SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): April 13, 1995

VIACOM INC.

(Exact name of registrant as specified in its charter)

Delaware	1-9553	04-2949533
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1515 Broadway, New York, New York	10036
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 258-6000

Item 5. Other Events

The information included herein is being filed solely in connection with the registration statements of Viacom Inc. (the "Registrant") or Viacom International Inc. filed under the Securities Act of 1933, as amended, including the Registration Statement on Form S-3 (Reg. No. 33-53485) of the Registrant and Viacom International Inc.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

1. Item 8 and Items 14(a)(1) and 14(a)(2) of the Transition Report on Form 10-K of Paramount Communications Inc. for the eleven month period ended March 31, 1994, as amended by Form 10-K/A Amendment No. 1 dated July 29, 1994 and as further amended by Form 10-K/A Amendment No. 2 dated August 12, 1994.

2. Item 1 of the Quarterly Report on Form 10-Q of Paramount Communications Inc. for the quarter ended June 30, 1994.

3. Item 8 and Items 14(a)(1) and 14(a)(2) of the Annual Report on Form 10-K of Blockbuster Entertainment Corporation for the year ended December 31, 1993.

4. Item 1 of the Quarterly Report on Form 10-Q of Blockbuster Entertainment Corporation for the quarter ended June 30, 1994.

(b) Pro forma financial information.

(c) Exhibits.

23.1 Consent of Ernst & Young LLP as to financial statements of Paramount Communications Inc.

23.2 Consent of Arthur Andersen LLP as to financial statements of Blockbuster Entertainment Corporation.

23.3 Consent of Price Waterhouse LLP as to financial statements of Paramount Communications Inc.

Item 7(a) Financial Statements of Businesses Acquired.

Item 7(a)(1)

REPORT OF INDEPENDENT ACCOUNTANTS

Stockholders and Board of Directors
Paramount Communications Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Paramount Communications Inc. at March 31, 1994, and the results of its operations, changes in its stockholders' equity and its cash flows for the eleven month period then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Price Waterhouse

New York, New York
June 3, 1994

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Paramount Communications Inc.

We have audited the accompanying consolidated balance sheet of Paramount Communications Inc. as of April 30, 1993 and October 31, 1992, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for the six-month period ended April 30, 1993 and for each of the two years in the period ended October 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paramount Communications Inc. at April 30, 1993 and October 31, 1992, and the consolidated results of its operations and its cash flows for the six-month period ended April 30, 1993 and for each of the two years in the period ended October 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Notes A and K, in the six-month period ended April 30, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." As discussed in Notes A and J, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes."

Ernst & Young

New York, New York
August 27, 1993,
except for Notes A and J, as to which the date is
September 10, 1993

Paramount Communications Inc.

CONSOLIDATED STATEMENT OF EARNINGS

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
		(In millions, except per share)		
REVENUES	$ 4,433.5	$ 1,898.1	$4,264.9	$3,895.4
Cost of goods sold	3,179.3	1,286.8	2,739.8	2,638.7
Selling, general and administrative expenses	1,153.4	621.4	1,129.0	1,098.9
	4,332.7	1,908.2	3,868.8	3,737.6
OPERATING INCOME (LOSS)	100.8	(10.1)	396.1	157.8
Other income (expense) -- Note D	(45.7)	(3.7)	(6.6)	0.1
Interest and other investment income (expense) -- net -- Note L				
Interest expense	(107.7)	(47.9)	(113.8)	(112.0)
Interest and other investment income	61.4	44.9	121.6	133.8
	(46.3)	(3.0)	7.8	21.8
EARNINGS (LOSS) BEFORE INCOME TAXES	8.8	(16.8)	397.3	179.7
Provision (benefit) for income taxes -- Notes A and J	3.1	(7.7)	123.1	52.1
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	5.7	(9.1)	274.2	127.6
Extraordinary item -- Note E			(8.8)	
Cumulative effect of accounting change -- Note A		(66.9)		
NET EARNINGS (LOSS)	$ 5.7	$ (76.0)	$ 265.4	$ 127.6
Average common and common equivalent shares outstanding -- Note A	120.4	118.8	119.2	118.5
Earnings (loss) per share -- Note A				
Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ .05	$ (.08)	$ 2.31	$ 1.08
Net earnings (loss)	.05	(.65)	2.23	1.08

See notes to consolidated financial statements.

FINANCIAL REPORTING BY BUSINESS SEGMENTS

A summary description of the Company's business segments is as follows. See Note N for additional disclosures related to business segments.

ENTERTAINMENT

Produces, finances and distributes motion pictures, television programming and prerecorded videocassettes and operates motion picture theaters, independent television stations, sports and entertainment facilities and regional theme parks.

PUBLISHING

Publishes and distributes hardcover and paperback books, educational textbooks and materials, and provides information services for business and professions.

REVENUES AND OPERATING INCOME (LOSS)

	Revenues					
	Eleven Months Ended March 31		Six Months Ended April 30		Year Ended October 31	
	1994	1993	1993	1992	1992	1991
		(Unaudited)		(Unaudited)		
			(In millions)			
Business Segments						
Entertainment	$ 2,822.9	$ 2,248.9	$ 1,280.8	$ 1,408.3	$ 2,657.4	$ 2,380.2
Publishing	1,610.6	1,504.3	617.3	590.2	1,607.5	1,515.2
Total	$ 4,433.5	$ 3,753.2	$ 1,898.1	$ 1,998.5	$ 4,264.9	$ 3,895.4

	Operating Income (Loss)					
	Eleven Months Ended March 31		Six Months Ended April 30		Year Ended October 31	
	1994	1993	1993	1992	1992	1991
		(Unaudited)		(Unaudited)		
			(In millions)			
Business Segments						
Entertainment	$ 98.5	$191.4	$121.9	$164.9	$279.6	$ 66.2
Publishing	92.2	173.3	(90.9)	(55.0)	182.0	156.2
Total	190.7	364.7	31.0	109.9	461.6	222.4
Corporate Expenses	(89.9)	(62.9)	(41.1)	(32.1)	(65.5)	(64.6)
	$ 100.8	$301.8	$(10.1)	$ 77.8	$396.1	$157.8

Revenues by business segment include revenues that are directly associated with a particular segment. Revenues between business segments (amounts are insignificant), which are accounted for on substantially the same basis as revenues from unaffiliated customers, have been eliminated. No single customer accounts for 10% or more of consolidated revenues.

Export sales to unaffiliated customers were $657.1, $290.7, $606.8 and $690.7 million, respectively, for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991. These sales were principally made in Europe, Asia and Canada.

During the eleven months ended March 31, 1994, the Company recorded a $84.3-million charge against Publishing's operating income and a $22.3-million charge against Corporate Expenses. During the six months ended April 30, 1993, the Company recorded a $35-million and a $5-million charge, respectively, against Publishing's operating loss and Corporate Expenses and during the year ended October 31, 1991, recorded a $52-million charge against Entertainment's operating income. For further details related to these charges see Management's Discussion and Analysis.

CONSOLIDATED BALANCE SHEET

	March 31 1994	April 30 1993	October 31 1992
		(In millions)	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents -- Notes A and M	$ 239.3	$ 372.6	$ 324.3
Short-term investments -- Notes A and M	67.3	569.7	912.0
Trade receivables -- net -- Note L	914.3	829.6	972.9
Inventories -- Notes A and F	699.2	617.3	580.2
Prepaid income taxes	303.5	131.7	139.7
Prepaid expenses and other -- Note L	491.9	400.2	342.7
TOTAL CURRENT ASSETS	2,715.5	2,921.1	3,271.8
PROPERTY, PLANT AND EQUIPMENT -- Note A			
Land	267.1	210.8	210.4
Buildings	665.6	591.4	590.6
Machinery, equipment and other	733.2	606.9	573.8
	1,665.9	1,409.1	1,374.8
Less allowance for depreciation	409.2	336.1	315.5
	1,256.7	1,073.0	1,059.3
OTHER ASSETS			
Investment in affiliated companies -- Notes A and G	211.2	243.9	228.9
Noncurrent receivables and inventories -- Notes A and F	773.1	689.8	604.7
Intangible assets -- net -- Note A	2,093.5	1,517.5	1,528.1
Deferred costs and other -- Note A	558.0	429.5	364.2
	3,635.8	2,880.7	2,725.9
	$7,608.0	$6,874.8	$7,057.0
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Current maturities of long-term debt	$ 35.6	$ 109.8	$ 10.0
Trade accounts payable	201.6	194.7	143.7
Income taxes payable	19.6	26.6	139.2
Accrued expenses and other -- Note L	1,484.4	1,128.4	1,114.1
TOTAL CURRENT LIABILITIES	1,741.2	1,459.5	1,407.0
DEFERRED LIABILITIES -- Note L	795.3	805.9	822.4
LONG-TERM DEBT, net of current maturities -- Notes A, H and M	998.4	707.3	812.1
STOCKHOLDERS' EQUITY -- Note I			
Common Stock, recorded at $1.00 par value; 600,000,000 shares authorized; shares outstanding, 122,792,910 at March 31, 1994 (excluding 25,069,138 shares held in treasury), 118,199,396 at April 30, 1993 (excluding 29,665,980 shares held in treasury) and 117,459,926 at October 31, 1992 (excluding 30,405,450 shares held in treasury)	122.8	118.2	117.5
Paid-in surplus	957.7	712.8	665.7
Retained earnings -- Notes A, G and J	3,016.5	3,082.5	3,228.6
Cumulative translation adjustments	(23.9)	(11.4)	3.7
	4,073.1	3,902.1	4,015.5
	$7,608.0	$6,874.8	$7,057.0

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	For the Period From October 31, 1990 to March 31, 1994				
	Common Stock	Paid-in Surplus	Retained Earnings	Cumulative Translation Adjustments	Total Stockholders' Equity
			(In millions)		
BALANCE AT OCTOBER 31, 1990, NET OF TREASURY	$117.4	$575.9	$3,075.0	$ 15.5	$3,783.8
Common Stock issued					
Exercise of stock options and grants to employees	1.0	51.8			52.8
Dividend reinvestment and stock purchase plan	0.1	3.3			3.4
Acquisition of stock for the treasury	(0.7)	(3.7)	(23.8)		(28.2)
Common Stock dividends ($.70 per share)			(82.4)		(82.4)
Translation adjustments				(4.4)	(4.4)
Tax benefit from exercise of stock options		2.2			2.2
Net earnings for the year			127.6		127.6
BALANCE AT OCTOBER 31, 1991, NET OF TREASURY	117.8	629.5	3,096.4	11.1	3,854.8
Common Stock issued					
Exercise of stock options and grants to employees	0.7	38.1			38.8
Dividend reinvestment and stock purchase plan	0.1	3.6			3.7
Acquisition of stock for the treasury	(1.1)	(6.4)	(41.7)		(49.2)
Common Stock dividends ($.775 per share)			(91.5)		(91.5)
Translation adjustments				(7.4)	(7.4)
Tax benefit from exercise of stock options		0.9			0.9
Net earnings for the year			265.4		265.4
BALANCE AT OCTOBER 31, 1992, NET OF TREASURY	117.5	665.7	3,228.6	3.7	4,015.5
Common Stock issued					
Exercise of stock options and grants to employees	1.3	41.6			42.9
Dividend reinvestment and stock purchase plan		1.9			1.9
Acquisition of stock for the treasury	(0.6)	(3.5)	(22.9)		(27.0)
Common Stock dividends ($.40 per share)			(47.2)		(47.2)
Translation adjustments				(15.1)	(15.1)
Tax benefit from exercise of stock options		7.1			7.1
Net loss for the six months ended April 30, 1993			(76.0)		(76.0)
BALANCE AT APRIL 30, 1993, NET OF TREASURY	118.2	712.8	3,082.5	(11.4)	3,902.1
Common Stock issued					
Exercise of stock options and grants to employees	4.6	207.6			212.2
Dividend reinvestment and stock purchase plan		2.8			2.8
Common Stock dividends ($.60 per share)			(71.7)		(71.7)
Translation adjustments				(12.5)	(12.5)
Tax benefit from exercise of stock options		34.5			34.5
Net earnings for the eleven months ended March 31, 1994			5.7		5.7
BALANCE AT MARCH 31, 1994, NET OF TREASURY	$122.8	$957.7	$3,016.5	$(23.9)	$4,073.1

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
			(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ 5.7	$ (9.1)	$ 274.2	$ 127.6
Non-cash expenses				
Depreciation	93.0	37.1	71.7	59.1
Deferred income taxes	(151.1)	28.9	(3.2)	(37.5)
Amortization of intangible assets	47.2	4.3	44.4	39.2
Amortization of pre-publication costs	77.4	24.0	87.0	88.0
Gain from sale of affiliate equity investment	(11.0)			
Other non-cash charges	145.4			
Provision for real estate write-down and relocation		40.0		
Undistributed net earnings of unconsolidated affiliates	(12.6)	(11.3)	(19.7)	(15.7)
Theatrical and television inventories and broadcast rights				
Gross additions	(1,121.2)	(526.8)	(909.6)	(953.6)
Amortization	1,032.5	387.0	834.7	945.2
Decrease (increase) in network features and syndication licenses	(21.5)	4.2	(78.2)	(47.1)
Increase in pre-publication costs	(80.8)	(39.6)	(87.7)	(77.8)
Decrease (increase) in trade receivables	(25.8)	194.6	(8.4)	(44.6)
Decrease (increase) in inventories (other than theatrical and television)	16.5	(23.5)	19.4	19.2
Increase in prepaid expenses	(89.2)	(67.6)	(13.4)	(45.0)
Increase (decrease) in trade accounts payable	(10.1)	51.0	8.5	(24.3)
Increase (decrease) in income taxes payable	5.7	(112.6)	12.4	(29.8)
Increase (decrease) in accrued expenses and other	228.4	(50.7)	34.4	(10.3)
Other -- net	(124.3)	(91.1)	(48.4)	91.7
NET CASH FLOWS PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	4.2	(161.2)	218.1	84.3
CASH FLOWS FROM INVESTMENT AND OTHER ACTIVITIES				
Expenditures for property, plant and equipment (excluding capitalized leases)	(148.2)	(55.9)	(120.0)	(167.5)
Proceeds on disposal of property, plant and equipment	5.1	1.1	11.8	2.2
Purchase price of acquired businesses (net of acquired cash)	(738.8)	(0.1)	(585.1)	(86.9)
Decrease (increase) in investment in affiliated companies	23.6	(3.7)	10.8	8.3
Decrease (increase) in short-term and other investments	424.8	317.1	209.0	(467.1)
Increase in investments maturing after one year				(43.6)
Decrease in investments maturing after one year			49.1	205.5
Decrease in notes receivable	6.2	1.3	8.9	17.3
NET CASH FLOWS PROVIDED FROM (USED FOR) INVESTMENT AND OTHER ACTIVITIES	(427.3)	259.8	(415.5)	(531.8)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of long-term debt	323.7		492.4	
Payments of long-term debt	(142.6)	(5.9)	(395.7)	(26.9)
Loss on early extinguishment of debt			(13.4)	
Issuance of Common Stock (excluding grants to employees)	180.4	29.8	23.8	14.5
Acquisition of stock for the treasury		(27.0)	(49.2)	(15.2)
Dividends	(71.7)	(47.2)	(91.5)	(82.4)
NET CASH FLOWS PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	289.8	(50.3)	(33.6)	(110.0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133.3)	48.3	(231.0)	(557.5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	372.6	324.3	555.3	1,112.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 239.3	$ 372.6	$ 324.3	$ 555.3

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A-- SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Paramount Communications Inc. (Company) and its majority-owned affiliates. As a result of the Viacom Offer described in Note B, the Company became a majority-owned subsidiary of Viacom Inc. in March 1994. The Company's investments in its 20-50% owned investees are carried on the equity basis. The income taxes of the investees are included in the provision for income taxes.

