

Paramount Television Limited

(Registered Number: 715593)

Directors' Report And Financial Statements

31 December 1998



Paramount Television Limited

Directors

M O'Sullivan
S Taylor (USA)

Secretary

N Asal

Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6NN

Registered Office

UIP House
45 Beadon Road
Hammersmith
London
W6 0EG

Paramount Television Limited

Directors' Report

The directors present their report and consolidated financial statements for the year ended 31 December 1998.

Principal Activity And Business Review

The group's principal activity is the distribution of filmed product for theatrical and television viewing. It is envisaged that these activities will continue to be provided in future years. The directors view the results of the group for the year as satisfactory.

Results And Dividends

The consolidated financial statements for the year ended 31 December 1998 disclose a profit after taxation and minority interest of £1,570,269 (1997: £3,098,331) which has been taken to reserves. The directors do not recommend the payment of a dividend (1997: £Nil).

Directors And Their Interests

The directors of the company during the year were as follows:

M O'Sullivan
S Taylor (USA)

The directors had no beneficial interest in the shares of the company or its fellow subsidiaries during the year which need to be disclosed in accordance with Companies Act 1985.

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Paramount Television Limited

Directors' Report (Continued)

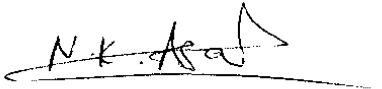
Year 2000

Many computer systems express dates using the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond in order to avoid potential malfunctions and resulting widespread commercial disruption. The business operations of the company depend not only on its computer systems but also to some degree on those of its suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues. The company is a participant in a year 2000 programme designed to address the impact of the year 2000 on the principal business units of Viacom Inc., the ultimate parent undertaking. The directors have reviewed the impact of date change and the compliance programme on the financial statements of the company. At present it is anticipated that the programme to have substantially all critical and non-critical systems year 2000 compliant will be completed by 30 November 1999. The costs associated with this programme has been borne by Viacom Inc.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue as auditors and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



N Asal
Secretary

28 October 1999

Report Of The Auditors To The Members Of Paramount Television Limited

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 1, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

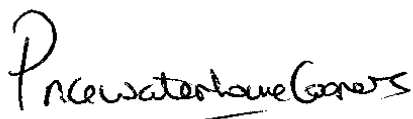
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

**Report Of The Auditors To The Members Of
Paramount Television Limited** (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1998 of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

28 October 1999

Paramount Television Limited

Consolidated Profit And Loss Account For The Year Ended 31 December 1998

| | Notes | 1998 £ | 1997 £ |
|--|-------|------------------|------------------|
| Turnover | 2 | 16,463,269 | 23,416,693 |
| Cost Of Sales | | (13,476,381) | (19,385,245) |
| Gross Profit | | 2,986,888 | 4,031,448 |
| Administrative Expenses | | (1,294,233) | (942,876) |
| Operating Profit | | 1,692,655 | 3,088,572 |
| Interest Receivable And Similar Income | 6 | 78,452 | 529,214 |
| Interest Payable And Similar Charges | 7 | (233,826) | (77,929) |
| Profit On Ordinary Activities Before Taxation | 3 | 1,537,281 | 3,539,857 |
| Taxation On Profit on Ordinary Activities | 8 | 18,326 | (393,007) |
| Profit On Ordinary Activities After Taxation | | 1,555,607 | 3,146,850 |
| Equity Minority Interest | | 14,662 | (48,519) |
| Retained Profit For The Year | 19 | 1,570,269 | 3,098,331 |

Turnover, and profit on ordinary activities before taxation for the year relate exclusively to continuing operations.

The retained profit for the year is equal to the recognised gain for the year.

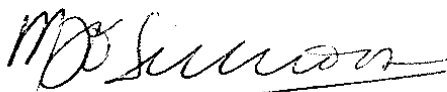
The notes on pages 8 to 17 form an integral part of these financial statements.

