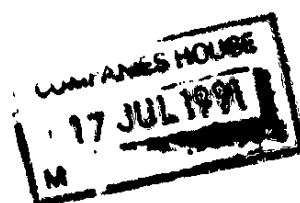


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 ERNST & YOUNG

PARAMOUNT TELEVISION LIMITED

DIRECTORS REPORT

Directors: P Cary (Chairman)
 R Brown
 A Buck
 O P Davies
 M O'Sullivan
 A Pisano (USA)
 Miss J Pullen
 S Taylor (USA)
 W Catron (USA)

Secretary: A Ogilvie

Registered Office: UIP House, 45 Beadon Road, Hammersmith, London W6

The directors present their report and audited accounts for the year ended September 30, 1990.

PRINCIPAL ACTIVITY

The company's principal activity is the distribution of filmed product for theatrical and television viewing.

IMPORTANT EVENTS DURING THE YEAR

During the year the company made the following purchases:

- (i) 49% of the share capital in Zenith Productions for £4,585,925. Zenith Productions was purchased with a view to competing in the European film market in 1992.
- (ii) 100% of the share capital of Capital Equipment Leasing for £100,000. This company's principal activity is the leasing of films under finance leases.

During the year the company also increased its authorised share capital to £50,000,000 and issued a further 1,333,333 shares to Group companies.

ACCOUNTS AND DIVIDENDS

The accounts for the year ended September 30, 1990 disclose a loss after taxation of £267,817 (year to September 30, 1989 - profit £1,544,624) which has been taken to reserves. The accumulated losses at September 30, 1990 are £47,724,902 (1990 - £47,457,085).

The directors do not recommend the payment of a dividend.

DIRECTORS

All the other directors served throughout the year.

PARAMOUNT TELEVISION LIMITED

DIRECTORS' REPORT (continued)


DIRECTORS' INTERESTS

The directors have no beneficial interest in the shares of the company or in any companies of the group.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board


Secretary

ERNST & YOUNG

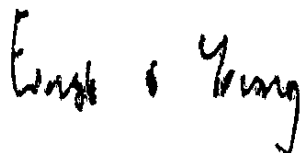
05 JUL 1991

ERNST & YOUNG

REPORT OF THE AUDITORS TO THE MEMBERS OF PARAMOUNT TELEVISION LIMITED

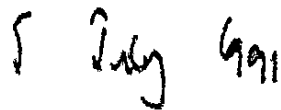
We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at September 30, 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

London



ERNST & YOUNG

05 JUL 1991

PARAMOUNT TELEVISION LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	Note	1990 £	1989 £
TURNOVER	2	11,754,813	12,781,374
Cost of sales		(12,254,011)	(13,219,417)
		<hr/>	<hr/>
OPERATING LOSS		(499,198)	(438,043)
Administrative expenses		(1,542,593)	(638,583)
Exchange (loss)/gain		(676,370)	196,850
		<hr/>	<hr/>
NET OPERATING LOSS	3	(2,718,161)	(879,776)
Other income	6	562,138	448,200
Interest payable and similar charges	7	(33,318)	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,189,341)	(431,576)
Taxation credit	8	1,921,524	1,976,200
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE YEAR		£(267,817)	£1,544,624
		<hr/>	<hr/>
STATEMENT OF RETAINED LOSSES			
Balance at September 30, 1989		(47,457,085)	(49,001,709)
Retained (loss)/profit for the year		(267,817)	1,544,624
		<hr/>	<hr/>
Balance at September 30, 1990		£(47,724,902)	£(47,457,085)
		<hr/>	<hr/>

