

Registered number: 03458440

Paramount Pictures International Limited

**Annual report and financial statements for the year
ended 30 September 2017**



Paramount Pictures International Limited

Company information

Directors

B Rathouse
R W Mosley
C McAuley
Yit-Ching Hindmarsh (appointed 12 January 2017)

Company secretary

Fieldfisher Secretaries Limited

Registered number

03458440

Registered office

Building 5 Chiswick Park
566 Chiswick High Road
London
W4 5YF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Paramount Pictures International Limited

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Paramount Pictures International Limited

Strategic report for the year ended 30 September 2017

The directors present their strategic report on Paramount Pictures International Limited (the "Company") for the year ended 30 September 2017.

Principal activity

The Company holds Viacom's international film distribution rights as well as certain, generally exclusive, rights to distribute Paramount movies in all territories, the "Licensed Territories", outside the US, Canada and some other minor territories, under licenses from Paramount Pictures Corporation and from Paramount Home Entertainment Inc. across all media and, additionally, any such rights under license from independent film copyright owners that existed at such time, such licenses collectively to be referred to as the "Head Licenses".

The Company further acts as a holding company for various subsidiaries in Viacom's Paramount and Media Networks divisions.

The Company's European Business Centre, which provides critical support services to Paramount's film distribution activities around the world, is located in Amsterdam as the Dutch branch office of the Company. In addition, the Amsterdam office houses a limited number of Viacom Corporate employees that provide various regional support services to Viacom's corporate management group.

The Company operates a single integrated distribution activity through its facilities in London and Amsterdam in relation to the Paramount international theatrical, home entertainment and TV businesses in the Licensed Territories with the exception of the Viacom International Hungary Kft. ("VIH") Territories in which VIH carries out such distribution activity.

The Company's revenues mainly consist of fees derived from the licensing of the distribution rights to related and third parties, as well as to some relatively minor extent from the supply of professional and consulting services. The Company's main operating expenses consist of the amortization of its distribution rights, interest expenses and license fees.

Review of the year

The result for the year amounted to a net profit of \$ 98,291,000 (2016: \$ 3,957,000). The increase in result for the year is due to various factors including the improved results from new releases of movies during the year and revenues from the exploitation of Paramount's library. The increase in cost of sales and sales and marketing expenses are in line with the increase of the revenues. Gross profit increased by an amount of \$ 212,259,000, while general and administrative expenses increased by \$ 44,954,000 and net interest expenses decreased by \$ 3,372,000.

Key performance indicators (KPIs)

The board monitors progress in relation to the Company's overall corporate strategy and individual strategic elements by reference to the following KPIs:

Turnover (sales revenue and royalties)

Theatrical revenues may be affected by the number, timing and mix of releases and competitive offerings in any given period, consumer tastes and consumption habits, and overall economic conditions, including trends in discretionary spending. The theatrical success of a motion picture is a significant factor in determining the revenues it is likely to generate in home entertainment markets and licensing arrangements for television and other platforms.

Gross profit

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

Debtors' days

All customers are provided with our terms of exhibition. Regional teams are dedicated to monitoring debtors throughout the month and a formal review of debtors is performed at least monthly.

Paramount Pictures International Limited

Strategic report for the year ended 30 September 2017 (continued)

Principal risks, uncertainties and financial risk management

The management of the Company and execution of the Company's strategy are subject to a number of risks. The directors have identified the need to manage the Company's material financial risks, including 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, intercompany payables and loans from the Group.

Interest rate risk

To the extent that the Company enters into banking agreements, 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 Euribor and interest income in GBP is based on O/N Libor. When accounts are overdrawn and the interest rate for the currency is negative the interest charged is 62.5bps; when accounts are overdrawn and the interest rate for the currency is positive, interest charged is the currency O/N Libor +62.5bps. When accounts are in credit and interest rate for the currency is negative the interest paid is zero. When accounts are in credit and interest rate for the currency is positive the interest rate paid is the currency O/N minus 62.5bps with a floor of zero (no negative rate is charged on credit balances). 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. The Company also has exposure to financial institutional risk in its money market investments and bank deposits which is actively reviewed and managed by the Group Treasury.

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

Solvability and liquidity as of the balance sheet date

Solvability is managed by keeping the working capital at an acceptable level. The management of the working capital as well as treasury support within the Viacom Inc. group companies (the 'Group') ensures sufficient liquidity. The current assets of the company exceed the current liabilities and therefore short term liquidity is sufficient.

Future outlook

The Viacom Group's theatrical business is expecting the same level of theatrical results during 2018 as in 2017 due to the release of the titles: 'Allied', 'Fences', 'Office Christmas Party: Unrated', 'Baywatch', 'Jack Reacher: Never Go Back', and 'Transformers: The Last Knight'. Home entertainment results are expected to further decline following the global trend in the home entertainment business.

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

C McAuley
Director



Date: 15 May 2018

Paramount Pictures International Limited

Directors' report for the year ended 30 September 2017

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2017.

Dividends

The directors do not recommend the payment of a dividend (2016: US\$ nil). No dividends were paid or declared during the year (2016: US\$ nil).

