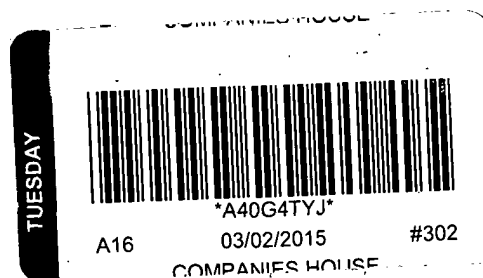


**Paramount Home Entertainment International Limited**

**Directors' report and financial statements**

**for the year ended 30 September 2014**



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## **Paramount Home Entertainment International Limited**

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### **Company Information**

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**Directors**

J Kanhai  
B Rathouse

**Company secretary**

FFW Secretaries Limited

**Registered number**

2139689

**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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**Paramount Home Entertainment International Limited**

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## **Paramount Home Entertainment International Limited**

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### **Strategic report for the year ended 30 September 2014**

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The directors present their strategic report on Paramount Home Entertainment International Limited (the “Company”) for the year ended 30 September 2014.

#### **Principal activity**

The Company’s principal activity during the year was to provide professional and consulting services to Viacom Global (Netherlands) B.V.

The Company operates on a cost plus basis on the overhead incurred for services provided to Viacom Global (Netherlands) B.V.

#### **Review of the year**

The Company’s profit for the financial year was £224,000 (2013: £334,000). The profit for the financial year has been transferred to reserves.

Profit on ordinary activities before taxation decreased by £168,000 compared with prior year. This is primarily due to a reduction in turnover of £525,000 (8%) and decrease in administrative expenses of £250,000 (4%) (2013: increase in turnover of £376,000 (6%) and in administrative expenses of £109,000 (2%)). Furthermore the payable interest and other finance costs has decreased by £98,000 (64%). The Company received interest of £9,000 in 2014 (2013: £nil).

The directors consider the results to be in line with expectations. No major changes are envisaged for the Company in the future.

#### **Key performance indicators (KPIs)**

Given the straightforward nature of the business, the Company’s directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

#### **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 foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Viacom Inc. group companies (the “Group”).

Group Treasury also seeks to limit counter-party risk by conducting all of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

#### **Liquidity risk**

The Company finances its operations through a combination of issued ordinary share capital and retained earnings.

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**Paramount Home Entertainment International Limited**

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**Strategic report (continued)  
for the year ended 30 September 2014**

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**Interest rate risk**

To the extent that the Company enters into banking arrangements, the Company's exposure to interest risk arises on surplus cash. Interest income in USD is based on O/N LIBOR, interest income in EUR is based on Eonia and interest income in GBP is based on Base Rate -100bp. When accounts are overdrawn interest expense in USD is based on O/N LIBOR, interest expense in EUR is based on Eonia +62.5bp and interest expense in GBP is based on Base Rate +62.5bp. The Company does not participate in interest rate hedging.

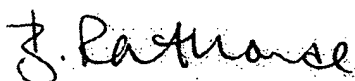
**Credit risk**

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 Pound Sterling, 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.



**B Rathouse**  
Director

Date: 29.1.15

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## **Paramount Home Entertainment International Limited**

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### **Directors' report for the year ended 30 September 2014**

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The directors present their report and the audited financial statements of the Company for the year ended 30 September 2014.

#### **Dividends**

The directors do not recommend the payment of a dividend (2013: £nil). No dividends were paid or declared during the year (2013: £nil).

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

The Company has in effect through its ultimate holding company, Viacom Inc., directors' indemnity insurance.

This is a qualifying third party indemnity provision and was in force during the financial year and at the date of approval of the financial statements.

#### **Directors**

The directors who served during the year and up to the date of signing these financial statements were:

J Kanhai  
B Rathouse

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

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**Paramount Home Entertainment International Limited**

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**Directors' report  
for the year ended 30 September 2014**

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**Statement of disclosure of information to auditors**

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

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

**Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office 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 21 were approved by the board and signed on its behalf.



