Paramount Pictures International Limited

(Registered Number 03458440)

Directors' Report and Financial Statements for the Year ended 31 December 2009

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Contents

DIRECTORS' REPORT	**2-5**
INDEPENDENT AUDITORS' REPORT	**6-7**
PROFIT AND LOSS ACCOUNT	**8**
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	**8**
BALANCE SHEET	**9**
NOTES TO THE FINANCIAL STATEMENTS	**10-32**

Directors' Report for the year ended 31 December 2009

The directors present their report and the audited financial statements of Paramount Pictures International Limited ("the Company") for the year ended 31 December 2009

Principal activity
The principal activity of the Company is the provision of services related to film distribution for all Paramount Pictures International subsidiaries

Business review and future developments
The Company operates on a cost plus basis on the overhead incurred for services provided to theatrical subsidiaries

This was the third operational year of the Company There were no significant changes in the business activities and therefore cost of sales, which includes rent on the Chiswick Park premises, depreciation, salaries and other operating expenses, remained relatively flat, decreasing £0 6m (3%) over the prior year Other income, which includes income received from the sub letting of the premises, also remained relatively flat with a decrease of £41k (2%)

Going forward, we do not foresee any significant changes to the Company's business activities as a service provider to the theatrical subsidiaries

On 5 June 2009, Viacom Inc announced that its Board of Directors has authorised a change in its fiscal year from 31 December to 30 September This change will be effective for the 9 months ending 30 September 2010

Results and dividends
The Company's profit for the year amounts to £323,000 (2008 £237,000) The directors do not recommend the payment of a dividend (2008· £nil) The profit for the year has been transferred to reserves No dividends were paid or declared during the year (2008 £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

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 the surplus cash bank accounts on which the interest income is based on UK LIBOR -0 10bp For any bank accounts in overdraft the interest expenses is based on UK LIBOR +0 20bp The Company does not participate in interest rate hedging

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

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 29 days purchases outstanding at 31 December 2009 (2008 30 days) based on the average daily amount invoiced by suppliers during the year then ended

Key performance indicators (KPI's)
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

Directors

The directors, who served during the year and to the date of this report, are

M O'Sullivan (resigned 31 December 2009)
R Affourtit
P Solomons
L Miller (appointed 1 January 2010)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and 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 elected to prepare 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 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, 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 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 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

Disclosure of information to auditors

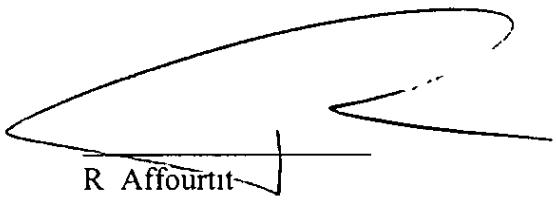
So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- 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

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the next annual general meeting

By order of the board,



R Affourtit
(Director)

Amsterdam, 9 September 2010

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 31 December 2009 which comprise the profit and loss 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 preperation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' responsibilities statement, set out on page 4, the directors are responsible for the preperation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 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 directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

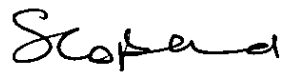
- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' 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
- 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



Sonia Copeland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

10 September 2010

Profit and loss account for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Turnover	3	**16,645**	18,435
Cost of sales		**(18,610)**	(19,253)
Other income		**1,860**	1,901
Exceptional items	22	**1,230**	-
Operating profit	4	**1,125**	1,083
Interest receivable and similar income	5	**15**	51
Interest payable and similar charges	6	**(146)**	(547)
Profit on ordinary activities before taxation		**994**	587
Tax on profit on ordinary activities	8	**(671)**	(350)
Retained profit for the financial year	17	**323**	237

