

**Paramount Home Entertainment (UK)**

**Report and financial statements**

**for the year ended 30 September 2015**

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**Paramount Home Entertainment (UK)**

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**Company information**

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<b>Directors</b>	J Kanhai C McAuley
<b>Company secretary</b>	Fieldfisher Secretaries Limited
<b>Registered number</b>	01516377
<b>Registered office</b>	Building 5 Chiswick Park 566 Chiswick High Road London W4 5YF
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

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**Paramount Home Entertainment (UK)**

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## **Paramount Home Entertainment (UK)**

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### **Strategic report for the year ended 30 September 2015**

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#### **Introduction**

The directors present their Strategic report for the year ended 30 September 2015.

#### **Business review**

Paramount Home Entertainment (UK), (the "Company") is an unlimited company. The Company's principal activity during the year was the sale and distribution of pre-recorded digital video discs (DVDs) and Blu-ray Disc (BD) on behalf of Viacom Global (Netherlands) B.V. ("VGN B.V.").

VGN B.V. continued to license UK home video release of its filmed entertainment product through the Company. The results of the business are heavily correlated to achievement of theatrical box office performance. In relation to the 2015 results, the Company had a decreased number of new releases compared to 2014 with a lower box office performance.

The operations of the Company continued until 30 June 2015 as explained in "Significant changes" below.

In light of the above factors, sales decreased to £26,543,000 (2014 - £42,684,000) driven by the new release genre mix as well as the result of nine months of operations in 2015 versus twelve months of operations in 2014. As a result, there was no trading recorded for the last three months of the fiscal year while the Company engaged in settling debtors and winding down provisions.

#### **Business environment**

Market share was 4.2% in 2015 (2014 – 5.2%), with the top performing titles being Transformers: Age of Extinction, Hercules and Teenage Mutant Ninja Turtles. The retail climate in the UK remains challenging, although 2015 saw continued growth in the emerging "non-traditional outlet" (NTO) sector. New releases remain the core driver of the physical market. New and emerging digital and subscription models continue to attract consumers and place risk on the physical market.

#### **Significant changes**

On 12 February 2015 Universal Pictures Home Entertainment (UPHE) and Paramount Home Entertainment (PHE) announced that they had reached an agreement for UPHE to handle international distribution for Paramount's physical Blu-ray and DVD home entertainment product. In the UK, the five-year distribution deal commenced on 1 July 2015. There have been no other significant changes during the year.

#### **Going concern**

In determining the appropriateness of the going concern basis of preparation the following plans for future actions and assumptions have been taken into account:

- On 1 July 2015 the company entered into an agreement with Universal Pictures Home Entertainment (UPHE)
- From this point all distribution of physical products will be handled by UPHE
- We do not anticipate any future sales by the Company during the five-year term of the UPHE agreement
- All outstanding debtors in relation to past sales are being settled as part of the normal course of business
- There are no current intentions to liquidate the company

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## Paramount Home Entertainment (UK)

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### Strategic report (continued) for the year ended 30 September 2015

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#### Strategy

The Company's ongoing strategy is to maintain margin growth, prior to the application of a licencing agreement as explained in the discussion on liquidity risk below. The primary focus will be:

- ensuring the Company has a strong new release pipeline which converts to enhanced catalogue performance,
- developing third party opportunities which complement the existing business whilst improving margins, and
- optimising the supply chain to ensure the most effective distribution for the most competitive cost.

#### Principal risks and uncertainties

##### General overview of risks and uncertainties

The Board of the Company and execution of the Company's strategy are subject to a number of risks. The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Viacom Inc. Group companies (the "Group"). Group Treasury also seeks to limit counter-party risk by conducting all of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

##### Liquidity risk

The Company finances its operations through a combination of issued ordinary share capital, bank overdrafts and intercompany creditors. The Company retains three percent of its turnover, plus interest received and minus interest paid, and excluding any gain or loss on foreign exchange movements, as profit on ordinary activities before taxation. In the event that the Company's gross receipts are not high enough to allow for a profit on ordinary activities before taxation as described above, Viacom Global (Netherlands) B.V. ("VGN BV") will transfer the necessary funds to ensure the Company recoups its costs and maintains the required profit on ordinary activities before taxation. Thus, as the Company earns a certain profit on ordinary activities before taxation, each year contingent upon satisfactory performance of its distribution activities, VGN BV bears the liquidity risk.

##### Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

##### Foreign exchange risk

To the extent that the Company enters into banking arrangements and intercompany agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

#### Key performance indicators

Given the nature of the Company's activities, the Company's directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of the business. However, key performance indicators relevant to the Viacom Group, and which may be relevant to the Company, are disclosed in the 10-K of Viacom Inc. and do not form part of this report.

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**Paramount Home Entertainment (UK)**

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**Strategic report (continued)  
for the year ended 30 September 2015**

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This report was approved by the Board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'C. McAuley', with a long horizontal flourish extending to the right.

**C McAuley  
Director**

Date: 30 June 2016

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## **Paramount Home Entertainment (UK)**

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### **Directors' report for the year ended 30 September 2015**

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The directors present their report and the audited financial statements of the Company for the year ended 30 September 2015.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £666,000 (2014 - £1,016,000).

The directors do not recommend the payment of a dividend (2014: £nil). No dividends were paid or declared during the year (2014: £nil).

#### **Directors**

The directors who held office during the year and to the date of signing these financial statements are listed below:

J Kanhai  
C McAuley

#### **Qualifying third party indemnity provisions**

The Company has in effect through its ultimate holding company, Viacom Inc., directors' indemnity insurance. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of approval of the financial statements.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic report, the Directors' 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 prepared 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.

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**Paramount Home Entertainment (UK)**

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**Directors' report  
for the year ended 30 September 2015**

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**Statement of disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution concerning the reappointment of PricewaterhouseCoopers LLP will be proposed at the board meeting.

This report and the financial statements on pages 8 to 23 were approved by the Board and signed on its behalf.



**C McAuley**  
Director

Date: 30 June 2016



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## **Paramount Home Entertainment (UK)**

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### **Independent auditors' report to the members of Paramount Home Entertainment (UK)**

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#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Paramount Home Entertainment (UK)'s financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the year 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.

##### **What we have audited**

Paramount Home Entertainment (UK)'s financial statements comprise:

- the Balance sheet as at 30 September 2015;
- the Profit and loss account and Statement of recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates they have made assumptions and considered future events.

##### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## Paramount Home Entertainment (UK)

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### Independent auditors' report to the members of Paramount Home Entertainment (UK) (continued)

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#### Responsibilities for the financial statement and the audit

##### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Sam Tomlinson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date: 30 June 2016

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**Paramount Home Entertainment (UK)**

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**Profit and loss account  
for the year ended 30 September 2015**

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	<i>Note</i>	<i>2015 £000</i>	<i>2014 £000</i>
<b>Turnover</b>	<b>2</b>	<b>26,543</b>	<b>42,684</b>
Cost of sales		(21,399)	(35,289)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>5,144</b>	<b>7,395</b>
Distribution costs		(1,793)	(2,472)
Administrative expenses		(2,545)	(3,600)
		<hr/>	<hr/>
<b>Operating profit</b>	<b>3</b>	<b>806</b>	<b>1,323</b>
Interest receivable and similar income		33	13
Interest payable and similar charges	<b>6</b>	-	(1)
Other finance costs	<b>7</b>	(4)	(43)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>835</b>	<b>1,292</b>
Tax on profit on ordinary activities	<b>8</b>	(169)	(276)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<b>14</b>	<b>666</b>	<b>1,016</b>
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

The notes on pages 11 to 23 form part of these financial statements.

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**Paramount Home Entertainment (UK)**

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**Statement of total recognised gains and losses  
for the year ended 30 September 2015**

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	<i>Note</i>	<i>2015 £000</i>	<i>2014 £000</i>
<b>Profit for the financial year</b>		666	1,016
Actuarial (loss) / gain related to pension scheme	17	(11)	9
Deferred tax attributable to pension scheme	12,17	(342)	(2)
Share based payments		4	-
		<hr/>	<hr/>
<b>Total recognised gains and losses relating to the year</b>		<b>317</b>	<b>1,023</b>
		<hr/>	<hr/>

The notes on pages 11 to 23 form part of these financial statements.