Paramount Television Limited

Consolidated Balance Sheet As At 31 December 1998

| | Notes | 1998 £ | 1997 £ |
|---|-------|---------------------|---------------------|
| Fixed Assets | | | |
| Tangible Assets | 10 | 47,040 | 67,658 |
| Investments | 11 | 17,501,000 | 17,501,000 |
| | | 17,548,040 | 17,568,658 |
| Current Assets | | | |
| Debtors | 12 | 7,626,868 | 11,021,144 |
| Amounts Due From Group Undertakings | 13 | 16,546,638 | 9,481,812 |
| Cash At Bank And In Hand | | 550 | 322,171 |
| | | 24,174,056 | 20,825,127 |
| Creditors: Amounts Falling Due Within One Year | 14 | (71,479,359) | (69,576,256) |
| Net Current Liabilities | | (47,305,303) | (48,751,129) |
| Total Assets Less Current Liabilities | | (29,757,263) | (31,182,471) |
| Provisions For Liabilities And Charges | 16 | - | (130,399) |
| | | (29,757,263) | (31,312,870) |
| Capital And Reserves | | | |
| Called Up Share Capital | 17 | 15,133,733 | 15,133,733 |
| Share Premium Account | | 449,700 | 449,700 |
| Profit and Loss Account | 19 | (45,816,058) | (47,386,327) |
| Capital Reserve | | 445,547 | 445,547 |
| | | (29,787,078) | (31,357,347) |
| Equity Minority Interest | | 29,815 | 44,477 |
| | | (29,757,263) | (31,312,870) |
| Shareholders' funds | 20 | | |
| Equity | | (44,787,078) | (46,357,347) |
| Non-equity | | 15,000,000 | 15,000,000 |
| | | (29,787,078) | (31,357,347) |

Approved on behalf of the Board on 28 October 1999 and signed on its behalf by:



M O'Sullivan
Director


The notes on pages 8 to 17 form an integral part of these financial statements

Paramount Television Limited

Company Balance Sheet As At 31 December 1998

| | Notes | 1998 £ | 1997 £ |
|---|-------|---------------------|---------------------|
| Fixed Assets | | | |
| Tangible Assets | 10 | 41,551 | 67,658 |
| Investments | 11 | 17,501,075 | 17,501,075 |
| | | 17,542,626 | 17,568,733 |
| Current Assets | | | |
| Debtors | 12 | 7,562,167 | 11,021,144 |
| Amounts Owed By Group Undertakings | 13 | 16,157,447 | 7,593,268 |
| Amounts Owed By Subsidiary Undertaking | 13 | 60,000 | 60,000 |
| Cash At Bank And In Hand | | 550 | 316,415 |
| | | 23,780,164 | 18,990,827 |
| Creditors: Amounts Falling Due Within One Year | 14 | (71,140,117) | (68,004,561) |
| Net Current Liabilities | | (47,359,953) | (49,013,734) |
| Total Assets Less Current Liabilities | | (29,817,327) | (31,445,001) |
| Capital And Reserves | | | |
| Called Up Share Capital | 17 | 15,133,733 | 15,133,733 |
| Share Premium Account | | 449,700 | 449,700 |
| Profit And Loss Account | | (45,400,760) | (47,028,434) |
| | | (29,817,327) | (31,445,001) |
| Shareholders' Funds | 20 | | |
| Equity | | (44,817,327) | (46,445,001) |
| Non-equity | | 15,000,000 | 15,000,000 |
| | | (29,817,327) | (31,445,001) |

Approved on behalf of the Board on 28 October 1999 and signed on its behalf by


M O'Sullivan
Director

The notes on pages 8 to 17 form an integral part of these financial statements.

Paramount Television Limited

Notes To The Financial Statements Year ended 31 December 1998

1 Accounting policies

(a) Accounting convention

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

(b) Turnover

Turnover comprises revenues from the distribution of filmed product which are recognised as they fall due under the terms of the relevant contracts, as well as music royalties received and fees for administrative services, and are stated net of VAT.

