

Registered number: 1580904

Paramount Pictures UK

**Annual report and financial statements for the year
ended 30 September 2016**

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Paramount Pictures UK

Company information

Directors	I George (resigned 31 December 2016) J Kanhai J G Fletcher (appointed 31 December 2016)
Company secretary	Fieldfisher Secretaries Limited
Registered number	1580904
Registered office	Building 5 Chiswick Park 566 Chiswick High Road London W4 5YF
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

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Strategic report for the year ended 30 September 2016

The directors present their strategic report on Paramount Pictures UK (the "Company") for the year ended 30 September 2016.

Principal activity

Paramount Pictures UK (the "Company") is an unlimited company and incorporated in the United Kingdom. The principal activity of the Company is the distribution of cinematograph films in the United Kingdom and Republic of Ireland under licence from Paramount Pictures International Limited ("PPIL"). During the year the Company operated a trading branch in the Republic of Ireland and sub-distributed in Malta.

Review of the year

Turnover for the year was £ 20,939,000 (2015: £ 20,173,000) and in line with expectations. The Company remains in a strong position to exploit future releases and showed a modest 4% increase in turnover in 2016, the increase coming from a larger release slate and better performance on titles. In 2015, 9 titles were released with 4 exceeding 1 million GBP, whereas in 2016, 12 films were released with 6 exceeding 1 million GBP. The number one film in 2015, Mission Impossible Rogue Nation, earned more than 7 million GBP and in 2016 the highest earning film, Star Trek Beyond, only earned 5.6 million GBP. However in 2016 the second highest title, Daddy's Home earned 5.4 million GBP whereas the second highest film in 2015, Teenage Mutant Ninja Turtles, only had revenue of 4.4 million GBP.

Key performance indicators (KPIs)

The board monitors progress on the overall corporate strategy and the individual strategic elements by reference to the following KPIs:

- all customers are provided with our terms of exhibition;
- a team is dedicated to monitoring debtors throughout the month, and;
- a formal review of debtors is performed at least monthly.

The Company has four days receivables outstanding at 30 September 2016 (2015 - five days) based on the average daily amount invoiced to customers during the year then ended.

Principal risks and uncertainties

The management 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 liquidity and credit 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 retains three per cent of its turnover, plus interest received 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, PPIL will transfer the necessary funds to ensure that 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, PPIL bears the liquidity risk.

Strategic report for the year ended 30 September 2016 (continued)

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.

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



J G Fletcher
Director

Date: 9 June 2017

Directors' report for the year ended 30 September 2016

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2016.

Dividends

The directors do not recommend the payment of a dividend (2015: £ nil). No dividends were paid or declared during the year (2015: £ nil).

Qualifying third party indemnity provisions

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

Directors

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

I George (resigned 31 December 2016)

J Kanhai

J G Fletcher (appointed 31 December 2016)

Future outlook

The directors expect to continue the principal activity for the foreseeable future given the continued financial support received from the parent company.

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 FRS 102 (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; and
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

Directors' report for the year ended 30 September 2016 (continued)

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 and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report and the financial statements on pages 7 to 24 were approved by the board and signed on its behalf



J G Fletcher
Director

Date: 9 June 2017

Independent auditors' report to the members of Paramount Pictures UK

Report on the financial statements

Our opinion

In our opinion, Paramount Pictures 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 2016 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

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 30 September 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity 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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Annual Report 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

2 June 2017

Statement of comprehensive income for the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Turnover	2	20,939	20,173
Cost of sales		(16,722)	(16,580)
Gross profit		4,217	3,593
General and administrative expenses		(3,497)	(2,988)
Operating profit		720	605
Interest receivable and similar income	6	5	-
Interest payable and similar charges	7	(12)	(5)
Finance costs	8	(91)	(84)
Total operating profit on ordinary activities before interest and taxation		622	516
Tax on profit on ordinary activities	9	(193)	927
Profit on ordinary activities after taxation		429	1,443
Other comprehensive income			
Remeasurement loss recognised on defined benefit pension scheme	15	(929)	(167)
Movement on deferred tax relating to pension scheme		142	6
Employee share scheme net of deferred taxes		21	-
Total other comprehensive loss		(766)	(161)
Total comprehensive (loss)/income for the year		(337)	1,282

The notes on pages 10 - 24 form part of these financial statements.