**B Rathouse**  
Director

Date: 29.1.15

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## **Paramount Home Entertainment International Limited**

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### **Independent auditors' report to the members of Paramount Home Entertainment International Limited**

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

##### **Our opinion**

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

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Paramount Home Entertainment International Limited's financial statements comprise:

- the Balance sheet as at 30 September 2014;
- the Profit and loss account and Statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

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



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## Paramount Home Entertainment International Limited

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

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

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

As explained more fully in the Statement of directors' responsibilities set out on page 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 Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

Date:

30/1/2015

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**Paramount Home Entertainment International Limited**

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**Profit and loss account  
for the year ended 30 September 2014**

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	Note	2014 £000	2013 £000
<b>Turnover</b>	<b>1,2</b>	<b>5,770</b>	<b>6,295</b>
Administrative expenses		(5,429)	(5,679)
<b>Operating profit</b>	<b>3</b>	<b>341</b>	<b>616</b>
Interest receivable and similar income	6	9	-
Interest payable and similar charges	7	(2)	(4)
Other finance costs	8	(52)	(148)
<b>Profit on ordinary activities before taxation</b>		<b>296</b>	<b>464</b>
Tax on profit on ordinary activities	9	(72)	(130)
<b>Profit for the financial year</b>	<b>15</b>	<b>224</b>	<b>334</b>

All amounts relate to continuing operations.

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

The notes on pages 10 to 21 form part of these financial statements.

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**Paramount Home Entertainment International Limited**

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**Statement of total recognised gains and losses  
for the year ended 30 September 2014**

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	Note	2014 £000	2013 £000
<b>Profit for the financial year</b>		224	334
Actuarial loss related to pension scheme	18	(777)	(252)
Deferred tax relating to pension scheme	13	80	(121)
Current tax relating to pension scheme		63	50
Employee share scheme		13	27
		<hr/>	<hr/>
<b>Total recognised gains and losses relating to the year</b>		<b>(397)</b>	<b>38</b>
		<hr/>	<hr/>

The notes on pages 10 to 21 form part of these financial statements.

**Paramount Home Entertainment International Limited**  
**Registered number: 2139689**

**Balance sheet**  
**as at 30 September 2014**

	Note	£000	2014 £000	2013 £000
<b>Fixed assets</b>				
Tangible assets	10		-	-
<b>Current assets</b>				
Debtors	11	782	2,250	
Cash at bank and in hand		4,677	2,387	
		<u>5,459</u>	<u>4,637</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,962)</u>	<u>(1,070)</u>	
<b>Net current assets</b>			3,497	3,567
<b>Total assets less current liabilities</b>			3,497	3,567
Defined benefit pension scheme liability	18		<u>(3,822)</u>	<u>(3,495)</u>
<b>Net (liabilities)/assets including pension scheme liabilities</b>			<u>(325)</u>	<u>72</u>
<b>Capital and reserves</b>				
Called up share capital	14		10	10
Profit and loss account	15		<u>(335)</u>	<u>62</u>
<b>Total shareholders' funds</b>	16		<u>(325)</u>	<u>72</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

*B. Rathouse*

**B Rathouse**  
**Director**

Date: 29.1.15

The notes on pages 10 to 21 form part of these financial statements.

**Notes to the financial statements  
for the year ended 30 September 2014**

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**1. Accounting policies**

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

**1.1 Basis of preparation of financial statements**

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

**1.2 Cash flow statement and related party disclosures**

The Company is a wholly-owned subsidiary of Viacom Inc. 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 a cash flow statement under the terms of FRS 1 (revised 1996) "Cash flow statements". The Company is also exempt under the terms of FRS 8 "Related party disclosures" from disclosing related party transactions with entities that are part of the Viacom Inc. group or investees of the Viacom Inc. group.

**1.3 Turnover**

Turnover consists of professional and consulting services to Viacom Global (Netherlands) B.V., a fellow subsidiary undertaking, during the year, inclusive of pension related net finance costs, exclusive of VAT and foreign exchange gains and losses plus an 8% mark-up.

**1.4 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are expressed in Pound Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are expressed in 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.

