2002 respectively. The gross sale consideration received was £2,850,000 for Scotts and £210,000 for Livebait Chelsea.

These disposals were effected by direct assignments of the GCG Group's leasehold interest in each site and accordingly the GCG Group has entered into authorised guarantee agreements with the respective landlords.

27. Segmental Reporting: Second Half

Profit on ordinary activities before taxation for the second-half from continuing operations but before the impact of non-recurring impairment charges, re-organisation costs and exceptional items was derived as follows:

| | <i>26 weeks to 27 weeks to</i> | |
|--|--------------------------------|---------------|
| | <i>30 June</i> | <i>1 July</i> |
| | <i>2002</i> | <i>2001</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Turnover | | |
| Chez Gerard | 8,834 | 8,164 |
| Livebait | 5,446 | 5,656 |
| Signature | 4,442 | 4,899 |
| Total | 18,722 | 18,719 |
| Restaurant contribution | | |
| Chez Gerard | 1,499 | 1,413 |
| Livebait | 155 | 566 |
| Signature | 400 | 398 |
| Total | 2,054 | 2,377 |
| Goodwill amortisation | (62) | (62) |
| Administrative expenses | (1,355) | (1,742) |
| Pre-opening costs | — | (212) |
| Other operation income | 101 | 153 |
| Net interest payable | (230) | (186) |
| Continuing profit before taxation | <u>528</u> | <u>328</u> |

2. Material Changes

Groupe Chez Gerard has made the following announcements since 30 June 2002:

- (i) On the 23 July 2002: "Groupe Chez Gerard Plc (the 'Company') announces that it has now received the necessary approvals for the disposal of Scotts restaurant at 20 Mount Street, Mayfair, London W1. The transaction was completed in the form of a direct assignment of the Company's leasehold interest and the sale of the goodwill and business of the restaurant for a total consideration of £2.85 million against a net book value of £1.95 million as at 30 December 2001. In line with the Company's stated strategy, the net proceeds have been used to reduce group borrowings, which now stand at approximately £5 million."
- (ii) On the 20 January 2003: Groupe Chez Gerard announced "During the six-week period to 5 January 2003 the Group made further progress towards the stated aims of the recovery plan, despite the continuing pressures of the broad economic backdrop. Steady customer spending, rather than the exuberance of former years, typified the Group's trading pattern during the period. Group like for like sales over the period were down 2 per cent. This compares favourably with the Group's reported like for like sales down 14 per cent. for the 26 weeks to 30 December 2001 and down 8 per cent. for the 52 weeks to 30 June 2002. The encouraging trend reflects a particularly solid result from the Chez Gérard restaurants, with like for like sales up 2 per cent. over the Christmas period.

Despite evidence of improved trading at Livebait Oxford, the location and cost profile of this restaurant will not enable it to meet the group's financial performance criteria for individual restaurants. As a result the site has now been closed and is being actively marketed. In accordance with the Group's recovery plan, this leaves 23 sites trading in the Group (12 Chez Gérard, 8 Livebait and 3 Bertorelli)."

- (iii) On 28 February 2003, the Interim Results set out in paragraph 5 of this Part II below.

Save for the foregoing, as far as Paramount is aware, having regard to published information there has been no material change in the financial or trading position of the GCG Group since 30 June 2002, the date to which the last published audited consolidated accounts of Groupe Chez Gerard were drawn up.

3. Directors

The directors of Groupe Chez Gerard are:

| | |
|-------------------------|-------------------------------|
| Neville Victor Abraham | <i>Executive Chairman</i> |
| Simon Binder | <i>Managing Director</i> |
| Douglas Charles Gardner | <i>Finance Director</i> |
| Lawrence Ivor Isaacson | <i>Non-Executive Director</i> |
| Harry Abraham Hyman | <i>Non-Executive Director</i> |
| John Alexander McLaren | <i>Non-Executive Director</i> |
| Nicholas James Measham | <i>Non-Executive Director</i> |

4. Sources and bases of information

The information contained in the Circular and Listing Particulars concerning the GCG Group has been obtained from the following sources.

- (i) Information supplied by Groupe Chez Gerard and its advisors
- (ii) The financial information published by the GCG Group
- (iii) Announcements released by, or on behalf of the GCG Group on the regulatory news service of the London Stock Exchange

5. Interim Results of Groupe Chez Gerard

Set out below is the full text of the Interim Report and Results of Groupe Chez Gerard for the 26 weeks ended 31 December 2002 which was announced on 28 February 2003.

"Highlights

- PBT* up 26 per cent. to £0.4 million (26 weeks ended 30 Dec 2001: £0.3 million)
- EPS up to 5.8p (2001: loss per share (15.2p))
- Successful restaurant entrepreneur Simon Binder appointed Managing Director
- Central costs reduced by 38 per cent. to £1.0 million (2001: £1.6 million)
- 23 restaurants trading, in line with recovery plan
- Net debt reduced to £3.7 million (2001: £9.2 million), gearing down to 42 per cent.
- EBITDA* down to £1.7 million (2001: £1.8 million)
- Chez Gérard served record numbers of customers, with positive like for like sales

* Before non-recurring impairment charges, re-organisation costs and exceptional items and after the closure of 6 restaurants.

Executive Chairman Neville Abraham, after presenting the Company's interim results today, said:

"The Group has made further strong progress with the recovery plan, despite the continuing poor economic backdrop. We have, to a large extent, arrested the decline in restaurant performance and have restored the basics of our core customer proposition.

Although future performance will, to a degree, be dependent upon external factors, these results demonstrate that our core brand is resilient in difficult times. I believe that the appointment of Simon Binder will help us focus quickly on the recovery of margins across the Group which will further strengthen our positive cashflow. I can, therefore, envisage the continued unwinding of debt and a return to dividend payments in the foreseeable future."

Chairman's Statement

Overview

The Group has made further strong progress with the recovery plan, despite the continuing poor economic backdrop. We have, to a large extent, arrested the decline in restaurant performance and have restored the basics of our core customer proposition. We have succeeded in downsizing to trading from 23 restaurants, in cutting central costs significantly and reducing debt to £3.7 million at period end.

As a result I believe that we are poised for a soft landing from the unsustainable heights of a year ago and are now in a position to capture any opportunities for improvement.

We have today announced the appointment of successful restaurant entrepreneur Simon Binder to the Board as our new Managing Director. The Board believes he will greatly assist in driving the business forward.

Financial results

Profit before tax for the period of £400,000, before non-recurring items, was some 26 per cent. ahead of the same period a year ago (26 weeks ended 30 December 2001: £318,000). Earnings per share was 5.8p, positive for the first time in 18 months.

Despite the fact that we disposed of Brasserie St Quentin, Scotts and Chelsea, and have closed Rosebery Avenue, Wandsworth and Oxford, turnover was down by just 8 per cent. against the same period a year ago. The Company thus ended the period with 23 trading restaurants, comprising 12 Chez Gérard, 8 Livebait and 3 Bertorelli, in line with our recovery plan. This compares with 31 sites at the end of December 2001 (13 Chez Gérard, 11 Livebait, 5 Signature and 2 undeveloped).

Restaurant contribution from the reduced turnover has fallen to £1.63 million from £2.48 million before impairment charges in the same period last year. However, significant savings in central overheads and interest charges have more than offset this, resulting in the increase in profit before tax.

The main non-recurring item recognised in the period is net exceptional income of £448,000, which includes a profit of £787,000 realised upon the Scotts disposal which was completed on 22 July 2002, and impairment charges and provisions of £339,000 on the three restaurants closed in the period pending disposal.

Net cash inflow in the period of some £4.4 million (2001: net cash outflow £2.4 million) has continued to be strong. While the operating activities produced £1.8 million cash, slightly down on the same period last year (2001: £2.1 million) this was more than offset by both a lower level of capital expenditure in the period, and the proceeds of £3.0 million from the disposals of Scotts and Chelsea. These cashflows have been applied in reducing net debt to £3.7 million at the end of the period (2001: £9.2 million), reducing interest charges by £92,000 over the same period last year. The balance sheet strengthened, with gearing down to 42 per cent. from 125 per cent. a year ago.

Restaurant Performance

Whilst we have succeeded in implementing much of the recovery plan, the downturn in tourism and the economy generally has inevitably affected restaurant performance. Both Chez Gérard and Livebait are nevertheless making good progress with customers again becoming accustomed to a sensibly priced range of food and beverage where I believe quality and service standards are consistently better.

The Board believes that the strategy of putting customers first, even if it is affecting margins, is paying off. Chez Gérard served a record number of customers, a significant turnaround from previous declines. The decline in like for like sales at Livebait and Bertorelli has also slowed significantly and overall there has been an encouraging improvement:

Like for like sales

| | 26 weeks ended 29 December 2002 | 26 weeks ended 30 December 2001 |
|-------------|--|--|
| % Change | | |
| Chez Gérard | +1 | -8 |
| Livebait | -6 | -21 |
| Signature | -11 | -17 |
| Total Group | -4 | -14 |

The decline in reported restaurant contribution is therefore the result of a combination of factors: fewer operating restaurants, still negative group like for like sales, adverse external factors, and lower margins.

Restaurant contribution

% Change

| | 26 weeks ended 29 December 2002 | | | 26 weeks ended 30 December 2001 | | |
|-------------|------------------------------------|----------------------------|---------------|------------------------------------|----------------------------|---------------|
| | Turnover | Restaurant contribution | Net margin | Turnover | Restaurant contribution | Net margin |
| | £'000 | £'000 | % | £'000 | £'000 | % |
| Chez Gérard | 9,083 | 1,572 | 17.3 | 8,579 | 1,720 | 20.1 |
| Livebait | 5,215 | -93 | -1.8 | 5,264 | 203 | 3.9 |
| Signature | 3,061 | 151 | 4.9 | 4,988 | 558 | 11.2 |
| Total Group | 17,359 | 1,630 | 9.4 | 18,831 | 2,481 | 13.2 |

* Before impairment charges

Marketing

In previous recessions the Company avoided cutting its marketing expenditure. This time we have had little choice, but I can say that the current 1 per cent. of turnover is being more sharply focussed than before. We have, for example, offered pre and post theatre support for Mayor Livingstone's 'Come to the Theatre' special offers; given more publicity for our set menus, and offered a congestion charge rebate for customers with cars. Our strategy appears to be succeeding.

Directors

As mentioned above, Simon Binder has today been appointed to the Board as Managing Director. Simon has 25 years experience in the restaurant business, most recently in the foundation and significant development of the Café Med chain of restaurants. There is no information on Simon Binder to be disclosed under paragraph 16.4 of the Listing Rules.

Outlook

As previously reported, we have undertaken a considerable number of active initiatives to improve performance on a site by site basis and the efforts of our management teams and staff have been significant. The extent to which we are able to see the turnaround through to completion now depends to a great extent on two external factors.

First, although the business is now trading much more consistently, we are acutely conscious every single week of the difficulties faced by both customers and staff, especially in London. Sixteen of our sites are in Central London (about 75 per cent. of sales) and factors such as the fall in tourism, the

continuing Central Line closure, the congestion charge, and threats of terrorist activity all contribute to making our task more difficult. These unfortunate events face every business operating in Central London; and for our part we continue to robustly face these pressures with spirit and determination.

Second, we continue to co-operate fully with the representatives of Paramount Plc.

Following their indicative offer of 100p per share, announced on 25 September 2002, the process of due diligence continues. The Board will communicate any significant developments to shareholders.

Although future performance will, to a degree, be dependent upon the two external factors mentioned above, these results demonstrate that our core brand is resilient in difficult times. I believe that the appointment of Simon Binder will help us focus quickly on the recovery of margins across the Group which will further strengthen our positive cashflow. I can, therefore, envisage the continued unwinding of debt and a return to dividend payments in the foreseeable future.

Neville Abraham
Executive Chairman

28 February 2003

Profit & Loss Account

| | | 26 weeks ended 29 December 2002 (unaudited) £'000 | 26 weeks ended 30 December 2001 (unaudited) £'000 | 52 weeks ended 30 June 2002 (audited) £'000 |
|---|-------|--|--|--|
| | Notes | | | |
| Turnover | | 17,359 | 18,831 | 37,553 |
| Cost of sales | | (11,092) | (11,672) | (23,369) |
| Gross profit | | 6,267 | 7,159 | 14,184 |
| Restaurant administrative expenses | | (4,637) | (4,678) | (9,649) |
| Impairment charges | | — | (1,367) | (1,367) |
| Restaurant contribution | | 1,630 | 1,114 | 3,168 |
| Goodwill amortisation | | (57) | (62) | 124 |
| Administrative expenses | | (1,143) | (1,722) | (3,057) |
| Re-organisation costs | | (35) | (202) | 514 |
| Pre-opening costs | | — | (247) | 247 |
| Other operating income | | 129 | 119 | 220 |
| Operating profit/(loss) | | 524 | (1,000) | 554 |
| Exceptional items | 2 | 448 | (2,414) | (2,316) |
| Net interest payable | | (159) | (251) | 481 |
| Profit/(loss) on ordinary activities before taxation | | 813 | (3,665) | (3,351) |
| Taxation | 3 | 377 | 530 | 554 |
| Profit/(loss) attributable to shareholders | | 1,190 | (3,135) | (2,797) |
| Dividends | | — | — | — |
| Profit/(loss) retained | | 1,190 | (3,135) | (2,797) |
| Basic earnings per share | 4 | 5.8p | (15.2)p | (13.6)p |
| Diluted earnings per share | 4 | 5.8p | (15.2)p | (13.5)p |
| Additional earnings per share | 4 | 1.4p | 1.2p | 3.8p |

The results for the period are derived wholly from continuing operations.