Accounting Changes

Effective November 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the projected future cost of providing postretirement benefits, such as health care and life insurance, be recognized as an expense as employees render service instead of when the benefits are paid. The Company's previous practice was to recognize the cost of such postretirement benefits when paid.

The Company elected to record the cumulative effect of the accounting change as a charge against income as of November 1, 1992, resulting in a one-time charge of $66.9 million, net of income taxes of $34.5 million, or $.57 per share.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes." Effective May 1, 1993, the Company adopted the provisions of this standard by restating its prior period financial statements beginning November 1, 1988. The effect of adopting SFAS No. 109 was to decrease the loss before cumulative effect of accounting change and net loss by $1.8 million ($.01 per share) for the six months ended April 30, 1993; increase earnings before extraordinary item and net earnings by $4.0 million ($.04 per share) for the year ended October 31, 1992; and, increase net earnings by $5.4 million ($.05 per share) for the year ended October 31, 1991. The cumulative effect of adopting SFAS No. 109 as of October 31, 1990, decreased the beginning balance of 1991's retained earnings by $45.4 million. Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the differences originated.

Change in Fiscal Year End

In June 1993, the Board of Directors approved a change in the Company's fiscal year end to April 30 from October 31. In March 1994 , the Board of Directors approved a change in the Company's fiscal year end to March 31 from April 30. The accompanying consolidated financial statements include audited financial statements for the six-month and eleven-month transition periods ended April 30, 1993 and March 31, 1994, respectively. The unaudited condensed financial information presented below for the eleven-month period ended March 31, 1993 and the six-month period ended April 30, 1992 are for comparative purposes only.

	Eleven Months Ended March 31 1993	Six Months Ended April 30 1992
	(In millions, except per share) (Unaudited)	
Revenues	$3,753.2	$1,998.5
Gross Profit	1,376.6	615.4
Operating Income	301.8	77.8
Income Taxes	94.4	20.0
Earnings before extraordinary item and cumulative effect of accounting change	213.7	48.7
Extraordinary item	(8.8)	
Cumulative effect of accounting change	(66.9)	
Net Earnings	138.0	48.7
Earnings (Loss) Per Share		
Earnings before extraordinary item and cumulative effect of accounting change	1.80	.41
Extraordinary item	(.07)	
Cumulative effect of accounting change	(.57)	
Net earnings	1.16	.41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash equivalents consist of highly liquid instruments with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of instruments with original maturities in excess of three months and are carried at the lower of cost or market.

Inventories

Inventories are generally determined using the lower of cost (first-in, first-out or average cost method) or net realizable value.

Theatrical and Television Inventories, Revenues and Costs

Feature films are produced or acquired for distribution, normally, first in the theatrical market followed by videocassettes, pay cable, network television and syndicated television. On average, the length of the revenue cycle for feature films approximates four years. Theatrical revenues from domestic and foreign markets are recognized as films are exhibited, revenues from the sale of videocassettes are recognized upon delivery of the merchandise and revenues from all television sources are recognized upon contract execution and availability of the film for telecast.

Television series initially produced for the networks and first-run syndication are generally licensed to domestic and foreign markets concurrently. The more successful series are later syndicated in domestic markets and in certain foreign markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production. Revenues arising from television license agreements are recognized in the year that the films or television series are available for telecast and a contract has been executed.

Inventories related to theatrical and television product (which include direct production costs, production overhead, capitalized interest, and acquisition costs) are stated at the lower of cost less amortization or net realizable value. Inventories are amortized and participations and residuals are accrued on an individual product basis in the proportion that current revenues bear to the estimated remaining total lifetime revenues. Domestic syndication and basic cable revenue estimates are not included in the estimated lifetime revenues of network series until such sales are probable. Estimates of total lifetime revenues and expenses are periodically reviewed. The costs of feature and television films are classified as current assets to the extent such costs are expected to be recovered through the respective primary markets. Other costs relating to film production are classified as noncurrent.

The Company estimates that approximately 91% of unamortized film costs at March 31, 1994 will be amortized within the next three years.

Publishing Revenue Recognition

The Company's publishing segment follows standard industry practice of recognizing revenue when merchandise is shipped and billed.

Broadcast Rights

Broadcast rights are recorded when the license period begins and the program becomes available for use, and are stated at the lower of cost less amortization or net realizable value. Broadcast rights for feature films and syndicated programs are amortized using the straight-line method based on program usage. Sports rights are generally charged to expense when the event is telecast. Contract payments are generally made in installments over a term somewhat shorter than the contract.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Provision for depreciation on substantially all depreciable assets is computed using the straight-line method over the estimated useful lives of the assets.

Intangible Assets

Intangible assets primarily represent the excess of cost of purchased businesses over the value of their net underlying assets (goodwill) and are being amortized annually by the straight-line method over appropriate periods not exceeding forty years. Intangible assets are net of accumulated amortization of $277.9, $233.9 and $230.1 million at March 31, 1994, April 30, 1993 and October 31, 1992, respectively.

Deferred Costs and Other

Deferred costs and other includes certain pre-publication costs being amortized annually by the straight-line method or an accelerated basis over various periods, the majority of which is four years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unamortized Debt Discount

Debt discount is amortized over the term of the related debt using the interest method.

Income Taxes

Provision for income taxes includes deferred taxes which represent future tax effects of items reported for income tax purposes in periods different than for financial purposes.

Deferred Off-Season Theme Park Expenses

Certain expenses incurred in the off-season to prepare the theme parks for the operating season are deferred and amortized over the subsequent operating season, which generally begins in March and ends in October.

Earnings (Loss) Per Share

Earnings (loss) per share amounts are based on the weighted average common and dilutive common equivalent (stock options) shares outstanding during the respective periods. Earnings (loss) per share are computed by dividing the average common and, where dilutive, common equivalent shares outstanding into the earnings (loss) applicable to such shares.

NOTE B -- VIACOM INC. MERGER

Pursuant to an Amended and Restated Agreement and Plan of Merger dated as of February 4, 1994 (as subsequently amended, the "Merger Agreement") between Viacom Inc. ("Viacom") and the Company, the Company will become a wholly owned subsidiary of Viacom at the effective time of a merger between the Company and a subsidiary of Viacom (the "Viacom Merger"). A special meeting of the Company's stockholders will be held on July 6, 1994 to act on the Viacom Merger. The approval of holders of a majority of all outstanding voting shares of both Viacom and the Company is required to approve the Viacom Merger. The approval by Viacom's stockholders is assured by means of a voting agreement between the Company and National Amusements, Inc., Viacom's parent corporation which is controlled by Sumner M. Redstone. The approval by the Company's stockholders is assured since Viacom now owns a majority of the outstanding shares of the Company's Common Stock.

On March 2, 1994, Viacom accepted for payment, pursuant to a tender offer (the "Viacom Offer"), 61,657,432 shares of the Company's Common Stock, constituting a majority of the shares outstanding, at a price of $107 per share in cash. Pursuant to the Merger Agreement, each share of the Company's Common Stock outstanding at the time of the Viacom Merger (other than shares held in the treasury of the Company or owned by Viacom and other than shares held by any stockholders of the Company who shall have demanded and perfected appraisal rights) will be converted into the right to receive (i) 0.93065 of a share of Viacom Class B Common Stock, (ii) $17.50 principal amount of 8% exchangeable subordinated debentures ("8% Debentures") of Viacom, (iii) 0.93065 of a contingent value right ("CVR"), (iv) 0.5 of a warrant to purchase one share of Class B Common Stock of Viacom at any time prior to the third anniversary of the Viacom Merger at a price of $60 per share, and (v) 0.3 of a warrant to purchase one share of Class B Common Stock at any time prior to the fifth anniversary of the Viacom Merger at a price of $70 per share. If a proposed merger between Blockbuster Entertainment Corporation and Viacom is not consummated prior to January 1, 1995, the 8% Debentures will be exchangeable, at Viacom's option, for 5% cumulative preferred stock of Viacom and the dividend payable on such preferred stock will be deemed to have accrued from the effective time of the Viacom Merger and there will be no obligation to make payments of interest on the 8% Debentures.

NOTE C -- ACQUISITION AND DISPOSITION OF BUSINESSES

In May 1993, the Company purchased the remaining 80% it did not own of Canada's Wonderland, Inc. (CWI), later renamed Paramount Canada's Wonderland, Inc., a Canadian theme park, for approximately $52 million.

In September 1993, the Company purchased television station WKBD-TV (WKBD) in Detroit from Cox Enterprises Inc. for approximately $105 million.

In February 1994, the Company acquired Macmillan Publishing Company and certain other assets of Macmillan Inc.(Macmillan), a leading book publisher, for approximately $553 million.

The acquisitions have been accounted for as purchases and the financial statements include the results of their operations from the dates of acquistion.

The following table summarizes, on a pro forma basis, the combined results of operations as though CWI, WKBD and Macmillan had been acquired on November 1, 1992. It includes estimated amounts for a reduction of interest income due to the use of short-term investments for the acquistions, amortization of estimated intangible assets, an adjustment to depreciation expense, an adjustment to conform WKBD's accounting policies related to the accrual of certain operating expenses to that of Paramount and an adjustment for income taxes, at the statutory rate. These pro forma results do not necessarily reflect the actual results of operations as they would have been had the acquistion taken place on that date, nor are they necessarily indicative of future results.

	Eleven Months Ended March 31 1994	Six Months Ended April 30 1993
	(In millions, except per share) (Unaudited)	
Revenues	$4,697.2	$2,035.1
Loss before cumualtive effect of accounting change	(3.7)	(33.6)
Net loss	(3.7)	(100.5)
Loss per share		
Loss before cummualtive effect of accounting change	(0.03)	(0.29)
Net loss	(0.03)	(0.85)

The Company and BHC Communications, Inc., which is majority-owned by Chris-Craft Industries, Inc., are forming the Paramount Television Network which will provide prime-time television programming primarily to broadcast affiliates nationwide in competition with the three major networks and the Fox Broadcasting Network. The network is expected to begin operations in January 1995.

In November 1991, the Company acquired Macmillan Computer Publishing, later renamed Prentice Hall Computer Publishing, a leading publisher of personal computer and related technical books, for approximately $158 million.

In August and October 1992, the Company acquired Kings Entertainment Company and Kings Island Company, respectively, later renamed Paramount Parks, which own and operate regional theme parks, for a total of approximately $400 million.

The acquisitions have been accounted for as purchases and the financial statements include the results of their operations from the dates of acquisition.

The following table summarizes, on a pro forma basis, the combined results of operations as though Kings Entertainment Company, Kings Island Company and Macmillan Computer Publishing had been acquired on November 1, 1990. It includes estimated amounts for a reduction of interest income due to the use of short-term investments for the acquisitions, amortization of estimated intangible assets, additional depreciation expense and an adjustment for income taxes, at the statutory rate. These pro forma results do not necessarily reflect the actual results of operations as they would have been had the acquisitions taken place on that date, nor are they necessarily indicative of future results.

	Year Ended October 31 1992	1991
	(In millions, except per share) (Unaudited)	
Revenues	$4,464.1	$4,203.5
Earnings before extraordinary item	277.7	133.2
Net earnings	268.9	133.2
Earnings per share		
Earnings before extraordinary item	2.34	1.13
Net earnings	2.26	1.13

During the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

NOTE D -- OTHER INCOME (EXPENSE)

Other income (expense) for the eleven months ended March 31, 1994, includes a pre-tax charge of $27.2 million for costs incurred in the Company's merger with Viacom Inc., consisting principally of finance, legal, consulting and other fees, and an $18.8 million increase in reserves previously established for discontinued operations.

In addition, in the eleven months ended March 31, 1994, an unconsolidated affiliate of the Company sold an equity investment of which the Company recorded its appropriate share, amounting to a pre-tax gain of $11.0 million. Other income (expense) also includes foreign exchange gains (losses), minority interest and other.

