

# **Paramount Pay TV Limited**

(Registered number: 03458440)

**Directors' report and financial statements**  
**31 December 2003**



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# **Paramount Pay TV Limited**

## **Directors' report for the year ended 31 December 2003**

The directors present their report and audited financial statements for the year ended 31 December 2003.

### **Principal activity, review of the business, and future developments**

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

### **Results and dividends**

The company's loss for the year amounts to £261,343 (2002 loss: £319,110). The directors do not recommend the payment of a dividend (2002: £ nil). The loss for the year has been transferred to reserves.

### **Directors and their interests**

The directors who served during the year, were:

R Affourtit  
M O'Sullivan  
T Ellis

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.

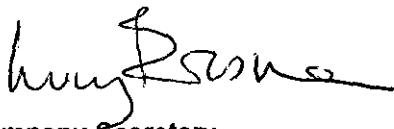
# Paramount Pay TV Limited

## Directors' report for the year ended 31 December 2003 (continued)

### Auditors

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

By order of the board.



Company Secretary

180 Oxford Street  
London  
W1D 1NN

27 October 2004

## **Independent auditors' report to the members of Paramount Pay TV Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

### **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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

27 October 2004

## Paramount Pay TV Limited

### Profit and loss account for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	3	1,173,508	960,201
Cost of sales		(1,085,659)	(889,075)
<b>Gross profit</b>		<b>87,849</b>	<b>71,126</b>
Other expenses		(227,635)	(285,215)
<b>Operating loss</b>	4	<b>(139,786)</b>	<b>(214,089)</b>
Interest receivable and similar income	5	17,640	35,700
Interest payable and similar charges	6	(138,555)	(139,753)
<b>Loss on ordinary activities before taxation</b>		<b>(260,701)</b>	<b>(318,142)</b>
Taxation on loss on ordinary activities	8	(642)	(968)
<b>Retained loss for the year</b>	14	<b>(261,343)</b>	<b>(319,110)</b>

The loss for the year was derived from continuing operations.

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

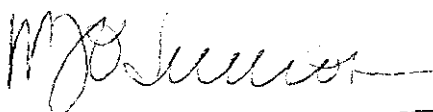
There is no difference between the results as reported and their historical cost equivalents.

# Paramount Pay TV Limited

## Balance sheet as at 31 December 2003

	Notes	2008	2002
<b>Fixed assets</b>			
Tangible assets	10	21,806	26,282
		<b>21,806</b>	<b>26,282</b>
<b>Current assets</b>			
Debtors	11	406,972	4,884,800
		<b>406,972</b>	<b>4,884,800</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(678,588)</b>	<b>(4,899,549)</b>
<b>Net current liabilities</b>		<b>(271,616)</b>	<b>(14,749)</b>
<b>Net (liabilities)/assets</b>		<b>(249,810)</b>	<b>11,533</b>
<b>Capital and reserves</b>			
Called up ordinary share capital	13	1	1
Profit and loss account	14	(249,811)	11,532
<b>Equity shareholders' (deficit)/funds</b>	14	<b>(249,810)</b>	<b>11,533</b>

The financial statements on pages 4 to 12 were approved by the board of directors on 27 October 2004 and were signed on its behalf by:



M. O'Sullivan  
Director

# **Paramount Pay TV Limited**

## **Notes to the financial statements for the year ended 31 December 2003**

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### **a) Basis of preparation**

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

The financial statements have been prepared on a going concern basis as the company has received confirmation from a fellow Viacom Inc. subsidiary that it will continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements.

#### **b) Turnover**

Turnover consists of service fees billed exclusive of VAT, but inclusive of intra-group transactions.

#### **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. Transactions in foreign currencies are expressed in sterling at the average rates ruling during the month of the transaction. The resulting profits or losses are dealt with in the profit and loss account.

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

The employees of the company are members of a Viacom UK group defined benefit pension scheme (see Note 17). 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. The company has adopted Financial Reporting Standard 17 'Retirements Benefits' (FRS 17). Although the Plan is a defined benefit arrangement, it is a multi-employer scheme for which it has not been possible to identify the underlying assets and liabilities attributable to each participating company, as defined in FRS 17 and therefore it has been accounted for as a defined contribution plan. 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) Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

# Paramount Pay TV Limited

## Notes to the financial statements for the year ended 31 December 2003

### f) Tangible fixed assets

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

Equipment, furniture and fittings	10 years
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### g) Leases

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

## 2 Cash flow statement and related party disclosures

The company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the Viacom Inc. group and its financial statements are included in the consolidated financial statements of that group, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Viacom Inc group or investees of that group (see note 18).

## 3 Turnover

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

## 4 Operating loss

	2003 £	2002 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	4,913	4,346
Foreign exchange loss	229,057	285,268
Operating lease rentals – other	20,138	19,582
Auditors' remuneration – audit services	13,914	3,663

## 5 Interest receivable and similar income

	2003 £	2002 £
Interest receivable from group undertakings	17,640	35,700



# Paramount Pay TV Limited

## Notes to the financial statements for the year ended 31 December 2003

### 6 Interest payable and similar charges

	2003 £	2002 £
Interest payable to group undertakings	138,555	139,753

### 7 Employee information

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	407,764	361,160
Bonuses	135,276	90,873
Social security costs	61,236	56,338
Pensions costs (note 17)	64,331	53,396
	668,607	561,767

The average number of employees during the year was 3 (2002: 4); all employees being engaged in production and related services.

