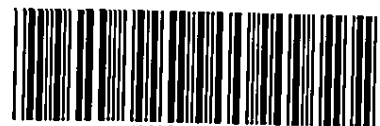


Paramount Pictures International Limited

(Registered number: 03458440)

**Directors' report and financial statements
31 December 2006**

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Paramount Pictures International Limited

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Paramount Pictures International Limited

Directors' report for the year ended 31 December 2006

The directors present their report and audited financial statements for the year ended 31 December 2006

Principal activity, review of the business and future developments

The principal activity of the company is the provision of services related to film distribution. The directors are satisfied with the performance of the company and expect these activities to continue.

Results and dividends

The company's profit for the year amounts to £48,047 (2005 £68,917 profit). The directors do not recommend the payment of a dividend (2005 £ nil). The profit for the year has been transferred to reserves.

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, bank overdrafts and other creditors.

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 is based on UK LIBOR -0.25bp. When accounts are overdrawn, the interest expenses are based on UK LIBOR +0.25bp. 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, there is an exposure to movements in exchange rates. The company does not participate in cross-currency hedging.

Paramount Pictures International Limited

Directors' report for the year ended 31 December 2006 (continued)

Directors and their interests

The directors, who served during the year or between the year end and the date of issuance of these financial statements, were

R Affourtit
M O'Sullivan
T Ellis (Resigned 30 November 2006)
P Solomons (Appointed 19 January 2007)

None of the directors had any interest in the company's share capital or in any transactions entered into by the company during the year which are required to be disclosed in accordance with the Companies Act 1985

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

So far as the directors are 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 in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Company secretary

The following changes have been made in the function of the company secretary during 2006

Lucy Brosnan (Resigned 16 February 2006)
Brigit Rathouse (Resigned 16 February 2006)
Christopher Jackson (Appointed 16 February 2006)
Simon Haynes (Appointed 16 February 2006)

Paramount Pictures International Limited

Directors' report for the year ended 31 December 2006 (continued)

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

By order of the board


M O'Sullivan

35 Vine Street
London
EC3N 2AA

30 October 2007

Independent Auditors' Report To The Members of Paramount Pictures International Limited

We have audited the financial statements of Paramount Pictures International Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31 October 2007

Paramount Pictures International Limited

Profit and loss account for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	3	2,198,168	1,151,716
Cost of sales		(2,021,355)	(1,078,529)
Gross profit		176,813	73,187
Other (expenses) / income		(48,158)	41,694
Operating profit	4	128,655	114,881
Interest receivable and similar income	5	12,925	7,650
Interest payable and similar charges	6	(51,243)	(19,667)
Profit on ordinary activities before taxation		90,337	102,864
Taxation on profit on ordinary activities	8	(42,290)	(33,947)
Retained profit for the year	14	48,047	68,917

The profit for the year was derived from continuing operations

There are no recognised gains or losses other than those shown above


There is no difference between the results as reported and their historical cost equivalents

Paramount Pictures International Limited

Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	10	63,731	30,414
		63,731	30,414
Current assets			
Debtors	11	1,539,417	161,723
Cash		230,913	295,053
		1,770,330	456,776
Creditors amounts falling due within one year	12	(1,895,514)	(609,690)
Net current liabilities		(125,184)	(152,914)
Net liabilities excluding pension liability		(61,453)	(122,500)
Pension liability	17	(13,000)	-
Net liabilities including pension liability		(74,453)	(122,500)
Capital and reserves			
Called up ordinary share capital	13	1	1
Profit and loss account	14	(74,454)	(122,501)
Equity shareholders' deficit	14	(74,453)	(122,500)

The financial statements on pages 7 to 18 were approved by the board of directors on 30 October 2007 and were signed on its behalf by



M O'Sullivan
Director

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

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

a) Basis of preparation

The accounts have been prepared in accordance with the Companies Act 1985, under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared on a going concern basis as the ultimate parent undertaking, Viacom Inc, has formally indicated that it will continue to provide sufficient funding to the company, to enable it to meet its liabilities as they fall due for at least the twelve months following the approval of these financial statements

b) Changes in accounting policies

The company has adopted FRS 20, 'Share-based Payment', and FRS 26, 'Financial instruments Measurement', in these financial statements. The adoption of these standards represents changes in accounting policies. There was no impact on the financial statements as a result of the adoption of FRS 20 or FRS 26

c) Turnover

Turnover consists of service fees billed, exclusive of VAT, but inclusive of intra-group transactions, in respect of services provided in the financial year

d) Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are expressed in sterling at the average rates ruling during the month of the transaction. The resulting profits or losses are dealt with in the profit and loss account

e) Pension benefits

The company participates in a group pension scheme arrangement which provides defined benefits

The cost of providing benefits is determined using the projected unit valuation method, with FRS 17 valuations performed at each balance sheet date and full actuarial valuations being carried out every three years. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses would be 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