Statement of Total Recognised Gains and Losses

| | 26 weeks ended 29 December 2002 (unaudited) £'000 | 26 weeks ended 30 December 2001 (unaudited) £'000 | 52 weeks ended 30 June 2002 (audited) £'000 |
|--|--|--|--|
| Profit/(loss) for the period | 1,190 | (3,135) | (2,797) |
| Total recognised gains and losses for the period | 1,190 | (3,135) | (2,797) |

Group Balance Sheet

| | | At 29 December 2002 (unaudited) £'000 | At 30 December 2001 (unaudited) £'000 | At 30 June 2002 (audited) £'000 |
|---|-------|---|---|---|
| | Notes | | | |
| Fixed Assets | | | | |
| Intangible assets | | 773 | 1,049 | 987 |
| Tangible assets | | 16,545 | 21,285 | 19,605 |
| | | <u>17,318</u> | <u>22,334</u> | <u>20,592</u> |
| Current assets | | | | |
| Stocks | | 305 | 403 | 348 |
| Debtors | | 1,567 | 1,677 | 1,810 |
| Cash at bank and in hand | | 24 | 22 | 25 |
| | | <u>1,896</u> | <u>2,102</u> | <u>2,183</u> |
| Current liabilities | | | | |
| Creditors: amounts falling due within one year | | (5,558) | (6,528) | (5,426) |
| Net current liabilities | | (3,662) | (4,426) | (3,243) |
| Total assets less current liabilities | | 13,656 | 17,908 | 17,349 |
| Creditors: amounts falling due after more than one year | | (3,675) | (9,116) | (8,079) |
| Provisions for liabilities and charges | | (1,091) | (1,430) | (1,570) |
| Net assets | | <u>8,890</u> | <u>7,362</u> | <u>7,700</u> |
| Capital and reserves | | | | |
| Called up share capital | 5 | 5,155 | 5,155 | 5,155 |
| Share premium account | 5 | 8,342 | 8,342 | 8,342 |
| Other reserves | 5 | (3,098) | (3,098) | (3,098) |
| Profit and loss account | 5 | (1,509) | (3,037) | (2,699) |
| Equity shareholders' funds | | <u>8,890</u> | <u>7,362</u> | <u>7,700</u> |
| Net debt | | 3,729 | 9,198 | 8,158 |
| Gearing | | 41.9% | 124.9% | 105.9% |

Group Cash Flow Statement

| | | 26 weeks ended 29 December 2002 (unaudited) £'000 | 26 weeks ended 30 December 2001 (unaudited) £'000 | 52 weeks ended 30 June 2002 (audited) £'000 |
|--|-------|--|--|--|
| | Notes | | | |
| Net cash inflow from operating activities | 6a | 1,747 | 2,091 | 3,323 |
| Returns on investments and servicing of finance | | | | |
| – net interest paid | | (202) | (193) | 418 |
| Taxation | | | | |
| – corporation tax paid | | 127 | (70) | 56 |
| Capital expenditure and financial investment | | | | |
| – purchase of tangible fixed assets | | (204) | (4,197) | (4,504) |
| – sale of tangible fixed assets | | 2,961 | — | 325 |
| Acquisitions and disposals | | | | |
| – sale of Richoux Limited | | — | 250 | 250 |
| Equity dividends paid | | — | (289) | 288 |
| Net cash inflow/(outflow) before financing | | 4,429 | (2,408) | (1,368) |
| Financing | 6b | (4,430) | 2,409 | 1,372 |
| (Decrease)/increase in cash in the period | | <u>(1)</u> | <u>1</u> | <u>4</u> |
| Reconciliation of net cash flow to movement in net debt | | | | |
| (Decrease)/increase in cash in the period | | (1) | 1 | 4 |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | | <u>4,430</u> | <u>(2,409)</u> | <u>(1,372)</u> |
| Change in net debt resulting from cash flows | | 4,429 | (2,408) | (1,368) |
| Net debt brought forward | | <u>(8,158)</u> | <u>(6,790)</u> | <u>(6,790)</u> |
| Net debt carried forward | 6c | <u>(3,729)</u> | <u>(9,198)</u> | <u>(8,158)</u> |

Notes to the interim report for the 26 weeks ended 29 December 2002

1. Basis of preparation

The financial information in this report for the 26 weeks ended 29 December 2002 represents the consolidated results of Groupe Chez Gérard Plc and its subsidiary undertakings.

The results and the balance sheet for both the current and the comparative half year have not been audited, but have been the subject of an independent review carried out by the company's auditors, Baker Tilly. Their review confirmed that they are not aware of any material modifications that should be made to the financial information presented. Their findings have been discussed with the group's Audit Committee. The financial information contained in this interim report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

The comparative figures for the 52 weeks to 30 June 2002 were extracted from the accounts filed with the Registrar of Companies, which carried an unqualified auditors' report.

This interim report was approved by the Directors on 28 February 2003. All shareholders will receive a copy of this report, which is also available from the company's registered office at 8 Shelton Street, London WC2H 9UW.

2. Exceptional items

| | <i>26 weeks ended 29 December 2002 £'000</i> | <i>26 weeks ended 30 December 2001 £'000</i> | <i>52 weeks ended 30 June 2002 £'000</i> |
|--|--|--|--|
| Profit/(loss) on sale of fixed assets | 787 | — | 441 |
| Provision for loss on disposal of fixed assets | (339) | (2,414) | (1,875) |
| | <u>448</u> | <u>(2,414)</u> | <u>(2,316)</u> |

3. Taxation

| | <i>26 weeks ended 29 December 2002 £'000</i> | <i>26 weeks ended 30 December 2001 £'000</i> | <i>52 weeks ended 30 June 2002 £'000</i> |
|--------------|--|--|--|
| Current tax | (102) | (64) | 100 |
| Deferred tax | 479 | 594 | 454 |
| | <u>377</u> | <u>530</u> | <u>554</u> |

Current tax has been provided for at the effective rate estimated to be charged for the full year. Deferred tax has been provided on the origination and reversal of timing differences.

4. Earnings per share

Basic earnings per share have been calculated as the earnings attributable to shareholders divided by the weighted average number of shares in issue, which was 20,621,170 in each period.

Additional earnings per share are on the above basis but excluding exceptional and non-recurring items net of related current tax, and FRS 19 deferred tax movements.

Diluted earnings per share allows for the issue of shares on the assumed conversion of all dilutive options.

| | 26 weeks ended 29 December 2002 | | | 26 weeks ended 30 December 2001 | | | 52 weeks ended 30 June 2002 | | |
|--|------------------------------------|--------------------|--------------------------|------------------------------------|--------------------|--------------------------|--------------------------------|--------------------|--------------------------|
| | | | Per | | | Per | | | Per |
| | Profit/ (loss) £'000 | Shares No. '000 | Share amount pence | Profit/ (loss) £'000 | Shares No. '000 | Share amount pence | Profit/ (loss) £'000 | Shares No. '000 | Share amount pence |
| Reconciliation of diluted EPS | | | | | | | | | |
| Basic EPS | | | | | | | | | |
| Profit/(loss) attributable to shareholders | 1,190 | 20,621 | 5.8 | (3,135) | 20,621 | (15.2) | (2,797) | 20,621 | (13.6) |
| Dilutive effects: | | | | | | | | | |
| – options | — | 56 | — | — | 22 | — | — | 45 | — |
| Diluted EPS | <u>1,190</u> | <u>20,677</u> | <u>5.8</u> | <u>(3,135)</u> | <u>20,643</u> | <u>(15.2)</u> | <u>(2,797)</u> | <u>20,666</u> | <u>(13.5)</u> |
| Reconciliation of additional EPS | | | | | | | | | |
| Basic EPS | | | | | | | | | |
| Profit/(loss) attributable to shareholders | 1,190 | 20,621 | 5.8 | (3,135) | 20,621 | (15.2) | (2,797) | 20,621 | (13.6) |
| Adjustments: | | | | | | | | | |
| – FRS 19 deferred tax | (479) | — | (2.3) | (594) | — | (2.9) | (454) | — | (2.2) |
| – impairment charges | — | — | — | 1,367 | — | 6.6 | 1,367 | — | 6.6 |
| – re-organisation costs | 35 | — | 0.2 | 202 | — | 1.0 | 514 | — | 2.5 |
| – exceptional items | (448) | — | (2.2) | 2,414 | — | 11.7 | 2,316 | — | 11.2 |
| – tax on above | (10) | — | (0.1) | — | — | — | (154) | — | (0.7) |
| Additional EPS | <u>288</u> | <u>20,621</u> | <u>1.4</u> | <u>254</u> | <u>20,621</u> | <u>1.2</u> | <u>792</u> | <u>20,621</u> | <u>3.8</u> |

5. Reserves and reconciliation of movements in shareholders' funds

| | Share Capital £'000 | Share Premium Account £'000 | Merger reserve £'000 | Profit & Loss Account £'000 | Total Shareholders' Funds £'000 |
|-------------------------------------|---------------------------|--------------------------------------|----------------------------|--------------------------------------|--|
| At 1 July 2002 | 5,155 | 8,342 | (3,098) | (2,699) | 7,700 |
| Profit attributable to shareholders | — | — | — | 1,190 | 1,190 |
| At 29 December 2002 | <u>5,155</u> | <u>8,342</u> | <u>(3,098)</u> | <u>(1,509)</u> | <u>8,890</u> |

6. Notes to the cash flow statement

6a. Reconciliation of operating profit to net cash flow from operating activities

| | 26 weeks ended 29 December 2002 £'000 | 26 weeks ended 30 December 2001 £'000 | 52 weeks ended 30 June 2002 £'000 |
|---|---|---|---|
| Operating profit/(loss) | 524 | (1,000) | 554 |
| Depreciation and amortisation | 1,088 | 2,636 | 3,936 |
| Decrease/(increase) in stocks | 43 | (94) | 39 |
| Decrease in debtors | 169 | 138 | 4 |
| (Decrease)/increase in creditors | (77) | 411 | 24 |
| Net cash inflow from operating activities | <u>1,747</u> | <u>2,091</u> | <u>3,323</u> |

6b. Financing

| | 26 weeks ended 29 December 2002 £'000 | 26 weeks ended 30 December 2001 £'000 | 52 weeks ended 30 June 2002 £'000 |
|---|---|---|---|
| (Decrease)/increase in borrowings | (4,378) | 2,467 | 1,475 |
| Capital element of Finance lease payments | (52) | (58) | 103 |
| | <u>(4,430)</u> | <u>2,409</u> | <u>1,372</u> |

6c. Analysis of changes in net debt

| | At 1 July 2002 £'000 | Cash flow £'000 | At 29 December 2002 £'000 |
|--------------------------|-------------------------------|-----------------------|------------------------------------|
| Cash at bank and in hand | 25 | (1) | 24 |
| Debt due after one year | (8,053) | 4,378 | (3,675) |
| Finance lease obligation | (130) | 52 | (78) |
| | | 4,430 | |
| Total | <u>(8,158)</u> | <u>4,429</u> | <u>(3,729)"</u> |

PART III

Financial Information on Paramount

The financial information set out in this Part III does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information in this Part III has been extracted without material adjustment from the audited accounts of the Paramount Group for each of the three years ended 31 May 2000, 31 May 2001 and 31 May 2002.

Audited statutory accounts for the years ended 31 May 2000, 2001 and 2002 on which unqualified audit reports (not containing a statement under section 237 (2) or (3) have been given by the auditors Baker Tilly (formerly HLB Kidsons), Number One Old Hall Street, Liverpool L3 9SX. The audited accounts for the three years ended 31 May 2002 have been delivered to the Registrar of Companies in England and Wales.

Paramount sold the entire business and assets of Paramount and its subsidiary in July 2000. Accordingly, the financial information in this Part III for the periods up to May 2001 relates primarily to discontinued operations.

Financial Information

(a) Consolidated Profit and Loss Accounts

The consolidated profit and loss accounts of the Paramount Group for the three years ended 31 May 2000, 2001 and 2002 are as follows.

| | <i>Notes</i> | <i>2000</i> <i>£'000</i> | <i>2001</i> <i>£'000</i> | <i>2002</i> <i>£'000</i> |
|---|--------------|-----------------------------|-----------------------------|-----------------------------|
| Discontinued operations: | | | | |
| Turnover | 2 | 7,575 | 981 | — |
| Cost of sales | | <u>(3,973)</u> | <u>(536)</u> | <u>—</u> |
| Gross Profit | | 3,602 | 445 | — |
| Administrative expenses | | (1,699) | (476) | (183) |
| Exceptional items | 3 | <u>(1,690)</u> | <u>(159)</u> | <u>—</u> |
| Operating Profit/(Loss) – discontinued operations | | <u>213</u> | <u>(190)</u> | <u>(183)</u> |
| Cost of disposal of discontinued operations | | <u>—</u> | <u>(717)</u> | <u>—</u> |
| Profit/(Loss) on Ordinary Activities before interest | 5 | 213 | (907) | (183) |
| Interest receivable | 6 | — | 284 | 209 |
| Interest payable | 7 | <u>(1,287)</u> | <u>(170)</u> | <u>—</u> |
| (Loss)/Profit on ordinary activities before taxation | | (1,074) | (793) | 26 |
| Tax on profit on ordinary activities | 8 | <u>—</u> | <u>(69)</u> | <u>86</u> |
| (Loss)/Profit on ordinary activities after taxation | | (1,074) | (862) | 112 |
| Dividends | | | | |
| Finance cost of non-equity shares | 9 | (49) | — | — |
| Non-equity dividend | 9 | <u>(201)</u> | <u>—</u> | <u>—</u> |
| Retained (Loss)/Profit for the financial year | 19 | <u><u>(1,324)</u></u> | <u><u>(862)</u></u> | <u><u>112</u></u> |
| (Loss)/Earnings per share | | | | |
| After exceptional items: | | | | |
| Basic | 10 | (10.72)p | (5.24)p | 0.42p |
| Fully diluted | 10 | <u><u>(10.72)p</u></u> | <u><u>(5.24)p</u></u> | <u><u>0.42p</u></u> |

| | <i>Notes</i> | <i>2000</i> £'000 | <i>2001</i> £'000 | <i>2002</i> £'000 |
|--|--------------|----------------------|----------------------|----------------------|
| Statement of total recognised gains and losses | | | | |
| (Loss)/profit for the financial year | | (1,074) | (862) | 112 |
| Deficit on revaluation of properties | | (36) | — | — |
| Total recognised (losses) / gains relating to the year | | <u>(1,110)</u> | <u>(862)</u> | <u>112</u> |
| Note of historical cost profits and losses | | | | |
| Reported loss on ordinary activities before taxation | | (1,074) | (793) | 26 |
| Realisation of property revaluation gains of previous years | | — | 841 | — |
| Historical cost (loss)/profit on ordinary activities before taxation | | <u>(1,074)</u> | <u>48</u> | <u>26</u> |
| Historical cost (loss)/profit on ordinary activities after taxation | | <u>(1,074)</u> | <u>(21)</u> | <u>112</u> |

