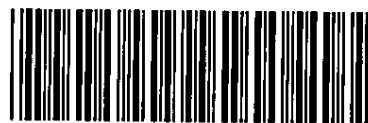


**REGISTRAR OF
COMPANIES**

Company No: 05938866

PARAMOUNT ACQUISITIONS LIMITED
FINANCIAL STATEMENTS
FOR 53 WEEKS ENDED 28 JUNE 2009

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PARAMOUNT ACQUISITIONS LIMITED

FINANCIAL STATEMENTS

FOR 53 WEEKS ENDED 28 JUNE 2009

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PARAMOUNT ACQUISITIONS LIMITED

COMPANY INFORMATION

FOR THE 53 WEEKS ENDED 28 JUNE 2009

Number	05938866
Directors	M Phillips P Hill
Registered Office	8-10 Grosvenor Gardens London SW1W 0DH

PARAMOUNT ACQUISITIONS LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the 53 weeks ended 28 June 2009

1 Principal activity

The principal activity of the Company during the period was the ownership of restaurant businesses

2 Results and dividends

The results of the company are set out in the profit and loss account on page 6 The loss for the period after taxation amounted to £60,125,000 (2008 £20,902,000)

The Directors do not recommend a dividend payment for 2009 (2008 £nil)

3 Going concern

The Directors believe that the Group has adequate resources to continue to adopt the going concern basis in preparing the accounts This matter is more fully described in note 1 to the financial statements

4 Directors and interests

The directors of the Company at 28 June 2009 who served during the period and since the period end were

G Whiley (resigned 17 July 2009)

I Oxley-Swan (resigned 17 July 2009)

M Phillips

P Hill

5 Financial Instruments

The Company does not use complicated financial instruments, and where financial instruments are used it is for reducing interest rate risk The Company uses interest rate swaps to reduce the exposure to movements in floating interest rates by swapping the floating interest rate on a proportion of its borrowings for a fixed interest rate It has taken out swaps on £44.1m of loans at a fixed rate of 5.09% compared to a floating rate of LIBOR

6 Post balance sheet event

Subsequent to the period end on 17 July 2009, the Company's ultimate holding company was acquired by Smile Restaurants Limited Further information can be found in note 13 to the accounts

7 Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting

On behalf of the board



P Hill

Director

26 October 2009

PARAMOUNT ACQUISITIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PARAMOUNT ACQUISITIONS LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PARAMOUNT ACQUISITIONS LIMITED

We have audited the financial statements of Paramount Acquisitions Limited for the 53 weeks ended 28 June 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 June 2009 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

PARAMOUNT ACQUISITIONS LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PARAMOUNT ACQUISITIONS LIMITED (continued)

Emphasis of matter – Going Concern

In forming our opinion which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. Note 1 to the financial statements indicates the existence of a material uncertainty in relation to the company's ability to meet its financial forecasts and therefore to remain in compliance with the financial covenants in respect of its banking facilities. This material uncertainty may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

BDO LLP

John Le Poidevin, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

26 October 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PARAMOUNT ACQUISITIONS LIMITED**PROFIT AND LOSS ACCOUNT**

		53 weeks ended 28 June 2009 £'000	52 weeks ended 22 June 2008 £'000
Administrative expenses	Notes 2	(42,712)	(5,372)
Operating loss		<u>(42,712)</u>	<u>(5,372)</u>
Net interest payable and similar charges	3	<u>(17,413)</u>	<u>(15,434)</u>
Loss on ordinary activities before taxation		<u>(60,125)</u>	<u>(20,806)</u>
Taxation on loss on ordinary activities	4	<u>-</u>	<u>(96)</u>
Loss for the period		<u><u>(60,125)</u></u>	<u><u>(20,902)</u></u>

All amounts relate to continuing activities

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

The notes on pages 8 to 12 form part of these financial statements

PARAMOUNT ACQUISITIONS LIMITED**BALANCE SHEET**

<i>Company number 05938866</i>		At 28 June 2009		At 22 June 2008	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	5		34,555		75,677
Current assets					
Debtors	6	24,695		29,454	
Cash at bank and in hand		-		-	
Current liabilities					
Creditors amount falling due within one year	7	<u>(11,327)</u>		<u>(7,637)</u>	
Net current assets			<u>13,368</u>		<u>21,817</u>
Total assets less current liabilities			47,923		97,494
Creditors, amounts falling due after more than one year	8		<u>(138,576)</u>		<u>(128,022)</u>
Net liabilities			<u>(90,653)</u>		<u>(30,528)</u>
Capital and reserves					
Called up share capital	9		390		390
Profit and loss account	10		<u>(91,043)</u>		<u>(30,918)</u>
Shareholders' deficit	11		<u>(90,653)</u>		<u>(30,528)</u>