**Paramount Home Entertainment (UK)**  
**Registered number: 01516377**

**Balance sheet**  
**as at 30 September 2015**

	<i>Note</i>	<i>£000</i>	<i>2015 £000</i>	<i>2014 £000</i>
<b>Current assets</b>				
Stocks	9	30	2,783	
Debtors	10	869	3,752	
Cash at bank		7,730	11,381	
		<u>8,629</u>	<u>17,916</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,647)</u>	<u>(11,644)</u>	
<b>Net current assets</b>			<u>4,982</u>	<u>6,272</u>
<b>Total assets less current liabilities</b>			<u>4,982</u>	<u>6,272</u>
Defined benefit pension scheme liability	17	-	-	(1,607)
<b>Net assets including pension scheme liabilities</b>			<u><u>4,982</u></u>	<u><u>4,665</u></u>
<b>Capital and reserves</b>				
Called up share capital	13		10	10
Profit and loss account	14		4,972	4,655
<b>Total shareholders' funds</b>	15		<u><u>4,982</u></u>	<u><u>4,665</u></u>

The financial statements on pages 8 to 23 were approved by the Board of Directors on 30 June 2016 and were signed on its behalf by:



**C McAuley**  
**Director**

Date: 30 June 2016

The notes on pages 11 to 23 form part of these financial statements.

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## Paramount Home Entertainment (UK)

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### Notes to the financial statements for the year ended 30 September 2015

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#### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

##### 1.1 Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, in accordance with the Companies Act 2006, under the historical cost convention and applicable accounting standards in the United Kingdom.

##### 1.2 Cash flow statement

The Company is a wholly-owned subsidiary of Viacom Inc. and is included in the consolidated financial statements of Viacom Inc. which are publically available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard ("FRS") 1 (revised 1996) "Cash Flow Statements".

##### 1.3 Turnover

Turnover represents income from sales of pre-recorded digital video discs (DVDs) and Blu-ray discs (BD), exclusive of value added tax, trade discounts and anticipated returns.

Turnover is recognised on delivery of the goods to the customer.

##### 1.4 Operating leases

Operating lease rentals, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the period of the lease.

##### 1.5 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is the price charged by the Company's replicator and other supply chain providers. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. A provision is made for slow moving or obsolete stock based on quantities held and forecast future sales.

##### 1.6 Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

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## Paramount Home Entertainment (UK)

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### Notes to the financial statements for the year ended 30 September 2015

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#### 1. Accounting policies (continued)

##### 1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Pounds Sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

##### 1.8 Pensions

The Company operated a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

The Company operated a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2012 and updated to 30 September 2015 by a qualified independent actuary.

The cost of providing benefits is determined using the projection unit method and are discounted at the current rate of return on a high quality corporate band of equivalent terms and currency to the liability. FRS 17 "Retirement Benefits" valuations are performed at each balance sheet date and full actuarial valuations being carried out every three years. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of total recognised gains and losses. Past service costs are recognised immediately to the extent that benefits are already vested. Otherwise such costs are amortised on a straight-line basis over the period until the benefits vest. Settlements are recognised when the Company enters into a transaction that eliminates all further legal or constructive obligations for benefits under a scheme. Curtailments are recognised when the Company is committed to a material reduction in the number of employees covered by a scheme. Gains or losses relating to curtailments or settlements are recognised in operating costs in the period in which they occurred.

The retirement benefit obligations recognised in the Balance sheet represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets and any unrecognised past service cost and are shown net of attributable deferred tax. The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within other finance costs.

On 1 July 2015 the defined benefit pension liability was transferred to Paramount Pictures International Limited at its FRS17 valuation (net of deferred tax) of £1,608,806 for an intercompany payable of the same amount.

##### 1.9 Debtors

Trade debtor balances are shown as amounts invoiced, less bad debt provisions and provisions for expected sales returns. Included in the balance is stock value of the expected returns, which will be reinstated as stock once physically returned.

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## Paramount Home Entertainment (UK)

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### Notes to the financial statements for the year ended 30 September 2015

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#### 2. Turnover

The Company operated one class of business throughout the year, namely the sale and distribution of pre-recorded digital video discs (DVDs) and Blu-ray discs (BD).