(c) Basis of consolidation

The consolidated accounts incorporate the financial statements of the company and its subsidiary undertakings. Goodwill is set off against reserves. As a consolidated profit and loss account is published, no parent undertaking profit and loss account is shown by virtue of the exemption granted by Section 230 of the Companies Act 1985.

(d) Lease payments

Subject to the accounting policy on leased assets below, payment under agreements for the leasing of feature films and television series are charged to the profit and loss account as they fall due.

(e) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors and in obligations under finance leases. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge.

(f) Cash flow statement

The company and its directly held subsidiaries are wholly owned subsidiaries of Viacom Inc., and are included in the consolidated financial statements of Viacom Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a consolidated cash flow statement under the terms of Financial Reporting Standard 1 (cash flow statements).

(g) Depreciation of tangible fixed assets

The costs of tangible fixed assets are written off by equal instalments over their expected useful lives as follows:

| | |
|-----------------------------------|----------------------|
| Leasehold improvements | Over period of lease |
| Furniture, fittings and equipment | 10 years |
| Motor vehicles | 3 years |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

1 Accounting Policies (Continued)

(h) Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Trading results are expressed in sterling at the average rates ruling during the month. The resulting profits or losses are dealt within the profit and loss account.

(i) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which are not expected to continue for the foreseeable future.

(j) Pension benefits

The employees of the group are members of a group defined benefit pension scheme (see Note 22). The assets of the scheme are held separately from those of the company in independently administered funds. The scheme operates on a pre-funded basis, and the policy is to contribute variable amounts, based on actuarial advice, to achieve a 100% funding level on a projected salary basis. Contributions to the scheme are charged to the profit and loss account so as to spread the regular cost of pensions over the remaining service lives of the employees.

(k) Investments

Investments are stated at cost. Provision is made where in the opinion of the Directors there has been a permanent diminution in value.

2 Turnover

Turnover of the Group principally comprises revenue arising from the distribution of filmed product as well as music royalties received and fees for administrative services, and are stated net of VAT. Turnover is predominately derived in the United Kingdom. There is only one principal class of business.

3 Profit On Ordinary Activities

Profit on ordinary activities for the year is stated after charging:

| | 1998 £ | 1997 £ |
|---------------------------------------|-----------|-----------|
| Foreign exchange loss/(gain) | 241,977 | (173,564) |
| Depreciation of tangible fixed assets | 27,305 | 28,031 |
| Audit fee - company | 14,500 | 13,500 |
| - group | 16,500 | 21,000 |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

4 Directors' Emoluments

None of the directors received any remuneration in respect of their services to the company during the year (1997: nil). One director exercised share options in the ultimate parent undertaking during the year and one director became entitled to receive shares under a long term incentive scheme.

5 Staff Costs

| | 1998 £ | 1997 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 347,092 | 323,124 |
| Social security costs | 33,126 | 33,888 |
| Pension cost | 42,286 | 87,136 |
| | 422,504 | 444,148 |

The average number of employees during the year was 11 (31 December 1997 - 11). All employees are involved in the principal activity of the company.

6 Interest Receivable and Similar Income

| | 1998 £ | 1997 £ |
|--|---------------|----------------|
| Bank interest receivable | 6,240 | 54,697 |
| Interest receivable from fellow subsidiaries | 72,212 | 14,130 |
| Other income | - | 460,387 |
| | 78,452 | 529,214 |

7 Interest Payable And Similar Charges

| | 1998 £ | 1997 £ |
|---|-----------|-----------|
| Interest payable to fellow subsidiaries | 233,826 | 77,929 |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

8 Taxation

The taxation charge based on the results for the year comprises:

| | 1998 £ | 1997 £ |
|--|---------------|------------------|
| UK Corporation Tax at 31% (1997 - 33% and 31%) | (19,050) | (70,293) |
| Adjustments relating to prior years | 37,376 | (322,714) |
| | 18,326 | (393,007) |

The current year taxation charge has been reduced due to the availability of accumulated tax losses and group relief.

