

Paramount Pictures International Limited

(Registered Number 03458440)

**Directors' report and financial statements for the
year ended 30 September 2011**

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Director's report for the year ended 30 September 2011

The director presents his report and the audited financial statements of Paramount Pictures International Limited (the "Company") for the year ended 30 September 2011. Comparative information in these financial statements relates to the nine month period ended 30 September 2010.

Principal activity

The principal activity of the Company is the provision of professional and consulting services to all Paramount Pictures International subsidiaries.

Business review and future developments

The Company operates on a cost plus basis on the overheads incurred for services provided to theatrical subsidiaries.

There were no significant changes in the business activities, however there was a slight proportional increase in administrative expenses mainly due to an increase in salaries and digital consultancy activities.

During the last quarter of the fiscal year, the Company reviewed its cost structure and took certain actions to combine and increase the efficiency of various functions across the organisation. The restructuring plan included workforce reductions and other exit activities across the Company's operations, which are well under way. It is expected that the restructuring plan will be substantially completed by 30 September 2012 and after the restructuring the Company will continue to operate as a going concern for the foreseeable future.

Results and dividends

The Company's profit for the financial year amounts to £1,475,000 (2010: £917,000). The directors do not recommend the payment of a dividend (2010: £nil). The profit for the financial year has been transferred to reserves. No dividends were paid or declared during the year (2010: £nil).

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.

Director's report for the year ended 30 september 2011 (continued)

Liquidity risk

The Company finances its operations through a combination of retained earnings and loans from the Group

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 +62.5bp, interest expense in EUR is based on Eonia +62.5bp and interest expense in GBP is based on Base Rate +100bp. 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 Pounds Sterling, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

Creditor payment policy

The Company aims to pay all of its creditors in accordance with the policies set out below:

- i) agree the terms of payment at the commencement of business with that supplier,
- ii) ensure that suppliers are aware of the terms of payment; and
- iii) pay in accordance with contractual and other legal obligations.

The Company has 48 days purchases outstanding at 30 September 2011 (2010: 45 days) based on the average daily amount invoiced by suppliers during the year then ended.

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.

Director's report for the year ended 30 september 2011 (continued)

Directors

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

R Affourtit

P Solomons (resigned 29 February 2012)

L. Miller (resigned 2 January 2012)

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he/she is 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 director is 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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. He/she is 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 director confirms that he/she has complied with the above requirements in preparing the financial statements.

Disclosure of information to auditors

So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the persons who are directors at the time when this Director's report is approved has confirmed that

Director's report for the year ended 30 september 2011 (continued)

Each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with section 418(1) to (4) of the Company Act 2006.

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.

By order of the board,

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a small upward tick at the end.

R. Affourtit
(Director)

Amsterdam, 24 May 2012

Independent Auditors' Report to the Members of Paramount Pictures International Limited

We have audited the financial statements of Paramount Pictures International Limited (the "Company") for the year ended 30 September 2011 which comprise the Profit and losses account, the Statement of total recognised gains and losses, the Balance sheet and the related notes. 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).

Respective responsibilities of director and auditors

As explained more fully in the statement of director's responsibilities on page 4 the director is 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). 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.

Scope of the audit of the financial statements

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 director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 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

Independent Auditors' Report to the Members of Paramount Pictures International Limited (continued)

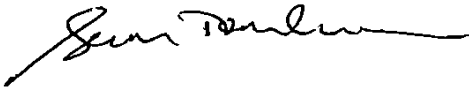
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

Amsterdam, 24 May 2012

Profit and loss account for the year ended 30 September 2011

		2011	2010
	Notes	£'000	£'000
Turnover	3	28,020	15,414
Administrative expenses		(27,310)	(15,578)
Other operating income		1,653	1,395
Operating profit	4	2,363	1,231
Interest payable and similar charges	5	(135)	(70)
Profit on ordinary activities before taxation		2,228	1,161
Tax on profit on ordinary activities	7	(753)	(244)
Profit for the financial year/period	15	1,475	917

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year/periods stated above and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 30 September 2011