### 8 Taxation on loss on ordinary activities

The tax charge based on the loss on ordinary activities comprises:

	2003 £	2002 £
<b>Current Tax</b>		
UK Corporation Tax on loss of the year at 30% (2002: 30%)	-	-
Adjustment in respect of previous periods	-	(125)
Total current tax	-	(125)
<b>Deferred Tax</b>		
Origination and reversal of timing differences	642	1,093
Adjustment in respect of previous periods	-	-
Total deferred tax	642	1,093
<b>Taxation on loss on ordinary activities</b>	<b>642</b>	<b>968</b>

# Paramount Pay TV Limited

## Notes to the financial statements for the year ended 31 December 2003

### 8 Taxation on loss on ordinary activities (continued)

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

	2003 £	2002 £
Loss on ordinary activities before tax	(260,701)	(318,142)
Loss on ordinary activity multiplied by standard UK rate, 30% (2002: 30%)	(78,210)	(95,443)
Effects of:		
Expenses not deductible for tax purposes	3,193	2,986
Accelerated capital allowances and other timing differences	(642)	(1,093)
Group relief surrendered for nil consideration	75,659	93,550
Current tax charge for the year	-	-

Deferred tax is measured on a non discounted basis at the tax rate which is expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

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

	2003 £	2002 £
Accelerated capital allowances	642	1,093
Total deferred tax charge	642	1,093

### Directors' emoluments

	2003 £	2002 £
Remuneration	219,655	167,200
Pension contributions	36,513	44,105
	256,168	211,305

One (2002: one) director is accruing benefits under a defined benefits scheme. There are no Long Term Incentive Schemes for directors. Two (2002: two) directors were granted stock options in the year, but no (2002: nil) directors exercised share options in the ultimate parent undertaking during the year.

# Paramount Pay TV Limited

## Notes to the financial statements for the year ended 31 December 2003

### 10 Tangible fixed assets

	Equipment Furniture and Fittings £
<b>Cost</b>	
At 1 January 2003	32,271
Additions	437
<b>At 31 December 2003</b>	<b>32,708</b>
<b>Depreciation</b>	
At 1 January 2003	5,989
Charge for the year	4,913
<b>At 31 December 2003</b>	<b>10,902</b>
<b>Net book value:</b>	
<b>At 31 December 2003</b>	<b>21,806</b>
At 31 December 2002	26,282

### 11 Debtors

	2003 £	2002 £
Trade debtors	23,780	169,568
Amounts owed by group undertakings	361,465	4,666,753
Deferred tax asset (Note 16)	-	457
Other debtors	21,727	48,022
	<b>406,972</b>	<b>4,884,800</b>

### 12 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts due to group undertakings	503,071	4,862,849
Deferred tax creditor (Note 16)	186	-
Taxation and social security	16,660	16,397
Accruals and deferred income	158,671	20,303
	<b>678,588</b>	<b>4,899,549</b>

# Paramount Pay TV Limited

## Notes to the financial statements for the year ended 31 December 2003

### 13 Share capital

	2003 £	2002 £
<b>Authorised</b>		
100 ordinary shares at £1 each	100	100
<b>Allotted and fully paid</b>		
1 ordinary shares at £1 each	1	1

### 14 Reconciliation of movements in shareholders' (deficit)/funds

	2003 £	2002 £
Loss for the year	(261,343)	(319,110)
Net deduction from shareholders' funds	(261,343)	(319,110)
Opening shareholders' funds	11,533	330,643
Closing shareholders' (deficit)/funds	(249,810)	11,533

	Share Capital £	Profit and Loss Account £	Total Equity Shareholders' Deficit £
At 1 January 2003	1	11,532	11,533
Retained loss for the year	-	(261,343)	(261,343)
<b>At 31 December 2003</b>	<b>1</b>	<b>(249,811)</b>	<b>(249,810)</b>

### 5 Financial commitments

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

	2003 £	2002 £
Other assets expiring:		
Within one year	-	-
Within two to five years (part of the lease is not fixed)	17,935	20,138
	<b>17,935</b>	<b>20,138</b>

## Paramount Pay TV Limited

### Notes to the financial statements for the year ended 31 December 2003

#### 16 Deferred Taxation

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

	2003 £	2002 £
Accelerated capital allowances	185	(457)
Total deferred tax (asset)/liability	185	(457)

#### 17 Pension costs

The company participates in a multi employer, group defined benefit pension plan, the Viacom UK Defined Benefit Plan ("the Plan") along with other employers in the group, and the directors have decided to early adopt Financial Reporting Standard 17 'Retirement Benefits'. Although the Plan is a defined benefit arrangement, it is a multi-employer scheme for which it has not been possible to identify the underlying assets and liabilities attributable to each participating company largely due to the significant number of deferred members. Therefore the pension cost recognised in the profit and loss account for this Plan represents the contributions payable by the company to the Plan for the year, amounting to £ 64,331 (2002: £ 53,396). At 31 December 2003 there were no outstanding contributions. The Plan is the only such scheme that the company participates in, there are no specific defined benefit scheme for directors.

Details of the Scheme, including particulars of the most recent valuation performed by independent qualified actuaries as at 31 December 2003 can be found in the Annual Report of Viacom UK Limited (the company's intermediate parent undertaking) for the year ended 31 December 2003.

#### 18 Ultimate parent undertaking

The ultimate parent undertaking of the company is Viacom, Inc., incorporated in the state of Delaware in the USA. The ultimate controlling party of the company is National Amusements Inc., the parent undertaking of Viacom, Inc.

The largest and smallest group for which consolidated financial statements are drawn up and of which the company is a member of 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.