NOTE E -- EXTRAORDINARY ITEM

In September 1992, the Company redeemed $175 million of 9 3/4% senior debentures due 2016 for $1,061.25 per $1,000 principal amount. The premium paid by the Company and the write-off of related unamortized discount and issuance costs resulted in a loss of $8.8 million, net of an income tax benefit of $4.6 million.

NOTE F -- INVENTORIES

Inventories as described in Note A are stated as follows (in millions):

	March 31 1994	April 30 1993	October 31 1992
Current			
Finished goods	$ 278.5	$ 248.3	$230.1
Work in process	19.2	12.8	10.6
Materials and supplies	31.7	29.5	26.4
	329.4	290.6	267.1
Theatrical and television productions			
Released	226.0	176.9	169.1
Completed, not released	29.2	32.7	35.7
In process and other	46.3	61.8	75.9
	301.5	271.4	280.7
Broadcast rights	68.3	55.3	32.4
Total Current	699.2	617.3	580.2
Noncurrent			
Theatrical and television productions			
Released	130.4	155.3	103.9
In process and other	305.9	247.0	174.8
	436.3	402.3	278.7
Broadcast rights	136.8	107.0	104.4
Total Noncurrent	573.1	509.3	383.1
Total	$1,272.3	$1,126.6	$963.3

NOTE G -- INVESTMENT IN AFFILIATED COMPANIES

Investments in affiliated companies primarily include the Company's interest in USA Networks, national advertiser-supported basic cable television networks (50% owned -- see paragraph 4 on page 2 for additional information); Cinamerica, a domestic motion picture theater operation (50% owned); United Cinemas International Multiplex B.V., engaged in theatrical exhibition of motion pictures in the United Kingdom, Ireland, Germany and Spain (49% owned); Cinema International Corporation N.V., which owns motion picture screens in six countries (49% owned); and as of August 1992, Canada's Wonderland, Inc., a Canadian theme park (20% owned). In May 1993, the Company purchased the remaining 80% it did not own of Canada's Wonderland, Inc., later renamed Paramount Canada's Wonderland, Inc.

Summarized financial information for the above companies is as follows (in millions):

	Eleven Months Ended or at March 31 1994	Six Months Ended or at April 30 1993	Year Ended or at October 31 1992	Year Ended or at October 31 1991
Revenues	$695.1	$372.6	$783.2	$683.0
Gross profit	152.8	129.0	321.6	226.3
Net earnings (loss)	(26.1)	36.2	83.2	74.4
Current assets	$348.4	$326.7	$337.8	
Noncurrent assets	819.5	855.8	934.2	
Current liabilities	313.9	223.7	248.8	
Noncurrent liabilities	437.9	493.4	595.4	

Included in the operating income of the Company's Entertainment operations are equity in earnings (loss) for the above affiliated companies of $(3.9), $24.0,

$58.7 and $47.6 million, respectively, for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991. Dividends received from these affiliated companies were $14.8, $7.8, $22.0 and $32.5 million, respectively, for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991.

Included in consolidated retained earnings at March 31, 1994 is $134.2 million of undistributed earnings of affiliates.

NOTE H -- LONG-TERM DEBT

Long-term debt includes (in millions):

	March 31 1994	April 30 1993	October 31 1992
8 1/2% senior notes due 1996 (prepaid July 1993)		$ 99.8	$ 99.8
5 7/8% senior notes due 2000	$ 149.4		
7 1/2% senior notes due 2002	246.6	246.3	246.0
8 1/4% senior debentures due 2022	246.9	246.8	246.7
7 1/2% senior debentures due 2023	149.5		
7% subordinated debentures due 2003, net of unamortized discount of $50.8 at March 31, 1994, $53.7 at April 30, 1993 and $55.1 at October 31, 1992 (effective average interest rate of 10.8%)	180.6	177.7	176.3
Revolving loan agreement borrowings	25.0		
Other notes and debentures due 1994 to 1996 (effective average interest rate of 8.24%)	12.1	12.2	12.2
Obligations under capital leases	23.9	34.3	41.1
	1,034.0	817.1	822.1
Less current maturities	35.6	109.8	10.0
	$ 998.4	$707.3	$812.1

Maturities of long-term debt (including the present value of obligations under capital leases as set forth in Note K) during the five years ending March 31, 1999 are (in millions):

1995	$ 35.6
1996	20.0
1997	3.0
1998	0.4
1999	0.4

The Company has complied with restrictions and limitations required under terms of various loan agreements.

At March 31, 1994 the Company had $125 million of unused revolving loan agreement facilities.

NOTE I -- CAPITAL STOCK

The authorized capital stock of the Company includes 75,000,000 shares of Preferred Stock, all of which are undesignated.

Each share of Common Stock outstanding has a related Common Stock purchase right which will become exercisable after a specified period of time only if a person or group acquires beneficial ownership of 15% or more of the outstanding Common Stock of the Company or announces or commences a tender or exchange offer that would result in the offeror acquiring 30% or more of the Company's Common Stock. Once exercisable, each right would entitle its registered holder to purchase one share of the Company's Common Stock at a price of $200 per share, subject to adjustment to prevent dilution. Upon the occurrence of certain events or transactions specified in the rights agreement, the rights holder is entitled to receive for $200 per right a number of shares of the Company's or an acquiring company's common stock having a market value equal to twice the right's exercise price. The rights may be redeemed by the Company for $.01 per right prior to the tenth day after a person or group acquires 15% or more of the outstanding Common Stock of the Company. The rights expire on September 30, 1998, unless redeemed earlier by the Company. On March 1, 1994 the rights were amended to permit consummation of the tender offer by Viacom Inc., without causing the rights to become exercisable. In addition, the rights have been amended to provide that the rights expire immediately prior to the merger between the Company and Viacom. See Note B.

Common Stock outstanding at March 31, 1994, does not include 18,975 shares reserved under the 1984 Stock Option Plan; 2,078,971 shares reserved under the 1989 Stock Option Plan; 5,750,000 shares reserved under the 1992 Stock Option Plan; and 3,102,224 shares reserved under the Long-Term Performance Plan.

The Company's 1973 Key Employees Stock Purchase Plan and 1984, 1989 and 1992 Stock Option Plans provide for the issuance of options to key employees to purchase Common Stock of the Company at a price not less than fair market value on the date of grant. Options may not be granted under these plans that expire more than ten years from the date of grant. The Company may establish installment exercise terms for a stock option so that the option becomes fully exercisable in a series of cumulative portions. The Company may also accelerate the period for the exercise of any stock option or portion thereof.

Each option granted under the Company's 1984, 1989 and 1992 Stock Option Plans contains a Limited Right which entitles the holder thereof, only upon the occurrence of certain specified events constituting a change in control of the Company and only after the Compensation Committee of the Board of Directors of the Company so determines, to receive cash in lieu of exercising the option.

Transactions involving outstanding stock options under these plans were:

	Number of Common Shares			Option Price	
	1973 Plan	1984 Plan	1989 Plan	Per Share	Aggregate
					(in millions)
Outstanding at October 31, 1990	100,000	4,243,191	1,717,305	$7.75-$55.63	$223.7
Granted			2,967,650	36.94- 42.13	119.9
Issued	(30,000)	(750,710)		11.80- 43.13	(24.1)
Rescinded		(320,700)	(487,970)	31.69- 55.00	(36.1)
Outstanding at October 31, 1991	70,000	3,171,781	4,196,985	7.75- 55.63	283.4
Granted			468,500	37.50- 47.13	20.0
Issued	(40,000)	(295,198)	(221,183)	7.75- 41.81	(20.1)
Rescinded		(45,075)	(325,825)	20.19- 55.00	(15.7)
Outstanding at October 31, 1992	30,000	2,831,508	4,118,477	13.94- 55.63	267.6
Granted			442,500	44.19- 50.69	19.7
Issued	(30,000)	(703,091)	(309,099)	13.94- 45.81	(27.8)
Rescinded		(600)	(36,035)	33.88- 55.00	(1.9)
Outstanding at April 30, 1993	-0-	2,127,817	4,215,843	15.25- 55.63	257.6
Granted			200,000	51.56- 56.38	10.7
Issued		(2,035,492)	(2,390,747)	15.25- 55.00	(177.6)
Rescinded		(73,350)	(520,759)	20.19- 55.00	(23.2)
Outstanding at March 31, 1994	-0-	18,975	1,504,337	31.69- 56.38	$67.5
Exercisable at					
October 31, 1992	30,000	2,831,508	2,287,869		
April 30, 1993	-0-	2,127,817	2,238,430		
March 31, 1994	-0-	18,975	197,500		
Reserved for future grants at					
October 31, 1992			660,340		
April 30, 1993			253,875		
March 31, 1994			574,634		

No options have been granted under the 1992 Stock Option Plan, and at March 31, 1994, 5,750,000 shares were reserved for future grants under this plan.

The Company follows the practice of recording amounts received upon the exercise of options by crediting Common Stock and paid-in surplus. No charges are reflected in the consolidated statement of earnings as a result of the grant or exercise of stock options. The Company records compensation expense related to stock appreciation rights of each plan and share unit features of the 1973 Plan based on the change in the quoted market price of the Common Stock for the period. The exercise prices of options are subject to anti-dilution provisions. The Company realizes an income tax benefit from the exercise or early disposition of certain stock options. This benefit results in a decrease in current income taxes payable and an increase in paid-in surplus.

During the six months ended April 30, 1993, 125,000 shares of Common Stock of the Company were granted to certain key employees subject to restrictions which will lapse on certain dates through February 1997. The average market price of these shares on the dates on which they were granted ranged from $43.06 to $44.19. During the six months ended April 30, 1993 and the year ended October 31, 1991, 50,000 and 292,000, respectively, of previously granted shares were rescinded. At March 31, 1994, the unvested portion of previously granted shares totaling $1.7 million is included as a reduction of stockholders' equity. Compensation expense is recorded over the period during which services are performed.

During the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the year ended October 31, 1992, 27,794, 61,094 and 64,205 shares, respectively, of Common Stock of the Company were granted to employees at an average market price of $80.81, $43.50 and $37.63 under the terms of the Company's Long-Term Performance Plan. At March 31, 1994, April 30, 1993 and October 31, 1992, there were 3,102,224, 3,130,018 and 3,191,112 shares, respectively, of Common Stock reserved for future grants under this plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J--INCOME TAXES

As described in Note A, effective May 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes" by restating its prior period financial statements beginning November 1, 1988.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities were as follows (in millions):

	March 31 1994	April 30 1993	October 31 1992
Deferred tax assets:			
Costs of motion picture and television production	$ 92.9	$ 89.2	$ 75.0
Employee compensation and other payroll related expenses	34.1	44.5	60.7
Provisions for real estate write-down, relocation and publishing charges	99.3	40.5	24.8
Sales returns and allowances	64.4	46.4	45.8
Discontinued operations	37.1	34.2	29.0
Postretirement benefit obligation	35.5	34.5	
Preacquisition net operating loss carryforwards of subsidiaries and other	31.9	50.0	60.3
Net operating loss carry forward	87.0		
Other	93.6	32.1	42.0
	575.8	371.4	337.6
Valuation allowance for deferred tax assets	(31.9)	(50.0)	(60.3)
Total deferred tax assets	543.9	321.4	277.3
Deferred tax liabilities:			
Income on motion picture and television production	(2.6)	(12.4)	(13.1)
Expenses related to renovation project	(9.5)	(9.2)	(9.2)
Self insurance	(20.2)	(10.5)	(3.1)
Deferred seasonal expenses	(44.0)	(41.9)	(26.8)
Other	(5.9)	(18.4)	(17.9)
Total deferred tax liabilities	(82.2)	(92.4)	(70.1)
Net deferred tax assets	$461.7	$229.0	$207.2

The net deferred tax assets at March 31, 1994 consist of $268.9 million classified in current assets and $192.8 million classified as noncurrent assets. At March 31, 1994, the Company has net operating loss carryforwards of $339.9 million which begin to expire in 1996, $91.0 million of which relates to acquired net operating losses subject to limitations, for which a full valuation has been established .

Provision (benefit) for income taxes includes (in millions):

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
Current				
Federal	$ 97.5	$(54.1)	$ 62.4	$ 26.1
Foreign	46.6	16.1	55.1	47.5
State and other	10.1	1.4	8.8	16.0
	154.2	(36.6)	126.3	89.6
Deferred				
Federal	(158.6)	27.7	4.0	(28.0)
Foreign	7.5	1.2	(7.2)	(4.2)
State and other				(5.3)
	(151.1)	28.9	(3.2)	(37.5)
	$ 3.1	$ (7.7)	$123.1	$ 52.1

The components of earnings (loss) before income taxes were as follows (in millions):

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
Domestic	$(132.4)	$(47.8)	$301.8	$ 68.0
Foreign	141.2	31.0	95.5	111.7
	$ 8.8	$(16.8)	$397.3	$179.7

A reconciliation between the provision (benefit) for income taxes computed by applying the statutory Federal income tax rate to earnings (loss) before income taxes and the actual provision (benefit) for income taxes is as follows (in millions):

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
Provision (benefit) for income taxes at statutory rate	$ 3.1	$(5.7)	$135.1	$ 61.1
Increase (decrease) in taxes arising from effect of				
Income (principally foreign) taxed at lower rates	(17.1)	(1.2)	(13.4)	(19.6)
Amortization of intangible assets	13.6	1.3	13.1	8.8
U. S. state and local income taxes	6.6	1.0	5.3	7.0
Tax exempt interest				(5.4)
Restoration of reserves no longer required		(3.9)	(21.4)	
Statutory rate change	(5.9)			
Other	2.8	0.8	4.4	0.2
Provision (benefit) for income taxes	$ 3.1	$(7.7)	$123.1	$ 52.1
Effective tax rate	35.2%	45.8%	31.0%	29.0%

Total income tax payments were $116.2, $59.6, $120.0 and $103.8 million, respectively, for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991. The Company's share of the undistributed earnings of foreign subsidiaries not included in its consolidated Federal income tax return, that could be subject to additional income taxes if remitted, was approximately $771 million at March 31, 1994. No provision has been made for taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings indefinitely; determination of the related unrecognized deferred U.S. income tax liability is not practicable.

