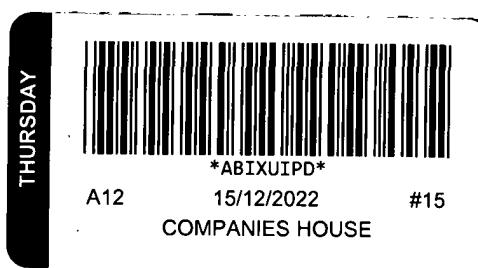


Registered number: 1580904

Paramount Pictures UK

Annual report and financial statements for the year
ended 31 December 2021



Paramount Pictures UK

Company information

Directors	J Kanhai J G Fletcher
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

Paramount Pictures UK

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Paramount Pictures UK

Strategic report for the year ended 31 December 2021

The directors present their strategic report on Paramount Pictures UK (the "Company") for the year ended 31 December 2021.

Principal activities

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.

Paramount Global (formerly known as Viacom CBS Inc.) is the ultimate parent company of Paramount Pictures UK.

Review of the period

Turnover for the year was £ 7,689,000 (2020 £ 11,813,000) and in line with expectations. In 2021 the Company released 3 films (2020: 6) with 2 (2019: 3) exceeding 1 million GBP. The number one film in 2021, A Quiet Place 2, earned 4.3 million GBP, while the highest earning film in 2020, Sonic The Hedgehog, earned 7.3 million GBP. The second highest title in 2021, Paw Patrol: The Movie, earned 2.9 million GBP compared to the second highest title in 2020, Gemini Man, which had a revenue of 1.3 million GBP. The Company remains in a strong position to exploit future releases.

The COVID-19 pandemic has negatively impacted, and is expected to continue to impact, the macroeconomic environment in the U.S. and globally. In an effort to contain COVID-19 or slow its spread, governments around the world have enacted various measures, some of which have been subsequently rescinded, modified or reinstated, including travel bans, orders to close or limit access to businesses not deemed "essential," vaccination and masking requirements, requirements to isolate residents to their homes or places of residence, and social distancing. The difficult macroeconomic environment has included increased and prolonged unemployment, a decline in consumer confidence, global supply chain issues and inflation, and prolonged declines in economic growth, as well as changes in consumer behavior in response to the pandemic, which have had, and may continue to have, a negative impact on Paramount Global's business, financial condition and results of operations. Paramount Global is the ultimate parent company of Paramount Pictures UK. Other pandemics or widespread health emergencies may have similar effects.

COVID-19 had a negative effect on our licensing revenues due to production shutdowns, delays in our delivery of content to third parties, and fewer original programs licensed. While production has resumed, we are not able to predict whether we will encounter future production delays or shutdowns or if and to what extent revenues will continue to be negatively impacted. Our theatrical revenues have been negatively impacted by the closure or reduced capacity of movie theaters as a result of COVID-19. We are not able to predict the effect that COVID-19 may have on theatergoing in the future, including whether consumers will return at the same levels they previously did because of concerns related to COVID-19 or because of changes to viewing habits, or whether revenues from theatrical releases will be comparable to historical levels.

The magnitude of the continuing impact of COVID-19 and its variants, which could be material to our business, financial condition and results of operations, will depend on numerous evolving factors that we may not be able to accurately predict or control, including the duration and extent of the pandemic, the impact of governmental actions, consumer behavior in response to the pandemic and such governmental actions, and economic and operating conditions in the aftermath of COVID-19. Due to the evolving and uncertain nature of the pandemic, we are not able to estimate the full extent of the impact that COVID-19 will have on our business, financial condition and results of operations, and that impact could also exacerbate the other risks described herein. Even after COVID-19 has moderated and governmental restrictions have eased, we may continue to experience the same adverse effects on our business resulting from recessionary economic conditions that persist and long-term changes in the distribution markets and consumer engagement and viewing habits.

Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 for at least the next 12 months from the date of this report.