(b) Consolidated Balance Sheets

The consolidated balance sheets of the Paramount Group at 31 May 2000, 2001 and 2002 were as follows:

| | <i>Notes</i> | <i>2000</i> £'000 | <i>2001</i> £'000 | <i>2002</i> £'000 |
|--|--------------|----------------------|----------------------|----------------------|
| Fixed Assets | | | | |
| Tangible assets | 11 | 19,783 | — | — |
| Investments | 12 | <u>1</u> | <u>1</u> | <u>1</u> |
| | | 19,784 | 1 | 1 |
| Current Assets | | | | |
| Stocks | 13 | 50 | — | — |
| Debtors | 14 | 627 | 142 | 30 |
| Investments | 15 | — | — | 372 |
| Cash at bank and in hand | | <u>554</u> | <u>5,129</u> | <u>4,815</u> |
| | | 1,231 | 5,271 | 5,217 |
| Current Liabilities | | | | |
| Creditors: amounts falling due within one year | 16 | <u>13,790</u> | <u>201</u> | <u>35</u> |
| Net current (liabilities)/Assets | | <u>(12,559)</u> | <u>5,070</u> | <u>5,182</u> |
| Total assets less current liabilities | | 7,225 | 5,071 | 5,183 |
| Creditors: amounts falling due after more than one year | 16 | <u>130</u> | — | — |
| | | <u>7,095</u> | <u>5,071</u> | <u>5,183</u> |
| Capital and Reserves | | | | |
| Called up share capital | 18 | 7,149 | 1,340 | 1,340 |
| Share premium account | 19 | 573 | — | — |
| Capital redemption reserve | 19 | 128 | 3,297 | 3,297 |
| Revaluation reserve | 19 | 841 | — | — |
| Profit and loss account | 19 | <u>(1,596)</u> | <u>434</u> | <u>546</u> |
| Shareholders' Funds | 20 | <u>7,095</u> | <u>5,071</u> | <u>5,183</u> |
| Equity shareholders' funds | | 2,249 | 5,071 | 5,183 |
| Non-equity shareholders' funds | 20 | <u>4,846</u> | — | — |
| | | <u>7,095</u> | <u>5,071</u> | <u>5,183</u> |

(c) Consolidated cash flow statements

The consolidated cash flow statements of the Paramount Group for the three years ended 31 May 2000, 2001 and 2002 are as follows.

| | Notes | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|-------|------------------------|---------------------|---------------------|
| Cash inflow/(outflow) from Operating Activities | 24 | 1,976 | (1,409) | (165) |
| Returns on Investments and Servicing of Finance | 25 | (1,368) | 26 | 239 |
| Taxation | | (18) | — | 17 |
| Capital Expenditure and Financial Investment | 25 | (101) | 19,834 | — |
| Equity dividends paid | 25 | — | — | (33) |
| Cash Inflow before use of liquid resources and financing | | <u>489</u> | <u>18,451</u> | <u>58</u> |
| Management of liquid resources | | — | — | (372) |
| Financing | 25 | (97) | (13,876) | — |
| Increase/(decrease) in cash in the Period | 26 | <u>392</u> | <u>4,575</u> | <u>(314)</u> |
| Reconciliation of net cash flow to movements in net funds/debt | | | | |
| | Notes | 2000 £'000 | 2001 £'000 | 2002 £'000 |
| Increase/(decrease) in cash in the period | 26 | 392 | 4,575 | (314) |
| Cash inflow from debt and lease financing | | 97 | 12,715 | — |
| Cash used to increase liquid resources | | — | — | 372 |
| Change in net debt resulting from cash flows | 26 | 489 | 17,290 | 58 |
| Net (debt)/funds at 1 June | | <u>(12,650)</u> | <u>(12,161)</u> | <u>5,129</u> |
| Net (debt)/funds at 31 May | | <u><u>(12,161)</u></u> | <u><u>5,129</u></u> | <u><u>5,187</u></u> |

(d) Notes to the accounts

1. Accounting policies

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

Going concern

The group's business and assets were disposed of on 18 July 2000. The Paramount Group ceased trading on 17 July 2000. The Company currently exists as a cash shell.

Basis of consolidation

The financial statements consolidate the results of Paramount and its subsidiary. The parent company has taken advantage of the exemption in s230 CA1985 not to publish its own profit and loss account. The accounting period of the subsidiary is coterminous with that of the parent undertaking.

Turnover

Turnover represents income receivable, net of value added tax, from the Paramount Group's principal activities in the retail brewing industry, for the period to 17 July 2000.

Tangible fixed assets and depreciation

The Paramount Group's tangible fixed assets were sold on 18 July 2000. 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 |
| Leasehold property | Over the term of the lease |
| Motor vehicles | 20 per cent. |
| Plant and office equipment | 10 – 20 per cent. |
| Computer hardware/software | 20 per cent. |

Freehold properties comprising public houses and other licensed premises are revalued on a regular basis and 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 1985 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.

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value or value in use.

Stocks

Stocks and fixtures in trade are valued at the lower of cost and net realisable value.

Investments

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

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 as they are incurred.

All lease obligations were transferred during the year. At the year end there were no outstanding liabilities or commitments to the Paramount Group.

Pensions

The Paramount Group operated a defined contribution pension scheme up until the business and assets were sold on 17 July 2000. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover and result for the year

The turnover and result for the year are attributable to the brewery retailing activities of the Paramount Group, which were carried on entirely within the United Kingdom.

3. Exceptional items

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Recognised in respect of operating profit/(loss): | | | |
| Diminution in value of Fixtures in trade | 315 | — | — |
| Diminution of Freehold, Leasehold & Investment properties | 1,258 | — | — |
| Group restructuring costs | 117 | — | — |
| Capital reorganisation costs | — | 159 | — |
| | <u>1,690</u> | <u>159</u> | <u>—</u> |

4. Directors and employees

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

| | 2000 No. | 2001 No. | 2002 No. |
|-----------------------|-------------|-------------|-------------|
| Administration | 22 | 8 | 5 |
| Staff costs: | £'000 | £'000 | £'000 |
| Wages and salaries | 533 | 175 | 69 |
| Social security costs | 56 | 19 | 2 |
| Other pension costs | 37 | 7 | — |
| | <u>626</u> | <u>201</u> | <u>71</u> |

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

| | Salary | | | Benefits | | | Pension Contribution | | | Total | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | 2000 £'000 | 2001 £'000 | 2002 £'000 | 2000 £'000 | 2001 £'000 | 2002 £'000 | 2000 £'000 | 2001 £'000 | 2002 £'000 | 2000 £'000 | 2001 £'000 | 2002 £'000 |
| M.Lunn ⁽¹⁾ – NE | 22 | 26 | 2 | — | — | — | — | — | — | 22 | 26 | 2 |
| C.H.B.Mills ⁽²⁾ – NE | — | — | 10 | — | — | — | — | — | — | — | — | 10 |
| P.D.Davies ⁽¹⁾ – E | 85 | 29 | — | 9 | 3 | — | 10 | 2 | — | 104 | 34 | — |
| P.D.Davies ⁽¹⁾ – NE | — | 18 | 3 | — | — | — | — | — | — | — | 18 | 3 |
| J.Dangerfield ⁽¹⁾ – E | 62 | 22 | — | 14 | 3 | — | 7 | 1 | — | 83 | 26 | — |
| J.Dangerfield ⁽¹⁾ – NE | — | 17 | 3 | — | — | — | — | — | — | — | 17 | 3 |
| N.Roe ⁽¹⁾ – E | 54 | 14 | — | 9 | 3 | — | 5 | 1 | — | 68 | 18 | — |
| N.Roe ⁽¹⁾ – NE | — | 9 | 2 | — | — | — | — | — | — | — | 9 | 2 |
| C.M.Lawson ⁽³⁾ | — | — | — | — | — | — | — | — | — | — | — | — |
| G.A.Naggar – E | — | — | 11 | — | — | — | — | — | — | — | — | 11 |
| R.J.Elman ⁽⁵⁾ – E | — | — | 23 | — | — | — | — | — | — | — | — | 23 |
| N.A. Summers ⁽²⁾ – NE | — | — | 10 | — | — | — | — | — | — | — | — | 10 |
| D.L. Hudd ⁽⁴⁾ – NE | — | — | 5 | — | — | — | — | — | — | — | — | 5 |
| | <u>223</u> | <u>135</u> | <u>69</u> | <u>32</u> | <u>9</u> | <u>—</u> | <u>22</u> | <u>4</u> | <u>—</u> | <u>277</u> | <u>148</u> | <u>69</u> |

⁽¹⁾ Resigned 2 August 2001

E=Executive

⁽²⁾ Appointed 3 May 2001

NE=Non-Executive

⁽³⁾ Retired 8 December 1999

⁽⁴⁾ Appointed 27 November 2001

⁽⁵⁾ Highest paid director 2002

5. Operating Profit/(Loss)

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| This is stated after charging/(crediting): | | | |
| Depreciation | 95 | 12 | — |
| Auditors' remuneration – audit services | 22 | 15 | 8 |
| – non audit services | 4 | 1 | — |
| Payment under operating leases – other equipment | 9 | 1 | — |
| (Profit)/Loss from sale of fixed tangible assets | (14) | (13) | — |
| Income from investment properties | <u>72</u> | <u>7</u> | <u>—</u> |

6. Interest Receivable

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|------------------|---------------|---------------|---------------|
| On bank deposits | <u>—</u> | <u>284</u> | <u>209</u> |

7. Interest Payable

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|------------------------------|---------------|---------------|---------------|
| On bank loans and overdrafts | 1,260 | 167 | — |
| Finance lease charges | <u>27</u> | <u>3</u> | <u>—</u> |
| | <u>1,287</u> | <u>170</u> | <u>—</u> |

8. Tax on Profit on Ordinary Activities

(a) Analysis of charge for the year

| | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|
| The tax charge is based on the profit on ordinary activities for the year and comprises: | | |
| United Kingdom Tax at 18 per cent. (2001 20 per cent.) | 69 | 5 |
| Utilisation of Advance Corporation Tax brought forward | — | (5) |
| Adjustments in respect of previous years | <u>—</u> | <u>(86)</u> |
| Tax on profit on ordinary activities | <u>69</u> | <u>(86)</u> |

(b) Factors affecting tax charge for the year

Tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|
| (Loss)/Profit on ordinary activities before taxation | <u>(793)</u> | <u>26</u> |
| Tax at standard rate of 18 per cent. (2001 20 per cent.) | (159) | 5 |
| Net balancing charge | 300 | — |
| Utilisation of Advance Corporation Tax brought forward | (7) | (5) |
| Utilisation of Corporation Tax brought forward | (173) | — |
| Expenses disallowed | 108 | — |
| Adjustments in respect of prior periods | <u>—</u> | <u>(86)</u> |
| | <u>69</u> | <u>(86)</u> |

A reduction in the standard rate of Corporation Tax in the UK from 20 per cent. to 18 per cent. is applicable due to the effects of starting rate relief.

The company has unrelieved trading losses of £1,152,584 (2001 £2,700,000), and capital losses of £7,661,840 (2001 £7,661,840). The company's subsidiary undertaking, Real Inns Limited, has unrelieved capital losses of £2,181,133 (2001 £2,181,133).

9. Dividends

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Non Equity | | | |
| Cumulative 2nd convertible redeemable preference shares | 201 | — | — |
| Finance cost of Non-Equity shares | <u>49</u> | <u>—</u> | <u>—</u> |
| | <u>250</u> | <u>—</u> | <u>—</u> |

As a result of the Extraordinary General Meeting on 15 January 2001, where shareholders approved the variation of conversion rights for the cumulative second convertible redeemable preference shares, the cumulative second convertible redeemable preference shareholders agreed to waive their entitlement to dividend arrears worth approximately £500,000.

No dividends were paid to holders of ordinary shares.

10. (Loss)/Earnings Per Share

Basic (loss)/earnings per ordinary share is based on the (loss)/earnings, after deducting preference dividends and other appropriations in respect of preference shares, of £112,000 (2001: loss of £862,000; 2000: loss of £1,324,000) and on 26,801,193 (2001: 16,460,759; 2000: 12,349,860) Paramount Shares, being the weighted average number of ordinary shares of 5p each in issue during the year.

Basic and diluted (loss)/earnings per share are the same as there is no dilution.

11. Tangible assets

| | <i>Investment properties £'000</i> | <i>Freehold properties £'000</i> | <i>Short leasehold properties £'000</i> | <i>Plant equipment & motor vehicles £'000</i> | <i>Total £'000</i> |
|----------------------------------|--|--|---|---|------------------------|
| Cost or valuation at 1 June 2000 | 350 | 19,088 | 113 | 574 | 20,125 |
| Disposals | (350) | (19,088) | (113) | (574) | (20,125) |
| At 31 May 2001 and 2002 | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Depreciation/Amortisation | | | | | |
| At 1 June 2000 | — | — | — | 342 | 342 |
| Charge for the year | — | — | — | 12 | 12 |
| Eliminate on disposal | — | — | — | (354) | (354) |
| At 31 May 2001 and 2002 | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net book value | | | | | |
| At 31 May 2001 and 2002 | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| At 31 May 2000 | <u>350</u> | <u>19,088</u> | <u>113</u> | <u>232</u> | <u>19,783</u> |

The Paramount Group's tangible assets were sold to KUC (Public Houses) Limited on 18 July 2000.

12. Fixed Assets Investments

| | <i>2000 £'000</i> | <i>2001 £'000</i> | <i>2002 £'000</i> |
|--------------------|-----------------------|-----------------------|-----------------------|
| Listed investments | <u>1</u> | <u>1</u> | <u>1</u> |

The parent company has investments in the following subsidiary undertaking.

| | <i>Country of Incorporation</i> | <i>Principal activity</i> | <i>Holding</i> | <i>%</i> |
|-------------------|-------------------------------------|-------------------------------|-----------------|----------|
| Real Inns Limited | UK | Dormant | Ordinary shares | 100% |

The investment listed on the stock exchange had a market value at 31 May 2002 of £3,092 (2001: £1,475; 2000: £1,517).

13. Stocks

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|-------------------|---------------|---------------|---------------|
| Fixtures in trade | <u>50</u> | <u>—</u> | <u>—</u> |

14. Debtors

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--------------------------------|---------------|---------------|---------------|
| Due within one year: | | | |
| Trade debtors | 405 | — | — |
| Other debtors | 13 | 99 | 9 |
| Prepayments and accrued income | <u>209</u> | <u>43</u> | <u>21</u> |
| | <u>627</u> | <u>142</u> | <u>30</u> |

15. Current Asset Investments

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--------------------|---------------|---------------|---------------|
| Listed Investments | <u>—</u> | <u>—</u> | <u>372</u> |

The investments listed on the London Stock Exchange had a market value at 31 May 2002 of £436,500.