9 Profitable Attributable To Members Of The Parent Company

The profit dealt within the financial statements of the parent company for the year ended 31 December 1998 was £1,627,674 (31 December 1997: £3,294,083)

10 Tangible Fixed Assets

(a) Group

| | Motor Vehicles | Short leaseholds | Furniture and Fittings | Machinery equipment | Film Leases | Total |
|----------------------------|-------------------|---------------------|---------------------------|------------------------|-------------------|-------------------|
| Cost: | | | | | | |
| At 1 January 1998 | 67,535 | 49,472 | 20,295 | 19,870 | 88,541,896 | 88,699,068 |
| Additions | - | - | - | 6,687 | - | 6,687 |
| At 31 December 1998 | 67,535 | 49,472 | 20,295 | 26,557 | 88,541,896 | 88,705,755 |
| Depreciation: | | | | | | |
| At 1 January 1998 | 46,900 | 14,862 | 13,215 | 14,537 | 88,541,896 | 88,631,410 |
| Charge for year | 20,635 | 2,443 | 1,552 | 2,675 | - | 27,305 |
| At 31 December 1998 | 67,535 | 17,305 | 14,767 | 17,212 | 88,541,896 | 88,658,715 |
| Net book amounts: | | | | | | |
| At 31 December 1998 | - | 32,167 | 5,528 | 9,345 | - | 47,040 |
| At 31 December 1997 | 20,635 | 34,610 | 7,080 | 5,333 | - | 67,658 |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

10 Tangible Fixed Assets (Continued)

(b) Company

| | Motor Vehicles | Short leaseholds | Furniture and Fittings | Machinery equipment | Film Leases | Total |
|----------------------------|-------------------|---------------------|---------------------------|------------------------|-------------------|-------------------|
| Cost: | | | | | | |
| At 1 January 1998 | 67,535 | 49,472 | 20,295 | 19,870 | 88,541,896 | 88,699,068 |
| Additions | - | - | - | - | - | - |
| At 31 December 1998 | 67,535 | 49,472 | 20,295 | 19,870 | 88,541,896 | 88,699,068 |
| Depreciation: | | | | | | |
| At 1 January 1998 | 46,900 | 14,862 | 13,215 | 14,537 | 88,541,896 | 88,631,410 |
| Charge for year | 20,635 | 2,443 | 1,552 | 1,477 | - | 26,107 |
| At 31 December 1998 | 67,535 | 17,305 | 14,767 | 16,014 | 88,541,896 | 88,657,517 |
| Net book amounts: | | | | | | |
| At 31 December 1998 | - | 32,167 | 5,528 | 3,856 | - | 41,551 |
| At 31 December 1997 | 20,635 | 34,610 | 7,080 | 5,333 | - | 67,658 |

The film leases are held under 'sale and leaseback' agreements whereby Paramount Television Limited has retained the effective rights of ownership.

11 Fixed Asset Investments

| | 1998 £ | Group 1997 £ | 1998 £ | Company 1997 £ |
|-----------------------------------|-------------------|--------------------|-------------------|----------------------|
| Shares in subsidiary undertakings | - | - | 75 | 75 |
| Other investments | 17,501,000 | 17,501,000 | 17,501,000 | 17,501,000 |
| | 17,501,000 | 17,501,000 | 17,501,075 | 17,501,075 |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

11 Fixed Asset Investments (Continued)

(a) Investment in subsidiary undertakings

| | Company £ |
|--|--------------|
| Cost: | |
| At 1 January 1998 and 31 December 1998 | 2,798,475 |
| Provision against investment: | |
| At 1 January 1998 and 31 December 1998 | 2,798,400 |
| Net book value: | |
| At 31 December 1998 | 75 |
| At 31 December 1997 | 75 |