Qualifying third party indemnity provisions

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

Directors

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

B Rathouse
R W Mosley
C McAuley
Yit-Ching Hindmarsh (appointed 12 January 2017)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Paramount Pictures International Limited

Directors' report for the year ended 30 September 2017 (continued)

Principal risks, uncertainties and financial risk management

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report and the financial statements on pages 7 to 32 were approved by the board and signed on its behalf

C McAuley
Director



Date: 15 May 2018

Independent auditors' report to the members of Paramount Pictures International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Paramount Pictures International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

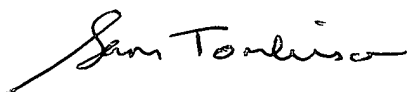
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

15 May 2018

Paramount Pictures International Limited

Statement of comprehensive income for the year ended 30 September 2017

	Note	US\$'000	2017 US\$'000	US\$'000	2016 US\$'000
Turnover	3	1,213,847		868,965	
Cost of sales		(774,825)		(642,202)	
Gross profit			439,022		226,763
Sales and marketing expenses		(216,587)		(113,661)	
General and administrative expenses		(85,909)		(40,955)	
Other operating expenses		(2)		(873)	
Other operating income		949		2,226	
			(301,549)		(153,263)
Total operating profit before interest and taxation			137,473		73,500
Interest receivable and similar income	7	40,125		32,620	
Interest payable and similar charges	8	(92,081)		(88,061)	
Other finance costs	9	(944)		(831)	
			(52,900)		(56,272)
Profit before taxation			84,573		17,228
Tax on profit	10		(773)		(1,074)
Profit for the financial year			83,800		16,154
Other comprehensive income/(expense)					
Remeasurement gain/(loss) recognised on defined benefit pension scheme	19		17,249		(17,886)
Movement on deferred tax relating to pension scheme			(2,932)		5,670
Employee share scheme net of deferred taxes			174		19
Total other comprehensive income/(expense)			14,491		(12,197)
Total comprehensive income for the year			98,291		3,957

The notes on pages 10 - 32 form part of these financial statements.

Paramount Pictures International Limited

Balance sheet as at 30 September 2017

	Note	US\$'000	2017 US\$'000	US\$'000	2016 US\$'000
Fixed assets					
Intangible assets	11	1,106,037		1,192,121	
Tangible assets	12	599		730	
Investments	13	374,873		374,864	
			1,481,509		1,567,715
Current assets					
Inventories	14	16,806		16,788	
Debtors	15	658,322		697,212	
Cash at bank and in hand		175,485		80,439	
			850,613	794,439	
Creditors: amounts falling due within one year	16	(343,364)		(456,293)	
Net current assets			507,249		338,146
Total assets less current liabilities			1,988,758		1,905,861
Creditors: amounts falling due after more than one year	17		(1,230,570)		(1,230,815)
Provisions for liabilities	18		(1,509)		(3,033)
Defined benefit pension scheme	20		(27,277)		(41,227)
Net assets			729,402		630,786
Capital and reserves					
Called up share capital	21				-
Capital contribution reserve			664,250		664,250
Other reserves			(82,053)		(82,378)
Foreign exchange reserve			176		176
Retained earnings			147,029		48,738
Total shareholders' funds			729,402		630,786

The notes on pages 10 - 32 form part of these statements.

The financial statements on page 7 to 32 were approved by the Board of Directors on 15 May 2018 and signed on its behalf by:

C McAuley
Director



Date: 15 May 2018

Company registered number: 03458440

Paramount Pictures International Limited

Statement of changes in equity for the year ended 30 September 2017

	Called up share capital	Capital contribution reserve	Other reserves	Foreign exchange reserve	Retained earnings	Total share- holders' funds
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 October 2015	-	664,250	-	176	44,781	709,207
Movement on other reserves	-	-	(82,378)	-	-	(82,378)
Movement on foreign exchange	-	-	-	-	-	-
Profit for the financial year	-	-	-	-	16,154	16,154
Other comprehensive expense	-	-	-	-	(12,197)	(12,197)
Balance as at 30 September 2016	-	664,250	(82,378)	176	48,738	630,786
Movement on other reserves	-	-	325	-	-	325
Profit for the financial year	-	-	-	-	83,800	83,800
Other comprehensive income	-	-	-	-	14,491	14,491
Balance as at 30 September 2017	-	664,250	(82,053)	176	147,029	729,402

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017

1 Principal accounting policies

General information

The Company is a limited liability company organised under the laws of the United Kingdom which is based at Building 5, Chiswick Park, 566 Chiswick High Road, London, W4 5YF, United Kingdom. The Company is a private company which is limited by shares. The ultimate parent is Viacom Inc., New York, United States of America.

Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention as modified by the recognition of certain financial assets and liabilities at fair value.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 2.

The current assets of the Company exceed the current liabilities as at the balance sheet date. Based on the above, management believes that the entity can pay debt as and when they fall due. Accordingly, the directors continue to adopt the going concern basis in preparing the report and financial statements.