16. Creditors

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|-------------------------------------|---------------|---------------|---------------|
| Amounts falling due within 1 year: | | | |
| Bank loans and overdrafts | 12,500 | — | — |
| Trade creditors | 728 | — | 7 |
| Corporation tax | — | 69 | — |
| Finance lease obligations | 86 | — | — |
| Other taxes & social security costs | 43 | — | — |
| Unclaimed dividends | 34 | 34 | 1 |
| Accruals | <u>399</u> | <u>98</u> | <u>27</u> |
| | <u>13,790</u> | <u>201</u> | <u>35</u> |

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Amounts falling due after more than 1 year | | | |
| Installments due on other loans | 64 | — | — |
| Finance lease obligations | <u>66</u> | <u>—</u> | <u>—</u> |
| | <u>130</u> | <u>—</u> | <u>—</u> |

Loans and overdrafts are repayable as follows:

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|----------------------------------|---------------|---------------|---------------|
| Within 1 year or on demand | 12,500 | — | — |
| After 2 years and within 5 years | <u>64</u> | <u>—</u> | <u>—</u> |
| | <u>12,564</u> | <u>—</u> | <u>—</u> |

Following disposal of the Paramount Group's business and assets on 18 July 2000 the interest rate swap agreement was terminated following the repayment of the Paramount Group's debt facilities.

17. Finance leases

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|-------------------------------|---------------|---------------|---------------|
| Falling due within 1 year | 86 | — | — |
| Falling due between 2-5 years | 66 | — | — |
| | <u>152</u> | <u>—</u> | <u>—</u> |

18. Called up share capital

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Authorised | | | |
| 89,984,748 ordinary shares of 5p each | — | 4,499 | 4,499 |
| 28,044,000 ordinary shares 25p each | 7,011 | — | — |
| 1,400,000 convertible redeemable preference shares of £1 each | 1,400 | 1,400 | 1,400 |
| 3,111,000 cumulative 2nd convertible redeemable preference shares of £1 each | 3,111 | 3,111 | 3,111 |
| | <u>11,522</u> | <u>9,010</u> | <u>9,010</u> |
| Allotted | | | |
| 26,801,193 ordinary shares of 5p each | — | 1,340 | 1,340 |
| 12,558,451 ordinary shares of 25p each | 3,140 | — | — |
| 1,160,600 convertible redeemable preference shares of £1 each | 1,161 | — | — |
| 2,848,612 cumulative second convertible redeemable preference shares of £1 each | 2,848 | — | — |
| | <u>7,149</u> | <u>1,340</u> | <u>1,340</u> |

Following the disposal of the business and assets of the company on 18 July 2000, the company share option schemes lapsed.

Convertible Redeemable Preference Shares

The convertible redeemable preference shares were redeemed, at par, in March 2001.

Cumulative Second Convertible Redeemable Preference Shares

Following the Extraordinary General Meeting on 15 January 2001, where shareholders approved the company's capital reconstruction, which was confirmed by the High Court and registered with the Registrar of Companies with effect from 13 February 2001, the conversion rights were varied from 8 ordinary 25p shares for £3 cumulative second convertible redeemable preference shares to 15 ordinary 5p shares for £3 cumulative second convertible redeemable preference shares and the cumulative second convertible redeemable preference shareholders agreed to waive any rights to dividend arrears, the company exercised its right to service notice to convert into re-denominated ordinary shares.

Note: It has been realized that the information given in Note 18 to the accounts for the years 2001 and 2002 as regards Authorised Share Capital is incorrect and should be restated as follows:

| | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 104,227,808 Ordinary Shares of 5p each | 5,211 | 5,211 |
| 1,400,000 Convertible redeemable preference shares of £1 each | 1,400 | 1,400 |
| 262,388 Cumulative 2nd Convertible redeemable preference shares of £1 each | 262 | 262 |
| | <u>6,873</u> | <u>6,873</u> |

The number of allotted ordinary Shares should also be restated as 23,814,699

19. Reserves

| | Share premium account £'000 | Capital redemption reserve £'000 | Revaluation reserve £'000 | Profit and loss account £'000 |
|--|--------------------------------------|---|---------------------------------|--|
| At 1 June 1999 | 573 | 91 | 877 | (522) |
| Retained loss for the year | — | — | — | (1,324) |
| Permanent diminution | — | — | (36) | — |
| Non equity dividends in year (note 9) | — | — | — | 250 |
| Conversion of preference shares | — | 37 | — | — |
| At 31 May 2000 | <u>573</u> | <u>128</u> | <u>841</u> | <u>(1,596)</u> |
| At 1 June 2000 | 573 | 128 | 841 | (1,596) |
| Cancellation of share premium account | (573) | — | — | 573 |
| Cancellation of capital redemption reserve | — | (128) | — | 128 |
| Reduction of 20p/issue share | — | — | — | 2,511 |
| Conversion of preference shares | — | 2,136 | — | — |
| Reversal of revaluation reserve | — | — | (841) | 841 |
| Redemption of preference shares | — | 1,161 | — | (1,161) |
| Retained loss for the year | — | — | — | (862) |
| At 31 May 2001 | <u>—</u> | <u>3,297</u> | <u>—</u> | <u>434</u> |
| At 1 June 2001 | — | 3,297 | — | 434 |
| Retained profit for the year | — | — | — | 112 |
| At 31 May 2002 | <u>—</u> | <u>3,297</u> | <u>—</u> | <u>546</u> |

The loss attributable to members of the parent undertaking dealt with in that company's financial statements in 2001 is £862,000 (2000: Loss £1,610,000) which includes the movement in the provision against the subsidiary undertaking investment of £18,000 (2000: £323,000).

20. Reconciliation of Movements in Shareholders' Funds

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|----------------|----------------|---------------|
| Loss for the financial period | (1,074) | (862) | 112 |
| Dividends (Note 9) | (250) | — | — |
| | <u>(1,324)</u> | <u>(862)</u> | <u>112</u> |
| Ordinary shares issued on conversion of 2nd conv. pref. Shares | 74 | 711 | — |
| Conversion of 2nd conv. pref. Shares | (110) | (2,848) | — |
| Capital redemption arising on conversion of 2nd conv. pref. Shares | 37 | 2,136 | — |
| Repayment of 1st conv. pref. shares | — | (1,161) | — |
| Non-equity dividends unpaid | 250 | — | — |
| Revaluation write back | (36) | — | — |
| | <u>(1,109)</u> | <u>(2,024)</u> | <u>112</u> |
| (Decrease)/increase in shareholders funds | 8,204 | 7,095 | 5,071 |
| Opening shareholders' funds | <u>7,095</u> | <u>5,071</u> | <u>5,183</u> |
| Closing shareholders' funds | <u>7,095</u> | <u>5,071</u> | <u>5,183</u> |

Non-equity shareholders funds

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Convertible redeemable preference shares of £1 each | 1,161 | — | — |
| Cumulative 2nd Convertible redeemable preference Shares | 2,849 | — | — |
| Preference dividend arrears | 836 | — | — |
| | <u>4,846</u> | <u>—</u> | <u>—</u> |

21. Operating Leases

The Group and company have no outstanding lease commitments at year end.

22. Capital Commitments

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | <u>30</u> | <u>—</u> | <u>—</u> |

23. Contingent Liabilities

There were no contingent liabilities at 31 May 2000, 2001 or 2002.

24. Reconciliation Of Operating Profit To Operating Cash Flows

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|---|---------------|----------------|---------------|
| Operating profit/(loss) | 213 | (907) | (183) |
| Depreciation of tangible fixed assets | 95 | 12 | — |
| Exceptional items | 1,258 | — | — |
| Profit on sale of tangible fixed assets | (14) | (13) | — |
| Decrease in stocks | 282 | — | — |
| Decrease in debtors | 164 | 528 | 82 |
| Decrease in creditors | (22) | (1,029) | (64) |
| | <u>1,976</u> | <u>(1,409)</u> | <u>(165)</u> |
| Net cash inflow/(outflow) from operating activities | <u>1,976</u> | <u>(1,409)</u> | <u>(165)</u> |

25. Analysis Of Cash Flows For Headings Netted In The Cash Flow Statement

| | 2000 £'000 | 2001 £'000 | 2002 £'000 |
|--|----------------|-----------------|---------------|
| Returns on investments and servicing of finance | | | |
| Interest received | — | 241 | 239 |
| Interest paid | (1,340) | (212) | — |
| Interest element of finance lease rental payments | (27) | (3) | — |
| Dividends paid | (1) | — | — |
| Net cash (outflow)/inflow from returns on investments and servicing of finance | <u>(1,368)</u> | <u>26</u> | <u>239</u> |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | (583) | — | — |
| Sale of tangible fixed assets | 482 | 19,834 | — |
| Net cash inflow / (outflow) for capital expenditure | <u>(101)</u> | <u>19,834</u> | <u>—</u> |
| Equity dividends paid | <u>—</u> | <u>—</u> | <u>(33)</u> |
| Management of liquid resources, purchase of listed investments | <u>—</u> | <u>—</u> | <u>372</u> |
| Financing | | | |
| Redemption of 1st convertible preference shares | — | (1,161) | — |
| Net movement in short term borrowings | 12,500 | (12,500) | — |
| Net movement in long term borrowings | (12,500) | (64) | — |
| Capital element of finance lease rental payments | (97) | (151) | — |
| Net cash outflow from financing | <u>(97)</u> | <u>(13,876)</u> | <u>—</u> |

26. Analysis Of Net Funds

| | At 1 June 2001 £'000 | Cash Flow £'000 | Other non cash changes £'000 | At 31 May 2002 £'000 |
|---------------------------|----------------------------|-----------------------|---------------------------------------|----------------------------|
| Cash in hand at bank | 5,129 | (314) | — | 4,815 |
| Current asset investments | — | 372 | — | 372 |
| Total | <u>5,129</u> | <u>58</u> | <u>—</u> | <u>5,187</u> |

| | At 1 June 2001 £'000 | Cash Flow £'000 | Other non cash changes £'000 | At 31 May 2002 £'000 |
|---------------------------------|----------------------------|-----------------------|---------------------------------------|----------------------------|
| Cash in hand at bank | 554 | 4,575 | — | 5,129 |
| Debt due within 1 year | (12,500) | 12,500 | — | — |
| Debt due after more than 1 year | (64) | 64 | — | — |
| Finance leases | (151) | 151 | — | — |
| Total | <u>(12,161)</u> | <u>17,290</u> | <u>—</u> | <u>5,129</u> |

| | <i>At 1 June</i> | <i>Cash</i> | <i>Other non</i> | <i>At 31 May</i> |
|---------------------------------|------------------|--------------|------------------|------------------|
| | <i>2001</i> | <i>Flow</i> | <i>cash</i> | <i>2002</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>changes</i> | <i>£'000</i> |
| Cash in hand at bank | 162 | 392 | — | 554 |
| Debt due within 1 year | — | — | (12,500) | (12,500) |
| Debt due after more than 1 year | (12,564) | — | 12,500 | (64) |
| Finance leases | (248) | 97 | — | (151) |
| Total | (12,650) | 489 | — | (12,161) |

27. Related Party Transactions

During the year ended 31 May 2002:

Mr Guy Naggar, a director of the Company, has a significant interest in Dawnay, Day Corporate Finance Limited, which acts as advisor to the Company, and the financial statements include £8,750 for their services (2001: £nil 2000: £nil).

Mr Ralph Elman, a director of the Company, is also a partner of Elman Wall, Chartered Accountants, who have provided accountancy assistance to the Company for which £10,000 is included in the 2002 financial statements (2001: £nil 2000: £nil).

During the year ended 31 May 2001:

Management fees of £65,000 were charged by The Pyramid Pub Management Company Limited, a company owned by P. D. Davies and J. Dangerfield.

PARAMOUNT PLC

Interim report and results for the six months to 30 November 2002

Set out below is the full text of the Interim Report and Results of Paramount PLC for the six months to 30 November 2002 announced on 28 February 2003:

“CHAIRMAN’S STATEMENT

I am pleased to be able to report that in the six month period to 30 November 2002 there was a profit on ordinary activities before taxation of £13,000. Taking account of a recovery of taxation of £3,000, the profit on ordinary activities after taxation was £16,000. This compares with a profit on ordinary activities before taxation of £20,000 and a recovery of £20,000 taxation in the comparable six month period ended November 2001.

During the six months to 30 November 2002 the Board of Paramount continued to explore acquisition opportunities. One of these has led to the announcement on 25 September 2002 that Paramount had approached Groupe Chez Gerard plc to initiate a period of due diligence with a view to making an offer with a cash alternative. The Company will make a further announcement once the due diligence process is completed.

During the period under review, the Company’s income comprised interest on its cash balances and its expenditure related to overhead expenses and the cost of exploring potential acquisitions.

In line with previous statements your Board does not feel it appropriate to pay an interim dividend.

In December 2002, after the end of the period under review and following an Extraordinary General Meeting at which the independent shareholders approved the waiver of certain potential obligations under the Takeover Code, the Company purchased and cancelled 2,975,000 of its own shares at an average price of 15.29p, a substantial discount to the net asset value per Paramount share.

Paramount continues to retain its listing on the Official List of The London Stock Exchange. The Company is trading profitably, has cash resources of over £4 million and its Board has extensive experience across a number of industries. Consequently, we are well positioned to seek a major acquisition in line with our stated strategy.

G A NAGGAR
Chairman

PARAMOUNT PLC

Group Profit and Loss Account for the six months to 30 November 2002

| | <i>Unaudited 6 months ended 30 November 2002 £'000</i> | <i>Unaudited 6 months ended 30 November 2001 £'000</i> | <i>Audited Year ended 31 May 2002 £'000</i> |
|---|--|--|---|
| Turnover | — | — | — |
| Cost of sales | — | — | — |
| Gross Profit | — | — | — |
| Administrative expenses | (98) | (92) | (183) |
| Operating Loss | (98) | (92) | (183) |
| Cost of disposal of discontinued operations | 20 | — | — |
| Operating Loss | (78) | (92) | (183) |
| Interest receivable | 91 | 112 | 209 |
| Profit on Ordinary Activities before taxation | 13 | 20 | 26 |
| Taxation | 3 | 20 | 86 |
| Profit on Ordinary Activities after taxation and retained for the period | <u>16</u> | <u>40</u> | <u>112</u> |
| Earnings per share | | | |
| Basic | 0.06p | 0.15p | 0.42p |
| Fully diluted | <u>0.06p</u> | <u>0.15p</u> | <u>0.42p</u> |

PARAMOUNT PLC

Group Balance Sheet as at 30 November 2002

| | <i>Unaudited</i> 30 November 2002 £'000 | <i>Unaudited</i> 30 November 2001 £'000 | <i>Audited</i> 31 May 2002 £'000 |
|--|--|--|---|
| Fixed Assets | | | |
| Investments | <u>1</u> | <u>1</u> | <u>1</u> |
| Current Assets | | | |
| Debtors | 52 | 47 | 30 |
| Investments | 394 | — | 372 |
| Cash at bank and in hand | 4,817 | 5,192 | 4,815 |
| | <u>5,263</u> | <u>5,239</u> | <u>5,217</u> |
| Creditors: | | | |
| Amounts falling due within one year | 65 | 129 | 35 |
| Net Current Assets | <u>5,198</u> | <u>5,110</u> | <u>5,182</u> |
| Total Assets less current liabilities | <u>5,199</u> | <u>5,111</u> | <u>5,183</u> |
| Capital and Reserves | | | |
| Called up share capital | 1,340 | 1,340 | 1,340 |
| Capital redemption reserve | 3,297 | 3,297 | 3,297 |
| Profit and loss account | 562 | 474 | 546 |
| Shareholders' funds | <u>5,199</u> | <u>5,111</u> | <u>5,183</u> |

Notes to the Interim Financial Statements

1. The interim financial information for the six months ended 30 November 2002, was approved by the Board of Directors on the 28 February 2003. This financial information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 May 2002 are extracted from the Company's statutory accounts, and were reported on by the Company's auditors. Their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.
2. Basic earnings per ordinary share is based on the relevant profit for the period and on 26,801,193 ordinary shares of 5p each being the weighted average number of ordinary shares in issue during the period (2001 – 26,801,193 ordinary shares of 5p each).