In August 1993, the Budget Reconciliation Act of 1993 (the "Act") was enacted into law. One of the provisions of the Act increased the corporate income tax rate to 35% effective January 1, 1993. This increase, from the previous 34% rate, had no material effect on the Company. The Company expects to benefit from a section of the Act permitting tax deductions derived from the amortization of certain intangible assets acquired after July 25, 1991, which deductions have not previously been claimed on tax returns filed by the Company. However, the Company believes that any tax benefits generated by the amortization of intangible assets previously acquired by it will not be material.

Furthermore, to the extent that the Company is affected by several other provisions of the Act, the results should not be material.

NOTE K -- COMMITMENTS AND CONTINGENCIES

Leases

Total rental expense was $89.9, $45.7, $87.0 and $80.0 million, respectively, for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991.

At March 31, 1994, the minimum lease payments under capital leases and noncancellable operating leases were as follows (in millions):

	Year Ending March 31	
	Capital Leases	Operating Leases
1995	$13.5	$73.9
1996	9.4	57.3
1997	3.6	50.0
1998	0.8	44.1
1999	0.7	41.2
Thereafter	4.2	452.1
Total minimum lease payments	32.2	$718.6
Less amounts representing interest	8.3	
Present value of net minimum lease payments	$23.9	

Many of the leases also require the lessee to pay property taxes, insurance and ordinary repairs and maintenance.

Employee Benefit Plans

The cost of pension benefits for eligible employees, measured by length of service, compensation and other factors, is currently being funded through trusts established under the plans. In general, the Company's funding policy is to make contributions to the plans as necessary to meet minimum funding requirements.

The components of net periodic pension cost for the Company's plans were as follows (in millions):

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
Service cost-benefits earned	$ 20.7	$ 9.2	$ 18.1	$ 17.2
Interest cost on projected benefit obligation	32.6	18.9	34.1	32.4
Less return on plan assets	(41.6)	(25.2)	(41.2)	(59.4)
Net amortization and deferral	1.8	3.9	1.9	19.7
Net periodic pension cost	$ 13.5	6.8	$ 12.9	$ 9.9

In addition, the Company had other pension expense for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991 of $10.1, $5.0, $9.2 and $9.2 million, respectively, primarily related to multiemployer pension plans.

The funded status and amounts recognized in the Company's consolidated balance sheet for its domestic and non-U.S. plans is as follows (in millions):

	March 31	April 30	October 31
	1994	1993	1992
Actuarial present value of benefit obligation			
Vested	$418.4	$345.8	$325.6
Nonvested	23.5	19.4	17.8
Accumulated benefit obligation	441.9	365.2	343.4
Effect of projected future salary increases	71.1	57.1	55.8
Projected benefit obligation	513.0	422.3	399.2
Plan assets at fair value	471.9	453.0	432.1
Plan assets in excess of or (less than) projected benefit obligation	(41.1)	30.7	32.9
Unrecognized net (gain) loss	21.8	(34.9)	(30.2)
Unrecognized prior service cost	(7.1)	(8.2)	(9.7)
Unrecognized net asset at date of adoption of SFAS No. 87	(7.5)	(9.0)	(9.7)
Net pension liability	$(33.9)	$(21.4)	$(16.7)

Plan assets consist primarily of marketable equity and fixed income securities and the Company's Common Stock. At April 30, 1993 and October 31, 1992, the Company's plans owned 932,076 shares of the Company's Common Stock with an aggregate market value of $48.5 and $39.3 million, respectively. During the eleven months ended March 31, 1994, all shares of the Company's Common Stock owned by the Company's plans were sold, resulting in net proceeds of $74.2 million.

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation for the Company's plans were 7.5% and 5.0%, respectively, for the eleven months ended March 31, 1994, and 8.5% and 6.0%, respectively, for the six months ended April 30, 1993 and the year ended October 31, 1992. The expected long-term rate of return on assets used for the majority of the Company's plans was 10.0% for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991.

Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Company sponsors a welfare plan which provides certain postretirement health care and life insurance benefits for substantially all employees and their covered dependents who generally have worked ten years and are eligible for early or normal retirement under the provisions of the Company's retirement plan. The welfare plan is contributory and contains cost-sharing features such as deductibles and coinsurance which are adjusted annually. The plan is not funded. The Company continues to fund these benefits as claims are paid.

As described in Note A, effective November 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Postretirement benefit costs for prior years, which were recorded on a cash basis, have not been restated.

The components of the amounts recognized in the Company's consolidated balance sheet are as follows (in millions):

	March 31 1994	April 30 1993	November 1 1992
Accumulated postretirement benefit obligation attributable to:			
Current retirees	$ 50.8	$ 51.7	$ 49.2
Fully eligible active plan participants	20.0	20.2	19.2
Other active plan participants	34.2	34.7	33.0
Unrecognized net gain	9.4		
Accumulated postretirement benefit obligation	$114.4	$106.6	$101.4

The components of net periodic postretirement benefit cost for the eleven months ended March 31, 1994 and the six months ended April 30, 1993, are as follows (in millions):

	Eleven Months Ended March 31 1994	Six Months Ended April 30 1993
Service cost-benefits earned	$ 4.2	$2.4
Interest cost on accumulated postretirement benefit obligation	6.5	4.2
Net periodic postretirement benefit cost	$10.7	$6.6

The discount rate used in determining the accumulated postretirement benefit obligation was 7.5% for the eleven months ended March 31, 1994 and 8.5% for the six months ended April 30, 1993. At March 31, 1994, the assumed weighted average health care cost trend rates to be used in measuring the accumulated postretirement benefit obligation for 1995 are 11% for retirees age 65 and over and 13% for retirees under age 65. Both rates are assumed to decrease gradually each year to 5.5% in 2011 and thereafter. A one percentage point increase in each year of these health care cost trend rates would increase the accumulated postretirement benefit obligation at March 31, 1994 by $19.2 million, and increase the sum of the service and interest cost components of net periodic postretirement benefit cost by $2.3 million.

In addition, the Company contributes to multiemployer plans which provide health and welfare benefits to active as well as retired employees. The cost of these benefits for the eleven months ended March 31, 1994 and the six months ended April 30, 1993, was $12.7 and $5.6 million, respectively.

Commitments

At March 31, 1994, the Company is obligated to make future payments for various feature films, syndicated programs, sports events and other programming totaling approximately $367 million. This amount includes $285 million related to Madison Square Garden Network's agreement to televise New York Yankees baseball games through the year 2000. These commitments had a fair value of approximately $295 million at March 31, 1994.

Legal Proceedings

The Company is a defendant in various lawsuits wherein substantial amounts are claimed. In the opinion of counsel, these suits should not result in judgments that in the aggregate would have a material adverse effect on the Company's financial statements.

NOTE L -- SUPPLEMENTAL INFORMATION

Trade receivables are net of allowance for doubtful accounts of $47.9, $64.1 and $65.5 million at March 31, 1994, April 30, 1993 and October 31, 1992, respectively.

Prepaid expenses and other includes royalties advances of $171.4, $182.8 and $161.6 million in addition to deferred theatrical advertising and print costs of $149.8, $89.9 and $95.3 million at March 31, 1994, April 30, 1993 and October 31, 1992, respectively.

The details of accrued expenses and other are as follows (in millions):

	March 31 1994	April 30 1993	October 31 1992
Participations payable and accrued syndication expenses	$ 419.8	$ 334.6	$ 363.0
Deferred television contracts income	99.7	90.6	86.9
Accrued compensation and other employee benefit related items	174.9	114.7	140.6
Reverse repurchase liability		75.1	50.1
Other	790.0	513.4	473.5
	$1,484.4	$1,128.4	$1,114.1

Deferred liabilities includes participations payable and deferred syndication expenses of $144.5, $193.7 and $189.2 million, at March 31, 1994, April 30, 1993 and October 31, 1992, respectively.

The details of interest and other investment income (expense) -- net are as follows (in millions):

	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
Interest expense				
Interest on indebtedness and other	$(105.8)	$(44.9)	$(104.1)	$(108.6)
Imputed interest on long-term liabilities	(8.6)	(5.8)	(14.7)	(14.6)
Less capitalized interest	6.7	2.8	5.0	11.2
	(107.7)	(47.9)	(113.8)	(112.0)
Interest and other investment income				
Interest and other income on investments	35.7	28.6	88.4	106.9
Imputed interest on long-term receivables	25.7	16.3	33.2	26.9
	61.4	44.9	121.6	133.8
	$ (46.3)	$ (3.0)	$ 7.8	$ 21.8

Imputed interest relates principally to network and syndication licenses of motion picture and television products. Capitalized interest relates to projects under construction and theatrical and television productions in process. Interest paid on borrowings was $84.6, $40.8, $91.0 and $99.5 million, respectively, for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the years ended October 31, 1992 and 1991.

NOTE M --FINANCIAL INSTRUMENTS

The Company adopted SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" in the six months ended April 30, 1993. This statement requires disclosure of estimated fair values for all financial instruments for which it is practicable to estimate fair value.

The Company has used various methods and assumptions to estimate the fair value of its financial instruments at March 31, 1994 and April 30, 1993. For cash and cash equivalents, the carrying amount approximates fair value because of the short maturities of these instruments. Quoted market prices or dealer quotes for the same or similar instrument were used for short-term investments and the majority of long-term debt. Other techniques, such as estimated cash flows and termination cost have been used to estimate the fair value of the remaining financial instruments. These values represent a general approximation of possible value and may not be indicative of the amounts that could be realized in a current market exchange.

The carrying amounts and fair values of the Company's recorded financial instruments at March 31, 1994 and April 30, 1993 are as follows (in millions):

	March 31, 1994		April 30, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 239.3	$239.3	$372.6	$372.6
Short-term investments	67.3	67.3	569.7	577.4
Long-term debt (including current maturities) (1)	1,010.1	959.8	782.8	859.8
Reverse repurchase liability	-0-	-0-	75.1	75.1

(1) Excludes obligations under capital leases classified as long-term debt.

Periodically, the Company enters into interest rate swap agreements. These agreements generally allow the Company to exchange fixed rates for variable rates without the exchange of cash with respect to the underlying principal amounts. Net interest payments or receipts, which were not material, are recorded as adjustments to interest expense. At March 31, 1994, the fair market value of the Company's interest rate swaps was a net payable position of approximately $25 million. The Company has established reserves for this diminution in value. The fair value of interest rate swaps at April 30, 1993 was not material.

The Company has guaranteed third party securities and commitments relating primarily to joint venture obligations, theater leases and standby letters of credit totaling approximately $343 and $320 million at March 31, 1994 and April 30, 1993, respectively. These guarantees had a fair value of $314 and $293 million at March 31, 1994 and April 30, 1993, respectively.

NOTE N -- FINANCIAL REPORTING BY BUSINESS SEGMENTS

A summary description of the Company's business segments and their respective Revenues and Operating Income (Loss) for the eleven months ended March 31, 1994 and 1993, the six months ended April 30, 1993 and 1992 and the years ended October 31, 1992 and 1991 is presented on page F-6.

Depreciation, capital expenditures and identifiable assets were as follows (in millions):

	Depreciation				Capital Expenditures (1)	
	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31		Eleven Months Ended March 31	Six Months Ended April 30
	1994	1993	1992	1991	1994	1993
Business Segments						
Entertainment	$69.9	$24.6	$49.0	$38.1	$119.0	$46.0
Publishing	21.3	11.6	20.9	19.1	26.6	8.7
Total	91.2	36.2	69.9	57.2	145.6	54.7
Corporate and Other Non-Segment Items	1.8	0.9	1.8	1.9	2.6	1.2
	$93.0	$37.1	$71.7	$59.1	$148.2	$55.9

	Capital Expenditures (1)	
	Year Ended October 31	
	1992	1991
Business Segments		
Entertainment	$94.3	$146.6
Publishing	24.6	25.8
Total	118.9	172.4
Corporate and Other Non-Segment Items	1.1	0.5
	$120.0	$172.9

	Identifiable Assets			
	March 31	April 30	October 31	
	1994	1993	1992	1991
Business Segments				
Entertainment	$3,792.9	3,377.8	$3,221.9	2,493.7
Publishing	2,886.4	2,321.3	2,396.5	2,226.4
Total	6,679.3	5,699.1	5,618.4	4,720.1
Corporate and Other Non-Segment Items	928.7	1,175.7	1,438.6	1,934.6
	$7,608.0	6,874.8	$7,057.0	6,654.7

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(1) Including capitalized leases.