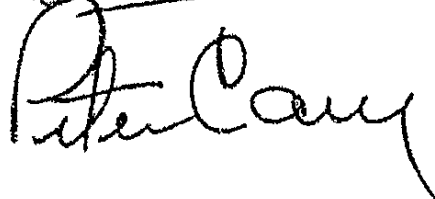
PARAMOUNT TELEVISION LIMITED

BALANCE SHEET - SEPTEMBER 30, 1990

	Note	1990 £	1989 £
FIXED ASSETS			
Investments	9	3,994,407	263,960
Tangible assets	10	33,642	59,795
		<hr/>	<hr/>
		4,028,049	323,755
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	11	4,670,566	5,973,440
Amount owed by immediate parent		-	3,401,199
Amounts owed by fellow subsidiaries		3,612,869	1,849,781
Cash at bank and in hand		260,471	90,296
Loans to associate		842,207	-
		<hr/>	<hr/>
		9,386,113	11,314,716
CREDITORS - amounts falling due within one year			
	12	34,870,656	25,809,301
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(25,484,543)	(14,494,585)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(21,456,494)	(14,170,830)
		<hr/>	<hr/>
NET OBLIGATIONS UNDER FINANCE LEASES	13	(25,684,975)	(32,836,155)
		<hr/>	<hr/>
		£(47,141,469)	£(47,006,985)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	14	133,733	400
Share premium account		449,700	449,700
Profit and loss account		(47,724,902)	(47,457,085)



)
) Directors
)



 £(47,141,469) £(47,006,985)

ERNST & YOUNG

05 JUL 1991

PARAMOUNT TELEVISION LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	1990 £	1989 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Loss before taxation	(2,189,341)	(431,576)
Add: Items not involving the movement of funds:		
Depreciation	18,009	21,277
Profit on disposal of fixed assets	(7,777)	(3,980)
Goodwill written off - Zenith	683,973	-
Amortisation of Ravcom	271,505	-
	<hr/>	<hr/>
Total absorbed by operations	(1,223,631)	(414,279)
OTHER SOURCES		
Issue of share capital	133,333	-
Sale of fixed assets	20,000	10,000
Group relief received	2,686,993	-
	<hr/>	<hr/>
	2,840,328	10,000
	<hr/>	<hr/>
Total sources of funds	1,616,697	(404,279)
	<hr/>	<hr/>
FUNDS APPLIED		
Repayment of finance leases	(6,102,587)	(5,235,185)
Purchase of fixed assets	(4,080)	(35,681)
Purchase of investments	(4,685,925)	(192,755)
Payment of tax	(145,912)	-
	<hr/>	<hr/>
DECREASE IN WORKING CAPITAL	£(9,321,807)	£(5,867,900)
	<hr/>	<hr/>
Arising from movements in:		
Amount owed by immediate parent	(3,401,199)	(920,533)
Amount owed to immediate parent	(2,019,710)	-
Amount owed by fellow subsidiaries	1,763,088	904,272
Amount owed to fellow subsidiaries	(6,103,993)	(5,895,679)
Loans to associate	842,207	-
Debtors	(683,315)	239,242
Creditors	110,940	(276,415)
Liquid funds	170,175	81,213
	<hr/>	<hr/>
	£(9,321,807)	£(5,867,900)
	<hr/>	<hr/>

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

1 ACCOUNTING POLICIES

(a) Fundamental accounting concept

The accounts have been prepared under the going concern concept because the immediate and ultimate holding companies have agreed to provide adequate funds for the company to meet its liabilities as they fall due.

(b) Accounting convention

The accounts are prepared under the historical cost convention.

(c) Lease payments

Subject to (e) below payments under agreements for the leasing of feature films and television series are charged to profit and loss account as they fall due.

(d) Distribution revenues

Revenues from films and licence fees are recognised in the profit and loss account as they fall due under the terms of the relevant contracts.

(e) Leased assets

Assets held under leasing arrangements that transfer substantially all the risk 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 obligation is charged to the profit and loss account so as to produce a constant periodic rate of charge.

Rentals in respect of all other leases are charged to the profit and loss account as incurred.

(f) Depreciation of tangible fixed assets

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

Asset:	Basis:
Leasehold improvements	Over period of lease
Furniture, fittings and equipment	10 years
Motor vehicles up to 2500cc	3 years
Motor vehicles over 2500cc	5 years

(g) Foreign currency conversion

Assets and liabilities 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 with in the profit and loss account.

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

1 ACCOUNTING POLICIES (continued)

(h) 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.

Credit is taken for deferred taxation recoverable, based on anticipated future tax rates, arising from timing differences to the extent that anticipated future tax profits within the group are sufficient to cover the amounts recoverable.

(i) Pension benefits

Staff working for Paramount Television Limited are members of the Paramount Communications UK Pension Plan. The Plan is a defined benefit plan. Contributions to the pension fund are charged to the profit and loss account so as to spread the cost over the remaining service life of the employees.

2 TURNOVER

Turnover comprises distribution revenues exclusive of VAT.