1.3 Consolidated financial statements

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

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

1.4 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the consolidated financial statements of Viacom Inc. which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102; and
- ii) from the requirement to disclose the key management personnel compensation in total as required by FRS 102 paragraph 33.7; and

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.4 Exemptions for qualifying entities under FRS 102 (continued)

- iii) from the requirement to disclose transactions with related parties which are not wholly owned within the same Group as required by FRS 102 paragraph 33.8; and
- iv) from the requirement to disclose share based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company's financial statements are presented with the consolidated financial statements and the relevant disclosures are included; and
- v) from the requirement to disclose financial instruments, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A. The Company's financial statements are presented with the consolidated financial statements and the relevant disclosures are included.

1.5 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and is recognised when all significant risks and rewards incidental to the ownership of the goods are transferred to the buyer. Recognition of revenue from the provision of services is based on the services performed to the balance sheet date. Turnover comprises income from the sale of goods and provision of services, less discounts and suchlike, exclusive of income taxes and after elimination of intra-group transactions.

The Company, inter alia, produces and sells DVDs and Blu-ray Discs, and licenses for intellectual property rights to affiliates that supply DVDs and Blu-ray Discs to third parties. Revenues from DVD and Blu-Ray sales are recognized as soon as all substantial risks relating to the title of the goods are transferred to the customer, i.e. as soon as the products have been delivered to the customer and the customer is entitled to sell or rent the product. A provision is recognized for expected returns.

Turnover comprises revenue recognised by the Company in respect of the distribution of cinematograph films and comprises rentals billed, exclusive of any taxes and trade discounts. Film rentals from theatrical distribution are recognised on all cinema admissions up to and including the last day of the financial year. Revenue transactions which have not been billed at the balance sheet date are recognised in accrued income.

Turnover from the sale of TV licensing rights to Free TV and Pay TV markets are recognized in the year in which the individual films are available for broadcasting. Billings in advance of such recognition and for which cash has been received are included in deferred income. Revenues for video-on-demand, other similar pay-per-view arrangement and other usage based licensing arrangements are recognized as the film product is exhibited based on the end-customer purchases as reported by the distributor.

Franchise and service income is reflected in the financial statements of the Company as the difference between the revenue from affiliates and all operational costs charged by affiliates leaving a fixed level of profit before tax in each affiliate based on a percentage of revenue.

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are expressed in US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are expressed in US Dollars at the rate of exchange prevailing on the date of the transaction. The resulting profits or losses are dealt with in the Statement of comprehensive income. Any non-monetary assets and liabilities denominated in foreign currencies are translated into the presentational currency at the closing date of the balance sheet and recognised as a separate component of equity.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.7 Intangible fixed assets

On 1 September 2015, the Company acquired the Paramount international distribution business, including the rights under license ("licenses") from Paramount Pictures Corporation and Paramount Home Entertainment Inc. to distribute Paramount's motion pictures outside the US and Canada. In accordance with section 18, FRS 102, at each balance sheet date the Company reviews its intangible assets for impairment only if there is some indication that impairment has occurred or if events or changes in circumstances indicate that the carrying amount of the intangible assets may no longer be recoverable. An assessment and a qualitative review that include consideration of the drivers (methodology, input, rates, assumptions, etc.) used in the valuation of the intangible assets and the financial performance of the international distribution business since the 1 September 2015 acquisition date, will assess whether any indications and/or triggers occurred to indicate possible impairment of the licenses.

1.8 Tangible fixed assets

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

Leasehold improvements	Over period of lease
Office equipment	3 - 10 years straight line
Furniture & fittings	3 - 10 years straight line
Computer equipment	3 years straight line

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 assets and depreciated over their estimated useful lives.

1.9 Investments

i) Investment in subsidiary company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

ii) Investment in associates and joint ventures

Investments in associates and joint ventures in which the Company's direct or indirect holding is more than 20% and less than or equal to 50% and in which the Company has significant influence are carried at the net asset value. Dividends received are deducted from the net asset value. Income represents the proportional annual result of the associates and joint ventures.

Net asset value is calculated using the accounting policies applied in these financial statements. Associates whose financial information cannot be aligned to these policies are valued based on their own accounting policies.

iii) Loan receivable

Receivables disclosed under financial assets are initially measured at fair value and subsequently carried at amortised cost, net of any provisions considered necessary.

1.10 Inventories

Raw materials and consumables are carried at cost based on the first in, first out ('FIFO') method, or at lower realisable value. Realisable value represents the estimated selling price less directly attributable selling expenses, net of an allowance for obsolescence of inventories where applicable.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Statement of comprehensive income.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.11 Debtors

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

1.12 Cash at bank and in hand

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

1.13 Provisions and contingencies

i) Provisions

Provisions are recognised for legally enforceable or constructive obligations as a result of past events existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated.

Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Provisions are stated at the present value of the expenditure expected to be required to settle the obligations. The increase in the provision due to passage of time is recognised as a finance cost.

ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

1.14 Financial instruments

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

i) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of comprehensive income immediately.

If there is a decrease in an impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. Any impairment reversal is recognised in the Statement of comprehensive income immediately.