Identifiable assets are those which can be directly identified or associated with the segments. Corporate and other non-segment items principally include cash and cash equivalents, short-term investments, notes receivable, prepaid income taxes and corporate property and equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O -- QUARTERLY RESULTS (UNAUDITED)

The following summarizes the quarterly operating results of the Company for the eleven months ended March 31, 1994, the six months ended April 30, 1993 and the year ended October 31, 1992 (in millions, except per share):

							Earnings (Loss) Per Share	
Quarter Ended	Revenues	Cost of Goods Sold	Operating Income (Loss)	Earnings (Loss) Before Income Taxes	Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	Net Earnings (Loss)	Earnings (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	Net Earnings (Loss)
ELEVEN MONTHS ENDED MARCH 31, 1994								
July 31, 1993	$1,351.7	$ 842.4	$ 190.6	$ 185.2	$ 120.4	$ 120.4	$ 1.01	$ 1.01
October 31, 1993	1,391.8	918.4	159.7	148.9	96.8	96.8	.80	.80
January 31, 1994	1,013.5	784.2	(52.3)	(56.3)	(36.6)	(36.6)	(.31)	(.31)
Two Months Ended March 31, 1994	676.5	634.3	(197.2)	(269.0)	(174.9)	(174.9)	(1.45)	(1.45)
	$4,433.5	$3,179.3	$ 100.8	$ 8.8	$ 5.7	$5.7	$ .05	$ .05
SIX MONTHS ENDED APRIL 30, 1993								
January 31, 1993	$ 943.7	$ 648.8	$1.8	$ (1.2)	$ 0.1	$ (66.8)	$ -0-	$ (.57)
April 30, 1993	954.4	638.0	(11.9)	(15.6)	(9.2)	(9.2)	(.08)	(.08)
	$1,898.1	$1,286.8	$ (10.1)	$ (16.8)	$ (9.1)	$ (76.0)	$ (.08)	$ (.65)
YEAR ENDED OCTOBER 31, 1992								
January 31, 1992	$1,070.6	$ 761.4	$ 27.6	$ 27.1	$ 19.4	$ 19.4	$ .16	$ .16
April 30, 1992	927.9	621.7	50.2	41.6	29.3	29.3	.25	.25
July 31, 1992	1,063.9	629.2	156.9	166.6	114.3	114.3	.96	.96
October 31, 1992	1,202.5	727.5	161.4	162.0	111.2	102.4	.94	.86
	$4,264.9	$2,739.8	$ 396.1	$ 397.3	$ 274.2	$ 265.4	$ 2.31	$ 2.23

During the two months ended March 31, 1994, the Company recorded a $84.3 million and $22.3 million charge, respectively, against Publishing's operating income and Corporate Expenses. For further details related to these charges, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

During the two months ended March 31, 1994, the Company recorded a charge of $27.2 million and $18.8 million, respectively, for costs incurred in the Company's merger with Viacom Inc. and to provide for additional costs applicable to operations previously discontinued. The Company also recorded a charge of approximately $20 million to adjust certain interest rate swaps to current fair market value. In addition, the Company recorded a gain of $11.0 million from its share of an equity investment that was sold by an unconsolidated affiliate of the Company (see Note D).

PARAMOUNT COMMUNICATIONS INC.

The registrant hereby amends the cover page and the following items, financial statements, exhibits or other portions of its Transition Report on Form 10-K for the eleven months ended March 31, 1994, as set forth in the pages attached hereto:

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is included in the financial statements or in the notes to financial statements or is not significant.

PARAMOUNT COMMUNICATIONS INC.

FINANCIAL STATEMENTS INDEX

The above listed consolidated financial statements and accompanying footnotes were previously filed as part of this transition report on Form 10-K for the eleven months ended March 31, 1994.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

Stockholders and Board of Directors
Paramount Communications Inc.

Our audit of the consolidated financial statements referred to in our report dated June 3, 1994 appearing on page F-2 of the March 31, 1994 Form 10-K also included an audit of the Financial Statement Schedules included in this filing on Form 10-K/A as listed in the accompanying index. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related Form 10-K.

Price Waterhouse

New York, New York
June 3, 1994

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Paramount Communications Inc.

In connection with our audits of the consolidated financial statements of Paramount Communications Inc. as of April 30, 1993 and October 31, 1992 and for the six-month period ended April 30, 1993 and for each of the two years in the period ended October 31, 1992, we have also audited the consolidated schedules included in this filing on Form 10-K/A as listed in the accompanying index as of and for the aforementioned periods.

In our opinion, the consolidated schedules referred to above present fairly, in all material respects, the information required to be stated therein.

Ernst & Young

New York, New York
August 27, 1993

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
ELEVEN MONTHS ENDED MARCH 31, 1994
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Greg Anthony: 10% note payable; due in installments from November 1994 to May 1997		$ 0.9		
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995	$ 0.2	0.2	$ 0.1	
David Checketts: note payable; principal to be repaid the earlier of December 30, 1997 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	0.5			
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995	0.1			
Patrick Ewing: 10% note payable; due September 1995	3.0			
Robert Gutkowski: 6% note payable; due November 1, 1993	0.4		0.4	
Michael Keenan: 5% note payable; interest paid quarterly; principal due June 30, 1998; secured by residential real estate		0.9		

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
Greg Anthony: 10% note payable; due in installments from November 1994 to May 1997	$ 0.2	$ 0.7
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995	0.2	0.1
David Checketts: note payable; principal to be repaid the earlier of December 30, 1997 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.5
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995	0.1	
Patrick Ewing: 10% note payable; due September 1995		3.0
Robert Gutkowski: 6% note payable; due November 1, 1993		
Michael Keenan: 5% note payable; interest paid quarterly; principal due June 30, 1998; secured by residential real estate		0.9

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
Eleven Months Ended March 31, 1994
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Earl Lestz: 8% note payable; principal to be repaid out of future compensation	0.4			
Anthony Mason: 10% note payable; due in 24 semi-monthly installments beginning July 15, 1994 . .	0.1	0.5	0.1	
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.7	0.1	0.1	
Patrick Riley:				
Relocation bridge loan; due no later than August 31, 1994 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0			
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	2.0			
Neil Smith: note payable; principal to be repaid 180 days after termination of employment; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	0.4			
Esa Tikkanen: note payable; due in 24 installments from October 1993 to October 1995		0.8	0.4	
	$ 8.8	$ 3.4	$ 1.1	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
Earl Lestz: 8% note payable; principal to be repaid out of future compensation		0.4
Anthony Mason: 10% note payable; due in 24 semi-monthly installments beginning July 15, 1994 . .	0.4	0.1
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.1	0.6
Patrick Riley:		
Relocation bridge loan; due no later than August 31, 1994 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0	
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		2.0
Neil Smith: note payable; principal to be repaid 180 days after termination of employment; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.4
Esa Tikkanen: note payable; due in 24 installments from October 1993 to October 1995	0.3	0.1
	$ 2.3	$8.8

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
SIX MONTHS ENDED APRIL 30, 1993
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
William Bernstein: 6% note payable		$ 0.4	$ 0.4	
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995	$ 0.2			
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	0.5			
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995	0.1			
Patrick Ewing: 10% note payable; due September 1995	3.0			
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate	0.4			
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.3		0.3	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
William Bernstein: 6% note payable		
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995		$ 0.2
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.5
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995	$ 0.1	
Patrick Ewing: 10% note payable; due September 1995		3.0
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate	0.4	
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate		

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
Six Months Ended April 30, 1993
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Earl Lestz: 8% note payable; principal to be repaid out of future compensation	0.5		0.1	
Barry London: 6% note payable		0.1	0.1	
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . .	0.1			
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.6	0.1		
Patrick Riley:				
Relocation bridge loan; due no later than August 31, 1993 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0			
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	2.0			
Neil Smith: note payable; principal to be repaid 180 days after termination of employment; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	0.4			
	-----	-----	-----	
	$ 9.1	$ 0.6	$ 0.9	
	=====	=====	=====	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
Earl Lestz: 8% note payable; principal to be repaid out of future compensation		0.4
Barry London: 6% note payable		
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . .		0.1
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.1	0.6
Patrick Riley:		
Relocation bridge loan; due no later than August 31, 1993 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0	
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		2.0

Neil Smith: note payable; principal to be repaid 180 days after termination of employment; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.4
	-----	-----
	$ 1.6	$ 7.2
	=====	=====

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
YEAR ENDED OCTOBER 31, 1992
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995		$ 0.2		
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.5		
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995		0.1		
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate	$ 0.1		$ 0.1 (A)	
Patrick Ewing: 10% note payable; due September 1995	3.0			
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate		0.4		
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.8	0.1	0.6	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
Rolando Blackman: 10% note payable; due in monthly installments from September 15, 1994 to August 15, 1995		$ 0.2
David Checketts: note payable; principal to be repaid the earlier of February 28, 1995 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.5
Arthur Cohen: 6% note payable; principal to be repaid monthly with the balance due on demand or no later than October 31, 1995	$ 0.1	
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate		
Patrick Ewing: 10% note payable; due September 1995		3.0
Robert Gutkowski: 6% note payable; due November 1, 1993; interest due on first business day of each month commencing February 1, 1993; secured by residential real estate		0.4
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.1	0.2

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Note A -- Reclassified since individual is no longer an employee.

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
Year Ended October 31, 1992
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Earl Lestz: 8% note payable; principal to be repaid out of future compensation	0.5			
Barry London: 7% note payable; due October 1992 . .		3.0	3.0	
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . .		0.1		
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.6			
Patrick Riley:				
Relocation bridge loan; due no later than August 31, 1993 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0			
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	2.0			
Neil Smith: note payable; principal to be repaid 180 days after termination of employment; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.4		
	$ 8.0	$4.8	$3.7	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
Earl Lestz: 8% note payable; principal to be repaid out of future compensation		0.5
Barry London: 7% note payable; due October 1992 . .		
Anthony Mason: 10% note payable; due in 48 semi-monthly installments beginning July 15, 1993 . .		0.1
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.1	0.5
Patrick Riley:		
Relocation bridge loan; due no later than August 31, 1993 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0	
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		2.0
Neil Smith: note payable; principal to be repaid 180 days after termination of employment; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		0.4
	$1.3	$7.8

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
Year Ended October 31, 1991
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
James Boyd: 16% note payable; relocation bridge loan	$ 0.2		$ 0.2	
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate		$ 0.1		
Richard Evans: 7% note payable; secured by residential real estate	0.2		0.2	
Patrick Ewing: 10% note payable; due September 1995	5.0		2.0	
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.8	0.1	0.1	
Earl Lestz: 8% note payable; principal to be repaid out of future compensation	0.5			
Frank Mancuso: 6% note payable; secured by residential real estate	2.0		2.0	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
James Boyd: 16% note payable; relocation bridge loan		
Alan Cole-Ford: 6.8% note payable; due October 15, 1996; secured by residential real estate		$ 0.1
Richard Evans: 7% note payable; secured by residential real estate		
Patrick Ewing: 10% note payable; due September 1995		3.0
Robert Klingensmith: 10% note payable; principal to be repaid out of future compensation; secured by residential real estate	$ 0.1	0.7
Earl Lestz: 8% note payable; principal to be repaid out of future compensation	0.1	0.4
Frank Mancuso: 6% note payable; secured by residential real estate		

SCHEDULE II -- AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

PARAMOUNT COMMUNICATIONS INC.
Year Ended October 31, 1991
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	
			DEDUCTIONS	
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	(1) AMOUNTS COLLECTED	(2) AMOUNTS WRITTEN-OFF
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.7	0.1	0.2	
Patrick Riley:				
Relocation bridge loan; due no later than August 31, 1992 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		1.0		
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		2.0		
	$9.4	$3.3	$4.7	

COL. A	COL. E	
	BALANCE AT END OF PERIOD	
NAME OF DEBTOR	(1) CURRENT	(2) NOT CURRENT
Patrick Purcell: 7% note payable; principal to be repaid out of future compensation; secured by residential real estate	0.1	0.5
Patrick Riley:		
Relocation bridge loan; due no later than August 31, 1992 or 180 days after termination interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate	1.0	
Note payable; due no later than December 31, 1996 or 180 days after termination; interest rate set quarterly based on the 90 day commercial paper composite rate; secured by residential real estate		2.0
	$1.3	$6.7

SCHEDULE VII -- GUARANTEES OF SECURITIES OF OTHER ISSUERS

PARAMOUNT COMMUNICATIONS INC.
AT MARCH 31, 1994
(In millions)

COL. A	COL. B	COL. C
NAME OF ISSUER OF SECURITIES GUARANTEED BY PERSON FOR WHICH STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED AND OUTSTANDING
CBF Fabrics, Inc.	Industrial Revenue Bond	$ 2.4
Kayser-Roth Corporation	Secured Notes	0.6
Simmons Manufacturing Company Inc.	Industrial Revenue Bond	9.7
Redevelopment Agency of the City of Santa Clara, California	Senior Secured Refunding Notes	37.8
United Cinemas International	Revolving Credit	85.1
Cinema International Corporation, N.V.	Revolving Credit	11.6
		$147.2

COL. A	COL. F
NAME OF ISSUER OF SECURITIES GUARANTEED BY PERSON FOR WHICH STATEMENT IS FILED	NATURE OF GUARANTEE
CBF Fabrics, Inc.	Principal and interest
Kayser-Roth Corporation	Principal and interest
Simmons Manufacturing Company Inc.	Principal and interest
Redevelopment Agency of the City of Santa Clara, California	Principal and interest
United Cinemas International	Principal and interest
Cinema International Corporation, N.V.	Principal and interest

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Note: Information for Columns D, E, and G is not applicable at March 31, 1994

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

PARAMOUNT COMMUNICATIONS INC.
ELEVEN MONTHS ENDED MARCH 31, 1994, SIX MONTHS ENDED APRIL 30, 1993 AND
TWO YEARS ENDED OCTOBER 31, 1992
(In millions)

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	(1) CHARGED TO COSTS AND EXPENSES	(2) CHARGED TO OTHER ACCOUNTS -- DESCRIBE	DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD
Allowance for doubtful accounts deducted from trade receivables on the balance sheet:					
Eleven months ended March 31, 1994	$ 64.1	$ 9.2	$ 7.4 (A)	$ 32.8 (B)	$ 47.9
Six months ended April 30, 1993	$ 65.5	$ 8.0	$ 2.1 (A)	$ 11.5 (B)	$ 64.1
Year ended October 31, 1992	$ 59.6	$ 16.6	$ 8.9 (A)	$ 19.6 (B)	$ 65.5
Year ended October 31, 1991	$ 59.8	$ 19.4	$ 4.0 (A)	$ 23.6 (B)	$ 59.6

Note A -- Represents balance sheet reclassification related to certain entertainment receivables.

Note B -- Primarily write-off of uncollectible accounts net of collections of accounts previously written-off.