INDEPENDENT REVIEW REPORT TO PARAMOUNT PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 November 2002 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion of the financial information.

Review Conclusions

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2002.

Baker Tilly
Chartered Accountants
Number One Old Hall Street
Liverpool L3 9SX

28 February 2003"

PART IV

Additional information

1. Responsibility

The directors and the Proposed Directors of Paramount, whose names appear below, accept responsibility for the information contained in this document except that the only responsibility accepted by them in respect of the information contained in this document in relation to Groupe Chez Gerard, which has been compiled from published sources is to ensure that such information is correctly and fairly produced and presented. To the best of the knowledge and belief of the directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document (other than the information contained in this document relating to Groupe Chez Gerard) is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors and the Proposed Directors of Paramount and their functions are as follows:

| | |
|-----------------------------------|-------------------------------|
| Guy Anthony Naggar | <i>Chairman</i> |
| Ralph Julian Elman FCA | <i>Finance Director</i> |
| David Leslie Hudd FCA | <i>Non-Executive Director</i> |
| Christopher Harwood Bernard Mills | <i>Non-Executive Director</i> |
| Norman Andrew Summers CA | <i>Non-Executive Director</i> |

Proposed Directors (subject to the Offer becoming unconditional)

| | |
|------------------------|-------------------------------|
| Nicholas Andrew Basing | <i>Group Chief Executive</i> |
| Ian Smeeton Neill | <i>Non-Executive Director</i> |

2. Incorporation and Share Capital

2.1 Paramount was incorporated on 29 July 1985 in England and Wales under company number 1934366. The registered office of the Company and the business address of the directors is at 15 Grosvenor Gardens, London SW1W 0BD. The principal legislation under which the Company operates is the Companies Act 1985 and the regulations made thereunder.

2.2 The table below sets out details of the authorised and issued share capital of Paramount:

| | £ | Authorised Preference Shares of £1*** | Ordinary Shares of 5p each | Issued and fully paid Ordinary Shares of 5p each | £ | Number |
|------------------------|----------------|---|-------------------------------|---|------------|--------|
| At present | 6,877,574.90 | 1,662,388 | 104,227,808 | 191,325.55 | 23,826,511 | |
| Proposed cancellation | (1,667,450.00) | (1,662,388) | — | — | — | — |
| Proposed increase* | 1,539,875.10 | — | 30,772,192 | — | — | — |
| New Paramount Shares** | — | — | — | 3,743,656.90 | 74,873,138 | |
| Revised Total | 6,750,000.00 | — | 135,000,000 | 4,934,982.45 | 98,699,649 | |

* A resolution will be proposed at the Extraordinary General Meeting of Paramount to increase the authorised share capital

** The number of New Paramount Shares to be issued will vary according to the level of acceptances of the Offer and the extent to which accepting GCG Shareholders elect to receive the Cash Alternative. The maximum number of New Paramount Shares is shown above, assuming full acceptance and no elections for the Cash Alternative.

*** Paramount has two classes of preference share; 1,400,000 Limited Voting Convertible Redeemable Preference Shares of £1 each and 262,388 Cumulative 2nd Convertible Redeemable Preference Shares of £1 each. None of these preference shares are in issue and a resolution will be proposed to cancel them at the Extraordinary General Meeting.

2.3 The New Paramount Shares will be allotted fully paid in consideration for GCG Shares acquired pursuant to the Offer and will be issued at a premium over their nominal value of 5p. The amount capitalised will be based on the market price of a Paramount Share on the date the Offer becomes unconditional. The existing Paramount Shares are listed on the Official List and traded on the London Stock Exchange's markets for listed securities. The existing Paramount Shares are, and the New Paramount Shares will be, in registered form and may be held in either certificated or in uncertificated form. Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Paramount Shares to be

admitted to the Official List and to trading on the London Stock Exchange. The minimum number of New Paramount Shares capable of being issued if the Offer is declared unconditional is 20,034,060 and the maximum number is 74,873,138.

- 2.4 The nominal value of the New Paramount Shares to be issued is 5p each and the deemed issue price will be the market price on the date the New Paramount Shares are allotted. The difference between the issue price and the nominal value will be credited to the share premium account. All New Paramount Shares will be issued fully paid. No New Paramount Shares are available to the public.
- 2.5 At the Extraordinary General Meeting of Paramount held on 15 January 2001 holders of all classes of its issued share capital approved a capital reconstruction, which was confirmed by the High Court and registered with the Registrar of Companies with effect from 13 February 2001 to simplify Paramount's capital structure, eliminate accumulated losses and establish distributable reserves. Pursuant to the capital reconstruction the nominal value of the ordinary shares was reduced to 5p each, the share premium account and capital redemption reserve were cancelled, the conversion rights attaching to the Cumulative Second Convertible Redeemable Preference Shares were varied and, rights to certain preference dividend arrears were waived. Paramount exercised its right to convert the 2,843,550 Cumulative Second Convertible Redeemable Preference Shares then in issue into ordinary shares and redeemed the 1,160,600 Convertible Redeemable Preference Shares of £1 each at par. Following the foregoing Paramount had only one class of issued shares, being ordinary shares of 5p each, of which 23,814,699 were in issue. Save as aforesaid, no shares in the capital of the Company have been issued in the period of three years preceding the date of this document.
- 2.6 Paramount has purchased and cancelled its own shares pursuant to an authority granted at the annual general meeting held on 28 October 2002 as follows:

| <i>Date</i> | <i>No of Shares</i> | <i>Price per share</i> |
|-------------|---------------------|------------------------|
| 12 Dec 2002 | 2,650,000 | 15p |
| 13 Dec 2002 | 250,000 | 17.25p |
| 17 Dec 2002 | 50,000 | 19p |
| 17 Dec 2002 | 25,000 | 19p |

- 2.7 At the Extraordinary General Meeting resolutions will be proposed, inter alia, for the purpose of:
- (a) Reducing (by cancelling the two classes of unissued preference shares) and then increasing the authorised share capital of Paramount to £6,750,000 by the creation of 30,797,502 new Paramount Shares (an increase of 29.5 % in the authorised ordinary share capital);
 - (b) Authorising the directors generally and unconditionally in accordance with section 80 of the Companies Act 1985 ("The Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum nominal amount of £5,559,265.05 representing 466.6 per cent. of the issued share capital at the date of this document. This authority will expire at the close of business at the next Annual General Meeting of the Company.
 - (c) Empowering the directors to allot and issue shares for cash as if Section 89 (1) of the Act did not apply, but limited to:
 - i. Allotments of New Paramount Shares pursuant to the Underwriting Agreement
 - ii. Allotments of shares by way of a rights issue: and
 - iii. Other allotments for cash up to a nominal amount of £245,000

This power will expire at the close of business at the next Annual General Meeting of the Company.

- 2.8 Save for up to 74,873,138 New Paramount Shares to be issued pursuant to the Offer and for the issue of Paramount Shares to persons entitled to options under the proposed share option schemes referred to in paragraph 8 of this Part IV there is no present intention to issue any of the authorised but unissued share capital of Paramount.
- 2.9 The New Paramount Shares will be issued within 14 days of the Offer becoming or being declared unconditional (or 14 days following receipt of a valid acceptance or on compulsory acquisition under section 429 Companies Act 1985, if later) fully paid and ranking *pari passu* in all respects with the existing Paramount Shares, including the right to all dividends and other distributions (if any) declared made or paid after the date of issue.
- 2.10 The Company remains subject to the continuing obligations of the UK Listing Authority and the London Stock Exchange with regard to the issue of securities for cash, and, save as disclosed in paragraph 2.7(c) above, the provisions of Section 89 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply.

3. Director's and other interests

- 3.1 The interests, all of which are beneficial unless otherwise stated, which have been notified by each Director pursuant to Section 324 or Section 328 of the Act or are required pursuant to Section 325 of the Act to be entered in the register referred to therein, or the interests of persons connected with a director within the meaning of Section 346 of the Act which would, if the connected person were a director, be required to be so disclosed under Section 324, Section 328 or Section 325 of the Act and the existence of which was known to, or could with reasonable diligence be ascertained by the relevant director, as at the date of this document are, and on Admission will be, as follows:

| <i>Name</i> | <i>Number of shares</i> | <i>Percentage of existing issued ordinary share capital</i> | <i>Percentage of increased issued ordinary share capital*</i> |
|----------------|-------------------------|---|---|
| G. A. Naggar | 2,321,362 | 9.7% | 2.35% |
| R. J. Elman | 200,000 | 0.8% | 0.20% |
| D.L. Hudd | 100,000 | 0.4% | 0.10% |
| C. H. B. Mills | — | — | — |
| N. A. Summers | 100,000 | 0.4% | 0.10% |

* This column shows the reduced percentage shareholdings that will result from the increase in ordinary share capital arising from the proposed issue of New Paramount Shares and the percentages shown are on the basis of the maximum number of New Paramount Shares being issued.

Notes

- (a) Christopher Mills is a director of JOHCM, investment management clients of which hold 3,275,000 Paramount Shares representing 13.75 per cent. of the existing issued share capital of the Company.
- (b) Peter Klimt whose shareholding is disclosed in paragraph 3.6 below is a business partner of Guy Naggar.
- 3.2 Save as disclosed in paragraph 3.1 above and in paragraph 10 no director of Paramount has or will have any interest in the share capital of Paramount or any of its subsidiaries.
- 3.3 Guy Naggar is chairman of Paramount and is chairman of Dawnay, Day International Limited, of which Dawnay, Day Corporate Finance Limited (Paramount's joint Financial Advisor) is a wholly owned subsidiary. Guy Naggar and his wife have a beneficial interest in 2,321,362 Paramount Shares representing 9.75 per cent. of its issued share capital. These shares are held in a private investment company called Forwardissue Limited.

Peter Klimt, a director of and significant shareholder in Dawnay, Day International Limited is a non-executive director of Dawnay, Day Corporate Finance Limited and has a beneficial interest in 2,321,363 Paramount Shares representing 9.75 per cent. of its issued share capital. These shares are held in a private investment company called Totalassist Company Limited.

Guy Naggar's and Peter Klimt's percentage interest in Paramount will be reduced by the issue of New Paramount Shares as consideration pursuant to the Acquisition. The extent of their reduced percentage interest will vary according to the level of acceptances and elections for the Cash Alternative, but could be reduced to 2.35 per cent. each.

Neither Guy Naggar nor Peter Klimt have any interest in Groupe Chez Gerard and neither have any involvement in Dawnay, Day Corporate Finance Limited's activities as sponsor or as adviser to Paramount in connection with the Offer.

The Takeover Panel regard Guy Naggar and Peter Klimt as acting in concert with JOHCM with whom they co-operated to promote changes to Paramount's board in May 2001. JOHCM's interest in Paramount is described in the paragraph 8 of Part I above.

Dawnay, Day Corporate Finance Limited receives a retainer for providing services as Paramount's joint financial adviser of £15,000 per annum and received a fee of £45,000 for assisting with a waiver of certain potential obligations under the Takeover Code in December 2002. Dawnay, Day Corporate Finance Limited has advised the Paramount board on the Acquisition (in which it, and its directors, have no interest), and is making the Offer on behalf of Paramount for which it is due to receive a further fee of £180,000 for its services in relation to the Acquisition if the Offer is declared unconditional.

Christopher Mills is a director of both Paramount and JOHCM. He holds no Paramount Shares and holds 175,000 JOHCM shares representing approximately 43.5 per cent. of JOHCMG's issued share capital. Discretionary investment management clients of JOHCM hold 13.75 per cent. of Paramount's issued share capital and clients (excluding Paramount) hold 26.73 per cent. of Groupe Chez Gerard's issued share capital. JOHCM has entered into the Underwriting Agreement, which is a related party contract, being a contract with an "associate" of Christopher Mills, a director of Paramount, (who owns 43.5 per cent. of JOHCMG) and because JOHCM controls over 10 per cent. of Paramount's issued share capital on behalf of discretionary investment management clients. Christopher Mills did not vote in relation to the proposed related party contract at Paramount board meetings and Paramount's stockbroker and joint financial adviser, Evolution Beeson Gregory, has advised Paramount that the consideration to be paid by Paramount in respect of such underwriting is no more than the usual commercial underwriting consideration.

NASCIT, a client of JOHCM of which Christopher Mills is a director has agreed to lend Paramount up to £350,000 on normal commercial terms to enable Paramount to pay the consideration due to holders of Groupe Chez Gerard share options in the unlikely event that they exercise the options, accept the Offer and elect to receive the Cash Alternative. The exercise price of the majority of such options is greater than the Offer price.

Ralph Elman is a partner of Elman Wall which receives fees for accountancy services in the ordinary course of business and will receive a fee of £10,000 for providing accounting services relating to the Acquisition if the Offer is declared unconditional.

Save as disclosed in paragraph 3.3 and paragraph 4.6 of this Part IV and in note 27 to the financial statements of Paramount in Part III, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant in relation to the business of Paramount during the current or immediately preceding financial year or which was effected during any earlier financial year and remains in any respect outstanding or unperformed.