Key performance indicators (KPIs)

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

Turnover (sales revenue)

Theatrical revenues may be affected by the number, timing and mix of releases and competitive offerings in any given period, consumer tastes and consumption habits, and overall economic conditions, including trends in discretionary spending.

Strategic report for the year ended 31 December 2021 (continued)

Gross profit

Marketing and distributing motion pictures can involve significant costs. The timing of a motion picture's release can also cause our financial results to vary. Therefore, the gross profit can be volatile as films work their way through the various distribution windows.

Debtors' days

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 two days receivables outstanding at 31 December 2021 (2020 - six days) based on the number of working days for the period then ended.

Principal risks, uncertainties and financial risk management

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 Paramount Global 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 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 before taxation each year contingent upon satisfactory performance of its distribution activities, PPIL bears the liquidity risk.

Credit risk

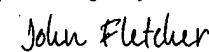
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

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 of British pound, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

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

DocuSigned by:



JG Fletcher

Director

Date: 8 December 2022

Directors' report for the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Comparison reporting period

In 2019 the Company changed its fiscal year end from 30 September to 31 December to align with the year end of the ultimate parent company. Accordingly, the figures for the income statements, statement of changes in equity and the related notes for the fiscal year are for a 12 month period and the comparatives are for 15 months from 1 October 2019 to 31 December 2020.

Going Concern

The Company has a letter of support in place from its parent company, PPIL, which states that, should it be required, PPIL will provide financial support to the Company for additional funding or to enable it to discharge its liabilities as they fall due for the foreseeable future. The Directors have assessed the ability of PPIL to provide that support and, on that basis, have concluded that the application of the going concern basis of preparation of the financial statements is appropriate.

Dividends

The directors do not recommend the payment of a dividend (2020: £ nil). No dividends were paid or declared during the period (2020: £ nil).

Qualifying third party indemnity provisions

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

Directors

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

J Kanhai
J G Fletcher

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 in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report for the year ended 31 December 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements cont'd

The directors 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.

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.

Principal risks, uncertainties and financial risk management

The Company's principal risks, uncertainties and financial risk management are set out in the Strategic report on pages 1 and 2.

Directors' confirmations


In the case of each director in office at the date the directors' report is approved:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 8 to 24 were approved by the board and signed on its behalf by:

DocuSigned by:

C9D8AB831A9E401...
J G Fletcher
Director

Date: 8 December 2022

Independent auditors' report to the members of Paramount Pictures UK

Report on the audit of the financial statements

Opinion

In our opinion, Paramount Pictures UK's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Paramount Pictures UK

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to fraud, data protection and employment and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in its significant accounting estimates particularly in relation to the defined benefit pension scheme liability; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and journals posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Paramount Pictures UK

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 December 2022

Paramount Pictures UK

Statement of comprehensive income for the year ended 31 December 2021

		For the 12 months ended 31 December 2021 £'000	For the 15 months ended 31 December 2020 £'000
	Note		
Turnover	2	7,689	11,813
Cost of sales		(4,059)	(7,317)
Gross profit		3,630	4,496
Administrative expenses		(3,323)	(4,059)
Operating profit	3	307	437
Interest receivable and similar income	6	-	26
Finance costs	7	(84)	(89)
Profit before taxation		223	374
Tax on profit	8	189	(15)
Profit for the financial year / period		412	359
Other comprehensive income/(expense)			
Remeasurement gain/(loss) recognised on defined benefit pension scheme	14	4,798	(1,727)
Currency translation differences		(85)	33
Movement on deferred tax relating to pension scheme	8	(1,007)	358
Total other comprehensive income/(expense)		3,706	(1,336)
Total comprehensive income/(expense)		4,118	(977)

The notes on pages 11 - 24 form part of these financial statements.