Other financial assets, including investments in equity stakes in unlisted companies which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price with movements going through the Statement of comprehensive income, subject to meeting the requirements of the companies act, and the fair value is determined in accordance with FRS 102 paragraphs 11.27 - 11.32.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.14 Financial instruments (continued)

i) Financial assets (continued)

Investments whose fair value can be measured reliably without undue cost or effort are measured at fair value at each reporting date. Investments in equity stakes in unlisted companies that cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

ii) Financial liabilities

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Hedging arrangements

The Group does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

1.15 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts, which have been prepared and approved by the Board of Directors.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.16 Employee benefits

The Company provides a range of benefits to employees, including a defined contribution and a defined benefit pension plans and holiday pay.

i) **Short term benefits**

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the company. A liability is recognised at each statement of financial position date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the Statement of comprehensive income.

ii) **Defined contribution pension plan**

The Company operates a defined contribution plan for its Dutch employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a third party. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts prepaid are shown as deferred assets and amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds. This pension plan is insured with the insurance company Delta Lloyd.

iii) **Defined benefit pension plan**

The Company operates a defined benefit plan for the UK employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date, net of deferred taxes.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as "Remeasurement gain/(loss) recognised on defined benefit pension scheme".

The cost of the defined benefit plan, recognised in profit or loss for the financial year as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit charges, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss for the financial year as "Finance expense".

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.16 Employee benefits (continued)

Share-based payments

The Company operates a share option scheme for its managing directors. No cost is allocated to these share options, unless the exercise price is lower than the market price when the shares are granted. If so, the difference between market price and exercise price is directly taken to the Statement of comprehensive income. If, during the term of the share option scheme, a change should occur in the exercise price, any subsequent changes in market price are recognised in the Statement of comprehensive income, insofar as the intrinsic value of the options is positive. Any costs related to a share-based bonus (i.e. the market price at the moment the shares are granted) are taken to the Statement of comprehensive income.

1.17 Operating leases

Leases in which a significant proportion of the risks and rewards incidental to the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

1.18 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

1.19 Critical accounting judgements and estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Provision for doubtful debts

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Provisions for bad and doubtful debts are calculated based on average collection rate by amount overdue. Groupings of amounts overdue require management's judgement.

ii) Intangible assets

Intangible assets are assessed at each period end for indications of impairment and, if these indications are identified, a full impairment assessment is performed. Intangible assets are held at the lower of amortised cost and recoverable value. Their recoverable value is assessed using value-in-use calculations by considering the future cash flows that will arise from them.

iii) Impairment of investments

A review for indicators of impairment of investments is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

iv) Employee benefits

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

1 Principal accounting policies (continued)

1.19 Critical accounting judgements and estimation uncertainty (continued)

v) Gross revenue and costs

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company acts as a principal or an agent in the transaction. The Company acts as a principal trading company as opposed to an agent to Paramount Pictures Corporation through franchise fee arrangements.

In certain cases, the Company is considered the agent, and the Company records revenue equal to the net amount retained when the fee is earned such as Free TV and Pay TV revenues where the Company does not sell to the end consumer. In these cases, costs incurred with third-party suppliers are excluded from the Company's revenue. For the sale of DVDs and the distribution of cinematograph films the Company acts as the principal trading company. In these cases, revenue and costs incurred are recognised gross.

The Company assesses whether it or the third-party supplier is the primary obligor and evaluates the terms of its customer arrangements as part of this assessment. In addition, the Company considers other key indicators such as latitude in establishing price, inventory risk, nature of services performed, discretion in supplier selection and credit risk.

2 Financial instruments and risk management

2.1 Price risk

Currency risk

The Company operates worldwide. The Company's currency risk largely originates from intercompany receivables and payables (royalties and loans) as well as third party TV receivables. The Company mitigates foreign exchange exposure on intercompany receivables by ensuring that the balances are settled promptly. The Company also selectively hedges material foreign exchange exposures relating to TV receivables and intercompany loans using forward contracts in BRL, HUF, SEK, AUD, EUR and GBP.

Interest rate and cash flow risk

The Company incurs interest rate risk on interest-bearing receivables (in particular those included in cash).

2.2 Credit risk

The Company does not have any significant concentrations of credit risk. Sales are made to customers that meet the Company's credit rating. Goods and services are sold subject to 30 to 60 days payment terms. A different payment period may apply to major supplies, in which case additional securities are demanded, including guarantees.

The Company has issued loans to participants and associates, as well as to shareholders. These counterparties do not have a history of non-performance.

2.3 Liquidity risk

The Company finances its operations through a combination of issued ordinary share capital and intercompany creditors. 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.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

3 Turnover

Analysis of turnover by geography:

	2017 US\$'000	2016 US\$'000
United Kingdom	162,293	159,161
European Union	411,098	372,328
Non-European Union	97,915	186,258
Rest of the world	542,541	151,218
	1,213,847	868,965

Analysis of turnover by category:

	2017 US\$'000	2016 US\$'000
Home media	893,644	573,675
Film distribution	271,174	109,052
Franchise and related service income	49,029	186,238
	1,213,847	868,965

4 Profit before taxation

Profit before taxation is stated after charging:

	2017 US\$'000	2016 US\$'000
Wages and salaries	12,250	10,939
Social security costs	1,880	2,166
Other pension costs	6,289	1,632
Share-based payments	174	77
Staff cost charged to profit and loss	20,593	14,814
Restructuring expense	156	864
Amortization intangible assets	85,827	86,698
Depreciation tangible assets	851	1,730
Operating lease charges:		
- Land and buildings	2,242	2,778
- Other	95	135
Fee payable to the Company's auditors and their associates for the audit of the Company's financial statements	373	366

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

5 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2017 No.	2016 No.
Executive directors	4	3
Finance, administrative and management information systems	78	84
Product services/marketing	23	20
	<u>105</u>	<u>107</u>

From the average monthly number of persons employed by the Company were 42 (2016: 46) persons employed by the Amsterdam office.