- 3.4 At the date of this document there were no loans outstanding from Paramount to any of its directors nor has any guarantee been provided by Paramount for the benefit of any of its directors.
- 3.5 In addition to their directorships in Paramount and its subsidiaries, the directors and the Proposed Directors currently hold or have held the following directorships within the five years prior to the publication of this document and are or have been partners in the following firms within the five years prior to publication of this document:

Christopher Harwood Bernard Mills

Current directorships and partnerships:

J O Hambro Capital Management Group Limited, Jo Hambro Capital Management Limited, Deepenhart Limited, North Atlantic Smaller Companies Investment Trust Plc, American Opportunity Trust Plc, Consolidated Venture Finance Limited, Growth Financial Services Limited, Denison International Plc, J O Hambro Conning Grimston Limited (In Liquidation), LOT Limited, HCG Corporate Advisers Limited (In Liquidation), Calenden Limited, Second London American Trust Plc, Master Distributors Holdings Plc, Mid-States Plc, Boostcareer Limited, Lonrho Africa Plc, Cross-Border Publishing Limited, Cross-Border Publishing (London) Limited, NASCITI Limited (In Liquidation), NASCIT2 Limited (In Liquidation), Acquisitor Plc, GEI Group Limited, Jarvis Porter Group Plc, Nationwide Accident Repair Services plc, United Industries plc, Renowned Holiday Villages Limited, Checkout Holdings Limited, Tweedwind Limited, Wightcable Limited, Ryder Court Investments Limited, Aberdeen Park Investments PLC, Autotag Limited, I.M.P. Leisure Limited, Jubilee Investment Trust plc and, London Trust Productions Limited.

Past directorships or partnerships:

Rivermoor Management Services Limited (Dissolved), Versatile Group Limited (Dissolved), The Knox D'Arcy Trust Plc, Redbus Interhouse Plc, Piccadilly Growth Trust Plc, Premier Asset Management Plc, United Real Estate Plc (In Liquidation), Conquest Security Services Plc, Hemingsways Limited, Master Distributors Plc, Ks Conquest Security Limited, Versatile Projects Limited (Dissolved), Paramount Plc, Stanelco Plc, Nationwide Security Group PLC (In receivership), PHS Health Limited, PNG Corporation Inc., PS Group Holdings Inc., Cellu Tissue Inc, Magic Seasoning Blends Inc., Oak Industries Inc, Compass Plastics & Technologies Inc., Sajar Plastics Inc., Executive Air Support Inc, Critical Care Concepts Inc., Texas Sterling Construction L.P., Knox D'Arcy Asset Management Limited and, PNC Telecom Plc.

Insolvent companies

Receivers were appointed to Versatile Group Limited (reg. No 03303164) of which Christopher Mills was a director, and its subsidiaries Versatile Projects Limited and Castle Finance Limited by Bank of Scotland who had charges and cross guarantees supporting a debt of £2.04 million in addition to which the group had net liabilities of in excess of £700,000 to unpaid creditors. Verstatile Group Limited was dissolved under Section 652 on 15 May 2001.

Receivers were appointed to Nationwide Security Group Limited, of which Christopher Mills was a director, on 16 February 2000 and realized sufficient assets to repay all creditors and make a small distribution.

The other companies referred to above as dissolved or in liquidation were not insolvent.

Guy Anthony Naggar

Current directorships and partnerships:

7 Grosvenor Gardens Limited, Berkeley Security Bureau (ECM) Limited, Berkeley Security Bureau (Forensic) Limited, Berkeley Security Bureau Limited, Boostscene Limited, Booststage Limited, Bournemouth Metropolis Limited, Branchspace Limited, Branchspin Limited, Bridgecoin Limited, Bridgedrive Limited, Candale Limited, Cardenrich Limited, Chartmicro Limited, Checkunique Limited, Coinmend Limited, Commwise Limited, Dalestream Investments Limited, Dalestream Limited, Dawnay, Day & Co Limited, Dawnay, Day Asset Finance Limited, Dawnay, Day Capital Markets Limited, Dawnay, Day Corporate Finance Limited, Dawnay, Day Equities Limited, Dawnay, Day Euros Limited, Dawnay, Day Financial Services Limited, Dawnay, Day Global Investment Limited, Dawnay, Day Holdings Limited, Dawnay, Day International Limited, Dawnay, Day Lander Limited, Dawnay, Day Nominees Limited, Dawnay, Day Olympia Limited, Dawnay, Day Properties (Pontefract) Limited, Dawnay, Day Properties Limited, Dawnay, Day Property Management Limited, Dawnay, Day Structured Finance Limited, Dawnay, Day United

Kingdom Property Trust Limited, Daxbourne International Limited, DDPF Limited, DDPUT Management Limited, DDSF Limited, Deltashare Limited, Drivebranch Limited, E-merge.com Limited, Entermatter Limited, Erachange Limited, Estrofield Properties Limited, Exportbranch Limited, Faircruise Limited, Fineside Properties Limited, Finestar Investments Limited, Firmrepair Limited, Fitzgerald Securities Limited, Fleettrend Limited, Focalartist Limited, ForwardIssue Limited, Fraenerclasp Limited, Gardenscore Limited, Goalbreeze Limited, Homedouble Limited, Houseball Limited, I-Brokers Limited, Imagearena Limited (Dissolved), Inforeal Limited, Insureprofit Limited, InterVest Financial Services Europe Limited, InterVest Limited, Investreport Limited, Jewelforth Limited, Landfull Limited, Leasenow Trading Limited, Legendthrill Limited, Lys Properties Limited, M C Squared Catering Limited, Makesharp Limited, Marlborough Rare Books Limited, Meadowpanel Limited, Meadowscore Limited, Minordelta Limited, Mixdean Limited, Mixpaul Limited, MNI (Church Street) Limited, Olympia Capital Management S.A, Paintfirst Limited, Panelbright Limited, Paneldata Limited, Paramount plc, Penwood Investments Limited, Photos 12 SA, Pointstage Limited, Prizeother Limited, Quotewell Limited, Rambutan Limited, Redcliffe Investments Limited, Rhys Blaydon Limited, Rhys Braintree Limited, Rhys Holding Limited, Rhys Newport Limited, Rhys Northfield Limited, Rhys Stretford Limited, Rhys Wallasey Limited, Rotorbroad Limited, Saturn Facilities Limited, Scalebroad Limited, Scalefocal Limited, Scalelease Limited, Scalemicro Limited, Sceneglass Limited, Scenetower Limited, Scorehouse Limited, Screendelta Limited, Screenelite Limited, Screentrace Limited, Shapesilver Limited, Showmajor Limited, Specialty Catalogue Corp. Inc., Spectrum Investment Management Limited, Starfuture Limited, Starlight Investments Limited, Startnorth Limited, Supernova Bedford Limited, Supernova Birmingham Limited, Supernova Burton Limited, Supernova Coventry Limited, Supernova Hastings Limited, Supernova Haverhill Limited, Supernova Holdings Limited, Supernova Wolverhampton Limited, Termevent Limited, Thames Valley Hotels Limited, The New Boscombe Spa Company Limited, Tigerclock Limited, Tigercondor Limited, Twigbreeze Limited, Valuebreeze Limited, Venuestock Limited, Versetake Limited, Walkbreeze Limited, Warnbreak Limited, Waterclock Limited, Waterocean Limited, Wilcourt Investments Limited, Windlease Limited.

Prior directorships and partnerships

Dawnay, Day China Limited, Karahots Limited, Elysian Fund Management Limited, Delyn Group plc, Fleetrelay Limited.

Ralph Julian Elman

Current directorships and partnerships:

Admedia Limited, Braemar Homes 2 Limited, Braemar Homes Limited, Elman Wall, Judges Capital plc, Inveresk Property Services Limited, Medexonline (France) Limited, Medexonline (Germany) Limited, Medexonline (Italy) Limited, Medexonline (Japan) Limited, Medexonline (Spain) Limited, Medexonline Limited, Medical Exchange Limited, Panorama Homes Limited and Pharmexonline Limited.

Past directorships and partnerships:

Cunningham Graphics International (Europe) Limited, Hackford Properties Limited, Holden Meehan Elman Leigh Accountancy Services Limited, ICD Limited, ICD Marketing Services Group Limited, ICD Marketing Services Limited, Ingenta plc, International Communication & Data Limited, Roda Print Concepts Limited and The Consumer Research Bureau Limited.

David Leslie Hudd

Current directorships and partnerships:

API Group PLC and API Share Scheme Trustees Limited, Olympia Executives Limited, Falkland Islands Holdings PLC, Marylebone Cricket Club Foundation, and QA PLC

Past directorships and partnerships:

Blue Bird Confectionery (Holdings) Limited, Cannons Group PLC, Chedcare Limited, Combe Grove Manor Hotel & Country Club Limited, Forest Garden (Holdings) Limited, , Loftus Road PLC, Merlin Entertainments (Sea Life) Limited, Parkdean PLC, Queens Park Rangers Football & Athletic Club Limited, Cannons Health & Fitness Limited, Jigsaw Day Nurseries Limited, Jigsaw Group Limited, London Dungeon Limited, Needler Blue Bird Confectionery Group Limited and VFG plc.

Mr Hudd served as a director of VFG plc for the period from 28 April 1999 until 10 April 2001. Throughout the period of his directorship, Mr Hudd served as non-executive chairman. Joint administrative receivers were appointed in respect of VFG plc on 20 December 2001. In their report to the creditors of VFG plc dated 14 March 2002 , the joint administrative receivers reported that the statement of affairs made by the directors of VFG plc as at 20 December 2001 revealed a deficiency as regards ordinary creditors of £29,398,000 and the joint administrative receivers advised that there would be no dividend payment to unsecured creditors.

Norman Andrew Summers

Current directorships and partnerships:

North West Pubs Limited, N.I.M. (Consultants) Limited

Past directorships and partnerships:

Aerocel Limited, Manchester City plc, and Warrington Sports Holdings Limited

Nicholas Andrew Basing

Current directorships and partnerships:

None

Past directorships and partnerships:

None

Ian Smeeton Neill

Current directorships and partnerships:

Wagamama Ltd, Wagamama Group Ltd, Wagamama International Franchising Ltd, Wagamama Ltd (Rep. Of Ireland), Wagamama BV, Wagamama (Australia) PTY Ltd, Soho Pizzeria Partnership

Past directorships and partnerships:

Deep Sea Jivers Ltd

Save as disclosed in this paragraph no director or Proposed Director:

- i. has any unspent convictions in relation to indictable offences;
- ii. has become bankrupt or entered into any voluntary arrangement;
- iii. has been a director with an executive function of any company which, at the time or within 12 months after his ceasing to be a director had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors
- iv. has been a partner of a partnership which at the time, or within twelve months of him ceasing to be a partner went into compulsory liquidation or creditors voluntary liquidation, or administration, partnership voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors
- v. has owned an asset or been a partner of a partnership owning an asset over which a receiver has been appointed at that time or within 12 months after his ceasing to be a partner;

vi. has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

3.6 In addition to certain directors' shareholdings disclosed in paragraph 3.1 above, the directors are aware of the following interests which at the date of this document represent or on Admission will represent 3 per cent. or more of the issued ordinary share capital of the Company:

| | No. of Shares | Percentage of issued share capital at the date of this document | Percentage of increased issued share capital* |
|---|---------------|---|--|
| HSBC Global custody Nominee (UK) Limited (Oryx International Growth Fund Limited) | 3,275,000 | 13.75% | 3.32% |
| Vidacos Nominees Limited (P. Klimt) | 2,321,363 | 9.74% | 2.35% |
| De Vere Group PLC | 1,907,097 | 8.00% | 1.93% |
| Burtonwood Brewery PLC | 1,010,590 | 4.24% | 1.02% |
| Picks Pigs Ltd. | 822,451 | 3.45% | 0.83% |

* This column shows the reduced percentage shareholdings that will result from the increase in the issued share capital arising from the issue of the maximum number of New Paramount Shares, excluding any New Paramount Shares which may be allotted to the above.

3.7 Save for the position of JOHCM, whose investment clients hold 3,275,000 Paramount Shares and whose investment management clients will hold 23,948,750 or more Paramount Shares as described in Part I, the directors are not aware of any person who directly or indirectly jointly or severally exercises or could exercise control over Paramount.

4. Directors' service agreements and emoluments

4.1 In the year ended 31 May 2002 the aggregate emoluments paid by Paramount (including pension contributions and fees paid to or in respect of non-executive directors and the value of all benefits in kind) of all the directors amounted to £69,000. The aggregate emoluments (including pension contributions and fees payable to or in respect of non-executive directors and the value of all benefits in kind) of the directors under the arrangements in force at the date of this document in respect of the year ending 31 May 2003 are estimated to be £145,666 on the basis that the amounts referred to in paragraph 4.6 become payable.

4.2 None of the directors of Paramount has a service agreement with the Company.

4.3 Nicholas Basing, one of the Proposed Directors, has entered into a service agreement with the Company, dated 20 March, 2003, which provides for him to serve the Company as Chief Executive. The agreement is for an initial period of twelve months commencing on the date the Offer becomes or is declared unconditional, and continuing thereafter until terminated by either party giving twelve months notice to expire at any time after the first anniversary. The initial annual salary payable to Nicholas Basing is £115,000 and depending on performance criteria (to be set by the Remuneration Committee) he will be entitled to receive a bonus of up to 80 per cent. of his basic salary. He is also entitled to a car, medical and life cover and contributions to a personal pension plan by the Company of 10 per cent. of salary. The agreement also provides for Nick Basing to be granted options at 20p per share over Paramount Shares with an aggregate subscription price equal to four times his basic annual salary on the date that the Offer is declared unconditional.

4.4 Ian Neill, the other Proposed Director, has entered into an agreement with Paramount under which he has agreed to serve as a non-executive director for an initial period of twelve months from the date on which the Offer is declared unconditional for a fee of £15,000 per annum. Ian Neill will receive a further £15,000 per annum for providing sector specific advice to the chief executive.

- 4.5 There are no arrangements under which any director has agreed to waive future emoluments nor have there been any waivers of such emoluments during the financial year immediately preceding the date of this document.
- 4.6 Save for a £15,000 payment to each of the directors for the additional work involved in this Acquisition, there will be no variation in the emoluments receivable by the directors of Paramount as a consequence of the Acquisition.

5. Memorandum of Association

The Company's principal objects are to carry on the business of a holding company in all its branches. The objects of the Company are set out in full in clause 4 of its memorandum of association.