Paramount Pictures UK

Balance sheet as at 31 December 2021

			as at 31 December 2021 £'000	£'000	as at 31 December 2020 £'000
	Note	£'000			
Fixed assets					
Tangible assets	9		-		1
Investments	10		1		1
			<u>1</u>		<u>2</u>
Current assets					
Debtors	11	8,642		9,524	
Cash and cash equivalents		418		341	
			<u>9,060</u>	<u>9,865</u>	
Creditors: amounts falling due within one year	12	(5,446)		(5,585)	
			<u>3,614</u>	<u>4,280</u>	
Net current assets					
			<u>3,615</u>	<u>4,282</u>	
Total assets less current liabilities					
Defined benefit pension scheme	14		(732)		(5,522)
			<u>2,883</u>	<u>(1,240)</u>	
Net liabilities					
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account			2,783		(1,340)
			<u>2,883</u>	<u>(1,240)</u>	
Total shareholders' deficit					
			<u>2,883</u>	<u>(1,240)</u>	

The notes on pages 11 - 24 form part of these statements.

The financial statements on page 8 to 24 were approved by the Board of Directors on 8 December 2022 and signed on its behalf by:

DocuSigned by:

 C9D8AB831A9E401...
J G Fletcher
 Director

Date: 8 December 2022

Company registered number: 1580904

Paramount Pictures UK

Statement of changes in equity for the year ended 31 December 2021

		Called up Share capital	Profit and loss account	Total shareholders' (deficit)
	Note	£'000	£'000	£'000
Balance as at 1 October 2019		100	(368)	(268)
Dividend		-	-	-
Employee share scheme net of deferred taxes		-	5	5
Total comprehensive expense		-	(977)	(977)
Balance as at 31 December 2020		100	(1,340)	(1,240)
Dividend		-	-	-
Employee share scheme net of deferred taxes		-	5	5
Total comprehensive income		-	4,118	4,118
Balance as at 31 December 2021		100	2,783	2,883

Notes to the financial statements for the year ended 31 December 2021

1 Principal accounting policies

General information

The Company is a unlimited 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 Paramount Global, 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.

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

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.

The Company has a letter of support in place from its ultimate parent company, Paramount Global, which states that, should it be required, Paramount Global will provide financial support to the Company for additional funding or to enable it to discharge its liabilities as they fall due for the foreseeable future. The Directors have assessed the ability of Paramount Global to provide that support and, on that basis, have concluded that the application of the going concern basis of preparation of the financial statements is appropriate.

1.3 Consolidated financial statements

The Company is a wholly owned subsidiary of a company incorporated in the United States of America and therefore has taken advantage of the exemption under Section 401 Companies Act 2006 not to produce consolidated financial statements. It is included in the consolidated financial statements of Paramount Global which are publicly available.

Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group.

1.4 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 Paramount Global 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 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 31 December 2021 (continued)

1 Principal accounting policies (continued)

1.5 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.

1.6 Foreign currencies

Transactions and balances

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.

Translation

The trading results of the distribution activities in the Republic of Ireland are translated into sterling at the monthly exchange rate in which the transaction took place. The assets and liabilities of the Irish branch are translated at the exchange rates ruling at the period end. Exchange adjustments arising from the translation of the profit and loss account of the Irish branch are recognised in other comprehensive income.

1.7 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

1.8 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.

1.9 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortized 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.

1.10 Cash and cash equivalents

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.

1.11 Taxation

Taxation expense for the period 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 period 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 31 December 2021 (continued)

1 Principal accounting policies (continued)

1.11 Taxation (continued)

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 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.

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.

1.12 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".

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".

Notes to the financial statements for the year ended 31 December 2021 (continued)

1 Principal accounting policies (continued)

1.12 Employee benefits (continued)

Share-based payments

Equity-settled arrangements are measured at fair value (excluding the effect on nonmarket based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

1.13 Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the life of the lease.

1.14 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.