Directors

The directors' emoluments were as follows:

	2017 US\$'000	2016 US\$'000
Aggregate emoluments	1,090	704
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	<u>68</u>	<u>69</u>

Post-employment benefits are accruing for three directors (2016: three) under a defined benefit scheme.

Three directors are accruing benefits under a long-term incentive scheme (2016: three).

Highest paid director

The highest paid directors' emoluments were as follows:

	2017 US\$'000	2016 US\$'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	<u>394</u>	<u>315</u>

The highest paid director exercised share options in 2017 (2016: exercised) and is accruing benefits under a long-term incentive scheme in 2017.

6 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.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

6 Share-based payments (continued)

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.

The total charge for the period was \$ 173,978 (2016: \$ 77,072).

7 Interest receivable and similar income

	2017 US\$'000	2016 US\$'000
Bank interest received	14,246	7,073
Interest income on loans	25,879	25,547
	40,125	32,620

8 Interest payable and similar charges

	2017 US\$'000	2016 US\$'000
Bank interest payable	5,409	1,051
Interest payable on loans	86,672	87,010
	92,081	88,061

9 Other finance costs

	2017 US\$'000	2016 US\$'000
Interest income on plan assets	2,080	2,465
Interest expense on defined benefit obligation	(3,024)	(3,296)
	(944)	(831)

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

10 Tax on profit

	2017 US\$'000	2016 US\$'000
Current tax		
UK corporation tax charge on profit for the year	(84)	-
Foreign tax suffered	274	-
Adjustments in respect of prior years	1,466	97
Total current tax	1,656	97
Deferred tax		
Origination and reversal of timing differences	(171)	1,823
Effect of increase/decrease in tax rates	(734)	14
Adjustments in respect of prior years	22	(860)
Total deferred tax charge	(883)	977
Tax on profit	773	1,074

Tax expense/(income) included in other comprehensive income

	2017 US\$'000	2016 US\$'000
Deferred tax		
- Origination and reversal timing differences	2,932	(5,639)
- Impact of change in tax rate	-	27
	2,932	(5,612)

Reconciliation of tax charge

The tax assessed for the year is the same as (2016: same as) the standard rate of corporation tax in the UK for the year ended 30 September 2017 of 19.5% (2016: 20.0%) and the differences are explained in the following table:

	2017 US\$'000	2016 US\$'000
Profit before taxation	84,573	17,228
Tax on profit multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20.0%)	16,491	3,446
Effects of:		
Expenses not deductible for tax purposes	3,254	2,622
Adjustments to tax charge in respect of previous years	733	(803)
Short term timing difference leading to an increase (decrease) in taxation	-	(105)
Effects of overseas tax rates	273	-
Group relief	(20,000)	(4,086)
Tax rate changes	22	-
Total tax charge for the year	773	1,074

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

10 Tax on profit (continued)

Factors that may affect future tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. This reduces the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The rate change was substantively enacted in the period.

The Company's branch in the Netherlands is subject to Dutch corporate income tax in regard of the part of the Company's profits that is attributable to its Amsterdam operations. Dutch corporate income tax is levied at a 25% rate for the current financial year. The Company can elect to be exempt from UK corporation tax on the profits attributable to its Netherlands branch or credit the Dutch tax against its UK tax liability in respect of such profits up to the amount of UK corporation tax on such profits.

11 Intangible assets

	Licenses US\$'000	Software US\$'000	Total US\$'000
At 1 October 2016			
Cost	1,287,400	8,602	1,296,002
Accumulated amortisation	(95,743)	(8,138)	(103,881)
Net book amount	1,191,657	464	1,192,121
	Licenses US\$'000	Software US\$'000	Total US\$'000
Year ended 30 September 2017			
Opening net book amount	1,191,657	464	1,192,121
Additions	-	145	145
Additions - internally generated	-	98	98
Disposals	-	(6)	(6)
Amortisation	(85,827)	(356)	(86,183)
Depreciation	-	(138)	(138)
Impairment	-	-	-
Closing net book amount	1,105,830	207	1,106,037
	Licenses US\$'000	Software US\$'000	Total US\$'000
Year ended 30 September 2017			
Cost	1,287,400	8,839	1,296,239
Accumulated amortisation	(181,570)	(8,632)	(190,202)
Net book amount	1,105,830	207	1,106,037

Software

The useful life of the software is based on its expected utilisation by the Company.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