The profit for the year was derived from continuing operations

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

Statement of total recognised gains and losses for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Profit for the financial year		**323**	237
Actuarial (loss)/gain on pension scheme	19	**(1,022)**	181
Deferred tax relating to actuarial loss/(gain)		**286**	(43)
Share option expense	11	**342**	199
Total recognised (losses) and gains relating to the year		**(71)**	574

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

The notes on pages 10 to 32 form part of the financial statements

Balance sheet as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	12	**7,260**	7,118
Current assets			
Pension asset	19	-	35
Debtors	13	**10,004**	11,789
Cash		-	1,269
		10,004	13,093
Creditors - amounts falling due within one year	14	**(12,124)**	(15,497)
Net current liabilities		**(2,120)**	(2,404)
Total assets less current liabilities		**5,140**	4,714
Creditors: amounts falling due after one year	14	**(2,829)**	(3,082)
Provisions for liabilities			
Pension liability	19	**(450)**	-
Dilapidations	15	**(825)**	(525)
Net assets		**1,036**	1,107
Capital and reserves			
Called up ordinary share capital	16	-	-
Profit and loss account	17	**1,036**	1,107
Total equity shareholders' funds	17	**1,036**	1,107

The financial statements on pages 8 to 32 were approved by the Board of Directors on 9 September 2010 and were signed on its behalf by

R Affourit
(Director)
Paramount Pictures International Limited
(Registered Number 03458440)

Notes to the financial statements for the year ended 31 December 2009

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 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 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) Pension benefits

The Company participates in a defined contribution scheme and a defined benefit scheme

Defined contribution scheme

The pension cost attributable to the year is recognised in the year which the cost is incurred

Defined benefit scheme

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 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

Notes to the financial statements for the year ended 31 December 2009

d) Pension benefits (continued)

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

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

f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated deprecation 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
Motor vehicles	3 years
Leasehold improvements	Over period of lease
Computers	3 years

Notes to the financial statements for the year ended 31 December 2009

g) Leases

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

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 income statement 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

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

The Company has taken advantage of the transitional provisions of FRS 20, Share-based payments, in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002, that were unvested at 1 January 2006

i) Cash

Cash represents cash at bank and on-hand and is available on demand

Notes to the financial statements for the year ended 31 December 2009

j) Exceptional items

Exceptional items are events or transactions that fall within the activities of the Company and which by virtue of their size or incidence have been disclosed separately in order to improve a reader's understanding of the financial statements

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 Financial Reporting Standard 1 The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Viacom Inc Group or investees of that group For details of other related party transactions see Note 20

3 Turnover

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

Notes to the financial statements for the year ended 31 December 2009

4 Operating profit

Other operating income includes rental income charges to third parties of £1 9m This amount is also recognised in cost of sales

		2009	2008
		£'000	£'000
Depreciation of tangible fixed assets (Note 12)		1,372	871
Foreign exchange loss		84	289
Operating lease rentals	– building	1,672	1,672
	– other	38	69
Auditors' remuneration	– audit services	31	26

5 Interest receivable and similar income

	2009	2008
	£'000	£'000
Bank interest receivable	4	51
Other interest receivable	11	-
	15	51

6 Interest payable and similar charges

	2009	2008
	£'000	£'000
Interest on loan from Viacom Global (Netherlands) B V	121	416
Bank interest payable	6	126
Pension costs	19	5
	146	547

Notes to the financial statements for the year ended 31 December 2009

7 Employee information

Staff costs during the year were as follows

	2009	2008
	£'000	£'000
Wages and salaries	**9,166**	7,966
Social security costs	**961**	891
Employee share schemes	**342**	199
Pension costs (Note 19)	**542**	852
	11,011	9,908

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

	2009	2008
Finance, Administrative and Management Information Systems	**60**	39
Product Services/Marketing	**58**	61
Operations	**1**	2
	119	102