(b) Other Investments:

| | Group and company £ |
|--|---------------------------|
| Cost: | |
| At 1 January 1998 and 31 December 1998 | 18,775,576 |
| Provision against investment: | |
| At 1 January 1998 and 31 December 1998 | 1,274,576 |
| Net book amount | |
| At 31 December 1998 | 17,501,000 |
| At 31 December 1997 | 17,501,000 |

| | Country of incorporation | Principal activity | % equity holding |
|---------------------------------|-----------------------------|--|---------------------|
| Subsidiary undertakings: | | | |
| Viacom Group Finance Limited | England and Wales | Provision of administration & financial services | 80% |
| Famous Music Publishing Limited | England and Wales | Music publishing | 75% |
| Viacom Networks UK Limited | England and Wales | Dormant | 75% |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

11 Fixed Asset Investments (Continued)

All of the above subsidiaries are included in the consolidation, with the exception of Viacom Networks UK Limited which is immaterial in the aggregate. In 1999, Viacom Group Finance Limited was dissolved and removed from the Companies House register of companies.

| | Country of incorporation | Principal activity | % equity holding | % non-equity holding |
|--|-----------------------------|---------------------------------------|---------------------|-------------------------|
| Other investments: | | | | |
| Simon & Schuster UK Limited (formerly International Book Distributors Limited) | England and Wales | Book Distribution | 19% | - |
| Viacom UK Limited | England and Wales | Provision of financial services | - | 27% |

12 Debtors

| | 1998 £ | Group 1997 £ | 1998 £ | Company 1997 £ |
|---------------|------------------|--------------------|------------------|----------------------|
| Trade debtors | 7,558,633 | 10,986,799 | 7,558,633 | 10,986,799 |
| Other debtors | 68,235 | 34,345 | 3,534 | 34,345 |
| | 7,626,868 | 11,021,144 | 7,562,167 | 11,021,144 |

13 Amounts Due From Group Undertakings

| | 1998 £ | Group 1997 £ | 1998 £ | Company 1997 £ |
|--------------------------------------|-------------------|--------------------|-------------------|----------------------|
| Amounts due from fellow subsidiaries | 16,546,638 | 9,481,812 | 16,157,447 | 7,593,268 |
| Amounts due from subsidiary | - | - | 60,000 | 60,000 |
| | 16,546,638 | 9,481,812 | 16,217,447 | 7,653,268 |

14 Creditors : Amounts Falling Due Within One Year

| | 1998 £ | Group 1997 £ | 1998 £ | Company 1997 £ |
|-------------------------------------|-------------------|--------------------|-------------------|----------------------|
| Obligations under finance leases | - | 435,980 | - | 435,980 |
| Accruals and deferred income | 180,588 | 133,174 | 18,415 | 125,705 |
| Amounts owed to fellow subsidiaries | 71,279,721 | 68,926,152 | 70,666,702 | 67,442,876 |
| Corporation tax payable | 19,050 | 80,950 | - | - |
| | 71,479,359 | 69,576,256 | 71,140,117 | 68,004,561 |

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

15 Obligations Under Finance Leases

| | 1998 £ | Group and Company 1997 £ |
|--|-----------|-----------------------------------|
| Amount payable within one year | - | 444,000 |
| Less finance charges allocated to future periods | - | (8,020) |
| Due within one year | - | 435,980 |

16 Provisions For Liabilities And Charges

| Group | Provision for Excess Property costs £ |
|---|--|
| At 1 January 1998 | 130,399 |
| Utilised in year | (8,839) |
| Released to the profit and loss account | (121,560) |
| At 31 December 1998 | - |

17 Share Capital

| | 1998 £ | Authorised 1997 £ | 1998 £ | Allotted, called up and fully paid 1997 £ |
|---------------------------------|------------|-------------------------|------------|---|
| Ordinary shares of £1 each | 50,000,000 | 50,000,000 | 133,733 | 133,733 |
| 6% preference shares of £1 each | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| | 65,000,000 | 65,000,000 | 15,133,733 | 15,133,733 |

The preference shares disclosed as non-equity interests carry a dividend of 6% per annum. The dividend rights are non-cumulative. The preference shares carry no votes at meetings. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus accrued dividends.