1.15 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:

	2021 £'000	2020 £'000
United Kingdom	6,977	10,699
Rest of Europe	712	1,114
	<u>7,689</u>	<u>11,813</u>

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Operating profit

Operating profit is stated after charging:

	2021 £'000	2020 £'000
Wages and salaries	1,736	2,177
Social security costs	236	326
Other pension costs	316	356
Share-based payments	5	5
Staff cost charged to profit and loss	2,293	2,864
Depreciation tangible assets	2	8
Operating lease charges:		
- Land and buildings (recharge from other group companies)	720	780
- Other	4	4
Operating lease charges	724	784
Fees payable to the Company's auditors for the audit of the Company's financial statements	65	65
Total amount payable to the Company's auditors	65	65

The operating lease for land and buildings for the UK operations is held with Paramount Pictures International Limited ("PPIL"), a fellow Paramount Global. 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 period / year was:

	2021 No.	2020 No.
Executive directors	1	1
Finance, administrative and management information systems	5	6
Sales and marketing	16	16
	22	23

Only one (2020: one) of the directors of the company is employed by Paramount Pictures UK.

Directors

The directors' emoluments were as follows:

	2021 £'000	2020 £'000
Aggregate emoluments	249	416

Post-employment benefits are accruing for 1 director (2020: 1) under a defined benefit scheme.

One director (2020: one) exercised share options during the period.

No directors are accruing benefits under a long-term incentive scheme (2020: nil).

Notes to the financial statements for the year ended 31 December 2021 (continued)

4 Employees and directors (continued)**Highest paid director**

The highest paid director's emoluments were as follows:

	2021 £'000	2020 £'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	249	416

The highest paid director exercised 235 share options in 2021 (2020: 242) and is not accruing benefits under a long-term incentive scheme in 2021 (2020: £nil).

5 Share-based payments

As a subsidiary of Paramount Global, the Company participates in a number of the Group's employee share schemes under which it makes equity-settled share based awards in Paramount Global shares to certain employees. The Compensation Committee to the Board of Paramount Global approves all equity awards. These are described in the financial statements of Paramount Global. There were no other share-based payment transactions during the period.

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 Paramount Global common stock at the date of grant.

During fiscal year 2020, certain employees of the Company were granted with stock options. The total charge for the period was £ 5,039 (2020: £ 4,967).

6 Interest receivable and similar income

	2021 £'000	2020 £'000
Bank interest received	-	26

7 Finance costs

	2021 £'000	2020 £'000
Interest expense	(9)	(7)
Interest income on plan assets	52	81
Interest expense on defined benefit obligation	(127)	(163)
	<u>(84)</u>	<u>(89)</u>

Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Tax on profit

	2021 £'000	2020 £'000
Current tax		
UK corporation tax charge on profit for the period / year	2	52
Adjustments in respect of previous years	(50)	-
Foreign tax relief	(2)	(3)
	<u>(50)</u>	<u>49</u>
Foreign tax suffered	2	4
Total current tax	<u>(48)</u>	<u>53</u>
Deferred tax		
Origination and reversal of timing differences	(1)	22
Effect of changes in tax rates	(140)	(60)
Total deferred tax charge	<u>(141)</u>	<u>(38)</u>
Tax on profit	<u>(189)</u>	<u>15</u>
Tax expense/(income) included in other comprehensive expense		
Deferred tax		
- Origination and reversal timing differences	1,007	(358)
	<u>1,007</u>	<u>(358)</u>

Reconciliation of tax charge

The tax assessed for the period is the lower than (2020: lower) the standard rate of corporation tax in the UK for the period ended 31 December 2021 of 19% (2020: 19%) and the differences are explained in the following table:

	2021 £'000	2020 £'000
Profit before tax	<u>223</u>	<u>374</u>
Tax on profit at standard rate of corporation tax in the UK of 19% (2020: 19%)	42	71
Effects of:		
Expenses not deductible for tax purposes	1	3
Effects of group relief / other relief	(41)	-
Effects of overseas tax rates	(3)	1
Adjustments in respect of previous years	(50)	-
Tax rate changes	(140)	(60)
Share options	2	-
Total tax charge / (credit) for the year / period	<u>(189)</u>	<u>15</u>

Notes to the financial statements for the year ended 31 December 2021 (continued)

9 Tangible assets

	Leasehold improve- ments £'000	Computer and computer software £'000	Total £'000
Cost			
At 1 January 2021	6	47	53
Disposals/transfers	(6)	(22)	(28)
At 31 December 2021	-	25	25
Accumulated depreciation			
At 1 January 2021	7	45	52
Charge for the year / period	1	1	2
On disposals/transfers	(8)	(21)	(29)
At 31 December 2021	-	25	25
Net book value			
At 31 December 2021	-	-	-
At 31 December 2020	(1)	2	1

10 Investments

	Investment in subsidiary companies £'000
Cost and net book value	
At 31 December 2020 and 31 December 2021	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 Paramount Global 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.