12 Tangible assets

	Leasehold improve- ments US\$'000	Office equipment US\$'000	Furniture & fittings US\$'000	Computer equipment US\$'000	Work in progress US\$'000	Total US\$'000
Cost						
At 1 October 2016	12,515	419	768	2,139	214	16,055
Additions	375	-	378	201	41	995
Acquisitions	-	-	-	-	-	-
Disposals/transfers	(4,895)	-	(303)	(539)	(201)	(5,938)
At 30 September 2017	7,995	419	843	1,801	54	11,112
Accumulated depreciation						
At 1 October 2016	12,158	395	762	2,010	-	15,325
Charge for the year	658	14	63	116	-	851
Acquisitions	-	-	-	-	-	-
On disposals/transfers	(4,821)	-	(303)	(539)	-	(5,663)
At 30 September 2017	7,995	409	522	1,587	-	10,513
Net book value						
At 30 September 2017	-	10	321	214	54	599
At 30 September 2016	357	24	6	129	214	730

13 Investments

	2017			2016		
	Subsi- diaries US\$'000	Joint ventures and associated companies US\$'000	Total US\$'000	Subsi- diaries US\$'000	Joint ventures and associated companies US\$'000	Total US\$'000
Investments	27,213	160	27,373	27,204	160	27,364
Receivables	347,500	-	347,500	347,500	-	347,500
	374,713	160	374,873	374,704	160	374,864

The Company has funded its subsidiary and has treated the receivables as an investment.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

13 Investments (continued)

Investments in subsidiaries and joint ventures

Movements in investments are as follows:

	Subsidiaries US\$'000	Joint ventures and associated companies US\$'000	Total US\$'000
Opening balance			
Book value	27,204	160	27,364
Movements during the year			
Additions	9	-	9
	27,213	160	27,373

Additions

On 29 September 2017 an amount of \$ 9,218 was contributed to Viacom International Hungary Kft., due to the increase of subscribed capital.

List of investments in subsidiaries at 30 September 2017:

Company name	Address of registration	Nature of business	Share in equity
Cinematic Arts B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Production	100%
Global Film Distributors B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Holding	100%
Lisarb Holding B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Trading	100%
Nickelodeon India Pvt Ltd	Subhash Road – 'A', Vile Parle (East), Mumbai, 400057, India	Financing	100%
Paramount China B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Service	100%
Paramount Home Entertainment International Ltd.	Building 5, Chiswick Park, 566 Chiswick High Road, London, W4 5YF, United Kingdom	Service	100%
Paramount International (Netherlands) B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Holding	100%
Paramount Latin America S.R.L.	2nd Floor, Virrey Olaguer y Feliu, Buenos Aires, Argentina	Service	95%
Paramount Pictures Germany GmbH	Betastrasse 10c, D-85774, Unterföhring, Germany	Distribution	100%
Paramount Pictures Hong Kong Limited	13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong	Distribution	100%
Paramount Poland Sp. Z.o.o	Mokotowska 19, (Renaissance Building), 00-560, Warsaw, Poland	Distribution	100%
Paramount Spain S.L.U.	Albacete 3, 1a Planta, 28027, Madrid, Spain	Distribution	100%
Paramount Sweden AB	Lumaparksvagen 7, 12031, Stockholm, Sweden	Distribution	100%
PPC Film Management GmbH	Greenberg Traurig, Potsdamer Platz 1, 10785, Berlin, Germany	Financing	50%

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

0 Investments (continued)

List of investments in subsidiaries at 30 September 2017 (continued):

Investments in subsidiaries and joint ventures (continued)

PPG Holding 5 B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Holding	100%
PPG Holding 95 B.V.	Hoogoorddreef 5, 1101 BA, Amsterdam, Netherlands	Holding	100%
Viacom International Hungary Kft.	Bocskai ut 134-146, Budapest, 1113, Hungary	Service	100%

List of investments in joint venture and associated companies at 30 September 2017

Company name	Address of registration	Nature of business	Share in equity
United International Pictures	Building 5, Chiswick Park, 566 Chiswick High Road, London, W4 5YF, United Kingdom	Distribution	50%

All the aforementioned subsidiaries and the above joint venture are not included in the consolidation.

14 Inventories

	2017 US\$'000	2016 US\$'000
Raw materials and finished goods	19,296	19,625
Provision for obsolete and slow moving items	(2,490)	(2,837)
	16,806	16,788

15 Debtors

	2017 US\$'000	2016 US\$'000
Trade debtors	471,643	505,054
Amounts owed by group undertakings	160,891	172,130
Other debtors	1,643	37
Corporation tax	15,452	10,174
Deferred tax asset	6,217	7,899
Prepayments and accrued income	2,476	1,918
	658,322	697,212

Trade debtors

Trade debtors are stated after provisions for impairment of \$ 3,028,963 (2016: \$ 3,041,768).

Amounts owed by Group undertakings

Amounts due from group companies are unsecured and are payable on demand as determined from time to time within the group. All receivables are collectible within one year and the fair value of the receivables approximates the book value. Amounts due from joint venture and associated companies are unsecured and are payable on demand. All amounts are charged 0% interest.