6. Articles of Association of the Company

The Company's Articles of Association were last revised in 1996, since which time changes have occurred both in the Company's circumstances and developments in corporate practice and governance accordingly it is proposed that new articles of association are adopted at the Extraordinary General Meeting. The principal differences between the present Articles and the proposed new articles ("the New Articles") are as follows:

Share Capital

The New Articles state the share capital of the Company as it will be following the passing of resolution 1 in the notice of the Extraordinary General Meeting at the end of this document. All references to the two classes of Preference Shares referred to in the existing Articles (none of which are currently in issue) have therefore been removed.

Directors

The New Articles provide that the ordinary remuneration of the directors be determined by the directors but shall not exceed £50,000 per annum per director or £100,000 per annum in aggregate for the person or persons holding the office of Chairman during the year concerned. The existing Articles provide a limit of £50,000 in aggregate for the ordinary remuneration of all directors.

Scrip Dividends

The New Articles make any provision for Scrip Dividends to be offered in respect of any dividend declared at or prior to the Annual General Meeting in the year 2007 and thereafter subject to authority being granted to the Directors by Ordinary Resolution of the Company.

Electronic Communications

The New Articles provide that the Company may contact a Member and send any notices that may be required by the Articles by way of electronic communications upon receiving notification from the member of an address at which he/she can be contacted in this manner. They also provide for proxy votes to be given electronically by means of a properly authenticated dematerialized instruction.

Other changes

The New Articles contain a number of other minor changes designed to bring the articles of association of the Company into line with current practice.

The existing articles and the New Articles will be available for inspection at the address set out in paragraph 15 of Part IV and at 10 Grosvenor Gardens, London SW1 (being the place of the Extraordinary General Meeting) for at least 15 minutes prior to and during the Extraordinary General Meeting.

The existing articles of association of the Company (in this paragraph 6 (the "Articles")) which were adopted on 23 December 1996 and amended by special resolutions passed on 15 January 2001 are summarised below. They contain (among others) provisions to the following effect. References to the "statutes" are to the Companies Act 1985 as amended ("the Act") and every other Act for the time being in force relating to companies and affecting the Company.

Share Capital

The authorised share capital of the Company is stated as £9,010,237.40 divided into 89,984,748 ordinary shares of 5p each, 1,400,000 limited voting convertible redeemable preference shares of £1 each ("CP Shares") and 3,111,000 cumulative second convertible redeemable preference shares of £1 each ("CCP Shares").

Rights attaching to the CP Shares and the CCP Shares

The Articles of Association set out in detail the rights attaching to CP Shares and the CCP Shares. No summary of these provisions is given as no CP shares or CCP shares are currently in issue and it is intended that all of these should be cancelled, and the authorised but unissued capital reduced, by resolution which is to be proposed at the Extraordinary General Meeting.

Voting Rights of Ordinary Shares

Subject to any special voting powers or restrictions attaching to any shares which may be subject to special conditions, every member present in person or by attorney or (being a corporation) present by a duly authorised representative at a general meeting has, upon a show of hands, one vote, and every member present in person or by attorney or proxy has, upon a poll, one vote for every share held by him. No member shall be entitled to vote at any general meeting (either in person or by proxy) unless he is duly registered as a member and has paid to the Company everything due from him in respect of his shares. A member may be barred from voting at any general meeting (either in person or by proxy) if he has been served with notice requiring disclosure of information concerning the capacity in which he holds any shares, in accordance with the statutes, and has failed to provide such information.

Dividends

Subject to the provisions of the Articles the Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the board. Subject to the provisions of the Articles and the statutes, the board may, if it thinks fit, pay such interim dividends as appear to the board to be justified by the profits of the Company.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to the Company.

Any dividend, instalment of dividend or interest or other monies payable in cash in respect of any share may be paid by any method provided by the rules of the relevant system, cheque or warrant payable to the order of the member so entitled. Every such cheque or warrant shall (unless otherwise directed) be sent by post to the last registered address of the entitled member, or to such person and such address as such member or person or persons may by writing direct or by any other method (including electronic media) as the board may consider appropriate.

Any General Meeting declaring a dividend may, upon the recommendation of the board, direct payment or satisfaction of such dividend or bonus wholly or partly by the distribution of specific assets and, in particular, of paid up shares or debentures or debenture stock of any other company and the Board shall give effect to such resolution.

On a liquidation, the liquidator may with the sanction of an extraordinary resolution of the Company and any other sanction required by the statutes, divide among the members in kind all or part of the assets of the Company (whether they consist of property of the same or different kind).

Modification of Rights

None of the rights attaching or belonging to any class of shares may be varied in any manner except with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of any extraordinary resolution passed at a separate meeting of that class, and then only subject to the relevant provisions of the statutes. At every such separate meeting (except an adjourned meeting) the quorum is two persons personally present and holding or representing, either by proxy or as the duly appointed representative of a corporation which is a member, at least one-third of the capital paid up on the issued shares of the class.

Form and Transfer of Shares

Subject to the provisions contained in the Articles, any member may transfer all or any of his certificated shares by instrument of transfer or in any usual or common form or in any other form acceptable to the directors.

The instrument of transfer must be left at the office of the Company's registrars or such other place in England and Wales as the board may determine accompanied by the certificate of the shares to be transferred and such other evidence as the board may require to prove the title of the intended transferor.

Subject to the Articles, each member may transfer all or any of his uncertificated shares in accordance with the rules and regulations for the time being applicable to the relevant system.

An instrument of transfer of a certificated share must be signed by or on behalf of the transferor and (except in the case of shares which are fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares concerned until the transferee is entered in the register.

The board may, in its absolute discretion and without assigning any reason, refuse to register a transfer of any unpaid or partly paid share in respect of which the Company has a lien.

The board may also decline to register any transfer unless: (i) in the case of a certificated share the instrument of transfer, duly stamped, is lodged with the Company accompanied by the certificate for the certificated shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (ii) it is in respect of only one class of share and (iii) in the transfer to joint holders the number of joint holders to whom the shares have been transferred does not exceed four.

If the board refuse to register a transfer of any share, it shall (in the case of a certificated share) within two months after the date on which the transfer was lodged with the Company, and (in the case of an uncertificated share) within two months of receipt by the Company of notice of transfer in accordance with a relevant system, send to the transferee notice of the refusal.

Alterations to Capital

The Company may from time to time by ordinary resolution consolidate and divide any shares, cancel any shares which have not been taken, or sub-divide its shares. The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve or share premium account in any manner authorised and with, and subject to, any incident prescribed or allowed by the statutes.

Purchase of own shares

The Company may, subject to the statutes, purchase its own shares subject (when there are shares of different classes in issue) to approval by extraordinary resolution of the holders of shares of each class.

Directors

Appointment of Directors

The Company may appoint directors by ordinary resolution. In addition, the board may from time to time appoint any other person to be a director either to fill a casual vacancy or by way of addition to the board. Any director so appointed shall hold office only until the Annual General Meeting following next after his appointment, when he shall retire, but shall be eligible for election as a director at that meeting.

Age of Directors

No director shall vacate or be required to vacate his office as a director on or by reason of his attaining or having attained the age of 70 or any other age, nor is it necessary to give special notice of a resolution electing a director who is aged 70 or more.

Rotation of Directors

Subject to the provisions of the Articles at every Annual General Meeting one-third of the directors (excluding any director retiring by virtue of having been appointed since the last Annual General Meeting and any director holding the office of Managing Director for the time being) or if their number is not a multiple of three then the number nearest to but not exceeding one-third shall retire from office. The directors to retire at every Annual General Meeting shall be the directors who have been longest in office since their last election.

Removal of Directors by Special Resolution

In addition and without prejudice to the provisions of Section 303 and 304 of the Act, the Company may by Special Resolution remove any Director before the expiration of his period of office, and may, if thought fit, by Ordinary Resolution appoint another person in his place.

Remuneration of Directors

The maximum aggregate annual fees of the directors other than those holding salaried employment in the Company shall not exceed the sum of £50,000 or such greater sum as may from time to time be determined by an Ordinary Resolution of the Company and shall (unless such resolution otherwise provides) remain fixed until altered by a subsequent Ordinary Resolution and the amount of the fees payable to each such director shall be determined by the board who may resolve not to pay the whole of the aggregate fees in any one year.

The directors shall be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the board or of any Committees of the board or General Meetings or which they may otherwise incur in or about the business of the Company.

The remuneration and other terms and conditions of appointment of a director appointed Managing Director, or to any other office or employment under the Company shall from time to time (subject to the provisions of any agreement between him and the Company) be fixed by the board and may be by way of fixed salary or of commission on the profits of the Company or otherwise.

Powers of the Board

The business of the Company shall be managed by the board, who may exercise all powers of the Company as are not by the statutes or by the Articles required to be exercised by the Company in General Meeting.

Borrowing Powers

The board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and, subject to the provisions of these Articles and the Statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, but such borrowing shall not, save with the consent of the Company in General Meeting exceed 5 times the Share Capital and Consolidated Reserves of the Company (as defined in the Articles).

Permitted interests of directors

Provided that he has disclosed the nature and extent of his interest to the directors a director may

- (i) himself or by his firm act in a professional capacity (other than as Auditor) for the Company or
- (ii) become a director of or otherwise interested in any company in which the Company may be interested

and shall not in either case be required to account to the Company for any remuneration, profit or other benefit received by him.

Restrictions on Voting

Save as otherwise provided by the Articles, a director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement in which he has an interest which is to his knowledge a material interest, but this prohibition shall not apply to any of the following matters namely:

- (i) the giving to such director of any security or indemnity in respect of money lent or obligations undertaken by him for the benefit of the Company;
- (ii) the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the director has himself guaranteed or secured in whole or in part;
- (iii) any contract or arrangement by a director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company to the public, or to underwrite any shares, debentures or other securities of the Company;
- (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (v) any contract or arrangement concerning any other company (not being a company in which the director or any person connected with him (as defined by the statutes) own 1 per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (vi) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not award the director any privilege or benefit not awarded generally to the employees to whom the arrangement relates.

7. Shares held in uncertificated form

The New Paramount Shares will be in registered form and may be transferred into the CREST system for which there will be no charge to stamp duty or SDRT on the transfer (unless made for consideration). Any transfer of Paramount Shares will generally be subject to stamp duty or SDRT at the rate of 0.5 per cent. of the value of the consideration.

8. Proposed Share Option Schemes

It is proposed that two new share option schemes are created. These will be the Paramount P.L.C. 2003 Approved EMI Executive Share Option Scheme ("the Approved Scheme") and the Paramount P.L.C. 2003 Unapproved Executive Option Share Scheme ("the Unapproved Scheme").

Notification will be made in respect of the Approved Scheme to the Inland Revenue in advance for approval pursuant to the Finance Act 2000, Schedule 14. The main features of the Approved Scheme and Unapproved Scheme ("the Schemes") are as follows:

- i. The Schemes will be open to Executives who are full-time directors and employees who work for at least 20 hours per week, in respect of the Unapproved Scheme and at least 25 hours per week in respect of the Approved Scheme.
- ii. The options will not be transferable.
- iii. Save for options to acquire 2,300,000 Paramount Shares proposed to be granted to Nick Basing at 20p per share, the exercise price will be not less than the average middle market price of a Paramount Share over the 5 dealing days immediately preceding the date of grant or if, greater the nominal value of a share.
- iv. No member of the Approved Scheme will be granted options which exceed in value £100,000 calculated by reference to the market value of the shares at the date of grant. This limit does not apply to the Unapproved Scheme.

- v. No member of the Schemes will be granted options which exceed in value four times his salary calculated by reference to the exercise price. The Remuneration Committee may, in its discretion, grant options in excess of this limit in circumstances it considers to be exceptional.
- vi. Options granted under the Schemes will be conditional upon the achievement of performance targets which will be set by the Remuneration Committee.
- vii. The options may be exercised between the third and seventh anniversaries of their date of grant subject to satisfaction of the performance related conditions.
- viii. In the event that a member leaves the employment of the Enlarged Group or ceases to be a director of the Enlarged Group before an option becomes exercisable such option shall normally lapse. However, if a member dies in service such option may be exercised by his or her personal representatives within the period of 12 months beginning with the date of his or her death and if not exercised shall lapse. Further, if a member ceases to be an employee or director of the Enlarged Group by reason of ill-health, redundancy, retirement, the company ceasing to be a member of the Enlarged Group or the office or employment is transferred out of the Enlarged Group then the member may exercise the option within six months of that event and if it is not exercised the option shall lapse. If a member ceases to be a director or employee of the Enlarged Group for any other reason then the Remuneration Committee may exercise a discretion to allow the option to be exercised.
- ix. Options granted under the Scheme shall not be pensionable.
- x. On exercise of any option the member shall be required to bear the costs to the Enlarged Group of employer's National Insurance Contributions on any option gain.
- xi. In the event of a demerger, re-construction or winding up the Remuneration Committee may allow the exercise of the option.
- xii. In the event of a general offer to acquire the entire issued share capital of the Company and where there is a change of control the member may exercise his or her options within a period of six months after the change of control.
- xiii. In the event of any alteration in the ordinary share capital over which options have been granted by way of capitalisation or rights issue, or sub-division, consolidation or reduction or any other variation in the share capital the Remuneration Committee may make such adjustments as they consider appropriate to the number of shares subject to any option and to the exercise price payable.
- xiv. The Remuneration Committee may make such amendments to the Approved Scheme either as are necessary or desirable to obtain or retain the approval of the Board of Inland Revenue under the Finance Act 2000 or to take account of Schedule 14 of the Finance Act 2000 or other applicable legislation. The board may also make such amendments to the Schemes and to any option as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.
- xv. Except as described above or for amendments designed to ease the administration of the Schemes, no amendment which is to the advantage of employees or participants may be made to those provisions dealing with eligibility, individual or scheme limits, the terms of the options or the adjustment of options without the prior approval of the Company in general meeting.
- xvi. No options will be granted more than 10 years after the date on which options are first granted under the Schemes.
- xvii. On any date, the aggregate nominal amount of new Paramount Shares which may be allocated pursuant to the Schemes may not, when added to the nominal amount of new Paramount Shares previously allocated under the Schemes exceed 10 per cent. of the issued ordinary share capital of the Company. For these purposes, Paramount Shares are allocated under the Schemes when the options are granted. Options which lapse, by reason of non-exercise or otherwise cease to count.

The full rules of both Schemes are available for inspection at the address set out in paragraph 15 of Part IV and at 10 Grosvenor Gardens, London SW1 (being the place of the Extraordinary General Meeting) for at least 15 minutes prior to and during the Extraordinary General Meeting.

9. Taxation

The following comments are intended as a general guide only and are based on current United Kingdom legislation and Inland Revenue practice as at the date of this document. Except where the position of non-United Kingdom resident shareholders is expressly referred to, these comments deal only with the position of shareholders who are resident in the United Kingdom for tax purposes, who are the beneficial owners of their Paramount Shares and who hold their Paramount Shares as an investment. They do not deal with the position of certain classes of shareholders, such as dealers in securities.