		2011	2010
	Notes	£'000	£'000
Profit for the financial year/period		1,475	917
Actuarial gain/(loss) on pension scheme	17	48	(1,112)
Deferred tax relating to actuarial gain/(loss) on pension scheme		(12)	275
Total recognised gains relating to the year/period		1,511	80

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

The notes on pages 10 to 31 form part of these financial statements

Balance sheet as at 30 September 2011

		2011	2010
	Notes	£'000	£'000
Fixed assets			
Tangible assets	10	7,085	7,450
Current assets			
Debtors	11	13,593	5,025
Cash at bank and in hand		1,083	271
		14,676	5,296
Creditors - amounts falling due within one year	12	(7,325)	(6,477)
Net current assets/(liabilities)		7,351	(1,181)
Total assets less current liabilities		14,436	6,269
Creditors - amounts falling due after more than one year	12	(2,074)	(2,495)
Provisions for liabilities			
Pension liability	17	(1,532)	(1,354)
Other provisions	13	(7,572)	(1,050)
Net assets		3,258	1,370
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	3,258	1,370
Total shareholders' funds	15	3,258	1,370

The accompanying notes form an integral part of these financial statements

The financial statements on pages 8 to 31 were approved by the Board of Directors on 24 May 2012 and were signed on its behalf by.

R. Affourtit

(Director)

Paramount Pictures International Limited

(Registered Number 03458440)

Notes to the financial statements for the year ended 30 September 2011

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 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

b) Turnover

Turnover consists of services provided solely in the UK to other Group companies during the year, exclusive of VAT and foreign exchange gains and losses plus an 8% mark-up

c) Foreign currencies

Monetary 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 rate of exchange prevailing on the date of the transaction. The resulting profits or losses are dealt with in the profit and loss account.

d) Pensions

The Company operates a defined contribution pension scheme and the related expenditure is charged to the profit and loss account in the year in which it relates.

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2009.

Notes to the financial statements for the year ended 30 September 2011

d) Pensions (continued)

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

The retirement benefit obligations recognised in the balance sheet represent the present value of the 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.

e) 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 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.

Notes to the financial statements for the year ended 30 September 2011

f) Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis to write off the cost of the assets (less the estimated residual value) over their estimated useful lives, as follows

Office equipment	3 - 10 years
Furniture and fittings	3 - 10 years
Leasehold improvements	Over period of lease
Computers	3 years
Computer software	3 years

Work in progress

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

g) Leases

Payments (net of any incentives received from the lessor) made under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight-line basis over the period of the lease. Benefits received as an incentive to enter into an operating lease are recorded on a straight-line basis over the shorter of the lease term and a period ending on the date from which market rental will apply. Income from sub-letting of leased properties is included in other operating income on a straight-line basis.

h) 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.

Notes to the financial statements for the year ended 30 September 2011

h) Share based compensation (continued)

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
Performance Share Units	Monte Carlo

i) Cash at bank and in hand

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

j) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The dilapidations provision is the current best estimate of the cost of bringing certain premises, held under operating leases, back to their original state as required by the lease agreement. This provision is built up over the life of the lease with the associated cost recognised as an operating item in the profit and loss account

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 that Group, 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

3 Turnover

Turnover consists of professional and consulting services provided solely in the UK to other Group companies during the year exclusive of VAT and foreign exchange gains and losses plus an 8% mark-up

Notes to the financial statements for the year ended 30 September 2011

4 Operating profit

	2011	2010
	£'000	£'000
Depreciation of tangible assets (Note 10)	1,828	1,101
Foreign exchange gain	(287)	(88)
Operating lease rentals	1,352	1,254
- building		
- other	62	55
Auditors' remuneration	35	31
- audit services		

Other income includes rental income charges to Group companies and related parties of £1,653,000 (2010: £1,395,000)

5 Interest payable and similar charges

	2011	2010
	£'000	£'000
Interest on loan from Viacom Global (Netherlands) B V	24	29
Bank interest payable	13	9
Other finance costs	98	32
	135	70

Notes to the financial statements for the year ended 30 September 2011

6 Employee information

Staff costs during the year were as follows.