The retirement benefit obligations recognised in the balance sheet represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets and any unrecognised past service cost. The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within interest

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

f) 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 suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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

g) Tangible fixed assets

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

Equipment, furniture and fittings	10 years
Motor vehicle	3 years (the lease period)

h) Leases

Operating lease rentals are charged on a straight-line basis over the lease term

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital payments outstanding

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. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Viacom Inc group or investees of the Viacom Inc group

3 Turnover

Turnover consists of service fees billed exclusive of VAT, but inclusive of intra-group transactions in respect of services provided in the financial year. All turnover is generated in the United Kingdom

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

4 Operating profit

	2006 £	2005 £
Operating profit is stated after charging		
Depreciation of tangible fixed assets	22,243	21,019
Foreign exchange loss / (gain)	35,010	(32,431)
Operating lease rentals – other	3,900	5,347
Auditors' remuneration – audit services	15,000	10,964

5 Interest receivable and similar income

	2006 £	2005 £
Interest receivable	12,925	7,650
	12,925	7,650

6 Interest payable and similar charges

	2006 £	2005 £
Interest payable	49,818	18,237
Finance lease interest	1,425	1,430
	51,243	19,667

7 Employee information

Staff costs during the year were as follows

	2006 £	2005 £
Wages, salaries and bonuses	880,383	426,495
Social security costs	115,993	59,044
Pensions costs (note 17)	60,000	120,534
	1,056,376	606,073

The average number of employees during the year was 6 (2005 3), including one director, all employees being engaged in distribution and related services

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

8 Taxation on profit on ordinary activities

The tax charge based on the profit on ordinary activities comprises

	2006 £	2005 £
Current Tax		
UK Corporation Tax on profit of the year at 30% (2005 30%)	48,030	33,647
Adjustment in respect of previous periods	708	-
Total current tax	48,738	33,647
Deferred Tax		
Origination and reversal of timing differences	(5,162)	300
Adjustment in respect of previous periods	(1,286)	-
Total deferred tax	(6,448)	300
Taxation on profit on ordinary activities	42,290	33,947

The tax assessed for the year varied from the amount computed by applying the standard rate of corporation tax in the UK (30%) to the profit on ordinary activities before tax. The differences are attributed to the following factors

	2006 £	2005 £
Profit on ordinary activities before tax	90,337	102,864
Profit on ordinary activity multiplied by standard UK rate, 30% (2005 30%)	27,101	30,859
Effects of		
Expenses not deductible for tax purposes	22,020	3,088
Accelerated capital allowances and other timing differences	(115)	(300)
Other permanent differences	(253)	-
Other short term timing differences	(723)	-
Current tax charge for the year	48,030	33,647

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

Taxation on profit on ordinary activities (continued)

The deferred tax credit was mainly as a result of the tax effect of timing differences as follows

	2006 £	2005 £
Accelerated capital allowances	(115)	300
Pension credit	5,277	-
Total current year deferred tax credit	5,162	300

9 Directors' emoluments

	2006 £	2005 £
Remuneration	174,375	169,925
Pension contributions	36,497	35,899
	210,872	205,824

One director (2005 one) received emoluments and one (2005 one) director is accruing benefits under a defined benefits scheme. There are no Long Term Incentive Schemes for directors. One (2005 two) director was granted stock options during the year in the ultimate parent company, but no (2005 nil) directors exercised share options during the year.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

10 Tangible fixed assets

	Equipment, Furniture and Fittings £	Motor Vehicles £	Total £
Cost			
At 1 January 2006	33,793	53,334	87,127
Additions	-	55,560	55,560
Disposals	-	(53,334)	(53,334)
At 31 December 2006	33,793	55,560	89,353
Depreciation			
At 1 January 2006	18,194	38,519	56,713
Charge for the year	2,798	19,445	22,243
Disposals	-	(53,334)	(53,334)
At 31 December 2006	20,992	4,630	25,622
Net book value			
At 31 December 2006	12,801	50,930	63,731
At 31 December 2005	15,599	14,815	30,414

All of the motor vehicle amounts disclosed as capitalised above are held under finance leases

11 Debtors

	2006 £	2005 £
Trade debtors	9,152	-
VAT debtor	198,089	26,538
Amounts owed by group undertakings	1,331,185	132,372
Other debtors	991	2,813
	1,539,417	161,723

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdraft	1,385,100	385,381
Amounts due from group undertakings	263,203	17,742
Deferred tax (Note 16)	414	859
Corporate tax payable	34,547	22,753
Taxation and social security	-	81,869
Finance lease creditor	53,327	30,907
Accruals and deferred income	155,923	70,179
	1,895,514	609,690