8 Tax on profit on ordinary activities

The tax charge based on the profit on ordinary activities comprises

	2009	2008
	£'000	£'000
Current Tax		
UK corporation tax on profits for the year at 28% (2008 28 5%)	**659**	361
Under provision for prior years	**52**	41
Total current tax charge	**711**	402
Deferred tax:		
Timing differences, origination and reversal	**(119)**	(92)
Adjustment in respect of previous periods	**(19)**	(3)
Movement on pension scheme under FRS 17	**98**	43
Total deferred tax	**(40)**	(52)
Total tax on profit on ordinary activities	**671**	350

Notes to the financial statements for the year ended 31 December 2009

8 Tax on profit on ordinary activities (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28% (2008: 28 5%) The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	2009	2008
	£'000	£'000
Profit on ordinary activities before tax	**994**	587
Profit on ordinary activities multiplied by the standard rate of tax in the UK in 2009 of 28% (2008 28 5%)	**278**	167
Factors affecting charge		
Expenses not deductible for tax purposes	**-**	102
Disallowable expense	**360**	(83)
Depreciation in excess of capital allowance	**30**	39
Adjustment in respect of prior periods	**52**	41
Other timing differences	**(9)**	136
Current tax charge for the year	**711**	402

9 Deferred taxation

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

	2009	2008
	£'000	£'000
Accelerated capital allowances	**260**	309
Other timing differences	**(232)**	(148)
Deferred tax in respect of share options	**(29)**	(24)
Deferred tax (asset)/liability excluding that relating to pension (Note 13)	**(1)**	137
Deferred tax relating to pension (deficit)/surplus (Note 19)	**(175)**	13
Total deferred tax (asset)/ liability	**(176)**	150

Notes to the financial statements for the year ended 31 December 2009

9 Deferred taxation (continued)

Analysis of movement in provision		
At 1 January 2009	**150**	202
Credited to profit and loss account	**(40)**	(95)
Amount (credited)/charged to the statement of total recognised gains and losses	**(286)**	43
At 31 December 2009	**(176)**	150

10 Directors' remuneration

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

	2009	2008
	£'000	£'000
Directors emoluments (including pension contributions)	**715**	662

Retirement benefits are accruing to one (2008 two) director under a defined benefit scheme

Two of the directors are remunerated by the Company 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 11) during the current and prior years in the ultimate parent company

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

	2009	2008
	£'000	£'000
Total amount of emoluments (excluding shares)	**340**	310
Defined benefit pension scheme		
Employer's contribution during the year	**24**	21
Accrued pension at end of year	**45**	6
	69	27

Notes to the financial statements for the year ended 31 December 2009

10 Directors' remuneration (continued)

The Company entered into 3 months consultancy agreement with Michael O'Sullivan who retired as director on 31 December 2009 Under the terms of agreement, Mr O'Sullivan was paid £45,000 for services provided from 1 January 2010 to 31 March 2010

11 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

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

Notes to the financial statements for the year ended 31 December 2009

11 Share-based payments (continued)

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	24-5-2006	24-5-2006	4-6-2008	3-6-2009
Exercise price (£)	19 61	22 09	17 97	13 64
Share price at grant date (£)	19 61	22 09	17 97	13 64
Number of options originally granted	8,050	26,805	28,428	18,565
Vesting period (yrs)	4	4	4	4
Expected volatility (%)	24 37	20 87	30 28	63 58
Contractual option/Life (yrs)	8 00	8 00	8 00	8 00
Expected life (yrs)	4 57	4 57	4 95	5 48
Risk free rate (%)	4 98	4 98	3 33	2 73
Expected dividend yield (%)	0	0	0	0
Expected forfeitures (%)	4	4	4	4
Fair value per Option (£)	5 90	6 15	5 86	7 87

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 6124 (2008 £1 US$1 4468)

	Number	**2009 Weighted average exercise price £**	Number	2008 Weighted average exercise price £
Outstanding at start of year	86,548	29 61	60,388	22 24
Granted	18,565	13 64	30,976	24 77
Exercised	-	-	-	-
Forfeited or cancelled	-	-	(4,816)	28 39
Outstanding at end of year	105,113	24 36	86,548	29 61
Exercisable at end of year	49,369	28 52	32,314	34 03