	2011	2010
	£'000	£'000
Wages and salaries	9,219	6,989
Redundancy cost	6,845	-
Social security costs	1,043	767
Employee share schemes (Note 9)	377	254
Pension costs (Note 17)	1,015	713
	18,499	8,723

The average number of persons employed by the Company during the year was as follows

	2011	2010
Finance, Administrative and Management Information Systems	63	59
Product Services/Marketing	56	62
Operations	1	1
	120	122

7 Tax on profit on ordinary activities

a) The tax charge based on the profit on ordinary activities comprises:

	2011	2010
	£'000	£'000
Current tax:		
UK corporation tax on profits for the year/period at 27% (2010 28%)	917	543
Adjustment in respect of previous years	(28)	(234)
Total current tax charge	889	309
Deferred tax:		
Timing differences, origination and reversal	(124)	(100)
Adjustment in respect of previous years	34	61
Movement on pension scheme under FRS 17	(46)	(26)
Total deferred tax	(136)	(65)
Total tax on profit on ordinary activities	753	244

Notes to the financial statements for the year ended 30 September 2011

7 Tax on profit on ordinary activities (continued)

The current tax charge for the year is higher (2010: lower) than the standard rate of corporation tax in the UK of 27% (2010: 28%). The differences are explained below

b) Circumstances affecting tax:

	2011	2010
	£'000	£'000
Profit on ordinary activities before tax	2,228	1,162
Profit on ordinary activities multiplied by the standard rate of tax in the UK in 2011 of 27% (2010: 28%)	601	325
<u>Factors affecting charge</u>		
Disallowable expenses	105	91
Depreciation in excess of capital allowances	135	49
Adjustment in respect of prior periods	(28)	(234)
Other timing differences	30	52
Pension costs in excess of pension scheme contributions	46	26
Current tax charge for the year	889	309

c) Deferred taxation:

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

	2011	2010
	£'000	£'000
Accelerated capital allowances	170	261
Other timing differences	(276)	(274)
Deferred tax in respect of share options	(24)	(27)
Deferred tax asset excluding that relating to pension deficit	(130)	(40)
Deferred tax asset relating to pension deficit (Note 17)	(510)	(476)
Total deferred tax asset	(640)	(516)

Notes to the financial statements for the year ended 30 September 2011

7 Tax on profit on ordinary activities (continued)

c) Deferred taxation (continued):

	2011	2010
	£'000	£'000
<u>Analysis of movement in provision:</u>		
At 1 October/January	(516)	(176)
Credited to profit and loss account	(136)	(65)
Amount charged/(credited) to the statement of total recognised gains and losses	12	(275)
At 30 September	(640)	(516)

d) Factors affecting future tax charge:

The Finance Bill 2012 includes legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

8 Directors' remuneration

The directors' remuneration in respect of their services to the Company is set out below.

	2011	2010
	£'000	£'000
Directors' emoluments (including pension contributions)	640	372

Retirement benefits are accruing to one (2010: one) director under a defined benefit scheme.

Two (2010: two) of the directors were remunerated by the Company. One (2010: one) of the directors is remunerated by Viacom Global (Netherlands) B.V. in the Group and details are available in the financial statements of that company.

The directors were granted stock options and Restricted Share Units (see Note 9) during the current and prior years in the ultimate parent company.

Notes to the financial statements for the year ended 30 September 2011

8 Directors' remuneration (continued)

The directors are not entitled to any benefits from Long Term Incentive Schemes. The remuneration for the highest paid director is as follows:

	2011	2010
	£'000	£'000
Total amount of emoluments (excluding shares)	327	182
Defined benefit pension scheme		
Employer's contribution during the year/period	22	14
Accrued pension at end of the year/period	42	39
	64	53

9 Share-based payments

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

Stock options plans

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

Notes to the financial statements for the year ended 30 September 2011

9 Share-based payments (continued)

Stock options plans

No performance conditions were included in the fair value calculations. Early exercise has been taken into account by estimating the expected life of the options. As allowed by FRS 20, only options granted since 7 November 2002 which were unvested at 1 January 2006 have been valued.