A geographical analysis of turnover by destination is as follows:

	2015 £000	2014 £000
United Kingdom	25,018	41,389
Eire	1,525	1,295
	<u>26,543</u>	<u>42,684</u>

There is no material difference between turnover analysed by country of origin and turnover by destination.

#### 3. Operating profit

The operating profit is stated after charging / (crediting):

	2015 £000	2014 £000
Auditors' remuneration	89	69
Operating lease rentals:		
- other	89	32
- land and buildings	3	680
Difference on foreign exchange	(3)	(20)
Staff costs (Note 4)	<u>2,289</u>	<u>2,798</u>

The operating lease for land and buildings is held with Paramount Pictures International Limited ("PPIL"), a fellow Viacom Inc. Group company. The rental is not included in operating lease commitments, as per the agreement with PPIL the Company may exit the lease without penalty.



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## Paramount Home Entertainment (UK)

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### Notes to the financial statements for the year ended 30 September 2015

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#### 4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	1,853	2,154
Social security costs	224	272
Other pension costs (Note 17)	212	372
	<u>2,289</u>	<u>2,798</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Sales and marketing	14	25
Supply chain, finance and administration	3	7
Executive	2	2
	<u>19</u>	<u>34</u>

The Company has certain share-based payment schemes which are accounted for under FRS20 "Share-based payment". The assumptions used in measurement are derived from appropriate sources.

#### 5. Directors' remuneration

In both 2015 and 2014, one of the directors is remunerated by Viacom Global (Netherlands) B.V, and details are available in the financial statements of that company. One of these directors received emoluments in respect of their services to the Company (2014 - one).

	2015 £000	2014 £000
Aggregate emoluments	<u>308</u>	<u>304</u>

During the year retirement benefits were accruing to one director (2014 - one) in respect of defined benefit pension schemes.

The total emoluments and amounts (excluding shares) receivable under long term incentive schemes due to the highest paid director amounted to £308,000 (2014 - £304,000). In addition, the amount of pension accruing at the end of the year from the defined benefit pension scheme was £nil (2014 - £16,000).

The highest paid director was granted Restricted Stock Units ("RSUs") in the ultimate parent company in 2015 and 2014.

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
for the year ended 30 September 2015**

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**6. Interest payable and similar charges**

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
On bank loans and overdrafts	-	1

**7. Other finance costs**

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Expected return on pension scheme assets	182	221
Interest on pension scheme liabilities	(186)	(264)
	<u>(4)</u>	<u>(43)</u>

**8. Tax on profit on ordinary activities**

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b>		
UK corporation tax charge on profit for the year	90	268
Adjustments in respect of prior periods	(2)	(38)
<b>Total current tax</b>	<u>88</u>	<u>230</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	56	26
Movement in pension scheme under FRS 17	25	20
<b>Total deferred tax (Note 12)</b>	<u>81</u>	<u>46</u>
<b>Tax on profit on ordinary activities</b>	<u>169</u>	<u>276</u>

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
for the year ended 30 September 2015**

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**8. Tax on profit on ordinary activities (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.50% (2014 - 22.00%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	835	1,292
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.50% (2014 - 22.00%)	171	284
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2	4
Adjustments to tax charge in respect of prior periods	(2)	(38)
Pension expense in excess of pension deductions	(25)	(20)
Other timing differences	(58)	-
<b>Current tax charge for the year</b>	<b>88</b>	<b>230</b>

**Factors that may affect future tax charges**

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements

**9. Stocks**

	2015 £000	2014 £000
Finished goods and goods for resale	30	2,783

The difference between purchase price or production cost of stocks and their replacement cost is not material.