Balance sheet as at 30 September 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
Non-current assets					
Tangible assets	10		29		30
Investments	11		1		1
			<u>30</u>		<u>31</u>
Current assets					
Debtors	12	14,751		4,707	
Cash at bank		213		4,600	
			<u>14,964</u>	<u>9,307</u>	
Bank loans and overdrafts			(3,651)	-	
Creditors: amounts falling due within one year	13		<u>(5,555)</u>	<u>(4,091)</u>	
Net current assets			<u>5,758</u>		<u>5,216</u>
Total assets less current liabilities			<u>5,788</u>		<u>5,247</u>
Defined benefit pension scheme	15		(2,925)		(2,047)
Net assets including pension scheme liability			<u><u>2,863</u></u>		<u><u>3,200</u></u>
Capital and reserves					
Called up share capital	16		100		100
Profit and loss account			<u>2,763</u>		<u>3,100</u>
Total shareholders' funds			<u><u>2,863</u></u>		<u><u>3,200</u></u>

The notes on pages 10 - 24 form part of these statements.

The financial statements on page 7 to 24 were approved by the Board of Directors on 9 June 2017 and signed on its behalf by:


J G Fletcher
Director

Date: 9 June 2017

Company registered number: 1580904

Statement of changes in equity for the year ended 30 September 2016

	Share capital	Retained earnings	Total shareholders' funds
Note	£'000	£'000	£'000
Balance as at 1 October 2014	100	1,818	1,918
Profit for the financial year and total comprehensive income		1,282	1,282
Balance as at 30 September 2015	100	3,100	3,200
Profit for the financial year and total comprehensive income	-	(337)	(337)
Balance as at 30 September 2016	100	2,763	2,863

Notes to the financial statements for the year ended 30 September 2016

1 Principal accounting policies

General information

The Company is a limited liability company organised under the laws of the United Kingdom which is based at Building 5, Chiswick Park, 566 Chiswick High Road, London, W4 5YF, United Kingdom. The ultimate parent is Viacom Inc., New York, United States of America.

Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principles accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention as modified by the recognition of certain financial assets and liabilities at fair value. This is the first year in which the financial statements have been prepared under FRS 102. FRS 102 has been adopted by the Company at 30 September 2016. The date of transition to FRS 102 is 1 October 2014. Details of the transition to FRS 102 are disclosed in note 21.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 2.

The current assets of the Company exceed the current liabilities as at the balance sheet date. Based on the above, management believes that the entity can pay debt as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the report and financial statements.

1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the consolidated financial statements of Viacom Inc. which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102; and
- ii) from the requirement to disclose the key management personnel compensation in total as required by FRS 102 paragraph 33.7; and
- iii) from the requirement to disclose transactions with related parties which are not wholly owned within the same Group as required by FRS 102 paragraph 33.8; and
- iv) from the requirement to disclose detailed information about the movements of the granted and exercised stock options as required by FRS 102 paragraph 26.18.

Notes to the financial statements for the year ended 30 September 2016 (continued)

1 Principal accounting policies (continued)

1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of the distribution of cinematograph films and comprises rentals billed, exclusive of value added tax (VAT) and trade discounts. Film rentals from theatrical distribution are recognised on all cinema admissions up to and including the last day of the financial period. Revenue transactions which have not been billed at the balance sheet date are recognised in accrued income.

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are expressed into Pound Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are expressed into Pound Sterling at the rate of exchange prevailing on the date of the transaction. The resulting profits or losses are dealt with in the Profit and loss account.

1.6 Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of the assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	: Over period of lease
Computers and computer software	: 3 years straight line

Work in progress

Work in progress represents the cost of assets under development. When assets under development are completed and become operational they are recognised as tangible assets and depreciated over their estimated useful lives.

1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment. Impairment reviews are performed when there has been an indication of potential impairment.

1.8 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

1.9 Cash at bank

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

1.10 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Notes to the financial statements for the year ended 30 September 2016 (continued)

1 Principal accounting policies (continued)

1.10 Taxation

i) Current tax (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts, which have been prepared and approved by the board of Directors.

1.11 Employee benefits

The Company provides a range of benefits to employees, including a defined benefit pension plans and holiday pay.

i) Short term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the company. A liability is recognised at each statement of financial position date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the statement of comprehensive income.

ii) Defined benefit pension plan

The Company operates a defined benefit plan for the UK employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date, net of deferred taxes.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as "Remeasurement of net defined benefit liability".