Notes to the financial statements for the year ended 31 December 2021 (continued)

11 Debtors

	2021 £'000	2020 £'000
Trade debtors	49	213
Amounts owed by group undertakings	7,834	7,213
Corporation tax	259	213
Deferred tax asset	187	1,052
Other debtors	313	833
	8,642	9,524

Amounts owed by Group undertakings

Amounts owed by group undertakings 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 at 0% interest.

Other debtors

Other debtors relates to prepaid advertising expenses on postponed films, A Quiet Place 2 and Top Gun Maverick in 2021.

Deferred tax asset

	2021 £'000	2020 £'000
At the beginning of the year / period	1,052	657
Credited to the income statement	142	38
(Charged) / credited to the statement of comprehensive income	(1,007)	357
At the end of the year / period	187	1,052

The deferred tax asset is made up as follows:

	2021 £'000	2020 £'000
Fixed assets timing differences	4	3
Short term timing differences	183	1,049
Accelerated capital allowances	187	1,052

On 23 September 2022, the UK Government announced that the main rate of corporation tax would no longer increase to 25% with effect from 1 April 2023, but would instead stay at 19%. On 14 October 2022, the UK Government announced that the tax rate would increase to 25% from 1 April 2023 as originally set out in the Spring Budget 2021.

12 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	562	70
Amounts owed to group undertakings	4,130	4,645
Taxation and social security	147	209
Accruals and deferred income	607	661
	5,446	5,585

Amounts owed to group undertakings 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 at 0% interest.

Notes to the financial statements for the year ended 31 December 2021 (continued)

13 Operating lease commitments

At 31 December, the Company has no lease payments under non-cancellable operating leases:

	2021 £'000	2020 £'000
Within one year	-	14
Two to five years	-	2
	<u>-</u>	<u>16</u>

Lease arrangements related to rent for the Dublin office have not been renewed and the copiers arrangement has been terminated.

14 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 16% of the liabilities are attributable to current employees, 62% to deferred pensioners and 22% 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 26 years), deferred pensioners (duration of 25 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 2018 and showed a deficit of £36,900,000. The Company pays contributions of 35.7% per annum of contribution salaries in respect of current accrual, with active members paying a further 5% of contribution salaries. The participating companies also pay a total of £ 514,946 per month for contributions in respect of reducing the Plan's funding deficit.

The next funding valuation is due as at 31 December 2021.

Notes to the financial statements for the year ended 31 December 2021 (continued)

14 Defined benefit pension scheme (continued)

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, and Diversified Growth Funds) 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 31 December 2021

A full valuation was carried out as at 31 December 2021. 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	2021 % p.a.	2020 % p.a.
RPI inflation	3.10	2.80
CPI inflation	2.60	2.40
Rate of general long-term increase in salaries	2.60	2.40
Pension increases (except on pre 88 GMP)	3.00	2.70
Discount rate for scheme liabilities	1.95	1.40

Notes to the financial statements for the year ended 31 December 2021 (continued)

14 Defined benefit pension scheme (continued)

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

	2021	2020
Main demographic assumptions	107% of SAPS S3 "light" with future projections in line with CMI 2020 improvements (Sk 7.0, "A" parameter 0.5%) with a long term rate of 1.25% p.a.	107% of SAPS S3 "light" with future projections in line with CMI 2019 improvements (Sk 7.0, "A" parameter 0.5%) with a long term rate of 1.25% p.a.