Other debtors

Other debtors relates to receivables from employees and non trading debtors and are due within one year.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

15 Debtors (continued)

Deferred tax asset

	Fixed assets timing differences US\$'000	Short term timing differences US\$'000	Accumulated other com- prehensive income US\$'000	Total US\$'000
At 1 October	374	516	7,009	7,899
Adjustment in respect of prior years	429	305	-	734
Charge to profit and loss for the year	(31)	180	-	149
Charge to Other comprehensive income	-	-	(2,932)	(2,932)
Revaluation differences	(110)	(83)	560	367
At 30 September	662	918	4,637	6,217

Prepayments and accrued income

Prepayments relates to rent, pension, distribution and advertising expenses which are paid in advance.

16 Creditors: amounts falling due within one year

	2017 US\$'000	2016 US\$'000
Trade creditors	7,684	21,491
Amounts owed to group undertakings	247,841	328,892
Corporation tax	-	-
Value added tax	1,293	695
Accruals and deferred income	86,546	105,215
At 30 September	343,364	456,293

Amounts owed to group undertakings

Amounts due to group companies are unsecured and are payable on demand as determined from time to time within the group. All amounts incur 0% interest.

Accruals and deferred income

Accruals relates to goods and services that have been received or supplied but have not been paid, such as participation, advertising, distribution and employee related expenses. All accruals are payable within one year.

17 Creditors: amounts falling due after more than one year

	2017 US\$'000	2016 US\$'000
Amounts owed to group undertakings	1,230,000	1,230,000
Accruals and deferred income	570	815
At 30 September	1,230,570	1,230,815

Amounts owed to group undertakings

On 31 August 2015 the Company has issued to ParaUSD Singapore Pte LTD a 6.95% unsecured loan notes of \$ 1,230,000, which is due in 2025. The payable interest is settled on a semi-annual basis.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

18 Provisions for liabilities

	2017 US\$'000	2016 US\$'000
At 1 October	3,033	3,195
Additions	131	393
Releases	(2,018)	-
Exchange difference	363	(555)
At 30 September	1,509	3,033

The provisions for liabilities relates to the costs of dilapidation repair for the Chiswick Park office.

19 Operating lease commitments

At 30 September 2017, the Company has the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 US\$'000	2016 US\$'000
Within one year	2,556	2,634
Two to five years	12,172	9,949
After five years	1,153	5,664
	15,881	18,247

Lease arrangements relate to land and buildings and lease cars.

20 Defined benefit pension scheme

The Company sponsors a funded defined benefit pension plan for qualifying UK employees. The PHE and UIP Companies Pension Plan ("the Plan") is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and employees, plus an independent trustee. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the Plan's investment policy and the day to day administration of the benefits.

Under the Plan, employees are entitled to a cash lump sum and annual pensions on retirement. Benefits are also payable on death before or after retirement.

Profile of the Plan

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Broadly, about 13% of the liabilities are attributable to current employees, 70% to deferred pensioners and 17% to current pensioners.

A plan's duration is an indicator of the weighted-average time until benefit payments are made. For the Plan as a whole, the duration is around 23 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 29 years), deferred pensioners (duration of 27 years) and current pensioners (duration of 12 years).

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

20 Defined benefit pension scheme (continued)

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Plan was carried out by a qualified actuary as at 31 December 2012 and showed a deficit of £ 22,100,000. The Company pays contributions of 17.8% per annum of contribution salaries in respect of current accrual, with the exception of United International Pictures where the Company pays contributions of 21.8% per annum of contribution salaries, with active members paying a further 5% of contribution salaries. The Company also pays a total of £ 250,178 per month for contributions in respect of reducing the Plan's funding deficit.

The next funding valuation is dated 31 December 2015 and is ongoing and yet to be finalised.

Risks associated with the Plan

The Plan exposes the Company to a number of risks, the most significant of which are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of growth assets (equities, emerging markets multi-asset, Newton Real Return and BlackRock Diversified Growth Fund) which, though expected to outperform corporate bonds in the long-term, creates volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Plan's long term objectives.
Changes in bond yields	A fall in corporate bond yields would increase the value placed on the Plan's liabilities for accounting purposes, although this would be partially offset by an increase in the value of the Plan's bond holdings.
Inflation risk	A significant proportion of the Plan's benefit obligations are linked to inflation, and higher inflation would lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Reporting at 30 September 2017

The FRS 102 liabilities are based on membership data of 31 December 2016, which has been adjusted to the balance sheet date taking account of experience over the period since 31 December 2016, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

Main financial assumptions	2017 % p.a.	2016 % p.a.
RPI inflation	3.30	3.30
CPI inflation	2.20	2.20
Rate of general long-term increase in salaries	2.20	2.20
Pension increases (except on pre 88 GMP)	3.30	3.30
Discount rate for scheme liabilities	2.70	2.30