The financial statements were approved by the board of directors and authorised for issue on 26 October 2009



P Hill
Director

The notes on pages 8 to 12 form part of these financial statements

PARAMOUNT ACQUISITIONS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 JUNE 2009

1. Accounting policies

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

Going concern

The financial statements are being prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below

The Company and the Group meet their day to day working capital requirements and medium term funding requirements through banking facilities. These banking facilities were renegotiated after the year end on 17 July 2009 (as disclosed in note 13). The new facilities include certain covenant tests which are reported on quarterly. The failure of a covenant test renders the entire facilities repayable on demand at the option of the lender.

At present, the Directors do not expect that the Group will breach its covenants under its existing banking facilities and so the entire bank debt will not be repayable on demand at the option of the lender.

Inevitably, given the current trading conditions within the hospitality sector, the directors are cautious on the short term trading outlook. The Directors have prepared trading and cash flow forecasts for a period in excess of one year from the date of approval of these financial statements which project that the total facility limit is not exceeded over the duration of the forecasts and there will be no breach of its financial covenants. The general economic situation and trading has remained difficult in the first quarter of the current financial year. The forecasts reflect continuing difficult trading conditions, alongside the Group continuing to achieve improvements in operational efficiencies around gross margin and labour expenditure. The Directors consider these forecasts to be reasonable, based on the information that is available to them at the time of approval of these financial statements but are mindful that the current trading conditions remain difficult and that a breach of the covenants could occur within the next twelve months.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's and the Group's ability to continue as a going concern and therefore the Company or Group may be unable to continue to realise assets and discharge liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Investments

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

Consolidation

The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 in not preparing consolidated financial statements for its group as the results of its group are included in the consolidated financial statements of the ultimate parent company. Accordingly, these financial statements present the results of the Company itself and not its group.

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 "Cash Flow Statements" not to prepare a cash flow statement on the grounds that the company is included in the consolidated financial statements of its parent.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs which are initially recognised as a reduction in the proceeds of the associated capital instrument.

PARAMOUNT ACQUISITIONS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 JUNE 2009 (continued)

2. Administrative expenses

	53 weeks ended 28 June 2009 £'000	52 weeks ended 22 June 2008 £'000
Administrative expenses include -		
Provision against the carrying value of investment in subsidiaries	41,173	5,325

3. Interest payable and similar charges

	53 weeks ended 28 June 2009 £'000	52 weeks ended 22 June 2008 £'000
On bank debt	6,640	6,601
On loan notes	10,773	8,833
	17,413	15,434

The interest payable on bank debt includes £952,000 (2008 £952,000) of amortised deferred arrangement fees

The interest payable on loan notes is rolled up into the capital value of the debt each year

4. Taxation

	53 weeks ended 28 June 2009 £'000	52 weeks ended 22 June 2008 £'000
<i>Current tax</i>		
UK corporation tax on ordinary activities	-	96
Total current tax	-	96

The tax assessed for the period differs from the standard rate of corporation tax as explained below

Loss on ordinary activities before tax	(60,125)	(20,806)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 29.5%)	(16,835)	(6,138)

Effects of

Expenses not deductible for tax	13,420	2,635
Adjustment in respect of prior years	-	96
Group relief surrendered not paid for	401	478
Other timing differences	-	3,025
Unrelieved losses carried forward	3,014	-
Current tax credit for the period	-	96

The Company has unrelieved interest expenses of £21,300,000 (2008 £10,800,000)

PARAMOUNT ACQUISITIONS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 JUNE 2009 (continued)

5. Fixed asset investments

	2009	2008
Cost	£'000	£'000
At 22 June 2008	75,677	80,552
Additions	51	450
Provision against carrying value	(41,173)	(5,325)
At 28 June 2009	<u>34,555</u>	<u>75,677</u>

The addition in the period arose on additional consideration payable to the vendors under the terms of the sale and purchase agreement for Craftbutton Limited, because of the receipt during the year of monies relating to a contingent asset in existence at the date of acquisition