For purposes of disclosure the exercise price and share price at the various grant dates have been translated using the average yearly exchange rates ruling at each grant date.

Grant Date	29/05/2007	04/06/2008	03/06/2009	08/06/2010	25/05/2011
Exercise price (£)	22.09	17.97	13.64	22.42	30.89
Share price at grant date (£)	22.09	17.97	13.64	22.42	30.89
Number of options originally granted	26,805	28,428	18,565	23,982	24,501
Vesting period (years)	4	4	4	4	4
Expected volatility (%)	20.87	30.28	63.58	29.06	28.79
Contractual option/Life (years)	8.00	8.00	8.00	8.00	8.00
Expected life (years)	4.57	4.95	5.48	5.19	5.13
Risk free rate (%)	4.98	3.33	2.73	2.16	1.91
Expected dividend yield (%)	0	0	0	0	2.00
Expected forfeitures (%)	4	4	4	4	4
Fair value per Option (£)	6.15	5.86	7.87	6.76	7.08

Details of the stock options plan granted to employees of the Company since 7 November 2002, converted at the closing rate of £1:US\$1.5602 (2010: £1 US\$1.5852).

	Number	2011 Weighted average exercise price £	Number	2010 Weighted average exercise price £
Outstanding at start of the year/period	98,284	22.29	105,113	24.36
Granted ⁽¹⁾	26,575	31.14	23,982	20.53
Exercised	(4,714)	24.13	(397)	14.32
Forfeited or cancelled	(6,580)	22.81	(30,414)	29.62
Outstanding at end of the year/period	113,565	24.56	98,284	22.29
Exercisable at end of the year/period	57,179	24.10	42,275	24.88

(1) 2011 includes prior period activity

For options outstanding at the end of the year, the range of exercise prices and average remaining life was as follows:

Notes to the financial statements for the year ended 30 September 2011

9 Share-based payments (continued)

2011				2010			
Range of exercise prices £	Weighted average exercise price £	Number of shares	Average remaining contractual life (years)	Range of exercise prices £	Weighted average exercise price £	Number of shares	Average remaining contractual life (years)
12 82-19 22	14 55	14,992	5.68	12 62-18.92	14 32	16,580	6.67
19 23-25 63	21.79	49,197	5 58	18 93-25 23	21 51	52,430	6 51
25.64-32 04	30.24	47,571	5 64	25 24-31 54	27 86	27,469	4.54
32 05-38 45	33 78	1,805	2 91	31 55-37 84	33.25	1,805	3 91
	24 56	113,565	5.58		22 29	98,284	5.94

The charge to the profit and loss account in the year in relation to the stock option plan awards held by employees of the Company was £154,000 (2010: £103,000)

Restricted share units

Restricted Share Units ("RSUs") typically vest rateably over a four-year period from the date of the grant. The grant date fair value for RSUs is the underlying share price on the date of grant. No performance conditions were included in the fair value calculations.

Presented below is a summary of the fair values at each grant date. For purposes of disclosure the exercise price and share price at the various grant dates have been translated using the exchange rates ruling at each grant date.

The exercise price and share price at grant date are stated below.

Award date	29/05/2007	04/06/2008	03/06/2009	08/06/2010	25/05/2011
Share price at award date (£)	22.09	17.97	13.64	22.42	30.89
Award price (£)	22.09	17.97	13.64	22.42	30.89
Number of units awarded	6,871	10,225	21,801	15,612	10,527
Fair value per unit (£)	22.09	17.97	13.64	22.42	30.89

The table below summarises the activity in relation to RSUs, converted at a closing rate of £1: US\$1.5602 (2010: £1: US\$1.5852)

Notes to the financial statements for the year ended 30 September 2011

9 Share-based payments (continued)

	2011		2010	
	Number of shares underlying RSUs	Weighted average exercise price £	Number of shares underlying RSUs	Weighted average exercise price £
Nonvested at start of year/period	36,409	18.49	32,024	17.25
Granted ⁽¹⁾	11,465	31.10	15,898	20.42
Vested	(11,125)	19.52	(9,000)	18.83
Forfeited ⁽²⁾	(4,959)	19.31	(2,513)	17.55
Nonvested end of year/period	31,790	22.88	36,409	18.49

(1) 2010 and 2011 includes prior period activity

(2) 2011 includes prior period activity.