SCHEDULE IX -- SHORT-TERM BORROWINGS

PARAMOUNT COMMUNICATIONS INC.
Eleven Months Ended March 31, 1994,
Six Months Ended April 30, 1993 and Two Years Ended October 31, 1992
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD
Eleven Months Ended March 31, 1994			
Note payable to bank (A)	$ 25.0	3.89%	$ 25.0

COL. A	COL. E	COL. F
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (B)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (C)
Eleven Months Ended March 31, 1994		
Note payable to bank (A)	$ 0.2	3.89%

Note A -- The note payable to bank represents a revolving loan agreement borrowing, which has a maturity of one month from date of issue and has a provision to be extended for an additional two months. The Company had no short-term borrowings for the six months ended April 30, 1993 and the two years ended October 31, 1992.

Note B -- The average amount outstanding during the period was computed by dividing the total of the daily outstanding principal balances by the number of days in the period.

Note C -- The weighted average interest rate during the period was computed by dividing the actual interest expense by average debt outstanding.

SCHEDULE X -- SUPPLEMENTARY INCOME STATEMENT INFORMATION

PARAMOUNT COMMUNICATIONS INC.
Eleven Months Ended March 31, 1994, Six Months Ended April 30, 1993 and
Two Years Ended October 31, 1992
(In millions)

COL. A	COL. B			
ITEM	CHARGED TO COSTS AND EXPENSES			
	Eleven Months Ended March 31	Six Months Ended April 30	Year Ended October 31	
	1994	1993	1992	1991
Maintenance and repairs	$ 56.1	$ 21.1	$ 40.6	$ 33.1
Taxes, other than payroll and income taxes	33.3	16.9	46.8	48.3
Royalties	253.3	77.4	171.5	152.0
Advertising costs	501.9	250.9	563.3	514.0

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Amounts for depreciation and amortization of preoperating costs and similar deferrals are not presented as such amounts do not exceed 1% of revenues.

Item 7(a)(2)

PARAMOUNT COMMUNICATIONS INC.

PART I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Three Months Ended June 30, 1994	Three Months Ended June 30, 1993	Three months Ended July 31, 1993
	(In millions, except per share)		
Revenues	$1,198.6	$1,109.9	$1,351.7
Cost of goods sold	791.1	729.8	842.4
Selling, general and administrative expenses	332.5	346.9	318.7
	1,123.6	1,076.7	1,161.1
Operating Income	75.0	33.2	190.6
Other expense	(7.2)	(2.9)	(0.8)
Interest and other investment income (expense):			
Interest expense	(26.4)	(22.8)	(21.0)
Interest and other investment income	10.7	18.6	16.4
	(15.7)	(4.2)	(4.6)
Earnings before Income Taxes	52.1	26.1	185.2
Provision for income taxes	18.3	8.9	64.8
Net Earnings	$33.8	$17.2	$120.4
Average common and common equivalent shares outstanding	122.8	119.6	119.8
Net earnings per share	$0.28	$0.14	$1.01
Cash dividends declared per common share	--	$0.20	$0.20

See notes to consolidated financial statements.

PARAMOUNT COMMUNICATIONS INC.

CONSOLIDATED BALANCE SHEET

	June 30, 1994 (Unaudited)	March 31, 1994 (Note)
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 305.2	$ 239.3
Short-term investments	66.4	67.3
Trade receivables	1,000.9	914.3
Inventories - Note D	758.3	699.2
Prepaid income taxes	315.9	303.5
Prepaid expenses and other	500.2	491.9
Total Current Assets	2,946.9	2,715.5
Property, Plant and Equipment		
Land	268.2	267.1
Buildings	669.7	665.6
Machinery, equipment and other	753.8	733.2
	1,691.7	1,665.9
Less allowance for depreciation	437.0	409.2
	1,254.7	1,256.7
Other Assets		
Investment in affiliated companies	206.5	211.2
Noncurrent receivables and inventories - Note D	758.0	773.1
Intangible assets	2,085.4	2,093.5
Deferred costs and other	543.0	558.0
	3,592.9	3,635.8
	$ 7,794.5	$7,608.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 10.9	$ 35.6
Trade accounts payable	180.5	201.6
Income taxes payable	--	19.6
Accrued expenses and other	1,497.9	1,484.4
Total Current Liabilities	1,689.3	1,741.2
Deferred Liabilities	770.0	795.3
Long-Term Debt, net of current maturities	1,226.9	998.4
Stockholders' Equity		
Common Stock, recorded at $1.00 par value; 600,000,000 shares authorized; shares outstanding, 122,792,910 (excluding 25,069,138 shares held in treasury)	122.8	122.8
Paid-in surplus	958.0	957.7
Retained earnings	3,050.3	3,016.5
Cumulative translation adjustments	(22.8)	(23.9)
	4,108.3	4,073.1
	$ 7,794.5	$7,608.0

Note: Derived from audited financial statements.

See notes to consolidated financial statements.

PARAMOUNT COMMUNICATIONS INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	June 30, 1994	July 31, 1993
	(In millions)	
Cash Flows from Operating Activities		
Net earnings	$ 33.8	$ 120.4
Non-cash expenses		
Depreciation	31.4	32.6
Deferred income taxes	(36.6)	1.8
Amortization of intangible assets	11.0	17.4
Amortization of pre-publication costs	23.1	34.4
Theatrical and television inventories and broadcast rights		
Gross additions	(233.1)	(264.4)
Amortization	204.0	254.6
Decrease in network features and syndication licenses	3.3	8.1
Increase in pre-publication costs	(36.1)	(16.8)
Increase in trade receivables	(123.7)	(276.7)
Decrease in inventories (other than theatrical and television)	3.7	18.6
(Increase) decrease in prepaid expenses	(8.2)	44.7
Decrease in trade accounts payable	(21.0)	(36.2)
Increase in prepaid taxes and income taxes payable	52.1	31.2
Increase in accrued expense and other	13.4	55.7
Other, net	(28.1)	(34.9)
Net cash flows used for operating activities	(111.0)	(9.5)
Cash Flows from Investment and Other Activities		
Expenditures for property, plant and equipment (excluding capitalized leases)	(29.7)	(33.4)
Purchase price of acquired businesses (net of acquired cash)	--	(52.3)
Decrease in short-term investments, net	0.9	(32.3)
Other, net	3.4	3.4
Net cash flows provided from investment and other activities	(25.4)	(114.6)
Cash Flows from Financing Activities		
Proceeds of long-term debt	220.0	298.8
Payments of long-term debt	(17.7)	(134.0)
Issuance of Common Stock (excluding grants to employees)	--	7.4
Dividends	--	(23.7)
Net cash flows provided from financing activities	202.3	148.5
Increase in Cash and Cash Equivalents	65.9	24.4
Cash and Cash Equivalents at Beginning of Period	239.3	372.6
Cash and Cash Equivalents at End of Period	$ 305.2	$ 397.0

See notes to consolidated financial statements.

Note A - Basis of Presentation

The accompanying consolidated financial statements of Paramount Communications Inc. and its consolidated subsidiaries (Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's transition report on Form 10-K for the eleven months ended March 31, 1994), as amended.

The consolidated financial statements are stated on an historical basis and do not reflect adjustments made in connection with the Merger (as defined in Note B).

Change in Fiscal Year End

In March 1994, the Board of Directors approved a change in the Company's fiscal year end to March 31 from April 30.

Note B - Tender Offer and Merger

In March 1994, Viacom Inc. acquired a majority of the Company's common stock outstanding at a price of $107 per share in cash. On July 7, 1994, the Company became a wholly owned subsidiary of Viacom Inc. (the "Merger") at the effective time of the merger between the Company and a subsidiary of Viacom Inc. Each share of the Company's common stock outstanding at the time of the Merger (other than shares held in the treasury of Paramount or owned by Viacom Inc. and other than shares held by any stockholders who shall have demanded and perfected appraisal rights) was converted into the right to receive (i) 0.93065 of a share of Class B Common Stock, (ii) $17.50 principal amount of 8% exchangeable subordinated debentures ("8% Debentures") of Viacom Inc., (iii) 0.93065 of a contingent value right ("CVR"), (iv) 0.5 of a warrant to purchase one share of Class B Common Stock at any time prior to the third anniversary of the Merger at a price of $60 per share, and (v) 0.3 of a warrant to purchase one share of Class B Common Stock at any time prior to the fifth anniversary of the Merger at a price of $70 per share.

Note C - Acquisition and Disposition of Businesses

The Company and BHC Communications, Inc., which is majority-owned by Chris-Craft Industries, Inc., have formed the United Paramount Network which will provide prime-time television programming primarily to broadcast affiliates nationwide in competition with the three major networks and the Fox Broadcasting Network. The network is expected to begin operations in January 1995.

In February 1994, the Company acquired Macmillan Publishing Company and certain other assets of Macmillan Inc. (Macmillan), a leading book publisher, for approximately $553 million.

In September 1993, the Company purchased television station WKBD-TV (WKBD) in Detroit from Cox Enterprises Inc. for approximately $105 million.

In May 1993, the Company purchased the remaining 80% it did not own of Canada's Wonderland, Inc., later renamed Paramount Canada's Wonderland, Inc., a Canadian theme park, for approximately $52 million.

During the periods ended June 30, 1994 and 1993, the Company also acquired or sold certain other businesses. The contributions of these businesses in the aggregate were not significant to the Company's results of operations for the periods presented, nor are they expected to have a material effect on the Company's results on a continuing basis.

Note D Inventories

Inventories are stated at lower of cost or net realizable value as follows (in millions):

	June 30, 1994	March 31, 1994
Current		
Finished goods	$ 275.7	$278.5
Work in process	17.8	19.2
Materials and supplies	32.2	31.7
	325.7	329.4
Theatrical and television productions		
Released	232.2	226.0
Completed, not released	108.3	29.2
In process and other	36.4	46.3
	376.9	301.5
Broadcast rights.	55.7	68.3
Total current	758.3	699.2
Noncurrent		
Theatrical and television productions		
Released	136.8	130.4
In process and other	293.5	305.9
	430.3	436.3
Broadcast rights	109.1	136.8
Total noncurrent	539.4	573.1
Total	$1,297.7	$1,272.3

Item 8. Financial Statements and Supplementary Data

Blockbuster Entertainment Corporation
Index to Consolidated Financial Statements

All other schedules are omitted as not applicable or not required.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Blockbuster Entertainment Corporation:

We have audited the accompanying consolidated balance sheets of Blockbuster Entertainment Corporation (a Delaware corporation) and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blockbuster Entertainment Corporation and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules included in Item 14.(a)(2) are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Fort Lauderdale, Florida,
March 23, 1994.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31,
(In thousands, except share data)

	1993	1992
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95,254	$ 43,358
Accounts and notes receivable, less allowance	135,172	44,150
Merchandise inventories	350,763	180,002
Film costs and program rights, net	117,324	---
Other	50,210	23,099
Total Current Assets	748,723	290,609
VIDEOCASSETTE RENTAL INVENTORY, NET	470,223	322,168
PROPERTY AND EQUIPMENT, NET	522,745	388,588
INTANGIBLE ASSETS, NET	856,318	422,155
INVESTMENT IN VIACOM INC.	600,000	---
OTHER ASSETS	322,958	117,134
	$3,520,967	$1,540,654

	1993	1992
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 9,083	$ 16,894
Accounts payable	369,815	216,362
Accrued liabilities	177,695	99,518
Accrued participation expenses	43,013	---
Income taxes payable	43,632	12,827
Total Current Liabilities	643,238	345,601
LONG-TERM DEBT, LESS CURRENT PORTION	603,496	238,034
SUBORDINATED CONVERTIBLE DEBT	---	118,532
OTHER LIABILITIES	59,999	48,365
MINORITY INTERESTS IN SUBSIDIARIES	90,834	2,775
COMMITMENTS AND CONTINGENCIES	---	---
SHAREHOLDERS' EQUITY:		
Preferred stock, $1 par value; authorized 500,000 shares; none outstanding	---	---
Common stock, $.10 par value; authorized 300,000,000 shares; issued and outstanding 247,380,069 and 197,944,685 shares, respectively	24,738	19,794
Capital in excess of par value	1,564,685	453,081
Cumulative foreign currency translation adjustment	(38,143)	(34,656)
Retained earnings	572,120	349,128
Total Shareholders' Equity	2,123,400	787,347
	$3,520,967	$1,540,654

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,
(In thousands, except per share data)

	1993	1992	1991
REVENUE:			
Rental revenue	$1,285,412	$ 969,333	$742,013
Product sales	658,097	298,338	182,032
Other revenue	283,494	48,173	37,593
	2,227,003	1,315,844	961,638
OPERATING COSTS AND EXPENSES:			
Cost of product sales	430,171	196,175	126,746
Operating expenses	1,195,483	763,220	565,160
Selling, general and administrative	178,322	113,587	108,607
OPERATING INCOME	423,027	242,862	161,125
INTEREST EXPENSE	(33,773)	(17,793)	(21,780)
INTEREST INCOME	6,818	7,044	4,013
GAIN FROM EQUITY INVESTMENT	2,979	---	---
OTHER EXPENSE, NET	(9,217)	(893)	(2,345)
INCOME BEFORE INCOME TAXES	389,834	231,220	141,013
PROVISION FOR INCOME TAXES	146,188	82,951	51,901
NET INCOME	$ 243,646	$ 148,269	$ 89,112
Net Income per Common and Common Equivalent Share	$ 1.11	$ .77	$ .51
Net Income per Common and Common Equivalent Share - assuming full dilution	$ 1.10	$ .76	$ .51

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(In thousands)