The Company has investments in the following principal subsidiary undertakings

	Country of incorporation	Principal activity	Holding	%
Craftbutton Limited	UK	Holding Company	Ordinary Shares	100%
Paramount Limited*	UK	Holding Company	Ordinary Shares	100%
Groupe Chez Gérard Restaurants Limited*	UK	Restaurant Operator	Ordinary Shares	100%
Paramount Restaurants Limited*	UK	Holding Company	Ordinary Shares	100%
Real Inns Limited*	UK	Dormant Restaurant	Ordinary shares	100%
Caffe Uno Brasseries Limited*	UK	Operator	Ordinary shares	100%

*Indirectly held by Craftbutton Limited

6. Debtors

	2009	2008
	£'000	£'000
<i>Due within one year</i>		
Other debtors	-	208
Amounts due from group companies	24,695	29,246
	<u>24,695</u>	<u>29,454</u>

7. Creditors: Amounts falling due within one year

	2009	2008
	£'000	£'000
Bank overdraft	1,437	576
Bank loans	1,613	1,200
Amounts due to group companies	6,500	3,000
Accruals and deferred income	1,777	2,861
	<u>11,327</u>	<u>7,637</u>

PARAMOUNT ACQUISITIONS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 JUNE 2009 (continued)

8 Creditors Amounts falling due after more than one year

	2009	2008
	£'000	£'000
Bank credit facilities	60,707	60,833
Bank loan notes	209	302
Loan notes	77,660	66,887
	<u>138,576</u>	<u>128,022</u>

Analysis of repayments of bank credit facilities, bank loan notes and loan notes

	2009	2008
	£'000	£'000
Due within one year	1,613	1,200
Due between one and two years	4,226	2,444
Due between two and five years	15,532	13,631
Due after five years	118,818	111,947
	<u>140,189</u>	<u>129,222</u>

The bank credit facilities represent the balance of drawn down funds against a bank credit facility of £68m which carried a rate of LIBOR plus 2.25% - 3.00% during the period and a mezzanine facility of £9m which carried a rate of LIBOR plus 10.0%, 6% of which is rolled up into the principal each year. The bank credit facilities are split between one loan totalling £14.3m and repayable over 5 years and 2 further loans of £17.6m & £15.1m repayable on 30 September 2014 and 30 September 2015 respectively. A further Capex facility payable at a rate of LIBOR plus 2.25% of £3.3m was fully drawn at the period end. In addition there is a working capital facility of £5m of which £3.6m was drawn down at the period end. The facility is secured by cross-guarantees from the company's subsidiaries. The purpose of the facility was to fund the acquisition of Craftbutton Limited, and to fund capital expenditure requirements associated with new sites and working capital.

The loan notes have a rate of interest of 15.5% that is not paid out but rolled up into the principal annually. They were due for repayment on 29 September 2017, however on 17 July 2009 these Loan notes were cancelled as part of the acquisition of Paramount Holdings Limited by Smile Restaurants Limited.

9. Share capital

	2009	2008	2009	2008
	Number	Number	£'000	£'000
Authorised				
Ordinary shares of 100p each	<u>390,168</u>	<u>390,168</u>	<u>390</u>	<u>390</u>
Allotted, issued and fully paid				
Ordinary shares of 100p each	<u>390,168</u>	<u>390,168</u>	<u>390</u>	<u>390</u>

10. Reserves

	2009	2008
	£'000	£'000
At 22 June 2008	(30,918)	(10,016)
Loss for period	(60,125)	(20,902)
At 28 June 2009	<u>(91,043)</u>	<u>(30,918)</u>

11. Reconciliation of movements in shareholders' deficit

	2009	2008
	£'000	£'000
Loss for the period	(60,125)	(20,902)
Opening shareholders' deficit	(30,528)	(9,626)
Closing shareholders' deficit	<u>(90,653)</u>	<u>(30,528)</u>

PARAMOUNT ACQUISITIONS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 28 JUNE 2009 (continued)

12 Ultimate parent company

The company is a subsidiary of Paramount Holdings Limited which is the ultimate parent company

The largest and smallest group in which the results of the company are consolidated is that headed by Paramount Holdings Limited. The consolidated financial statements of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of this company.

13 Post balance sheet event

On 17 July 2009 the Group completed a re-financing exercise which resulted in Paramount Holdings Limited being purchased by Smile Restaurants Limited. The re-financing exercise also resulted in the following within the Paramount Holdings Limited Group:

- the loan notes and rolled up loan interest of £77,660,000k were cancelled,
- additional bank loan financing of £7,000,000 was provided, repayable in December 2012,
- the bank covenants pertaining to the existing bank loans were revised, and
- the repayment deadlines of the existing bank loans were changed so that all loans are repayable in December 2012.