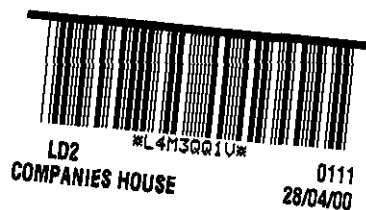


# **Paramount Pay TV Limited**

(Registered number: 03458440)

## **Directors' Report And Financial Statements**

**31 December 1999**



# **Paramount Pay TV Limited**

## **Directors' Report**

The directors present their report and audited financial statements for the year ended 31 December 1999. Comparatives are for the 14 month period ended 31 December 1998.

### **Principal Activity And Review Of The Business**

The principal activity of the company is the provision of services related to film production.

### **Results And Dividends**

The retained profit for the year amounts to £33,915 (1998: loss £9,529). The directors do not recommend the payment of a dividend (1998: £Nil).

### **Directors And Their Interests**

The directors who served during the year, and subsequent changes, were:

T. Ellis (appointed 7 February 2000)  
M. O'Sullivan

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

### **Statement Of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. 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.

### **Year 2000**

The company has not experienced any significant problems in connection with Year 2000 nor does it expect any problems in the future. All costs to render hardware and software Year 2000 compliant were borne by the ultimate parent undertaking.

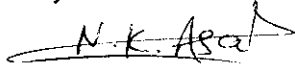
# **Paramount Pay TV Limited**

## **Directors' Report** (continued)

### **Auditors**

PricewaterhouseCoopers have indicated their willingness to continue as auditors and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board.

A handwritten signature in black ink, appearing to read 'N. K. Asal', with a stylized flourish at the end.

N Asal  
**Secretary**

17 April 2000

## **Auditors' Report To The Members Of Paramount Pay TV Limited**

We have audited the financial statements on pages 5 to 11 which have been prepared in accordance with the historical cost and the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report. As described on page 1, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

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

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

**Auditors' Report To The Members Of  
Paramount Pay TV Limited** (Continued)

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Chartered Accountants  
and Registered Auditors

17 April 2000

## Paramount Pay TV Limited

### Profit And Loss Account For The Year Ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	984,711	771,149
Administrative expenses		(906,423)	(714,427)
<b>Operating profit</b>	3	<b>78,288</b>	<b>56,722</b>
Interest receivable and similar income	4	41,226	767
Interest payable and similar charges	5	(71,479)	(67,018)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>48,035</b>	<b>(9,529)</b>
Tax on profit/(loss) on ordinary activities	7	(14,120)	-
<b>Retained profit/(loss) for the year</b>		<b>33,915</b>	<b>(9,529)</b>
Balance at 1 January		(9,529)	-
<b>Balance at 31 December</b>		<b>24,386</b>	<b>(9,529)</b>

Turnover and profit on ordinary activities before taxation for the year relates exclusively to continuing operations.

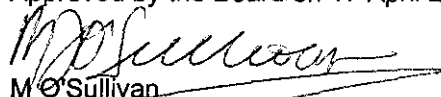
The company had no recognised gains or losses other than those reflected in the profit and loss account above.

# Paramount Pay TV Limited

## Balance Sheet As At 31 December 1999

	Notes	1999 £	1998 £
<b>Fixed assets</b>			
Tangible assets	9	848	322
<b>Current assets</b>			
Debtors	10	3,514,626	1,529,061
Cash at bank and in hand		150	-
		<b>3,514,776</b>	<b>1,529,061</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(3,491,236)</b>	<b>(1,538,910)</b>
<b>Net current assets/(liabilities)</b>		<b>23,540</b>	<b>(9,849)</b>
<b>Total assets less current liabilities</b>		<b>24,388</b>	<b>(9,527)</b>
<b>Capital and reserves</b>			
Called up ordinary share capital	12	2	2
Profit and loss account		<b>24,386</b>	<b>(9,529)</b>
<b>Equity shareholders' funds</b>	13	<b>24,388</b>	<b>(9,527)</b>

Approved by the Board on 17 April 2000 and signed on its behalf by:

  
M O'Sullivan  
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

# **Paramount Pay TV Limited**

## **Notes To The Financial Statements For The Year Ended 31 December 1999**

### **1 Accounting Policies**

#### **a) Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **b) Depreciation**

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

Equipment, furniture and fittings	10 years
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#### **c) Foreign currencies**

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

#### **d) Pension benefits**

The employees of the company are members of a group defined benefit pension scheme (see Note 14). The assets of the scheme are held separately from those of the company in independently administered funds. The scheme operates on a pre-funded basis, and the policy is to contribute variable amounts, based on actuarial advice, to achieve a 100% funding level on a projected salary basis. Contributions to the scheme are charged to the profit and loss account so as to spread the regular cost of pensions over the remaining service lives of the employees.

#### **e) Leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### **f) Cash flow statement**

The company is a wholly owned subsidiary of Viacom Inc., and is included in the consolidated financial statements of Viacom Inc. which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.