Notes to the financial statements for the year ended 30 September 2016 (continued)

1 Principal accounting policies (continued)

1.11 Employee benefits (continued)

ii) Defined benefit pension plan (continued)

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit charges, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as "Finance expense".

Share-based payments

The Company operates a share option scheme for its managing directors. No cost is allocated to these share options, unless the exercise price is lower than the market price when the shares are granted. If so, the difference between market price and exercise price is directly taken to the Profit and loss statement. If, during the term of the share option scheme, a change should occur in the exercise price, any subsequent changes in market price are recognised in the Profit and loss statement, insofar as the intrinsic value of the options is positive. Any costs related to a share-based bonus (i.e. the market price at the moment the shares are granted) are taken to the Profit and loss account.

1.12 Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Profit and loss statement on a straight line basis over the period of the lease.

1.13 Related party transactions

The Company is exempt to disclose transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

1.14 Critical accounting judgements and estimation uncertainty

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

2 Turnover

The whole of the turnover is attributable to the distribution of cinematograph films and comprises rentals billed, exclusive of value added tax (VAT).

Analysis of turnover by geography:

	2016 £'000	2015 £'000
United Kingdom	19,041	18,659
Rest of European Union	1,898	1,514
	20,939	20,173

Notes to the financial statements for the year ended 30 September 2016 (continued)

3 Operating profit

Operating profit is stated after charging:

	2016 £'000	2015 £'000
Wages and salaries	1,759	1,761
Social security costs	244	231
Other pension costs	209	177
Share-based payments	17	-
Staff cost charged to profit and loss	2,229	2,169
Restructuring expense	226	-
Depreciation tangible assets	5	15
Operating lease charges:		
- Land and buildings (recharge from other group companies)	722	535
- Other	13	43
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	65	45
Fees payable to the Company's other professional advisor and its associates for other services:		
- Tax compliance services	3	-
Total amount payable to the Company's auditor and other professional advisor	68	45

The operating lease for land and buildings for the UK operations 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.

4 Employees and directors**Employees**

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

	2016 No.	2015 No.
Executive directors	1	2
Finance, administrative and management information systems	6	7
Sales and marketing	17	17
	24	26

Directors

The directors' emoluments were as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	423	484
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	6	14

Notes to the financial statements for the year ended 30 September 2016 (continued)

4 Employees and directors (continued)

Directors (continued)

Post-employment benefits are accruing for 1 director (2015: nil) under a defined benefit scheme.

No director (2015: nil) exercised share options during the year.

No directors are accruing benefits under a long-term incentive scheme (2015: nil).

Highest paid director

The highest paid directors' emoluments were as follows:

	2016 £'000	2015 £'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	336	382

The highest paid director didn't exercise share options in 2016 (2015: nil) and is not accruing benefits under a long-term incentive scheme in 2016.

5 Share-based payments

As a subsidiary of Viacom Inc., the Company participates in a number of the Group's employee share schemes under which it makes equity-settled share based awards in Viacom Inc. shares to certain employees. The Compensation Committee to the Board of Viacom approves all equity awards. These are described in the Annual Report and Accounts of Viacom Inc. There were no other share-based payment transactions during the year.

Stock options plans

Stock options are granted with an exercise price equal to the market price at date of grant. Stock options generally vest rateably over a four-year period from the date of grant and expire eight to ten years after the date of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. For options granted, the determination of volatility is principally based upon implied volatilities from traded options. The expected term, representing the period of time that options granted are expected to be outstanding, is estimated using a lattice-based model incorporating historical post vest exercise and employee termination behaviour. The risk-free rate assumed in valuing the options is based on the U.S. Treasury Yield curve in effect applied against the expected term of the option at the time of the grant. The expected dividend yield is estimated by dividing the expected annual dividend by the market price of Viacom common stock at the date of grant.

During fiscal year 2016 certain employees of the Company were granted with stock options. The total charge for the period was £ 17,246 (2015: £ nil).