Notes to the financial statements for the year ended 31 December 2009

11 Share-based payments (continued)

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

			2009				2008
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 40-18 60	14 08	18,565	7 42				
18 61-24 80	22 07	36,130	6 00	20 74-27 64	24 60	36,130	7 00
24 81-31 00	28 18	40,685	4 61	27 65-34 55	31 40	40,685	5 61
31 01-37 20	31 94	5,769	4 26	34 56-41 46	35 59	5,769	5 26
37 21-43 41	43 18	3,964	1 08	41 47-48 38	48 13	3,964	2 08
	24 36	105,113	5 43		29 61	86,548	6 01

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 £140,566 (2008 £87,518)

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 average yearly exchange rates ruling at each grant date

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

Award date	**31-1-2006**	**24-5-2006**	**29-5-2007**	**4-6-2008**	**3-6-2009**
Share price at award date (£)	23 43	19 61	22 09	17 97	13 64
Award price (£)	23 43	19 61	22 09	17 97	13 64
Number of units awarded	1,301	1,438	6,871	10,225	21,801
Fair value per unit (£)	23 43	19 61	22 09	17 97	13 64

Notes to the financial statements for the year ended 31 December 2009

11 Share-based payments (continued)

The table below summarises the activity in relation to RSUs, converted at a closing rate of £1 US$1 6124 (2008 £1 US$1 4468)

	2009		2008	
	Number of shares underlying RSUs	**Weighted average grant date fair value £**	Number of shares underlying RSUs	Weighted average grant date fair value £
Outstanding at start of year	15,189	26 41	9,082	20 63
Granted	21,801	13 64	10,225	17 97
Vested	(4,853)	24 08	(2,457)	29 65
Forfeited	(980)	18 40	(1,661)	28 34
Nonvested at end of year	31,157	17 25	15,189	26 41

The charge to the profit and loss account in the year in relation to RSU awards held by employees of the Company was £158,280 (2008 £81,656)

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

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

Notes to the financial statements for the year ended 31 December 2009

11 Share-based payments (continued)

For purposes of disclosure the exercise price and share price at grant date have been translated using the average yearly exchange rates ruling at each grant date There were no PSUs granted in 2009

Award date	**29-5-2007**	**4-6-2008**
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 6124 (2008 £1· US$1.4468)

	2009		2008	
	Number of shares underlying PSUs	**Weighted average grant date fair value £**	Number of shares underlying PSUs	Weighted average grant date fair value £
Outstanding at start of year	4,349	29 08	1,940	24 78
Granted	-	-	2,409	23 79
Released	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of year	4,349	26 10	4,349	29 08

The charge to the profit and loss account in the year in relation to PSU awards held by employees of the Company was £43,412 (2008 £29,591)

Notes to the financial statements for the year ended 31 December 2009

12 Tangible fixed assets

	Leasehold Improve-ment	Equipment	Furniture & Fittings	Computers	Motor Vehicle	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2009	7,749	109	347	36	56	**8,297**
Additions	255	11	50	1,198	-	**1,514**
Disposals	-	-	-	-	(56)	**(56)**
Reclassification	-	71	(74)	3	-	-
At 31 December 2009	**8,004**	**191**	**323**	**1,237**	**-**	**9,755**
Accumulated Depreciation						
At 1 January 2009	1,021	31	79	6	42	**1,179**
Charge for the year	877	46	34	401	14	**1,372**
Disposals	-	-	-	-	(56)	**(56)**
At 31 December 2009	**1,898**	**77**	**113**	**407**	**-**	**2,495**
Net Book Value						
At 31 December 2009	6,106	114	210	830	-	**7,260**
At 31 December 2008	6,728	78	268	30	14	7,118