The charge to the profit and loss account in the period in relation to RSU awards held by employees of the Company was £226,000 (2010: £141,000).

Performance share units

In 2007, Viacom began granting Performance Share Units ("PSUs") to its most senior executives with the target number of PSUs granted to each executive representing the right to receive one share of Viacom Class B common stock, subject to adjustment, depending on the total shareholder return ("TSR") of Viacom's Class B common stock measured against the TSR of the common stock of the companies comprising the S&P 500 Index at the start of the measurement period. If Viacom's percentile rank of TSR relative to the TSR for the companies in the S&P 500 Index is less than the 25th percentile, the target grant is forfeited unless Viacom has achieved a specified level of earnings per share set for the measurement period, in which case the executive would receive a percentage of the target award.

Notes to the financial statements for the year ended 30 September 2011

9 Share-based payments (continued)

The grant date fair value for the PSUs subject to the above mentioned market condition with time vesting is computed using a lattice-based Monte-Carlo model to estimate the total return ranking of Viacom among the S&P 500 Index companies on the date of grant over the performance period. There were no PSUs granted since 2008

Award date	29/05/2007	04/06/2008
Share price at award date (£)	22.09	17.97
Number of units awarded	1,940	2,409
Fair value per unit (£)	25.99	17.54

The table below summarises the activity in relation to PSUs converted at the closing rate of £1: US\$1.5602 (2010: £1: US\$1.5852).

	2011		2010	
	Number of shares underlying PSUs	Weighted average grant date fair value £	Number of shares underlying PSUs	Weighted average grant date fair value £
Nonvested at start of period	2,203	21.71	4,349	26.10
Vested	(1,629)	22.06	(1,153)	32.54
Forfeited	(574)	22.06	(993)	30.30
Nonvested at end of year	-	-	2,203	21.71

The credit to the profit and loss account in the year in relation to PSU awards held by employees of the Company was £3,000 (2010: £10,000 charge) due to the reversal of cumulative expense related to the performance condition not being satisfied.

Notes to the financial statements for the year ended 30 September 2011

10 Tangible assets

	Leasehold Improve- ment	Office equipment	Furniture & Fittings	Computers	Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2010	8,131	196	360	2,133	226	11,046
Additions	112	5	44	710	592	1,463
At 30 September 2011	8,243	201	404	2,843	818	12,509
Accumulated Depreciation						
At 1 October 2010	2,547	106	164	779	-	3,596
Charge for the year	870	39	79	840	-	1,828
At 30 September 2011	3,417	145	243	1,619	-	5,424
Net Book Value						
At 30 September 2011	4,826	56	161	1,224	818	7,085
At 30 September 2010	5,584	90	196	1,354	226	7,450

11 Debtors

	2011	2010
	£'000	£'000
Amounts owed by group undertakings	12,005	3,863
Amounts owed by related parties (Note 18)	232	139
Value added tax receivable	340	137
Deferred tax (Note 7)	130	40
Prepayments	886	846
	13,593	5,025

Amounts owed by other group undertakings are unsecured, interest free and have no fixed date of repayment.

Notes to the financial statements for the year ended 30 September 2011

12 Creditors

Amounts falling due within one year

	2011	2010
	£'000	£'000
Trade creditors	1,074	192
Amounts owed to group undertakings	2,462	2,592
Corporation tax payable	681	572
Accruals	3,108	3,121
	7,325	6,477

Amounts falling due after more than one year

Amounts owed to related parties (Note 18)	149	226
Accruals	1,925	2,269
	2,074	2,495
Total Creditors	9,399	8,972

Amounts owed to group undertakings include £2,200,000 (2010 £2,100,000) of intercompany loans from Viacom Global (Netherlands) B.V. which are repayable on demand and bear interest at the Eurocurrency rate plus LIBOR +0.625. Other amounts owed to other group undertakings are unsecured, interest free and are repayable on demand.