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

12 Creditors: amounts falling due within one year (continued)

Finance lease creditor

Future minimum payments under finance leases are as follows

	2006 £	2005 £
Within one year	-	30,907
In more than one year, but less than five years	53,327	-
	53,327	30,907

13 Share capital

	2006 £	2005 £
Authorised		
100 ordinary shares at £1 each	100	100
Allotted and fully paid		
1 ordinary shares at £1 each	1	1

14 Reconciliation of movements in shareholders' deficit and reserves

	2006 £	2005 £
Profit for the year	48,047	68,917
Net reduction to shareholders' deficit	48,047	68,917
Opening shareholders' deficit	(122,500)	(191,417)
Closing shareholders' deficit	(74,453)	(122,500)

	Share capital £	Profit and loss account £	Total equity shareholders' deficit £
At 1 January 2006	1	(122,501)	(122,500)
Retained profit for the year	-	48,047	48,047
At 31 December 2006	1	(74,454)	(74,453)

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

15 Financial commitments

At 31 December, the company had annual commitments under non-cancellable operating leases to make payments as follows

	2006 £	2005 £
Other assets expiring		
Within one year	-	4,010
Within two to five years	14,950	-
	14,950	4,010

16 Deferred taxation

The elements of deferred taxation provided for in the financial statements are as follows

	2006 £	2005 £
Accelerated capital allowances	977	859
Other short term timing differences	(562)	-
Total deferred tax liability	414	859

17 Pension commitments

Prior to 2006, the company participated in a defined benefit scheme the assets of which were held separately from those of the company in independently administered funds. The defined benefit arrangement operated on a pre-funded basis, and the policy was to contribute variable amounts, based on actuarial advice, to achieve a 100% funding level on a projected salary basis. Although the scheme was a defined benefit arrangement, it was a multi-employer scheme for which it had not been possible to identify the underlying assets and liabilities attributable to each participating company, as defined in FRS 17 and therefore had been accounted for as a defined contribution scheme, with pension costs charged to the profit and loss account representing contributions payable in respect of the period. Effective from 1 January 2006, the company exited its obligations in respect of that pension scheme, at which time the scheme was fully funded.

Effective from 1 January 2006, 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 company accounts for pension costs in accordance with FRS 17 "Retirement benefits". The pension cost in respect of the group pension scheme is based on actuarial advice from Aon Consulting Limited. The most recent valuation was as of 31 December 2006, using the projected unit method of valuation and has been updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2005. Scheme assets are stated at their market value at 31 December 2006.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

17 Pension commitments (continued)

The major financial assumptions used in the calculations at 31 December 2006 were

	2006
Discount rate	5.20%
Inflation assumption	3.20%
Rate of increase in salaries	5.20%
Rate of increase in pensions payment	3.20%

The expected rates of return at 31 December 2006 were

	2006
Equities	8.00%
Bonds	5.20%
Index-linked gilts	4.50%
Cash	5.00%

The fair value of the assets in the scheme at 31 December 2006 were

	2006 £'000
Equities	31
Bonds	7
Index-linked gilts	3
Cash	-
Total market value of assets	41
Present value of scheme liabilities	(60)
(Deficit)/surplus before any allowance for deferred tax liability	(19)
Related deferred tax asset/(liability)	6
Net pension (liability)/asset under FRS 17	(13)

The actuarial value of assets represents 68% of the combined value of the benefits that have accrued to members, after allowing for expected future increases in salaries

Details of experience gains and losses for the year ended 31 December 2006

History of experience gains and losses	2006 £'000
Difference between the expected and actual rate of return on assets	-
Percentage of the total market value of the pension scheme assets	-
Experience loss on scheme liabilities	-
Percentage of the present value of the scheme liabilities	-

The following amounts have been recorded in the profit and loss account and statement of total recognised gains and losses for the year ended 31 December 2006

Paramount Pictures International Limited

Notes to the financial statements for the year ended 31 December 2006

17 Pension commitments (continued)

Operating Profit	2006
	£'000
Current service cost	(60)
Total operating charge	(60)

Other finance charges	2006
	£'000

Expected return on assets	-
Interest cost	-
Total net cost	-

Statement of total recognized gains and losses	2006
	£'000

Actual return less expected return on pension scheme assets	-
Change in assumption	-
Experience gains arising on scheme liabilities	-

Total amount recognized in statement of total recognized gains and losses	-
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Movement in deficit during the year	2006
	£'000

Deficit at start of year	-
Operating charge of the year	(60)
Other financing income/(expense)	-
Employer contributions	41
Actuarial loss	-

Deficit at end of the year	(19)
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18 Ultimate parent undertaking

The company's immediate and ultimate parent companies are Viacom Global (Netherlands) B V and Viacom Inc respectively, incorporated in the Netherlands and the USA. The ultimate controlling party of Viacom Inc is National Amusements Inc, the beneficial owner of the majority of Viacom Inc voting shares.

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