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
for the year ended 30 September 2015**

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**10. Debtors**

	2015 £000	2014 £000
Amounts owed by group undertakings	472	3,640
Corporation tax	118	-
Taxation and social security	162	-
Other debtors	114	53
Deferred tax asset (see note 12)	3	59
	<u>869</u>	<u>3,752</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

**11. Creditors: amounts falling due within one year**

	2015 £000	2014 £000
Trade creditors	286	392
Amounts owed to group undertakings	2,415	847
Corporation tax	-	140
Other taxation and social security	-	58
Other creditors	554	8,016
Accruals	392	2,191
	<u>3,647</u>	<u>11,644</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**12. Deferred tax**

	2015 £000	2014 £000
At beginning of year	59	85
(Charge) for year	(56)	(26)
At end of year	<u>3</u>	<u>59</u>

Deferred tax liability relating to pension deficit:

	2015 £000	2014 £000
At beginning of year	402	424
Deferred tax (charged)/credited in Profit and loss account	-	(20)
Deferred tax asset transferred with pension obligation	(402)	(2)
At end of year	<u>-</u>	<u>402</u>

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
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**12. Deferred tax (continued)**

The deferred tax is made up as follows:

	2015 £000	2014 £000
Depreciation in excess of capital allowances	3	3
Other short term timing differences	-	56
	<u>3</u>	<u>59</u>

**13. Called up share capital**

	2015 £000	2014 £000
<b>Allotted and fully paid</b>		
10,000 (2014 - 10,000) Ordinary shares of £1 each	<u>10</u>	<u>10</u>

**14. Reserves**

	<i>Profit and loss account £000</i>
At 1 October 2014	4,655
Profit for the financial year	666
Share based payments	4
Transfer of deferred tax asset related to pension scheme	(353)
	<u>4,972</u>
At 30 September 2015	

The closing balance on the Profit and loss account includes a £NIL (2014 - £1,607,000) credit/debit, stated after deferred taxation of £NIL (2014 - £402,000), in respect of pension scheme liabilities of the Company pension scheme.

**15. Reconciliation of movement in shareholders' funds**

	2015 £000	2014 £000
Opening shareholders' funds	4,665	3,642
Profit for the financial year	666	1,016
Other recognised gains and losses during the year	(349)	7
	<u>4,982</u>	<u>4,665</u>
Closing shareholders' funds		

In 2015, the Other recognised gains and losses during the year of (£349,000) relates to Share based payments of £4,000 and the transfer of the deferred tax asset relating to the pension scheme of £353,000.

**Notes to the financial statements  
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**16. Contingent liabilities**

The Company has entered into a cash pooling agreement with respect of its GBP denominated bank account held with Bank Mendes Gans (2014 - Bank Mendes Gans). This arrangement includes a joint and several right of set off that allows Bank Mendes Gans, under certain circumstances, to offset debit account balances with credit account balances of participating cash pool members who have entered into the agreement. The cash pooling agreement is set up for a net zero position for participating currencies in the BMG notional pool. At the balance sheet date, funds deposited by the Company into the cash pool and potentially at risk to cover liabilities elsewhere in the group amounted to £7,557,585 (2014 - £9,861,924) at 30 September 2015. Funds drawn by the Company amounted to £nil (2014 - £nil).

**17. Pension commitments**

The Company operates a defined contribution scheme and a defined benefit pension scheme.

**Defined contribution scheme**

Since 1 January 2009 the Company has operated a defined contribution scheme for its newly hired employees. The cost of contributions by the Company for the year was £36,000 (2014 - £49,000). The Company has no outstanding contributions as at 30 September 2015 (2014 - £Nil).

**Defined benefit scheme**

The Company participates in a group pension scheme arrangement, "The PHE and UIP Companies Pension Plan", which provides defined benefits for certain United Kingdom employees. The assets of this funded scheme are held in a separate trusted administered fund. The contributions are assessed in accordance with the advice of an independent qualified actuary.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experiences in the respective markets.

The Company accounts for pension costs in accordance with FRS17.

The pension cost in respect of the group pension scheme is based on actuarial advice from AON Consulting Limited. The most recent valuation was as of 31 December 2012, using the projection unit method of valuation and has been updated for the 2015 period end to take into account the requirements of FRS17 in order to assess the liabilities of the scheme at 30 September 2015. Scheme assets are stated at their market value at 30 September 2015 and 30 September 2014.

On 1 July 2015 the company's obligation under this scheme were transferred to Paramount Pictures International Limited, a fellow group company, at £1,608,806 (net of deferred tax) and was replaced with an intercompany liability of the same amount.