6 Interest receivable and similar income

	2016 £'000	2015 £'000
Bank interest received	5	-

7 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank interest payable	12	5

Notes to the financial statements for the year ended 30 September 2016 (continued)

8 Finance costs

	2016 £'000	2015 £'000
Interest income on plan assets	121	127
Interest expense on defined benefit obligation	(212)	(212)
	(91)	(85)

9 Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax		
UK corporation tax charge on profit for the year	206	159
Adjustments in respect of prior years	(8)	(1,089)
Foreign tax relief	(8)	-
	190	(930)
Foreign tax suffered	7	-
Total current tax	197	(930)
Deferred tax		
Origination and reversal of timing differences	(19)	(1)
Adjustment in respect of previous years	(46)	-
Effect of changes in tax rates	61	-
Movement in pension scheme	-	4
Total deferred tax charge	(4)	3
Tax on profit on ordinary activities	193	(927)
Tax expense/(income) included in other comprehensive income		
Deferred tax		
- Origination and reversal timing differences	(141)	(109)
	(141)	(109)

Notes to the financial statements for the year ended 30 September 2016 (continued)

9 Tax on profit on ordinary activities (continued)

Reconciliation of tax charge

The tax assessed for the year is the same as (2015: lower) the standard rate of corporation tax in the UK for the year ended 30 September 2016 of 20.0% (2015: 20.5%) and the differences are explained in the following table:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	622	516
Tax on profit at standard rate of corporation tax in the UK of 20.0% (2015: 20.5%)	124	106
Effects of:		
Expenses not deductible for tax purposes	59	43
Effects of overseas tax rates	(1)	-
Capital allowances for year in excess of depreciation	-	-
Adjustments to tax charge in respect of previous years	(54)	(1,085)
Tax rate changes	62	9
Share options	3	-
Current tax charge for the year	193	(927)

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 to 19% from 1 April 2017 and to 17% from 1 April 2020 had already been substantively enacted in the period.

10 Tangible assets

	Leasehold improve- ments £'000	Assets under construction £'000	Data processing and electronic equipment £'000	Total £'000
Cost				
At 1 October 2015	6	25	79	110
Additions	-	3	26	29
Disposals/transfers	-	(25)	-	(25)
At 30 September 2016	6	3	105	114
Accumulated depreciation				
At 1 October 2015	3	-	77	80
Charge for the year	1	-	4	5
On disposals/transfers	-	-	-	-
At 30 September 2016	4	-	81	85
Net book value				
At 30 September 2016	2	3	24	29
At 30 September 2015	3	25	2	30

Notes to the financial statements for the year ended 30 September 2016 (continued)

11 Investments

Investment
in subsidiary
companies
£'000

Cost

At 1 October 2015 and 30 September 2016

1

On 14 March 2006, the Company acquired 100% of the ordinary share capital of Paramount Pictures Services UK, an unlimited company incorporated in the UK, whose principal activity is as a service company, employing staff in Ireland on behalf of the Company. The directors believe that the carrying value of the investment is supported by its underlying assets.

The company is a wholly-owned subsidiary of Paramount Pictures UK and is included in the consolidated financial statements of Viacom Inc. which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

12 Debtors

	2016 £'000	2015 £'000
Trade debtors	1,097	1,748
Amounts owed by group undertakings	13,574	2,948
Corporation tax	71	-
Other debtors	8	9
Deferred tax asset	1	2
	<u>14,751</u>	<u>4,707</u>

Amounts owed by Group undertakings

Amounts due from group companies are unsecured and are payable on demand as determined from time to time within the group. All amounts are due within one year and are against 0% interest.

Deferred tax asset

	2016 £'000	2015 £'000
At 1 October	2	1
Charged to the statement of comprehensive income	(1)	1
At 30 September	<u>1</u>	<u>2</u>

The deferred tax asset is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	<u>1</u>	<u>2</u>

Notes to the financial statements for the year ended 30 September 2016 (continued)

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	2,822	955
Amounts owed to group undertakings	51	520
Corporation tax	-	82
Other taxation and social security	285	978
Accruals	2,397	1,556
At 30 September	5,555	4,091

Amounts due to group companies are unsecured and are payable on demand as determined from time to time within the group. All amounts are due within one year and are against 0% interest.

14 Operating lease commitments

At 30 September 2016, the Company has the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Within one year	2	-
Two to five years	-	13
After five years	-	-
	2	13

Lease arrangements relate to copiers.

15 Defined benefit pension scheme

The Company sponsors a funded defined benefit pension plan for qualifying UK employees. The PHE and UIP Companies Pension Plan ("The Plan") is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and employees, plus an independent trustee. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the Plan's investment policy and the day to day administration of the benefits.

Under the Plan, employees are entitled to a cash lump sum and annual pensions on retirement. Benefits are also payable on death before or after retirement.

Profile of the Plan

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Broadly, about 13% of the liabilities are attributable to current employees, 70% to deferred pensioners and 17% to current pensioners.