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

Notes to the financial statements for the year ended 31 December 2009

13 Debtors

	2009	2008
	£'000	£'000
Trade debtors	-	575
VAT debtor	27	74
Amounts owed by Group undertakings	8,793	10,785
Amounts owed by related parties (Note 20)	479	-
Corporation tax	-	333
Deferred tax (Note 9)	1	-
Other debtors	704	22
	10,004	11,789

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

14 Creditors

Amounts falling due within one year

	2009	2008
	£'000	£'000
Bank loans and overdrafts	6	-
Accounts payable	493	371
Amounts due to Group undertakings	7,477	11,075
Amounts due to related parties (Note 20)	-	147
Deferred tax (Note 9)	-	137
Corporation tax payable	627	196
Finance lease rentals	-	31
Accruals and deferred income	3,521	3,540
	12,124	15,497

Amounts falling due after one year

Amounts due to related parties (Note 20)	313	-
Accruals and deferred income	2,516	3,082
	2,829	3,082
Total Creditors	14,953	18,579

Notes to the financial statements for the year ended 31 December 2009

14 Creditors (continued)

Accruals and deferred income due after one year have been reclassified out of current creditors in the comparative period

Amounts owed to Group undertakings include £6,073,692 (2008 £7,953,107) 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 Group undertakings are unsecured, interest free and are repayable on demand

15 Provisions for liabilities

Provision for dilapidation

	2009	2008
	£'000	£'000
At 1 January 2009	525	225
Charge to the profit and loss account	300	300
At 31 December 2009	**825**	525

This concerns the costs of dilapidation repair of Chiswick Park

16 Share capital

	2009	2008
	£	£
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

Notes to the financial statements for the year ended 31 December 2009

17 Reconciliation of movements in shareholders' funds and reserves

	2009	2008
	£'000	£'000
Profit for the financial year	**323**	237
Actuarial (loss)/gain on pension scheme charged to the STRGL	**(1,022)**	181
Deferred tax credited/(charged) to the STRGL	**286**	(43)
Employee share options	**342**	199
Net (reduction)/addition to shareholders' funds	**(71)**	574
Opening shareholders' funds	**1,107**	533
Closing shareholders' funds	**1,036**	1,107

	Share capital	**Profit and loss account**	**Total Equity Share-holders' funds**
	£'000	**£'000**	**£'000**
At 1 January 2009	-	1,107	1,107
Retained profit for the year		323	323
Actuarial loss on pension scheme charged to the STRGL		(1,022)	(1,022)
Deferred tax on actuarial loss on pension scheme credited to the STRGL		286	286
Employee share options		342	342
At 31 December 2009	**-**	**1,036**	**1,036**

Notes to the financial statements for the year ended 31 December 2009

18 Financial commitments

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

	2009	2008
	£'000	£'000
Building		
Expiring		
Within two to five years	**1,672**	1,484
Other assets		
Expiring		
Within two to five years	**38**	43
	1,710	1,527

19 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 £13,359 The Company has no outstanding contribution at the end of the year of 2009

Defined benefit pension 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 31 December 2009

19 Pension commitments (continued)

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 and updated to 31 December 2009, 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 31 December 2009 Scheme assets are stated at their market value at 31 December 2009

The amounts recognised in the balance sheet are as follows

	2009	2008
	£'000	£'000
Present value of funded obligations	**(3,135)**	(1,266)
Fair value of scheme assets	**2,510**	1,314
(Deficit)/surplus	**(625)**	48
(Deficit)/surplus	**(625)**	48
Related deferred tax asset/(liability)	**175**	(13)
Net (liability)/asset	**(450)**	35

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

	2009	2008
	£'000	£'000
Current service cost	**(529)**	(852)
Interest on obligation	**(102)**	(67)
Expected return on scheme assets	**83**	62
Total	**(548)**	(857)
Actual return less expected return on pension scheme assets	**144**	(244)