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
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**17. Pension commitments (continued)**

The amounts recognised in the Balance sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	-	(6,448)
Fair value of scheme assets	-	4,439
Deficit in scheme	-	(2,009)
Related deferred tax asset	-	402
Net liability	-	(1,607)

The amounts recognised in profit or loss are as follows:

	2015 £000	2014 £000
Current service cost	(80)	(206)
Interest cost on scheme liabilities	(186)	(264)
Expected return on scheme assets	182	221
Total	(84)	(249)
Actual return on scheme assets	38	295

Movements in the present value of the defined benefit obligation were as follows:

	2015 £000	2014 £000
Opening defined benefit obligation	6,448	5,881
Current service cost	80	206
Interest cost	186	264
Contributions by scheme participants	24	32
Actuarial (gains) / losses	(181)	65
Benefits paid	(7)	-
Transfer to Paramount Pictures International Limited	(6,550)	-
Closing defined benefit obligation	-	6,448

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
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**17. Pension commitments (continued)**

Changes in the fair value of scheme assets were as follows:

	2015 £000	2014 £000
Opening fair value of scheme assets	4,439	3,763
Expected return on assets	182	221
Actuarial (losses) / gains	(192)	74
Contributions by employer	237	349
Contributions by scheme participants	24	32
Benefits paid	(7)	-
Transfer to Paramount Pictures International Limited	(4,683)	-
	<hr/>	<hr/>
Closing fair value of scheme assets	-	4,439

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses is losses of £NIL (2014 -1,592,000).

The Company expects to contribute £NIL to its defined benefit pension scheme in 2016.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
Equities	- %	56.00 %
Alternative growth	- %	14.00 %
Bonds	- %	17.00 %
Gilts	- %	8.00 %
Other	- %	5.00 %
	- %	- %

The expected rates of return used in the valuation at 30 September 2015 were:

	2015	2014
Equities	7.30 %	7.50 %
Bonds	- %	3.80 %
Newton Real Return Fund	6.10 %	7.20 %
BlackRock DC Diversified Growth Fund	5.60 %	- %
Gilts	- %	3.00 %
Other	0.50 %	0.50 %
LDI	2.10 %	- %

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2015	2014
Discount rate at 30 September	3.70 %	3.80 %
Expected return on scheme assets at 30 September	5.70 %	6.10 %
Future salary increases	2.20 %	2.40 %
Future pension increases	3.30 %	3.40 %
Inflation assumption (CPI)	3.30 %	3.40 %



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**17. Pension commitments (continued)**

The mortality table S1, with an allowance for mortality projected to calendar year 2014 was used in retirement for current pensioners and for future pensioners. The current life expectancies underlying the value of the accrued liabilities for the UK defined plan in 2015 and 2014 are:

	2015	2014
Retiring today		
Males	22.6	22.2
Females	24.7	24.6
Retiring in 20 years		
Males	24.3	23.9
Females	26.6	26.5

The pension charge for the year was £103,500 (2014 - £206,000).

Amounts for the current and previous four periods are as follows:

**Defined benefit pension schemes**

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Defined benefit obligation	-	(6,448)	(5,881)	(5,396)	(4,084)
Scheme assets	-	4,439	3,763	3,100	2,421
Deficit	-	(2,009)	(2,118)	(2,296)	(1,663)
Experience adjustments on scheme liabilities	115	(8)	793	(295)	-
Experience adjustments on scheme assets	(192)	74	228	212	(147)

**18. Operating lease commitments**

At 30 September 2015 the Company had annual commitments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
<b>Expiry date:</b>		
Between 2 and 5 years	8	31

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**Paramount Home Entertainment (UK)**

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**Notes to the financial statements  
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**19. Related party disclosures**

As a wholly owned subsidiary of the Viacom Inc. Group, the Company is exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the Viacom Inc. Group or investees of the Viacom Inc. Group.

**20. Post balance sheet events**

There were no significant post balance sheet events.

**21. Ultimate parent undertaking and controlling party**

The ultimate parent undertaking of the Company is Viacom, Inc., incorporated in the state of Delaware in the USA. The ultimate controlling party of the Company is National Amusements Inc., the parent undertaking of Viacom Inc.

The largest and smallest 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 United States of America.

The consolidated financial statements of Viacom Inc. are available to the public and may be obtained from 1515 Broadway, New York, 10036, USA.