	Common Stock	Capital in Excess of Par Value	Cumulative Translation Adjustment	Retained Earnings
Balance, December 31, 1990	$ 15,638	$ 181,021	$ ---	$122,706
Net income	---	---	---	89,112
Sales of common stock, net	644	10,872	---	---
Stock issued in acquisitions	649	54,396	---	---
Tax benefit of non-qualified stock options exercised	---	8,798	---	---
Other	---	(3,375)	---	---
Balance, December 31, 1991	16,931	251,712	---	211,818
Net income	---	---	---	148,269
Sales of common stock, net	1,838	133,431	---	---
Stock issued in acquisitions and investments	1,025	112,949	---	---
Note receivable from shareholder	---	(54,500)	---	---
Cash dividends	---	---	---	(10,959)
Tax benefit of non-qualified stock options exercised	---	8,740	---	---
Foreign currency translation adjustment	---	---	(34,656)	---
Other	---	749	---	---
Balance, December 31, 1992	19,794	453,081	(34,656)	349,128
Net income	---	---	---	243,646
Sales of common stock, net	2,098	539,100	---	---
Stock issued for conversion of subordinated convertible debt	830	121,442	---	---
Collection of shareholder note receivable	---	54,500	---	---
Stock issued in acquisitions and investments	2,016	367,391	---	---
Cash dividends	---	---	---	(20,654)
Tax benefit of non-qualified stock options exercised	---	18,909	---	---
Foreign currency translation adjustment	---	---	(3,487)	---
Other	---	10,262	---	---
Balance, December 31, 1993	$ 24,738	$1,564,685	$(38,143)	$572,120

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(In thousands)

	1993	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 243,646	$148,269	$ 89,112
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	396,122	306,829	223,672
Amortization of film costs	87,281	---	---
Additions to film costs and program rights	(110,422)	---	---
Interest on subordinated convertible debt	6,362	8,945	8,267
Gain from equity investment	(2,979)	---	---
Changes in operating assets and liabilities, net of effects from purchase transactions:			
Increase in accounts and notes receivable	(29,444)	(9,347)	(14,203)
(Increase) decrease in merchandise inventories	(83,333)	1,379	(38,606)
(Increase) decrease in other current assets	(974)	(5,254)	386
Increase (decrease) in accounts payable and accrued liabilities	(62,529)	(37,159)	24,831
Increase in income taxes payable and related items	83,655	20,391	39,786
Other	(5,101)	16,732	17,106
	522,284	450,785	350,351
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of videocassette rental inventory	(451,116)	(296,139)	(221,996)
Disposals of videocassette rental inventory	40,595	37,618	22,648
Purchases of property and equipment	(164,541)	(98,393)	(78,698)
Net cash used in business combinations and investments	(673,241)	(252,888)	(8,244)
Other	(2,216)	(22,893)	(15,603)
	(1,250,519)	(632,695)	(301,893)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of common stock, net	595,698	80,769	11,516
Proceeds from long-term debt	2,373,786	328,583	87,717
Repayments of long-term debt	(2,152,239)	(222,523)	(144,410)
Cash dividends paid	(18,275)	(7,154)	---
Other	(18,839)	(6,071)	(3,375)
	780,131	173,604	(48,552)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,896	(8,306)	(94)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	43,358	51,664	51,758
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 95,254	$ 43,358	$ 51,664

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements present the consolidated financial position and results of operations of Blockbuster Entertainment Corporation and subsidiaries (the "Company"). All material intercompany accounts and transactions have been eliminated.

In order to maintain consistency and comparability between periods presented, certain amounts have been reclassified from the previously reported financial statements in order to conform with the financial statement presentation of the current period.

The accompanying consolidated financial statements also include the financial position and results of operations of WJB Video Limited Partnership and certain of its affiliates ("WJB"), with which the Company merged in August 1993. This transaction has been accounted for under the pooling of interests method of accounting and, accordingly, these financial statements and notes thereto have been restated as if the companies had operated as one entity since inception. See Note 2, Business Combinations and Investments, for a further discussion of this transaction.

Accounts and Notes Receivable:

Accounts and notes receivable, which are stated net of an allowance for doubtful accounts, consist primarily of amounts due from customers. The current portion of notes receivable was approximately $13,298,000 and $15,432,000 at December 31, 1993 and 1992, respectively. The Company believes that the carrying amounts of accounts and notes receivable at December 31, 1993 and 1992 approximate fair value at such dates.

Merchandise Inventories:

Merchandise inventories, consisting primarily of prerecorded music and videocassettes, are stated at the lower of cost or market. Cost is determined using the moving weighted average or the retail inventory method, the uses of which approximate the first-in, first-out basis.

Film Costs and Program Rights:

Film costs and program rights relate to the operations of the Company's filmed entertainment business. See Note 2, Business Combinations and Investments. Film costs and program rights include production or acquisition costs (including advance payments to producers), capitalized overhead and interest, prints, and advertising expected to benefit future periods. These costs are amortized, and third party participations and residuals are accrued, in the ratio that the current year's gross revenue bears to estimated future gross revenue, calculated on an individual product basis.

Film costs and program rights are stated at the lower of cost, net of amortization, or estimated net realizable value on an individual film product basis. Estimates of total gross revenue, costs and participation expenses are reviewed quarterly and write-downs to net realizable value are recorded and future amortization expense is revised as necessary. Based on the Company's estimates of future gross revenue as of December 31, 1993, approximately 60% of unamortized released film costs and program rights will be amortized within the next three years.

The components of film costs and program rights, net of amortization, at December 31, 1993 are as follows:

Film costs:	
Released	$ 77,204
In process and other	22,009
Program rights	89,690
	188,903
Less: non-current portion	(71,579)
Current portion of film costs and program rights	$117,324

The non-current portion of film costs and program rights is included in other assets.

Videocassette Rental Inventory:

Videocassettes are recorded at cost and amortized over their estimated economic life with no provision for salvage value. Videocassettes which are considered base stock are amortized over thirty-six months on a straight-line basis. Videocassettes which are considered new release feature films frequently ordered in large quantities to satisfy initial demand ("hits") are, except as discussed below, amortized over thirty-six months on an accelerated basis. "Hit" titles for which twelve or more copies per store were purchased during the period from January 1, 1990 through December 31, 1991 were, for the twelfth and any succeeding copies, amortized over twelve months on an accelerated basis. Effective January 1, 1992, "hit" titles for which ten or more copies per store are purchased are, for the tenth and any succeeding copies, amortized over nine months on an accelerated basis. For the twelve months ended December 31, 1992, the adoption of this shorter economic life had the effect of reducing net income by approximately $9,556,000 and net income per common and common equivalent share by approximately five cents per share.

Videocassette rental inventory and related amortization at December 31 are as follows:

	1993	1992
Videocassette rental inventory	$841,488	$580,748
Less: accumulated amortization	(371,265)	(258,580)
	$470,223	$322,168

Amortization expense related to videocassette rental inventory was $295,729,000, $234,862,000 and $171,509,000 in 1993, 1992 and 1991, respectively. As videocassette rental inventory is sold or retired, the applicable cost and accumulated amortization are eliminated from the accounts and any gain or loss thereon is recorded.

Property and Equipment:

Property and equipment is stated at cost. Depreciation and amortization expense is provided over the estimated lives of the related assets using the straight-line method. Property and equipment at December 31 consists of the following:

	Life	1993	1992
Land and buildings	15-32 Years	$ 77,715	$ 51,781
Leasehold improvements	2-10 Years	281,992	199,463
Furniture and fixtures	2-10 Years	178,578	146,282
Equipment	2-10 Years	194,125	132,648
		732,410	530,174
Less: accumulated depreciation and amortization		(209,665)	(141,586)
		$522,745	$388,588

Depreciation and amortization expense related to property and equipment was $74,772,000, $59,094,000 and $43,868,000 in 1993, 1992 and 1991, respectively. Additions to property and equipment are capitalized and include acquisitions of property and equipment, costs incurred in the development and construction of new stores, major improvements to existing property and management information systems. As property and equipment is sold or retired, the applicable cost and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss thereon is recorded.

Intangible Assets:

Intangible assets primarily consist of the cost of acquired businesses in excess of the market value of net tangible assets acquired. The cost in excess of the market value of net tangible assets is amortized on a straight-line basis over periods ranging from 15 to 40 years. Subsequent to its acquisitions, the Company continually evaluates factors, events and circumstances which include, but are not limited to, the historical and projected operating performance of acquired businesses, specific industry trends and general economic conditions to assess whether the remaining estimated useful life of intangible assets may warrant revision or that the remaining balance of intangible assets may not be recoverable. If such factors, events or circumstances indicate that intangible assets should be evaluated for possible impairment, the Company uses an estimate of undiscounted net income over the remaining life of the intangible assets in measuring their recoverability. Accumulated amortization of intangible assets at December 31, 1993 and 1992 was $45,286,000 and $20,168,000, respectively.

Other Assets:

Other assets consist primarily of equity investments in less than majority-owned businesses, the non-current portion of film costs and program rights related to the Company's filmed entertainment business and the non-current portion of accounts and notes receivable. The non-current portion of such receivables was approximately $39,153,000 and $47,288,000 at December 31, 1993 and 1992, respectively. The Company believes the carrying amounts of the non-current portion of accounts and notes receivable approximate fair value at such dates.

Accrued Participation Expenses:

Accrued participation expenses relate to the Company's filmed entertainment business and include amounts due to producers and other participants for their share of programming and distribution revenue.

Foreign Currency Translation:

Foreign subsidiaries' assets and liabilities are translated at the rates of exchange at the balance sheet date while income statement accounts are translated at the average exchange rates in effect during the periods presented. The resulting translation adjustments are reported as a separate component of shareholders' equity. Gains and losses resulting from foreign currency transactions are included in net income. The aggregate transaction gain included in the determination of net income for the year ended December 31, 1992 was $6,778,000. There were no transaction gains or losses during the years ended December 31, 1993 and 1991.

Revenue Recognition:

Revenue from Company-owned video and music stores is recognized at the time of rental or sale. Revenue from franchise owners is recognized when all material services or conditions required under the Company's franchise agreements have been performed by the Company.

Revenue from programming and distribution is recognized as follows: (1) revenue from licensing agreements covering film product owned by the Company is recognized when the film product is available to the licensee for telecast, exhibition or distribution, and other conditions of the licensing agreements have been met and (2) revenue from television distribution of film product which is not owned by the Company is recognized when billed.

Gain From Equity Investment:

It is the Company's policy to record gains or losses from the sale or issuance of previously unissued stock by its subsidiaries or by companies in which the Company is an equity investor and accounts for its investment using the equity method.

The Company's consolidated results of operations for the year ended December 31, 1993 include a gain before income taxes of $2,979,000, resulting from the Company's investment in Discovery Zone, Inc. ("Discovery Zone") and a subsequent initial public offering of 5,000,000 common shares by Discovery Zone in June 1993. Discovery Zone owns, operates and franchises indoor recreational facilities for children.

Cash Flow Information:

Cash equivalents consist of interest bearing securities with original maturities of less than ninety days.

See Notes 2, 3, 5 and 7, Business Combinations and Investments, Long-term Debt, Income Taxes and Shareholders' Equity, of Notes to Consolidated Financial Statements for a discussion of supplemental cash flow information.

2. BUSINESS COMBINATIONS AND INVESTMENTS

All business combinations discussed below, except for the merger with WJB, were accounted for under the purchase method of accounting and, accordingly, are included in the Company's financial statements from the date of acquisition.

In November 1993, the Company acquired all of the outstanding capital stock of Super Club Retail Entertainment Corporation and subsidiaries ("Super Club"), which owns and operates video and music stores. The purchase price paid by the Company was approximately $150,000,000 and consisted of 5,245,211 shares of the Company's common stock, $.10 par value ("Common Stock") and warrants to acquire shares of Common Stock. The warrants give the holders the right to acquire 1,000,000 and 650,000 shares of Common Stock at exercise prices of $31.00 and $32.42 per share, respectively.

In October 1993, the Company purchased 24,000,000 shares of newly-issued Series A cumulative convertible preferred stock of Viacom Inc. ("Viacom") for an aggregate purchase price of $600,000,000, representing a purchase price of $25 per share. The preferred stock provides for the payment of quarterly dividends at an annual rate of 5% and is convertible into non-voting Viacom Class B common stock at a conversion price of $70 per share. The preferred stock is redeemable at the option of Viacom beginning in October 1998. Although the preferred stock is currently an unlisted equity security, based upon a valuation which considered the terms and conditions of the preferred stock as well as comparisons to other similar securities, the Company estimates the fair value of such investment to be approximately $552,000,000 at December 31, 1993.

In August 1993, the Company merged with WJB, its largest franchise owner. In connection with the merger, the Company issued 7,214,192 shares of its Common Stock in exchange for the equity interests of WJB. This transaction has been accounted for under the pooling of interests method of accounting and, accordingly, the Company's financial statements have been restated for all periods as if the companies had operated as one entity since inception.

Revenue and net income of the previously separate companies for the periods before the pooling of interests business combination was consummated (after reflecting the effects of intercompany eliminations) are as follows:

	Six Months Ended June 30,	Year Ended December 31,	
	1993	1992	1991
Revenue:			
The Company	$840,416	$1,188,118	$858,353
WJB	85,440	127,726	103,285
	$925,856	$1,315,844	$961,638
Net Income:			
The Company	$ 81,006	$ 133,638	$ 86,798
WJB	11,646	14,631	2,314
	$ 92,652	$ 148,269	$ 89,112

During the second quarter of 1993, the Company acquired a majority of the common stock of Spelling Entertainment Group Inc. ("Spelling"), a producer and distributor of filmed entertainment. The aggregate consideration paid by the Company totaled approximately $163,369,000 and consisted of cash and 9,278,034 shares of Common Stock. The Company also issued to certain sellers of Spelling's common stock, warrants to acquire an aggregate of 2,000,000 shares of its Common Stock at an exercise price of $25 per share. Additionally, in October 1993, the Company exchanged 3,652,542 shares of Common Stock for 13,362,215 newly issued shares of Spelling's common stock as more fully discussed in Note 7, Shareholders' Equity. As a result of the transactions described above, the Company owned approximately 70.5% of the outstanding common stock of Spelling at December 31, 1993.