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

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

20 Defined benefit pension scheme (continued)

Main demographic assumptions

	2017 100% of SAPS S2 "normal pensioner" with future projections in line with CMI 2015 improvements with a long term rate of 1.25% p.a.	2016 100% of SAPS S2 "normal pensioner" with future projections in line with CMI 2014 improvements with a long term rate of 1.25% p.a.
Mortality		
Life expectancy for male currently aged 65	87.3	87.4
Life expectancy for female currently aged 65	89.2	89.5
Life expectancy at age 65 for male currently aged 45	88.7	89.1
Life expectancy at age 65 for female currently aged 45	90.7	91.4
Cash commutation	Members assumed to exchange 20% of their pension for cash lump sum at retirement	Members assumed to exchange 20% of their pension for cash lump sum at retirement

The Plan's assets are invested in the following asset classes as at 30 September:

Asset allocation

	2017 US\$'000	2016 US\$'000
Equities	49,636	41,555
Newton Real Return Fund	14,993	14,426
BlackRock DC Diversified Growth Fund	15,333	14,469
LDI	16,993	20,447
Cash	1,812	770
	98,767	91,667
50% UIP Pension scheme	2,495	2,388
At 30 September	101,262	94,055

All assets have a quoted market value in an active market. At 30 September 2017 none of the above Plan assets related to self-investment.

Part of the Plan's assets are for former UIP and UCI employees and pensioners for which the Company is liable for 50% and UIP for the remaining 50%.

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

	2017 US\$'000	2016 US\$'000
Present value of funded defined benefit obligations	(128,539)	(135,282)
Fair value of Plan assets	101,262	94,055
At 30 September	(27,277)	(41,227)
Related deferred tax asset	4,637	7,009
	(22,640)	(34,218)

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

20 Defined benefit pension scheme (continued)

Asset allocation (continued)

The amounts recognised in comprehensive income are set out below:

	2017 US\$'000	2016 US\$'000
Operating cost		
Current service cost	(1,020)	(705)
Past service cost	(3,649)	-
Administration costs	(767)	-
Net interest on net defined benefit asset	(944)	(831)
Pension expense recognised in profit	(6,380)	(1,536)
Taken to other comprehensive income/(expense)		
Asset gains arising during the year	925	16,002
Liability gains/(losses) arising during the year	16,324	(33,888)
Total amount recognised in OCI	17,249	(17,886)
Total amount recognised in profit and loss and OCI	10,869	(19,422)

Past service cost

During the year there has been an exercise to correct past and future benefit payments as a result of legal advice received that some of the Plan's legal documents had not been implemented correctly in the past. This has resulted in a one-off past service cost of \$ 3,649,000.

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

	2017 US\$'000	2016 US\$'000
Opening defined benefit obligation	135,282	51,907
Current service cost	1,020	705
Past service cost	3,649	-
Interest expense on defined benefit obligation	3,024	3,296
Contributions by Plan participants	116	120
Actuarial (gains)/losses	(16,324)	33,888
Net benefits paid out	(2,110)	(1,402)
Transfer of defined benefit obligation from other group companies	99	64,962
Exchange difference	3,783	(18,194)
Closing defined benefit obligation	128,539	135,282

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

20 Defined benefit pension scheme (continued)

Asset allocation (continued)

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

	2017 US\$'000	2016 US\$'000
Opening fair value of plan assets	94,055	37,294
Interest income on Plan assets	2,080	2,465
Administration costs	(767)	-
Remeasurement gains on Plan assets	925	16,002
Contributions by the employer	3,616	3,241
Contributions by Plan participants	116	120
Net benefits paid out	(2,110)	(1,402)
Transfer of defined benefit obligation from other group companies	99	49,370
Exchange difference	3,248	(13,035)
Closing fair value of plan assets	101,262	94,055

The actual return on Plan assets was:

	2017 US\$'000	2016 US\$'000
Interest income on Plan assets	2,080	2,465
Remeasurement gains on Plan assets	925	16,002
Actual return on Plan assets	3,005	18,467

Defined contribution scheme

Following the closure of the defined benefit scheme, the Company provided a defined contribution scheme for its Dutch based employees.

	2017 US\$'000	2016 US\$'000
Interest income on Plan assets	558	380

21 Called up share capital

	2017 \$	2016 \$
Authorised		
100 (2016 - 100) ordinary shares of \$ 1 each	100	100
Allotted, called up and fully paid		
1 (2016 - 1) ordinary share of \$ 1	1	1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Paramount Pictures International Limited

Notes to the financial statements for the year ended 30 September 2017 (continued)

22 Related party transactions

The Company is exempt under section 33.1A of FRS102 from disclosing related party transactions with entities that are part of the Viacom Inc. group.

The Company charges United International Pictures ("UIP"), a 50% joint venture, for rent, service charges and rates as set out in the office lease agreement that amounted to \$ 421,406 in 2017 (2016: \$ 746,452). As at 30 September 2017, the amount owed by UIP was \$ nil (2016: \$ nil) and the amount due to UIP was \$ nil (2016: \$ nil).

23 Controlling party

The Company's immediate and ultimate parent companies are Viacom Alto Overseas C.V., limited partnership under Dutch law and Viacom Inc. respectively, incorporated in the USA. The ultimate controlling party of Viacom Inc. is National Amusements Inc., the beneficial owner of the majority of Viacom Inc. voting shares. Viacom Inc's voting and non-voting shares are quoted.

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.