13 Other provisions

	2011	2010
	£'000	£'000
At 1 October	1,050	825
Charge to the profit and loss account (dilapidation)	98	225
Charge to the profit and loss account (redundancy)	6,424	-
At 30 September	7,572	1,050

This represents the costs of dilapidation repair for the Chiswick Park office and agreed settlement cost for redundancy.

Notes to the financial statements for the year ended 30 September 2011

14 Called up share capital

	2011	2010
	£	£
Authorised:		
100 (2010: 100) ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 (2010: 1) ordinary share of £1	1	1

15 Reconciliation of movements in shareholders' funds and reserves

	2011	2010
	£'000	£'000
Profit for the financial year/period	1,475	917
Actuarial gain (loss) on pension scheme charged to the STRGL	48	(1,112)
Deferred tax on actuarial gain (loss) on pension scheme credited to the STRGL	(12)	275
Employee share options	377	254
Net addition/(reduction) to shareholders' funds	1,888	334
Opening shareholders' funds	1,370	1,036
Closing shareholders' funds	3,258	1,370

	Call up share capital	Profit and loss account	Total Equity Share- holders' funds
	£'000	£'000	£'000
At 1 October 2010	-	1,370	1,370
Profit for the financial year		1,475	1,475
Actuarial gain on pension scheme charged to the STRGL		48	48
Deferred tax on actuarial gain on pension scheme credited to the STRGL		(12)	(12)
Employee share options		377	377
At 30 September 2011	-	3,258	3,258

Notes to the financial statements for the year ended 30 September 2011

16 Financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year

	2011	2010
	£'000	£'000
Building		
Expiring		
Within two to five years	1,800	1,672
Other assets		
Expiring		
Within two to five years	62	55
	1,862	1,727

17 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 contribution by the Company for the year was £119,000 (2010: £49,000). The Company has no outstanding contribution at the end of the financial year of 2011 (2010: £nil).

Defined benefit scheme:

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 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.

Notes to the financial statements for the year ended 30 September 2011

17 Pension commitments (continued)

The Company accounts for pension costs in accordance with FRS 17. 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 2009 and updated to 30 September 2011, using the projected unit method of valuation taken into account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 September 2011. Scheme assets are stated at their market value at 30 September 2011.

The amounts recognised in the balance sheet are as follows.

	2011	2010
	£'000	£'000
Present value of scheme liabilities	(6,202)	(5,267)
Fair value of scheme assets	4,160	3,437
Deficit	(2,042)	(1,830)
Deficit	(2,042)	(1,830)
Related deferred tax asset	510	476
Net liability	(1,532)	(1,354)

The amounts recognised in the profit and loss account are as follows:

	2011	2010
	£'000	£'000
Current service cost	(896)	(664)
Interest on scheme liabilities	(287)	(148)
Expected return on scheme assets	189	116
Total	(994)	(696)
Actual return less expected return on pension scheme assets	(255)	166

Notes to the financial statements for the year ended 30 September 2011

17 Pension commitments (continued)

Changes in the present value of the scheme liabilities are as follow:

	2011	2010
	£'000	£'000
Opening scheme liabilities	5,267	3,135
Current service cost	896	664
Interest cost	287	148
Experience loss on scheme liabilities	378	390
(Gain)/ loss arising from changes in assumptions	(681)	888
Contributions by scheme participant	177	144
Benefit paid	(122)	(102)
Closing scheme liabilities	6,202	5,267

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

	2011	2010
	£'000	£'000
Opening fair value of scheme assets	3,437	2,510
Expected return on scheme assets	189	116
Actual return less expected return	(255)	166
Employer contributions	734	603
Contributions by scheme participant	177	144
Benefit paid	(122)	(102)
Closing fair value of scheme assets	4,160	3,437

The amount of actuarial gain recognised in the statement of total recognised gains and losses was £48,000 (2010 losses recognised: £1,112,000). The cumulative amount of actuarial gains and losses is £2,004,000 (2010: £2,052,000)

The Company expects to contribute £291,000 (2010: £881,000) to its defined pension scheme in the year ending 30 September 2012

Notes to the financial statements for the year ended 30 September 2011

17 Pension commitments (continued)

The fair value of the scheme assets at 30 September 2011 were.