Analysis of turnover and contribution to profits between activities and markets:

	Turnover September, 30		Net operating profit/(loss) September 30,	
	1990	1989	1990	1989
	£	£	£	£
TV Licence fee revenues	9,047,482	9,617,719	(861,841)	1,001,267
Income from leased products	2,707,331	3,163,655	(1,856,320)	(1,881,042)
	<u>£11,754,813</u>	<u>£12,781,374</u>	<u>£(2,718,161)</u>	<u>£(879,775)</u>
United Kingdom	8,625,725	7,696,985		
USA & Canada	2,180,738	2,061,313		
Eire	83,099	250,015		
Rest of the World	865,251	2,771,061		
	<u>£11,754,813</u>	<u>£12,781,374</u>		

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

3 NET OPERATING LOSS

	1990 £	1989 £
The net operating loss for the year is stated after charging:		
Depreciation	18,009	21,277
Directors' emoluments (note 4)	107,606	88,230
Audit fee	9,305	8,150
Hire of equipment	-	3,335
Leasing charges	4,563,651	5,044,697
Exceptional item	683,973	-

Assets held under finance leases are fully depreciated.

The exceptional item relates to the write-off of the company's share of goodwill shown in Zenith's balance sheet at the date of the company was purchased (15.11.89).

4 EMOLUMENTS OF DIRECTORS AND CERTAIN EMPLOYEES

The emoluments, excluding pension contributions, of directors of the company are detailed as follows:

	1990	1989
Chairman and highest paid director	£60,273	£50,028
Number of directors		
Other directors in scale		
Not more than £5,000	7	7
£40,001 to £45,000	1	1

The majority of the directors receive remuneration from other companies owned by the ultimate holding company. No charge is made to this company for their services as directors.

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

3 STAFF COSTS

	1990 £	1989 £
Wages and salaries	90,342	87,840
Social security costs	12,930	11,444
	<u>£103,272</u>	<u>£99,284</u>

6 OTHER INCOME

	1990 £	1989 £
Bank interest	20,300	9,580
Interest from immediate parent	524,962	434,640
Profit on sale of fixed assets	7,777	3,980
Other income	9,099	-
	<u>£562,138</u>	<u>£448,200</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	1990	1989
Interest to immediate parent	18,870	-
Other interest	14,448	-
	<u>£33,318</u>	<u>-</u>

8 TAXATION

	1989 £	1988 £
The credit based on the loss for the year comprises:		
UK Corporation tax receivable by way of group relief at 35% (September 30, 1989 - 35%)	1,994,700	1,976,200
Adjustments relating to prior years	(73,176)	-
	<u>£1,921,524</u>	<u>£1,976,200</u>

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

9 FIXED ASSET INVESTMENT

	£
(a) At September 30, 1989	263 960
New additions	4,685,925
Diminution in value	(955,478)
	<hr/>
At September 30 1990	3,994,407

(b) Company (and country of incorporation)	Issued capital	Proportion held	Accounting date
Capital Equipment Leasing (UK)	Ordinary shares £100,000	100%	September 30, 1990

(c) The companies share of loss for the year ended September 30, 1990 amounted to £118,012 before taxation. The share of retained profit of the subsidiary company at September 30, 1990 amounted to £1,241,360.

(d) The subsidiary company is also a fellow subsidiary of Paramount Communications Inc.

(e) The subsidiary company's activity is the lease of film products to Paramount Television Limited.

(f) Although the company holds a 100% share in Capital Equipment Leasing, it has not been consolidated as the directors believe this would view disproportionate expense to the benefits of the readers.

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

10 TANGIBLE FIXED ASSETS

	Motor vehicles £	Improvements to premises £	Furniture and fittings £	Technical equipment £	Finance leases £	Total £
Cost						
At September 30, 1989	72,339	3,090	11,551	14,804	63,017,920	63,119,704
Additions	-	-	-	4,080	-	4,080
Disposals	(36,659)	-	-	-	-	(36,659)
At September 30, 1990	35,680	3,090	11,551	18,884	63,017,920	63,087,125
Depreciation						
At September 30, 1989	20,622	3,090	9,818	8,459	63,017,920	63,059,909
Charge for year	16,301	-	548	1,160	-	18,009
Disposals	(24,435)	-	-	-	-	(24,435)
At September 30, 1990	12,488	3,090	10,366	9,619	63,017,920	63,053,483
Net book amounts						
September 30, 1990	£23,192	-	£1,185	£9,265	-	£33,642
September 30, 1989	£51,717	-	£1,733	£6,345	-	£59,795