Notes to the financial statements for the year ended 31 December 2009

19 Pension commitments (continued)

Changes in the present value of the benefit obligation are as follow

	2009	2008
	£'000	£'000
Opening defined benefit obligation	**1,266**	681
Current service cost	**529**	852
Interest cost	**102**	67
Experience loss on benefit obligation	**6**	110
Loss/(gain) arising from changes in assumptions	**1,160**	(535)
Contributions by scheme participant	**214**	206
Benefit paid	**(142)**	(115)
Closing defined benefit obligation	**3,135**	1,266

Changes in the fair value of scheme assets are as follows

	2009	2008
	£'000	£'000
Opening fair value of scheme assets	**1,314**	576
Expected return on scheme assets	**83**	62
Actual return less expected return	**144**	(244)
Employer contributions	**897**	829
Contributions by scheme participant	**214**	206
Benefit paid	**(142)**	(115)
	2,510	1,314

The amount of actuarial losses recognised in the statement of total recognised gains and losses was £1,022,000 (2008 gains recognised £181,000)

The Company expects to contribute £538,000 to its defined benefit pension scheme in 2010

Notes to the financial statements for the year ended 31 December 2009

19 Pension commitments (continued)

The fair value of the assets in the scheme at 31 December 2009 were

	2009	2008	2007
	£'000	£'000	£'000
Equities	**1,606**	788	426
Bonds	**477**	171	100
Index-linked gilts	**226**	79	46
Cash	**201**	276	4
Total market value of assets	**2,510**	1,314	576

The expected rates of return at 31 December 2009 were

	2009	2008	2007
Equities	**8.00%**	7 75%	8 00%
Bonds	**5.70%**	6 45%	5 80%
Index-linked gilts	**4.50%**	3 90%	4 50%
Cash	**1.50%**	2 00%	5 50%

The major financial assumptions that are expressed as weighted average in the calculations at 31 December 2009 were

	2009	2008	2007
Discount rate at 26 December	**5.70%**	6 45%	5 80%
Future salary increases	**5.50%**	4 80%	5 40%
Future pension increases	**3.50%**	2 80%	3 40%
Inflation assumption	**3.50%**	2 80%	3 40%

The mortality table S1, with an allowance for mortality projected to calendar year 2013 was used in retirement for current pensoners and for future pensioners The current life expectancies underlying the value of the acrrued liabilities for the UK defined plan in 2009 and 2008 are

Current and future pensioners (at age 65 - males)	19 3
Current and future pensioners (at age 65 - females)	22 2

The pension charge for the period was £529,000 (2008 £852,000)

Notes to the financial statements for the year ended 31 December 2009

19 Pension commitments (continued)

Amounts for the current and previous three periods are as follows

Defined benefit pension schemes

	2009	2008	2007	2006
	£'000	£'000	£'000	£'000
Defined benefit obligation	**(3,135)**	(1,266)	(681)	(60)
Scheme assets	**2,510**	1,314	576	41
(Deficit)/surplus	**(625)**	48	(105)	(19)
Experience adjustments on scheme liabilities	**(6)**	(110)	(51)	-
Experience adjustments on scheme assets	**144**	(244)	(16)	-
Total amount recognised in STRGL	**(1,022)**	181	(99)	-

20 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 £815,344 in 2009 (2008 £1,249,116) As at 31 December 2009, the net amounts owed by UIP was £478,685 (2008 £nil), and amount due to UIP was £312,997 (2008 £146,638)

21 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 31 December 2009

22 Exceptional items

	2009	2008
	£'000	£'000
Reversal of over-depreciation of fit out costs	383	-
Reversal of excess accruals relating to rent and rates	847	-
	1,230	-

The tax impact with repect to the exceptional items is a credit of £28,000

23 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 £60m for Sterling and $75m 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 £136,000 (2008 £1,270,000) Funds drawn by the Company amounted to £142,000 (2008 £nil)