Mortality

Life expectancy for male currently aged 65	88.1	88.0
Life expectancy for female currently aged 65	89.6	89.5
Life expectancy at age 65 for male currently aged 45	89.3	89.3
Life expectancy at age 65 for female currently aged 45	91.0	90.9

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
--	--

Asset allocation	2021 £'000	2020 £'000
Equities	3,836	1,833
M&G Credit Invest	680	-
Invesco Global Return Fund	-	354
Aberdeen Diversified Growth Fund	-	356
BlackRock DC Diversified Growth Fund	677	374
LDI	1,624	733
Cash	70	56
	6,887	3,706

All assets have a quoted market value in an active market. At 31 December 2021 none of the above Plan assets related to self-investment.

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

	2021 £'000	2020 £'000
Fair value of Plan assets	6,886	3,706
Present value of funded defined benefit obligations	(7,619)	(9,228)
	(733)	(5,522)

The related deferred tax asset is recognised on the balance sheet under Note 11.

Notes to the financial statements for the year ended 31 December 2021 (continued)

14 Defined benefit pension scheme (continued)

The amounts recognised in comprehensive income are set out below:

	2021 £'000	2020 £'000
Amounts recognised in the statement of comprehensive income		
Current service cost	160	164
Administration cost	59	-
Net interest on net defined benefit asset	75	82
	294	246
Taken to other comprehensive income / (expense)		
Asset gains arising during the year / period	3,187	135
Liability gains / (losses) arising during the year / period	1,611	(1,862)
Total amount recognised in OCI	4,798	(1,727)
Total amount recognised in comprehensive income / (expense) and OCI	4,504	(1,481)

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

	2021 £'000	2020 £'000
Opening defined benefit obligation	9,228	7,480
Current service cost	160	164
Interest expense on defined benefit obligation	127	163
Contributions by Plan participants	16	19
Actuarial (gains)/losses	(1,611)	1,862
Net benefits paid out	(301)	(460)
Closing defined benefit obligation	7,619	9,228

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

	2021 £'000	2020 £'000
Opening fair value of plan assets	3,706	3,632
Interest income on Plan assets	52	81
Administration costs	(59)	-
Remeasurement gains	3,187	69
Contributions by the employer	285	365
Contributions by Plan participants	16	19
Net benefits paid out	(301)	(460)
Closing fair value of plan assets	6,886	3,706

The actual return on Plan assets was:

	2021 £'000	2020 £'000
Interest income on Plan assets	52	81
Remeasurement gain on Plan assets	3,187	69
Actual return on Plan assets	3,239	150

Notes to the financial statements for the year ended 31 December 2021 (continued)

15 Called up share capital

	2021 £	2020 £
Authorised		
100,000 (2020 - 100,000) ordinary shares of £ 1 each	100,000	100,000
	2021 £'000	2020 £'000
Allotted, called up and fully paid		
100,000 (2020 - 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.

16 Cash and cash equivalents

The Company has entered into an intercompany cash pooling agreement with the related party Viacom Finance BV. Under the intercompany cash pooling agreement Viacom Finance BV as an In House Bank (IHB) and through its Virtual Bank account structure makes payments and collects customer receipts on behalf of PP UK. At the balance sheet date, the balance on the Company's Intercompany IHB account with VFBV amounted to a receivable of £ 417,803 (2020 - £ 340,565). Funds drawn by the Company amounted to £ nil (2020 - £ nil).

17 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 Paramount Global group.

18 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 Paramount Global, a company incorporated in the USA. The ultimate controlling party of Paramount Global is National Amusements Inc., the beneficial owner of the majority of Paramount Global voting shares. Paramount Global's voting and non-voting shares are quoted.

The only group in which the results of Paramount Pictures UK are consolidated is Paramount Global. 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.

19 Subsidiaries and related undertakings

List of investments in subsidiaries at 31 December 2021:

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.

20 Subsequent year-end events

Effective February 16, 2022, ViacomCBS Inc., the parent of the Company changed its name to Paramount Global.