18 Reserves

The cumulative amount of goodwill written off at 31 December 1998 is £3,179,744 (31 December 1997 - £3,179,774).

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

19 Statement Of Retained Losses

| | Group 1998 £ | Group 1997 £ |
|------------------------------|--------------------|--------------------|
| Balance at 31 December 1997 | (47,386,327) | (50,484,658) |
| Retained profit for the year | 1,570,269 | 3,098,331 |
| Balance at 31 December 1998 | (45,816,058) | (47,386,327) |

20 Reconciliation Of Movement In Shareholders' Funds

| | 1998 £ | Group 1997 £ | 1998 £ | Company 1997 £ |
|-------------------------------------|--------------|--------------------|--------------|----------------------|
| Profit for the year | 1,570,269 | 3,098,331 | 1,627,674 | 3,294,083 |
| Net addition to shareholders' funds | 1,570,269 | 3,098,331 | 1,627,674 | 3,294,083 |
| Opening shareholders' funds | (31,357,347) | (34,455,678) | (31,445,001) | (34,739,084) |
| Closing shareholders' funds | (29,787,078) | (31,357,347) | (29,817,327) | (31,445,001) |

21 Related Party Transactions

As a wholly owned subsidiary of Viacom Inc. the company has taken advantage of the exemption contained within Financial Reporting Standard No. 8 (Related Party Transactions) not to disclose related party transactions with other members of the Viacom Inc. group of companies which are at least 90% owned by the ultimate parent. The ultimate controlling party of the company is National Amusements Inc., the parent undertaking of Viacom Inc.

During the year the company sold programme rights to the Paramount Comedy Channel, a partnership, 75% of which is controlled by Viacom Inc. The gross amount outstanding at the year end was £1,331,679 (1997: £3,000,000).

Paramount Television Limited

Notes To The Financial Statements For The Year Ended 31 December 1998 (Continued)

22 Pension Benefits

The group participates in a group pension plan. For the period ended 30 September 1998, the defined benefit plan, of which it was a member, was the Paramount Communications UK Pension Plan, ('the Plan').

The Plan is a defined benefit arrangement and operates on a pre-funded basis. The funding policy is to contribute such variable amounts as, on the advice on the actuary, will achieve a 100% funding level on a projected salary basis. Actuarial assessments covering expense and contributions are carried out by independent qualified actuaries, with the last such review being carried out as at 1 July 1997. The projected unit method was adopted for the last valuation of the Plan. Assets were valued by discounting income from a notional portfolio. The main actuarial assumptions used in the valuation for accounting purposes were:

| | |
|---|----------------|
| Investment return | 9.0% per annum |
| Salary growth (including 0.5% pa in respect of age related and merit increase) | 7.5% per annum |
| Price inflation | 4.5% per annum |
| Equity dividend growth | 4.5% per annum |
| Pension increases - pre 1997 | 3.0% per annum |
| - post 1997 | 4.0% per annum |

The Plan is assessed to be fully funded on a current funding level basis, based on assets with a market value totalling £9.015 million at the valuation date. The available value of the assets represented 106% of the on-going liabilities of the Plan. The pension expense for the year ended 31 December 1998 was £42,286 (1997: £16,224).

With effect from 1 October 1998, no further contributions were made to this Plan. A new defined benefit scheme, the 'Viacom UK Defined Benefit Plan', was established to replace the previous arrangement, and contributions have since been made to this plan. The balance of funds had not been transferred into the new plan from the Paramount Communications UK Pension Plan as at 31 December 1998. There has been no actuarial valuation carried out to date of the new plan.

23 Ultimate Parent Company And Financial Support

The largest group for which consolidated financial statements are drawn up and of which the company is a member is Viacom Inc., incorporated in the state of Delaware in the USA.

The consolidated financial statements of this company can be obtained from 1515 Broadway, New York 10036. At the year end the ultimate parent undertaking was Viacom Inc.

A fellow Viacom Inc. subsidiary has indicated its current intention to continue to support the activities of the company, including providing the means to enable it to meet its liabilities as they fall due.