**1.5 Tangible fixed assets and depreciation**

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

IT equipment	- 3 - 5 years straight line
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**Notes to the financial statements  
for the year ended 30 September 2014**

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**1. Accounting policies (continued)**

**1.6 Taxation**

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

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.

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

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

**1.7 Pensions**

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

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2012 and updated to 30 September 2014 by a qualified independent actuary.

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

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

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## Paramount Home Entertainment International Limited

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### Notes to the financial statements for the year ended 30 September 2014

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#### 1. Accounting policies (continued)

##### 1.8 Share based compensation

###### Employee share schemes

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed to the Profit and loss account on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will vest. A corresponding amount is recorded as a credit to the Profit and loss account reserve each year.

Fair value is measured using methods appropriate to each of the different schemes as follows:

Stock options	-	Black-Scholes
Restricted Share Units	-	Market value at grant date

##### 1.9 Cash at bank and in hand

Cash represents cash at bank and in hand and is available on demand.

#### 2. Turnover

Turnover consists of professional and consulting services to Viacom Global (Netherlands) B.V., a fellow subsidiary undertaking, during the year exclusive of VAT and foreign exchange gains and losses plus an 8% mark-up. Turnover is derived in the United Kingdom.

#### 3. Operating profit

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

	2014 £000	2013 £000
Depreciation of tangible fixed assets:		
- owned by the company	-	97
Auditors' remuneration	39	38
Difference on foreign exchange	138	35
Staff costs (Note 4)	3,146	2,844

During the year, no director received any emoluments (2013 - £nil).

Operating costs include items relating to events that occurred in prior periods but where the legal expenses crystallised in the current year.

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**Paramount Home Entertainment International Limited**

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**Notes to the financial statements  
for the year ended 30 September 2014**

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**4. Staff costs**

Staff costs were as follows:

	2014 £000	2013 £000
Wages and salaries	2,158	2,333
Social security costs	536	197
Other pension costs	439	287
Employee share scheme	13	27
	<u>3,146</u>	<u>2,844</u>

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

	2014 No.	2013 No.
Finance, administrative and management information systems	15	16
Product services/marketing	11	8
Operations	0	7
	<u>26</u>	<u>31</u>

The Company has certain share-based payment schemes which are accounted for under FRS 20 "Share-based payment". The assumptions used in measurement are derived from appropriate sources.

**5. Directors' remuneration**

None of the directors are remunerated by the Company (2013: nil) in respect of qualifying services to the Company. One (2013: one) of the directors is remunerated by Paramount Pictures International Ltd and one (2013: one) is remunerated by Viacom Global (Netherlands) B.V. Details are available in the financial statements of these companies.

**6. Interest receivable and similar income**

	2014 £000	2013 £000
Bank interest receivable	<u>9</u>	<u>-</u>

**7. Interest payable and similar charges**

	2014 £000	2013 £000
Other interest payable	<u>2</u>	<u>4</u>



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**Paramount Home Entertainment International Limited**

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**Notes to the financial statements  
for the year ended 30 September 2014**

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**8. Other finance costs**

	2014 £000	2013 £000
Expected return on pension scheme assets	603	447
Interest on pension scheme liabilities	(655)	(595)
	<u>(52)</u>	<u>(148)</u>

**9. Tax on profit on ordinary activities**

	2014 £000	2013 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b>		
UK corporation tax charge on profit for the year	63	103
Adjustments in respect of prior periods	25	-
<b>Total current tax</b>	<u>88</u>	<u>103</u>
<b>Deferred tax (Note 13)</b>		
Origination and reversal of timing differences	(16)	27
<b>Tax on profit on ordinary activities</b>	<u>72</u>	<u>130</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 22.00% (2013 - 23.50%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	<u>296</u>	<u>464</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.00% (2013 - 23.50%)	65	109
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1	2
Depreciation in excess of capital allowances	-	(8)
Adjustments to tax charge in respect of prior periods	25	-
Taxable deductions in excess of profit and loss charge	(3)	-
<b>Current tax charge for the year</b>	<u>88</u>	<u>103</u>

**Notes to the financial statements  
for the year ended 30 September 2014**

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**9. Tax on profit on ordinary activities (continued)**

**Factors that may affect future tax charges**

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company profits are taxed at an effective rate of 22%. A further reduction to 20% effective from 1 April 2015 was enacted by Parliament on 17 July 2013 and accordingly deferred tax closing balances have been calculated at a rate of 20%.