	2011	2010
	£'000	£'000
Equities	2,367	2,063
Bonds	855	687
Index-linked gilts	395	275
Cash	543	412
Total market value of scheme assets	4,160	3,437

The expected rates of return at 30 September 2011 were.

	2011	2010
Equities	8.20%	7.50%
Bonds	5.10%	5.00%
Index-linked gilts	3.30%	3.50%
Cash	0.50%	0.50%

The major financial assumptions that are expressed as weighted average in the calculations at 30 September 2011 were.

	2011	2010
Discount rate at 30 September	5.10%	5.00%
Future salary increases	5.10%	5.30%
Future pension increases	3.10%	3.30%
Inflation assumption	3.10%	3.30%

The mortality table S1, projected in line with the CMI 2010 model with a 1.25% pa long term rate of improvement was used in retirement for current pensioners and for future pensioners. The current life expectancies underlying the value of the accrued liabilities for the UK defined plan in 2010 and 2011 are

	2011	2010
Current pensioners (at age 65 - males)	22.2	21.9
Current pensioners (at age 65 - females)	24.5	24.2
Future pensioners currently age 45 (at age 65 - males)	24.0	23.8
Future pensioners currently age 45 (at age 65 - females)	26.5	26.2

The pension charge for the year was £896,000 (2010 £664,000)

Notes to the financial statements for the year ended 30 September 2011

17 Pension commitments (continued)

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

Defined benefit pension schemes

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Scheme liabilities	(6,202)	(5,267)	(3,135)	(1,266)	(681)
Scheme assets	4,160	3,437	2,510	1,314	576
(Deficit)/surplus	(2,042)	(1,830)	(625)	48	(105)
Experience adjustments on scheme liabilities	(378)	(390)	(6)	(110)	(51)
Experience adjustments on scheme assets	(255)	166	144	(244)	(16)
Total amount recognised in STRGL	48	(1,112)	(1,022)	181	(99)

18 Related party transactions

The Company charges United International Pictures ("UIP") (a 50% joint venture between Viacom Global (Netherlands) B.V - the intermediate parent of Paramount Pictures International Limited - and Universal Studios International B.V) for rent, service charges and rates as set out in the office lease agreement that amounted to £387,000 in 2011 (2010: £371,000) As at 30 September 2011, the net amounts owed by UIP was £232,000 (2010: £139,000), and amount due to UIP was £149,000 (2010: £226,000)

19 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

Notes to the financial statements for the year ended 30 September 2011

20 Contingent liabilities

The Company has entered into a cash pooling agreement with Lloyds and JPMorgan Chase with respect to its Sterling, US Dollar and Euro denominated bank accounts held with Lloyds and JPMorgan Chase respectively. This arrangement includes a joint and several right of set off that allows Lloyds and JPMorgan Chase, 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 allows for maximum gross overdraft positions for participants of £60,000,000 for Sterling and \$75,000,000 for both US Dollar & Euro cash pool combined (guaranteed by Viacom Inc.) 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 £1,109,000 (2010: £271,000). Funds drawn by the Company amounted to £26,000 (2010: nil).

21 Post balance sheet events

L. Miller and P. Solomons have tendered their resignation as a Director of the Company respectively with effect from 2 January 2012 and 29 February 2012. Furthermore, the registered office of the Company has changed from Building 5, Chiswick Park, 566 Chiswick High Road, London W4 5YF to 35 Vine Street, London EC3N 2AA.

During the last quarter of the fiscal year, the Company reviewed its cost structure and took certain actions to combine and increase the efficiency of various functions across the organisation. The restructuring plan included workforce reductions and other exit activities across the Company's operations, which are well under way. It is expected that the restructuring plan will be substantially completed by 30 September 2012 and after the restructuring the Company will continue to operate as a going concern for the foreseeable future.