# Paramount Pay TV Limited

## Notes To The Financial Statements

For The Year Ended 31 December 1999 (Continued)

### 2 Turnover

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

### 3 Operating Profit

	1999 £	1998 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	336	258
Auditors' remuneration	6,000	6,500

### 4 Interest Receivable And Similar Income

	1999 £	1998 £
Interest receivable from group undertakings	41,226	767

### 5 Interest Payable And Similar Charges

	1999 £	1998 £
Interest payable to group undertakings	71,479	67,018

### 6 Staff Costs

Staff costs during the year were as follows:

	1999 £	1998 £
Wages and salaries	437,433	193,102
Social security costs	45,000	18,474
Pensions costs	29,256	253,965
	511,689	465,541

The average number of employees during the year was 6 (1998: 4), all employees being engaged in production and related services.

In 1998, the company bore and paid for the pension costs of Famous Music Publishing Limited and Viacom Consumer Products Limited, fellow subsidiary undertakings of the company. In 1999, the aforementioned companies each bore and paid for the pension costs of their respective employees.

# Paramount Pay TV Limited

## Notes To The Financial Statements For The Year Ended 31 December 1999 (Continued)

### 7 Taxation On Profit/(Loss) On Ordinary Activities

	1999 £	1998 £
The tax charge based on the profit/(loss) for the year comprises:		
Corporation tax at 30.25% (1998: 31%)	14,120	-

### 8 Directors' Emoluments

	1999 £	1998 £
Remuneration	147,187	63,872
Pension contributions	16,000	233,167
	<b>163,187</b>	<b>297,039</b>

One (1998: nil) director exercised share options in the ultimate parent undertaking during the year and one (1998: nil) director became entitled to receive shares under a long-term incentive scheme.

### 9 Tangible Fixed Assets

	Equipment Furniture and Fittings £
<b>Cost</b>	
At 1 January 1999	2,580
Additions	862
At 31 December 1999	<b>3,442</b>
<b>Depreciation</b>	
At 1 January 1999	2,258
Charge for year	336
At 31 December 1999	<b>2,594</b>
<b>Net book value:</b>	
At 31 December 1999	<b>848</b>
At 31 December 1998	322

# Paramount Pay TV Limited

## Notes To The Financial Statements For The Year Ended 31 December 1999 (Continued)

### 10 Debtors

	1999 £	1998 £
Trade debtors	21,360	170,292
Amounts owed by group undertakings	3,323,176	1,261,143
Other debtors	170,090	97,626
	<b>3,514,626</b>	<b>1,529,061</b>

### 11 Creditors: Amounts Falling Due Within One Year

	1999 £	1998 £
Amounts owed to group undertakings	3,358,328	1,454,957
Other taxation and social security	32,220	55,084
Accruals and deferred income	88,851	28,869
Corporation tax payable	11,837	-
	<b>3,491,236</b>	<b>1,538,910</b>

### 12 Share Capital

	1999 £	Authorised 1998 £	Allotted, called up and fully paid 1999 £	1998 £
Ordinary shares of £1 each	100	100	2	2

### 13 Reconciliation Of Movements In Shareholders' Funds

	1999 £	1998 £
Opening shareholders' funds	(9,527)	2
Profit/(loss) for the financial year	33,915	(9,529)
Closing shareholders' funds	<b>24,388</b>	<b>(9,527)</b>

# Paramount Pay TV Limited

## Notes To The Financial Statements For The Year Ended 31 December 1999 (Continued)

### 14 Pension Costs

The company participates in a group pension plan. For the period ended 30 September 1998, the defined benefit plan was the Paramount Communications UK Pension Plan, ('the Plan').

The Plan is a defined benefit arrangement and operates on a pre-funded basis. The funding policy is to contribute such variable amounts as, on the advice on the actuary, will achieve a 100% funding level on a projected salary basis. Actuarial assessments covering expense and contributions are carried out by independent qualified actuaries, with the last such review being carried out as at 1 July 1997. The projected unit method was adopted for the last valuation of the Plan. Assets were valued by discounting income from a notional portfolio. The main actuarial assumptions used in the valuation for accounting purposes were:

Investment return	9.0% per annum
Salary growth	7.5% per annum
(including 0.5% pa in respect of age related and merit increase)	
Price inflation	4.5% per annum
Equity dividend growth	4.5% per annum
Pension increases - pre 1997	3.0% per annum
- post 1997	4.0% per annum

The Plan is assessed to be fully funded on a current funding level basis, based on market value of assets of £9,015,000 at the valuation date. The actuarial value of the assets represented 106% of the on-going liabilities of the Plan. The pension expense for the year ended 31 December 1999 was £29,256 (1998: £253,965).

With effect from 1 October 1998, no further contributions were made to this Plan. A new defined benefit scheme, the 'Viacom UK Defined Benefit Plan', was established to replace the previous arrangement, and contributions have since been made to this plan. The balance of funds had not been transferred into the new plan from the Paramount Communications UK Pension Plan as at 31 December 1999. There has been no actuarial valuation carried out to date of the new plan.

### 15 Parent Undertaking

The largest group for which consolidated financial statements are drawn up and of which the company is a member is Viacom Inc., incorporated in the state of Delaware in the United States of America. The consolidated financial statements of this company can be obtained from 1515 Broadway, New York 10036.

### 16 Related Party Transactions

As a wholly owned subsidiary of Viacom Inc. the company has taken advantage of the exemption contained within Financial Reporting Standard Number 8 (Related Party Transactions) not to disclose related party transactions with other members of the Viacom Inc. group of companies. The ultimate controlling party of the company is National Amusements Inc., the parent undertaking of Viacom Inc.