NOTES ON THE ACCOUNTS - SEPTEMBER 30, 1990

11 DEBTORS

	1990 £	1989 £
Trade debtors less provisions	553,980	1,032,228
Recoverable taxation	3,970,900	4,590,459
Other debtors	105,686	350,753
	<hr/>	<hr/>
	£4,670,566	£5,973,440
	<hr/>	<hr/>

12 CREDITORS

	1990 £	1989 £
Deferred income	-	255,256
Accruals and other creditors	186,675	42,359
Amount owed to immediate parent	2,019,710	-
Amounts owed to fellow subsidiaries	25,513,092	19,409,099
Obligations under finance leases	7,151,179	6,102,587
	<hr/>	<hr/>
	£34,870,656	£25,809,301
	<hr/>	<hr/>

13 OBLIGATIONS UNDER FINANCE LEASES

The capital amounts due under finance leases are as follows:

	1990 £	1989 £
Within one year	7,151,179	6,102,587
	<hr/>	<hr/>
Within two to five years	21,728,787	24,158,174
After more than five years	3,956,188	8,677,981
	<hr/>	<hr/>
	£25,684,975	£32,836,155
	<hr/>	<hr/>

14 CALLED-UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	1990	1989	1990	1989
Ordinary shares of £1 each	£50,000,000	£1,000	£133,733	£400
	<hr/>	<hr/>	<hr/>	<hr/>

Share capital was issued during the year in order to obtain additional funds for the company.

PARAMOUNT TELEVISION LIMITED

NOTES ON THE ACCOUNTS - SEPTEMBER 1990

15 EMPLOYEES

The average number of employees during the year was 9 (1989 - 7). All employees are involved in the principal activity of the company.

16 PENSION BENEFITS

The company employees participate in the Paramount Communications UK Pension Plan which is administered by International Book Distributors Limited, a fellow subsidiary. The assets of the Plan are held in separate trustee administered funds.

The company's pension cost for the year was nil. This is based on the pension cost for the Paramount Communications UK Pension Plan as a whole in accordance with the advice of a qualified actuary. The latest actuarial valuation of the Plan was at July 1, 1987.

Full details of the Plan are provided in the accounts of Paramount Pictures (UK) Limited.

17 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Paramount Communications Inc., which is incorporated in the United States of America.

THE FOLLOWING STATEMENT DOES NOT FORM PART OF
THE AUDITED STATUTORY ACCOUNTS OF THE COMPANY

PARAMOUNT TELEVISION LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	1990 £	1989 £
Television licence fee revenues	9,047,482	9,617,719
Income from leased products	2,707,331	3,163,655
	<hr/>	<hr/>
	11,754,813	12,781,374
Less: Producers' share	(7,690,360)	(8,174,721)
	<hr/>	<hr/>
	4,064,453	4,606,653
Bank interest	20,300	9,580
Loan and other interest	524,962	434,640
Interest payable	(33,318)	-
Profit on sale of fixed assets	7,777	3,980
Other income	9,099	-
	<hr/>	<hr/>
	£4,593,273	£5,054,853
	<hr/>	<hr/>
Operating expenses:		
Finance charges on leases	4,563,651	5,044,697
Management fee	26,356	41,532
Salaries	103,272	99,284
Directors' remuneration	107,606	94,137
Telephone cables and postage	33,889	23,472
Rent, rates and services	18,652	24,435
Audit	9,305	8,150
Printing, stationery and supplies	16,779	12,975
Hotel, travelling and incidentals	25,407	27,295
Entertaining	6,323	5,412
Legal and professional fees	11,804	3,270
Miscellaneous	12,601	1,366
Carriage	12,851	7,217
Depreciation	18,009	21,277
Accounting	9,625	9,625
Joint venture overheads	1,130,114	259,135
	<hr/>	<hr/>
	6,106,244	5,683,279
Loss/(profit) on foreign exchange	676,370	(196,850)
	<hr/>	<hr/>
	6,782,614	5,486,429
	<hr/>	<hr/>
LOSS BEFORE TAXATION	£(2,189,341)	£(431,576)
	<hr/>	<hr/>