A plan's duration is an indicator of the weighted-average time until benefit payments are made. For the Plan as a whole, the duration is around 23 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 29 years), deferred pensioners (duration of 27 years) and current pensioners (duration of 12 years).

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Plan was carried out by a qualified actuary as at 31 December 2012 and showed a deficit of £ 22,100,000. The Company pays contributions of 17.8% per annum of contribution salaries in respect of current accrual, with active members paying a further 5% of contribution salaries.

Notes to the financial statements for the year ended 30 September 2016 (continued)

15 Defined benefit pension scheme (continued)

Funding requirements (continued)

The next funding valuation as at 31 December 2015 is currently underway, during which progress towards full-funding will be reviewed.

Risks associated with the PHE & UIP Companies Pension Plan

The Plan exposes the Company to a number of risks, the most significant of which are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of growth assets (equities, emerging markets multi-asset, Newton Real Return and BlackRock Diversified Growth Fund) which, though expected to outperform corporate bonds in the long-term, creates volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Plan's long term objectives.
Changes in bond yields	A fall in corporate bond yields would increase the value placed on the Plan's liabilities for accounting purposes, although this would be partially offset by an increase in the value of the Plan's bond holdings.
Inflation risk	A significant proportion of the Plan's benefit obligations are linked to inflation, and higher inflation would lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Reporting at 30 September 2016

A full valuation was carried out as at 31 December 2015, which has been adjusted to the balance sheet date taking account of experience over the period since 31 December 2015, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

Main financial assumptions	2016 % p.a.	2015 % p.a.
RPI inflation	3.30	3.30
CPI inflation	2.20	2.20
Rate of general long-term increase in salaries	2.20	2.20
Pension increases (except on pre 88 GMP)	3.30	3.30
Discount rate for scheme liabilities	2.30	3.70

Notes to the financial statements for the year ended 30 September 2016 (continued)

15 Defined benefit pension scheme (continued)

The final assumptions reflect the nature and term of the Plan's liabilities.

	2016	2015
Main demographic assumptions	100% of SAPS S2 "normal pensioner" with future projections in line with CMI 2015 improvements with a long term rate of 1.25% p.a.	100% of SAPS S2 "normal pensioner" with future projections in line with CMI 2014 improvements with a long term rate of 1.25% p.a.
Mortality		
Life expectancy for male currently aged 65	87.4	87.6
Life expectancy for female currently aged 65	89.5	89.7
Life expectancy at age 65 for male currently aged 45	89.1	89.3
Life expectancy at age 65 for female currently aged 45	91.4	91.6
Cash commutation	Members assumed to exchange 20% of their pension for cash lump sum at retirement	Members assumed to exchange 20% of their pension for cash lump sum at retirement

The Plan's assets are invested in the following asset classes as at 30 September:

Asset allocation	2016 £'000	2015 £'000
Equities	1,847	1,635
Newton Real Return Fund	641	504
BlackRock DC Diversified Growth Fund	644	480
LDI	910	554
Cash	34	164
At 30 September	4,076	3,337

All assets have a quoted market value in an active market. At 30 September 2016 none of the above Plan assets related to self-investment.

Part of the Plan's assets are for former UIP employees and pensioners for which the Company is liable for 50% and UIP for the remaining 50%.

The amounts recognised on the balance sheet are set out below:

	2016 £'000	2015 £'000
Fair value of Plan assets	4,076	3,337
Present value of funded defined benefit obligations	(7,601)	(5,834)
At 30 September	(3,525)	(2,497)
Related deferred tax asset	600	450
	(2,925)	(2,047)

Notes to the financial statements for the year ended 30 September 2016 (continued)

15 Defined benefit pension scheme (continued)

The amounts recognised in comprehensive income are set out below:

	2016 £'000	2015 £'000
Amounts recognised in the Profit and Loss account		
Current service cost	(79)	(79)
Net interest on net defined benefit asset	(91)	(85)
	<u>(170)</u>	<u>(164)</u>
Taken to other comprehensive income		
Asset (gains)/losses arising during the year	767	(89)
Liability (gains)/losses arising during the year	(1,696)	(78)
	<u>(929)</u>	<u>(167)</u>
Total amount recognised in OCI	<u>(929)</u>	<u>(167)</u>
Total amount recognised in profit and loss and OCI	<u>(1,099)</u>	<u>(331)</u>

Changes to the present value of the defined benefit obligation during the year:

	2016 £'000	2015 £'000
Opening defined benefit obligation	5,834	5,625
Current service cost	79	79
Interest expense on defined benefit obligation	212	212
Contributions by Plan participants	15	15
Actuarial (gains)/losses	1,696	78
Net benefits paid out	(235)	(175)
	<u>7,601</u>	<u>5,834</u>

Changes to the fair value of Plan assets during the year:

	2016 £'000	2015 £'000
Opening fair value of plan assets	3,337	3,389
Interest income on Plan assets	121	127
Remeasurement gains/(losses) on Plan assets	767	(89)
Contributions by the employer	71	70
Contributions by Plan participants	15	15
Net benefits paid out	(235)	(175)
	<u>4,076</u>	<u>3,337</u>

The actual return on Plan assets was:

	2016 £'000	2015 £'000
Interest income on Plan assets	121	127
Remeasurement gain/(losses) on Plan assets	767	(89)
	<u>888</u>	<u>38</u>

Notes to the financial statements for the year ended 30 September 2016 (continued)

16 Called up share capital

	2016 £	2015 £
Authorised		
100,000 (2015 - 100,000) ordinary shares of £ 1 each	100,000	100,000
	2016 £'000	2015 £'000
Allotted, called up and fully paid		
100,000 (2015 - 100,000) ordinary share of £ 1 each	100	100

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17 Contingent liabilities

The Company has entered into a cash pooling agreement with respect to its GBP denominated bank accounts held with Bank Mendes Gans (2015 - 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 Bank Mendes Gans 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 £ 212,615 (2015 - £ 4,600,024). Funds drawn by the Company amounted to £ 3,650,604 (2015 - £ nil).

18 Related party transactions

The Company is exempt under section 33.1A of FRS102 from disclosing related party transactions with entities that are part of the Viacom Inc. group.

19 Controlling party

The Company's immediate and ultimate parent companies are PPG Holding 5 B.V. and PPG Holding 95 B.V., companies incorporated in the Netherlands. The ultimate parent company of the Company is Viacom Inc., a company incorporated in the USA. The ultimate controlling party of Viacom Inc. is National Amusements Inc., the beneficial owner of the majority of Viacom Inc. voting shares. Viacom Inc's voting and non-voting shares are quoted.

The only group in which the results of Paramount Pictures UK are consolidated is Viacom Inc. The consolidated financial statements for this group are available to the public and may be obtained from 1515 Broadway, New York, N.Y., 10036 5794, USA.

20 Subsidiaries and related undertakings

List of investments in subsidiaries at 30 September 2016:

Company name	Address of the registered office	Nature of business	Interest
Paramount Pictures Services UK	Building 5, Chiswick Park 566 Chiswick High Road London W4 5YF	Service	100% ordinary shares

The above subsidiary is not consolidated in the Company's financial statement.

Notes to the financial statements for the year ended 30 September 2016 (continued)

21 Transition to FRS 102

FRS 102 has been adopted by the Company at 30 September 2016. This is the first year that the Company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 30 September 2015. The date of transition to FRS 102 was 1 October 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 30 September 2015 and the total equity as at 1 October 2014 and 30 September 2015 between UK GAAP as previously reported and FRS 102.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the consolidated financial statements of Viacom Inc. which are publicly available.

As a qualifying entity, the Company has taken advantage of the exemptions as disclosed in note 1.3.

Reconciliation of profit for the year

	30 September 2015 £'000
Profit for the financial year as previously reported under UK GAAP	1,488
Other finance cost	(45)
	<hr/> 1,443 <hr/>

Reconciliation of other comprehensive income for the year

	30 September 2015 £'000
As previously reported under UK GAAP	(206)
Remeasurement gains/(losses) on Plan assets	45
	<hr/> (161) <hr/>

Under previous UK GAAP the return on plan assets (which was shown in finance income) was calculated using a separate rate of return to the discount rate applied to the scheme liabilities. Under FRS102 the same discount rate is used to calculate the return on plan assets and the increase in the liability. This leads to a change in the finance income recognised in the income statement and the actuarial gain or loss recognised in other comprehensive income. The closing net liability position has not changed.

Reconciliation of equity as at 1 October 2014 and 30 September 2015

	1 October 2014 £'000	30 September 2015 £'000
Total reserves as previously reported under UK GAAP	1,918	3,200
Adjustments on transition	-	-
	<hr/> 1,918 <hr/>	<hr/> 3,200 <hr/>