Dividends and other distributions

9.1 Under current United Kingdom tax legislation Paramount is not required to withhold tax at source from dividend payments it makes.

9.2 Individual Paramount Shareholders resident for tax purposes in the United Kingdom should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual Paramount Shareholder's liability to United Kingdom tax is calculated on the sum of the dividend and the tax credit (the "gross dividend") which, with certain other investment income, will be regarded as the top part of the individual's income and which will be subject to United Kingdom income tax at rates of tax described below. The tax credit therefore equals 10 per cent. of the gross dividend. The tax credit will be available to offset such Paramount Shareholder's liability (if any) to income tax on the gross dividend.

Individual Paramount Shareholders liable to tax at the basic rate or at the starting rate will be liable to tax on dividend income received at the rate of 10 per cent. This means that the tax credit will satisfy the income tax liability of such Shareholders.

Individual Paramount Shareholders who are liable to income tax at the higher rate will be liable to tax on dividend income at the rate of 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 6 April 2004) individual Paramount Shareholders who are resident in the United Kingdom cannot claim payment of the tax credit from the Inland Revenue.

9.3 A corporate Paramount Shareholder resident for tax purposes in the United Kingdom will not normally be liable to corporation tax on any dividend received from Paramount.

9.4 Tax exempt pension funds cannot claim from the Inland Revenue tax credits attaching to dividend payments received from the Company.

9.5 Although individual Paramount Shareholders who are resident for tax purposes in countries other than the United Kingdom but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands and certain other types of person are entitled to a tax credit as if they were resident for tax purposes in the United Kingdom which they may set off against their total United Kingdom income tax liability, such Paramount Shareholders will generally not be able to claim payment of the tax credit from the Inland Revenue.

Paramount Shareholders who are resident for tax purposes in countries other than the United Kingdom should consult their own tax advisers concerning their liabilities on dividends received. They should note that following the reduction in the rate of United Kingdom tax credit to 10 per cent. with effect from 6 April 1999, they are unlikely to be entitled to any payment from the Inland Revenue.

9.6 No Stamp Duty or SDRT will be payable by GCG Shareholders as a result of accepting the Offer.

10. Material Contracts

10.1 *Paramount*

The following contracts, which are or may be material, (not being contracts entered into in the ordinary course of business) are the only such contracts which have been entered into by any member of the Paramount Group within the two years immediately preceding the date of this document or, having been entered into earlier, contain any provision under which any member of the Paramount Group has any obligation or entitlement which is material to Paramount Group as at the date of this document:

- (i) The Underwriting Agreement dated 13 March 2003 between (1) Paramount and (2) JOHCM whereby JOHCM has agreed, conditional on approval by Paramount Shareholders at the Extraordinary General Meeting and, subject, *inter alia*, to the further conditions referred to below, to procure allottees at a price of 20p per share for the New Paramount Shares to which GCG Shareholders who elect for the Cash Alternative would otherwise be entitled under the Share Offer and also for the New Paramount Shares for which GCG Shareholders who have their shares compulsorily acquired pursuant to Part XIII A of the Companies Act 1985 ("the Act") and who elect to receive the cash equal to the Cash Alternative. In consideration of its services Paramount will pay to JOHCM:
 - (a) a commitment commission of $\frac{1}{2}$ per cent. on the total value (at 20p per Paramount Share) of the maximum number of New Paramount Shares for which JOHCM is potentially liable to find allottees in respect of the first 30 days of the commitment commencing on the date of the Underwriting Agreement;
 - (b) an additional commitment commission of $\frac{1}{8}$ per cent. for each period of seven days or any part thereof thereafter on the total value at such price of the maximum number of New Paramount Shares for which JOHCM is at the relevant time still potentially liable to find allottees until and including the earlier of:
 - (i) the latest of: (a) the first day on which the Cash Alternative has closed and the Offer has become or has been declared unconditional in all respects, (b) the day immediately preceding the first day of dealings on the London Stock Exchange in the New Paramount Shares and (c) the day on which JOHCM is notified (by 8.00 a.m. on that day) of the total number of New Paramount Shares in respect of which valid elections for the Cash Alternative have been made; and
 - (ii) the day on which the Offer lapses or is withdrawn or is revised or it is agreed that the Offer should not be made or the Cash Alternative lapses, is withdrawn or is revised;
 - (c) if Paramount exercises the right to compulsory acquire Paramount Shares pursuant to Part XIII A of the Act a further commission equal to $\frac{1}{2}$ per cent. of the total value at such price of the number of shares to be compulsorily acquired.
 - (d) a fee amounting to $\frac{3}{4}$ per cent. in the total value at such price of the maximum number of New Paramount Shares for which JOHCM is potentially liable to find purchasers as at the date of this document for its services in arranging the underwriting.

All commissions will be paid together with (if applicable) an amount equal to any value added tax arising on such payments.

Out of the above commissions, JOHCM has agreed to pay any commissions required to be paid to those whom JOHCM procures to purchase the New Paramount Shares and any commission or fees to the brokers.

The commissions referred to in sub-paragraphs (a) and (b) and the fee referred to in sub-paragraph (d) above will be payable if the conditions referred to below are satisfied and whether or not the Offer becomes or is declared unconditional in all respects. If the Offer lapses, the commissions referred to in sub-paragraphs (a), (b) and (d) will be payable at a reduced rate equal to 50 per cent. of the rates stated there.

The obligations of JOHCM are conditional, inter alia, upon (i) the Offer becoming or being declared unconditional as to acceptances not later than 60 days after the date of posting of the Offer Document and unconditional in all respects not later than 21 days after the date on which the Offer becomes unconditional as to acceptances or in each case such later date as JOHCM may, with the agreement of the Panel, agree with Paramount and (ii) the Admission of the New Paramount Shares and (iii) Paramount having paid at least £3,200,000 out of its own cash resources to meet initial acceptances of the Cash Alternative becoming effective not later than such date.

Neither the terms of the Offer nor the Cash Alternative may be waived in such a way as to increase the obligations of JOHCM without its consent. If an increase in the Cash Alternative is agreed with JOHCM, its underwriting obligations will increase accordingly.

- (ii) A Relationship Agreement between (1) Paramount and (2) 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 the JOHCM are approved by directors independent of the 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 the 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 per cent. or more of the issued Paramount Shares.

- (iii) An agreement dated 15 November 2002 between Paramount and Nick Basing as subsequently amended whereby Paramount retained Nick Basing to assist with the making of the Offer. The agreement provides for Nick Basing to be appointed Chief Executive as and when the Offer becomes or is declared unconditional in all respects at a salary of £115,000 per annum plus benefits and for him to receive a grant of share options over Paramount Shares at 20p per share to a total value equal to 4 times his salary. The agreement provides for Mr Basing to be remunerated for his work in relation to the Offer, currently at a rate of £2,000 per week, and for him to continue to be retained by Paramount for up to one year at the same rate if the Offer lapses.
- (iv) A letter agreement dated 5 February 2003 whereby JOHCM has agreed, in the event of the Offer lapsing as a result of a higher competitive offer being made for Chez Gerard to procure that Paramount is indemnified in respect of up to £50,000 in respect of sums payable to Mr Basing under the agreement referred to in (iii) above and up to £180,000 in respect of 80 per cent. of other costs incurred by Paramount in connection with the abortive Offer. The indemnity provided will not exceed 25 per cent. of the additional value received on 4,844,000 GCG Shares as a result of the higher competitive offer.
- (v) The service agreement of Nick Basing and the agreement with Ian Neill details of which given in paragraphs 4.3 and 4.4 of this Part IV.

10.2 *Groupe Chez Gerard*

As far as Paramount is aware, having regard to published information, no member of the GCG Group has entered into any contract or agreement during the two years immediately preceding the issue of this document which is outside the ordinary course of business and is or may be material.

11. Underwriting arrangements

Cash consideration of up to £10.9 million is payable under the Offer to GCG Shareholders who elect to receive the Cash Alternative. The first £3.2 million of cash required to satisfy such consideration will be paid from Paramount's existing cash resources. The balance will be provided under the terms of the Underwriting Agreement with JOHCM summarised in paragraph 10.1(i) of Part IV. The sub-underwriter is North Atlantic Smaller Companies Investment Trust PLC ("NASCIT") which is managed by JOHCM. Christopher Mills is a director of Paramount, NASCIT and JOHCM. He is also a shareholder of JOHCMG. The address of JOHCM is Ryder Court, 14 Ryder Street, London SW1Y 6QB.

12. Working Capital

In Paramount's opinion, having made due and careful enquiry and after taking into account the existing loan and bank facilities, the working capital available to the Paramount Group is sufficient for the Paramount Group's present requirements, that is for at least 12 months following the date of this document.

In Paramount's opinion, having made due and careful enquiry and after taking into account the existing loan and bank facilities, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's present requirements, that is for at least 12 months following the date of this document.

13. Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Paramount is aware) which may have or have had in the recent past (covering at least the previous twelve months) a significant effect on the Paramount Group's financial position.

As far as Paramount is aware, having regard to published information, neither Groupe Chez Gerard nor any of its subsidiaries is engaged in, or has pending or threatened by or against it, any legal or arbitration proceedings which may have or have had during the 12 months prior to the publication of this document a significant, effect on the financial position of Groupe Chez Gerard.

14. Miscellaneous

- (a) The financial information relating to Paramount set out Part III of in this document does not constitute statutory accounts within the meaning of the Companies Act 1985. Full accounts for each of the three years ended 31 May 2002 have been delivered to the Registrar of Companies. Paramount's accounts for each of the three years ended 31 May 2002 were audited without qualification. The auditors of the Paramount are Baker Tilly (formerly HLB Kidsons), Chartered Accountants and Registered Auditors, of Number One Old Hall Street, Liverpool, L3 9SX.
- (b) The financial information relating to the GCG Group set out Part II of in this document does not constitute statutory accounts within the meaning of the Companies Act 1985. Full accounts for each of the three years ended 1 July 2001 have been delivered to the Registrar of Companies. Groupe Chez Gerard's accounts for each of the three years ended 31 May 2001 were audited without qualification by Baker Tilly, Chartered Accountants, of 2 Bloomsbury Street, London WC1B 3ST.
- (c) Save for the purchase and cancellation of its own shares as detailed in paragraph 2.6 of this Part IV, there has been no significant change in the financial or trading position of the Paramount Group since 30 November 2002, the date to which the most recent interim

financial statement was made up. Save as aforesaid and as disclosed in the interim statement set out in Part III there has been no material change in the trading position of Paramount since 31 May 2002 being the date of the last published audited accounts.

As far as Paramount is aware, having regard to published information, there has been no significant change in the financial or trading position of the GCG Group since 31 December 2002, the date to which the most recent interim accounts were made up.

- (d) Paramount has no property.
- (e) Paramount has one wholly owned subsidiary, Real Inns Limited, which is a dormant company incorporated in England and Wales whose registered office is at 15 Grosvenor Gardens, London SW1W 0BD.
- (f) The expenses of the Offer are expected to amount to approximately £0.91 million (exclusive of VAT, if any), including the underwriting commissions disclosed in paragraph 9.1 of this Part IV.
- (g) The following table shows the middle market quotations for a Paramount Share and a Groupe Chez Gerard Share derived from the Daily Official List on 24 September (being the last business day before the commencement of the offer period), for the first dealing day in each of the six months prior to the date of this document, on 12 March 2003 (being the last business day prior to the announcement of the Acquisition), and on 17 March 2003 (being the latest practicable date before the posting of the offer document):

| <i>Date</i> | <i>Paramount Price</i> | <i>Groupe Chez Gerard Price</i> |
|-------------------|----------------------------|---|
| 24 September 2002 | 17p | 63p |
| 1 October 2002 | 18p | 72.5p |
| 1 November 2002 | 16.5p | 84p |
| 1 December 2002 | 16.5p | 78.5p |
| 2 January 2003 | 18.5p | 79p |
| 1 February 2003 | 17p | 73p |
| 3 March 2003 | 17p | 68.5p |
| 12 March 2003 | 17p | 68.5p |
| 17 March 2003 | 17p | 72p |

- (h) No person has been authorised to give any information or make any representation in connection with the Acquisition, other than as contained in this document, the Circular, the Offer Document or the Form of Acceptance or in any supplementary prospectus or announcement relating to the Offer which may be published or made by the Company, and, if given or made other than as aforesaid, such information or representation must not be relied upon as having been authorised by the Company, the Directors, Dawnay Day or any of them.
- (i) Dawnay Day, which is regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the publication of this document containing references to its name in the form and context in which they appear Dawnay Day is acting exclusively for Paramount in connection with the Acquisition and not for any other persons. Dawnay Day will not be responsible to any persons other than Paramount for providing the protections afforded to customers of Dawnay Day or for advising any such person in connection with the Acquisition.
- (j) Evolution Beeson Gregory, which is regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the publication of this document containing references to its name in the form and context in which they appear Evolution Beeson Gregory is acting exclusively for Paramount in connection with the Acquisition and not for any other persons. Evolution Beeson Gregory will not be responsible to any persons other than Paramount for providing the protections afforded to customers of Evolution Beeson Gregory or for advising any such person in connection with the Acquisition.

15. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday excepted) at the offices of Bircham Dyson Bell, 50 Broadway, Westminster, London SW1H 0BL until 14 days after the Offer lapses or is declared unconditional:

- (a) the Memorandum and existing Articles of Association of Paramount;
- (b) the proposed new Articles of Association of Paramount;
- (c) the published audited accounts of Paramount for each of the two years ended 31 May 2001 and 31 May 2002 and the interim accounts for the six months to 30 November 2002;
- (d) the audited accounts of Groupe Chez Gerard for each of the two years ended 30 June 2001 and 30 June 2002;
- (e) Groupe Chez Gerard's interim statement for the 26 weeks ended 30 December 2001;
- (f) the Memorandum and Articles of Association of JOHCMG;
- (g) the audited accounts of JOHCMG for each of the two years ended 30 September 2000 and 30 September 2001;
- (h) the material contracts referred to in paragraph 10 of this Part IV;
- (i) the rules of the proposed share option schemes referred to in paragraph 8 of this Part IV;
- (j) the letters of consent referred to in paragraph 14 of this Part IV;
- (k) this document;
- (l) the Circular;
- (m) the irrevocable undertaking to accept the Offer referred to in Part I of this document;
- (n) the Offer Document; and
- (o) the Form of Acceptance.

Dated 20 March 2003