**10. Tangible fixed assets**

	IT equipment £000
<b>Cost</b>	
At 1 October 2013 and 30 September 2014	8,767
<b>Accumulated depreciation</b>	
At 1 October 2013 and 30 September 2014	8,767
<b>Net book value</b>	
At 30 September 2014	-
At 30 September 2013	-

**11. Debtors**

	2014 £000	2013 £000
Amounts owed by group undertakings	309	1,864
Value added tax receivable	173	138
Corporation tax receivable	136	120
Prepayments	22	2
Deferred tax asset (Note 13)	142	126
	782	2,250

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

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**Paramount Home Entertainment International Limited**

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**Notes to the financial statements  
for the year ended 30 September 2014**

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**12. Creditors:  
Amounts falling due within one year**

	2014 £000	2013 £000
Trade creditors	38	8
Amounts owed to group undertakings	1,689	658
Other taxation and social security	111	-
Accruals	124	404
	<u>1,962</u>	<u>1,070</u>

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

**13. Deferred tax asset**

	2014 £000	2013 £000
At beginning of year	126	153
Released during/(charged for) year to Profit and loss account	16	(27)
At end of year	<u>142</u>	<u>126</u>

The deferred tax asset is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	120	126
Tax losses carried forward	16	-
Share options	6	-
	<u>142</u>	<u>126</u>

**14. Called up share capital**

	2014 £000	2013 £000
<b>Authorised</b>		
1,000 (2013 - 1,000) ordinary shares of £100 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100 (2013 - 100) ordinary shares of £100 each	<u>10</u>	<u>10</u>

**Notes to the financial statements  
for the year ended 30 September 2014**

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**15. Reserves**

	Profit and loss account £000
At 1 October 2013	62
Profit for the financial year	224
Employee share options	13
Actuarial loss relating to pension scheme	(777)
Deferred tax relating to pension scheme	62
Current tax relating to pension scheme	81
	<hr/>
At 30 September 2014	(335)
	<hr/>

The closing balance on the Profit and loss account includes a £3,822,000 (2013 - £3,495,000) debit, stated after deferred taxation of £955,000 (2013 - £875,000), in respect of pension scheme liabilities of the company pension scheme.

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

	2014 £000	2013 £000
Opening shareholders' funds	72	34
Profit for the financial year	224	334
Other recognised gains and losses during the year	(621)	(296)
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(325)	72
	<hr/>	<hr/>

Other recognised gains and losses during the year of £603,000 (2013 - £296,000) comprises a charge of £697,000 (2013 - £373,000) net of deferred tax arising from the actuarial loss in the pension scheme, a credit of £13,000 (2013 - £27,000) arising from the employee share scheme and a credit of £81,000 (2013 - £50,000) arising from current tax relating to the pension scheme.

**17. Contingent liabilities**

The Company has entered into a cash pooling agreement with respect to its GBP, EUR and USD denominated bank accounts held with 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 GBP 4,981,000, USD 50,000 and EUR 170,000 (2013: GBP 335,000 and USD 4,156,000). The funds drawn by the Company amounted to GBP 325,000 and USD 234,000 (2013: EUR 703,000).

**Notes to the financial statements  
for the year ended 30 September 2014**

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**18. Pension commitments**

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

**Defined contribution scheme**

Since 1 August 2009 the Company has operated a defined contribution scheme for its newly hired employees. The cost of contributions by the Company for the year was £88,000 (2013 - £72,000). The Company has no outstanding contributions at the end of the financial year (2013 - £nil).

**Defined benefit pension scheme**

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

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

The Company accounts for pension costs in accordance with FRS17. The pension cost in respect of the group pension scheme is based on actuarial advice from AON Consulting Limited. The most recent valuation was as at 31 December 2012 and has been updated using the projected unit method of valuation, and takes into account the requirements of FRS17 in order to assess the liabilities of the scheme at 30 September 2014. Scheme assets are stated at their market value at 30 September 2014 (2013 - market value at 30 September 2013).

The amounts recognised in the Balance sheet are as follows:

	2014 £000	2013 £000
Present value of funded obligations	(16,633)	(14,789)
Fair value of scheme assets	11,856	10,419
Deficit in scheme	(4,777)	(4,370)
Related deferred tax asset	955	875
Net liability	(3,822)	(3,495)

The amounts recognised in profit or loss are as follows:

	2014 £000	2013 £000
Current service cost	(238)	(215)
Interest on obligation	(655)	(595)
Expected return on scheme assets	603	447
Total	(290)	(363)
Actual return less expected return on scheme assets	210	639

**Notes to the financial statements  
for the year ended 30 September 2014**

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**18. Pension commitments (continued)**

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

	2014 £000	2013 £000
Opening defined benefit obligation	14,789	13,126
Current service cost	238	215
Interest cost	655	595
Contributions by scheme participants	36	39
Actuarial Losses	987	891
Benefits paid	(72)	(77)
	<hr/>	<hr/>
Closing defined benefit obligation	16,633	14,789
	<hr/>	<hr/>

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

	2014 £000	2013 £000
Opening fair value of scheme assets	10,419	8,795
Expected return on assets	603	447
Actuarial gains and (losses)	210	639
Contributions by employer	660	576
Contributions by scheme participants	36	39
Benefits paid	(72)	(77)
	<hr/>	<hr/>
Closing fair value of scheme assets	11,856	10,419
	<hr/>	<hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £5,708,000 (2013 - £4,931,000).

The Company expects to contribute £679,000 (2013 - £705,000) to its defined benefit pension scheme in the year ending 30 September 2015.

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**Notes to the financial statements  
for the year ended 30 September 2014**

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**18. Pension commitments (continued)**

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

	2014	2013
Equities	56.04 %	63.85 %
Alternative Growth (not applicable in 2013)	13.89 %	- %
Bonds	17.25 %	17.35 %
Index-linked gilts	7.48 %	10.10 %
Cash	5.34 %	8.70 %

The expected rates of return at 30 September 2014 were:

	2014	2013
Equities	7.50 %	7.80 %
Alternative Growth (not applicable in 2013)	7.20 %	- %
Bonds	3.80 %	4.30 %
Index-linked gilts	3.00 %	3.40 %
Cash	0.50 %	0.50 %

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

	2014	2013
Discount rate at 30 September	3.80 %	4.40 %
Future salary increases	2.40 %	4.60 %
Future pension increases	3.40 %	3.60 %
Inflation assumptions	3.40 %	3.60 %

The mortality table S1, projected in line with the CMI2013 model with a 1.25% pa long term rate of improvement was used in retirement for current pensioners and for future pensioners.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2014	2013
Retiring today		
Males	22.2	22.3
Females	24.6	24.8
Retiring in 20 years		
Males	23.9	24.1
Females	26.5	26.8

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**Paramount Home Entertainment International Limited**

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

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

**Defined benefit pension schemes**

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligation	(16,633)	(14,789)	(13,126)	(10,689)	(11,509)
Scheme assets	11,856	10,419	8,795	7,007	6,867
Deficit	<u>(4,777)</u>	<u>(4,370)</u>	<u>(4,331)</u>	<u>(3,682)</u>	<u>(4,642)</u>
Experience adjustments on scheme liabilities	(161)	697	(303)	154	486
Experience adjustments on scheme assets	<u>210</u>	<u>639</u>	<u>607</u>	<u>(425)</u>	<u>342</u>

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

The Company is a subsidiary undertaking of Paramount Home Entertainment International B.V. incorporated in the Netherlands.

Paramount Home Entertainment International B.V. is owned by Viacom Inc., a company incorporated in the USA, through its subsidiary Viacom Overseas Holdings C.V. The consolidated financial statements of Viacom Inc. are available to the public and may be obtained from 1515 Broadway, New York, 10036, USA.

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

The largest and smallest group for which consolidated financial statements are drawn up and of which the Company is a member, is Viacom Inc., incorporated in the state of Delaware in the United States of America.