During 1993, the Company acquired or invested in businesses that own and operate video stores, are involved in the production and distribution of filmed entertainment, and own, operate and franchise indoor recreational facilities for children. The aggregate purchase price paid by the Company was approximately $195,610,000 and consisted of cash and 5,631,180 shares of Common Stock.

In November 1992, the Company acquired Sound Warehouse, Inc. and subsidiary and Show Industries, Inc. ("Sound Warehouse" and "Music Plus") which own and operate music stores. The purchase price paid by the Company was approximately $190,000,000 and consisted of cash and 4,142,051 shares of Common Stock.

In February 1992, the Company acquired Cityvision plc ("Cityvision"), the largest home video retailer in the United Kingdom. The purchase price paid by the Company was approximately $125,000,000 and consisted of cash and 3,999,672 shares of Common Stock. At December 31, 1993, Cityvision operated 775 stores under the trade name "Ritz".

During 1992, the Company also acquired or invested in several other businesses that own and operate video and music stores. The aggregate purchase price paid by the Company was approximately $103,774,000 and consisted of cash and 2,112,977 shares of Common Stock.

During 1991, the Company acquired several businesses that own and operate video stores. The aggregate purchase price paid by the Company was approximately $89,614,000 and consisted of cash and 6,492,757 shares of Common Stock. Such shares of Common Stock include 1,297,921 shares issued by the Company in connection with the repayment of a $12,586,000 short-term promissory note which was issued by the Company in connection with an acquisition during 1991.

The Company's consolidated results of operations for the years ended December 31 on an unaudited pro forma basis assuming the acquisitions of Super Club, Spelling, Sound Warehouse and Music Plus had occurred as of January 1, 1992, are as follows:

	1993	1992
Revenue	$2,595,199	$2,296,570
Net income	$ 247,735	$ 177,034
Net income per common and common equivalent share - assuming full dilution	$ 1.07	$ .82

The purchase price allocations for all business combinations and investments discussed above, except for the merger with WJB which was accounted for under the pooling of interests method of accounting, were as follows for the years ended December 31:

	1993	1992	1991
Videocassette rental inventory	$ 33,683	$ 53,889	$ 18,642
Property and equipment	56,781	85,175	22,276
Intangible assets	456,937	347,635	40,306
Investment in Viacom	600,000	---	---
Other assets	182,075	19,825	10,376
Working capital deficiency, net of cash acquired	(45,614)	(73,592)	(47,464)
Long-term debt assumed	(131,008)	(40,048)	(8,759)
Other liabilities	(13,986)	(26,022)	15,326
Minority interests in subsidiaries	(96,220)	---	---
Common stock issued	(369,407)	(113,974)	(42,459)
Net cash used in business combinations and investments	$673,241	$252,888	$ 8,244

The amounts presented above for 1993 reflect the preliminary purchase price allocations for business combinations.

3. LONG-TERM DEBT

Long-term debt at December 31 is as follows:

	1993	1992
Payable to banks under an unsecured revolving credit agreement, interest at 3.71% at December 31, 1993	$ 411,000	$ ---
Payable to banks under an unsecured revolving credit agreement, interest at 3.98% at December 31, 1992	---	173,000
Unsecured senior notes, interest fixed at 6.625%	150,000	---
Bank term loan, interest at eurodollar rate plus 2% (5.62% at December 31, 1993)	49,579	---
Payable to others, interest at 10.00% at December 31, 1993	2,000	41,031
Payable to a bank under a secured revolving credit agreement, interest at LIBOR plus 1.75% (5.06% at December 31, 1992)	---	31,500
Payable to a bank under a secured term loan agreement, interest at LIBOR plus 1.50% (4.81% at December 31, 1992)	---	9,397
Total long-term debt	612,579	254,928
Less: current portion	(9,083)	(16,894)
Long-term debt, less current portion	$ 603,496	$ 238,034

In December 1993, the Company entered into a credit agreement (the "Credit Agreement") with certain banks pursuant to which such banks have agreed to advance the Company on an unsecured basis an aggregate of $1,000,000,000 for a term of 40 months. Outstanding advances, if any, are payable at the expiration of the 40-month term. The Credit Agreement requires, among other items, that the Company maintain certain financial ratios and comply with certain financial covenants. Interest is generally determined and payable monthly using a competitive bid feature. The Credit Agreement replaces a 1992 revolving credit arrangement among the Company and certain other banks.

In December 1992, the Company filed with the Securities and Exchange Commission a shelf registration statement covering up to $300,000,000 of unsecured senior debt securities and unsecured subordinated debt securities. In February 1993, the Company issued $150,000,000 of 6.625% senior notes under the registration statement. Such notes mature in February 1998 and pay interest semi-annually. The proceeds from such issuance were used to refinance existing indebtedness. The notes are registered on the New York Stock Exchange and at December 31, 1993 had a quoted market price of approximately $101.25 per note resulting in a fair value for all outstanding notes of approximately $151,875,000.

All outstanding advances under the bank term loan, which were related to the Company's filmed entertainment business, were repaid and such loan terminated in January 1994.

Excluding the unsecured senior notes discussed above, substantially all of the Company's long-term debt at December 31, 1993 and 1992 carried interest rates that were adjusted regularly to reflect current market conditions. Accordingly, the Company believes the carrying amount of such indebtedness approximated fair value at such dates.

The Company made interest payments of $26,301,000, $9,707,000 and $12,913,000 in 1993, 1992 and 1991, respectively.

4. SUBORDINATED CONVERTIBLE DEBT

In August 1993, the Company called its Liquid Yield Option Notes ("LYONs") for redemption. As a consequence of the call, substantially all such LYONs were converted to approximately 8,303,000 shares of Common Stock resulting in an increase to shareholders' equity of approximately $122,272,000. The LYONs were issued initially in November 1989 in the aggregate principal amount at maturity of $300,000,000 and required no periodic interest payments. Each LYON had an issue price of $308.32 and would have had a principal amount due at maturity of $1,000 (representing a yield to maturity of 8% per annum computed on a semi-annual bond equivalent basis). Each LYON was convertible into 27.702 shares of Common Stock, at the option of the holder, at any time on or prior to maturity, was subordinated to all existing and future Senior Indebtedness (as defined in the LYONs indenture agreement) of the Company, and was redeemable under certain circumstances in whole or in part, at the option of the Company, for cash in an amount equal to the issue price plus accrued original issue discount to the date of redemption.

The LYONs were registered on the New York Stock Exchange and at December 31, 1992 had a quoted market price of approximately $530 per LYON resulting in a fair value for all outstanding LYONs of approximately $159,000,000.

5. INCOME TAXES

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 109 - Accounting for Income Taxes, which superceded SFAS No. 96. The Company adopted SFAS No. 109 in 1991.

The income tax provision for the years ended December 31 consists of the following components:

	1993	1992	1991
Current:			
Federal	$100,008	$69,020	$38,443
State	8,600	5,006	2,095
Foreign	2,749	---	---
Total current	111,357	74,026	40,538
Deferred:			
Federal	27,549	3,407	10,041
State	1,689	227	1,322
Foreign	5,593	5,291	---
Total deferred	34,831	8,925	11,363
	$146,188	$82,951	$51,901

A reconciliation of the federal income tax rate to the Company's effective income tax rate for the years ended December 31 is as follows:

	1993	1992	1991
Income tax at statutory rate	35.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	2.6	2.3	2.4
Other, net	(.1)	(.4)	.4
	37.5%	35.9%	36.8%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows:

	1993	1992
Deferred Tax Assets:		
Difference between assigned value and tax basis of acquired entities:		
Foreign	$ 3,008	$12,862
Domestic	82,373	11,898
Tax loss and credit carryforwards	82,469	10,218
Other	6,076	5,109
	173,926	40,087
Less: valuation allowance	(47,275)	(3,731)
	$126,651	$36,356
Deferred Tax Liabilities:		
Expenses deducted for tax, amortized for book	$ 22,221	$15,518
Excess tax over book depreciation and amortization	54,733	29,160
Other	3,808	8,575
	$ 80,762	$53,253

During 1993, the Company's valuation allowance increased by $43,544,000 to $47,275,000. Such increase relates primarily to certain deferred tax assets of acquired businesses which consist principally of net operating loss carryforwards. Should future circumstances result in a change in the valuation allowance, such change may be allocated so as to increase or decrease intangible assets.

The foreign component of income before income taxes for the years ended December 31, 1993 and 1992 was approximately $15,200,000 and $22,723,000, respectively.

At December 31, 1993, the Company had approximately $210,000,000 of operating and capital loss carryforwards available to reduce future income taxes, of which approximately $29,000,000 have unlimited carryforward periods and approximately $181,000,000 expire in varying amounts commencing in 2001. These carryforwards relate primarily to businesses acquired by the Company and to periods prior to their respective acquisition dates.

The Company made income tax payments of approximately $63,621,000, $61,002,000 and $14,857,000 in 1993, 1992 and 1991, respectively.

6. STOCK OPTIONS AND WARRANTS

The Company has various stock option plans under which shares of Common Stock may be granted to key employees and directors of the Company. Options granted under the plans are non-qualified and are granted at a price equal to the fair market value of the Common Stock at the date of grant.

A summary of stock option and warrant transactions for the years ended December 31 is as follows:

	1993	1992	1991
Options and warrants outstanding at beginning of year	12,658	17,384	21,614
Granted	8,915	8,963	2,942
Exercised	(2,675)	(12,371)	(6,440)
Cancelled	(584)	(1,318)	(732)
Options and warrants outstanding at end of year	18,314	12,658	17,384
Average price of options and warrants exercised	$ 6.45	$ 5.72	$ 1.79
Prices of options and warrants outstanding at end of year	$1.08 to $32.42	$1.08 to $16.75	$1.08 to $14.25
Average price of options and warrants outstanding at end of year	$15.86	$ 9.07	$ 6.83
Vested options and warrants at end of year	11,070	7,645	12,736
Options available for future grants at end of year	1,800	6,481	9,126

In February 1992, warrants to acquire 5,138,323 shares of Common Stock, originally issued in 1987 in connection with the initial equity investment in the Company by its Chairman, were exercised with the Company receiving proceeds of approximately $6,293,000.

In April 1992, the Company granted a call option, for 5,000,000 shares of Common Stock, to Philips Electronics N.V. ("Philips") that was subsequently exercised as more fully described in Note 7, Shareholders' Equity.

7. SHAREHOLDERS' EQUITY

The Board of Directors has the authority to issue up to 500,000 shares of $1 par value preferred stock at such time or times, in such series, with such designations, preferences, special rights, limitations or restrictions thereof as it may determine. No shares of preferred stock have been issued.

In November 1993, the Company registered with the Securities and Exchange Commission 14,650,000 shares of its Common Stock to be offered in an underwritten public offering. Upon the sale of such shares, the Company realized net proceeds of approximately $424,118,000 which were used to reduce existing indebtedness.

In October 1993, the Company issued 3,652,542 shares of its Common Stock to Spelling in exchange for 13,362,215 newly issued shares of Spelling's common stock increasing the Company's ownership to approximately 70.5% of the outstanding common stock of Spelling. Spelling subsequently resold such shares of the Company's Common Stock resulting in an increase to the Company's shareholders' equity of approximately $100,445,000.

In 1993, the Company received net proceeds of approximately $16,635,000 in connection with the exercise of warrants and options to acquire 2,674,933 shares of Common Stock.

Sales of Common Stock as shown on the Consolidated Statements of Changes in Shareholders' Equity for the year ended December 31, 1992 include $66,000,000 received in January 1992 from Philips for the purchase of 6,000,000 shares of Common Stock and $55,000,000 from Philips related to the exercise of an option to purchase 5,000,000 shares of Common Stock. The sale of the additional 5,000,000 shares of Common Stock was completed in July 1992 with the Company receiving from Philips a $54,500,000 promissory note which was subsequently collected in June 1993. In addition to the option exercised by Philips, the Company received net proceeds of approximately $15,808,000 in connection with the exercise of warrants and options to acquire 7,371,084 shares of Common Stock in 1992.

In April 1992, the Board of Directors of the Company adopted a policy providing for the payment of quarterly cash dividends to the Company's shareholders. Cash dividends of nine and one half and six cents per common share were declared during 1993 and 1992, respectively.

In 1991, the Company received net proceeds of approximately $11,516,000 in connection with the exercise of warrants and options to acquire 6,439,748 shares of Common Stock.

As of December 31, 1993, approximately 34,624,000 shares of Common Stock were reserved for issuance under employee benefit and dividend reinvestment plans, upon exercise of certain warrants and options and in connection with potential acquisitions of other businesses, properties or securities.

8. COMMITMENTS AND CONTINGENCIES

The Company leases substantially all of its retail, distribution and administration facilities under non-cancellable operating leases, which in most cases contain renewal options. Rental expense was approximately $212,803,000, $153,522,000 and $106,608,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

Future minimum lease payments under non-cancellable operating leases at December 31, 1993 are due as follows:

1994	$282,822
1995	254,853
1996	227,278
1997	202,158
1998	170,699
Thereafter	625,095

The Company has guaranteed obligations of certain of its joint ventures aggregating approximately $53,755,000 at December 31, 1993. After considering its interest in the underlying assets of such joint ventures, the Company believes it is not exposed to any potential material losses in connection with these guarantees.

Subject to certain conditions, the Company is committed to purchase all of the outstanding common stock of Republic Pictures Corporation ("Republic") for approximately $68,000,000 in cash in connection with the merger of Republic into Spelling.

The Company has become subject to various lawsuits, claims and other legal matters in the course of conducting its business, including its business as a franchisor. The Company believes that such lawsuits, claims and other legal matters will not have a material adverse effect on the Company's consolidated results of operations or financial condition.

Spelling is involved in a number of legal actions including threatened claims, pending lawsuits and contract disputes, environmental clean-up assessments, damages from alleged dioxin contamination and other matters primarily resulting from its discontinued operations. Some of the parties involved in such actions seek significant amounts of damages. While the outcome of these suits and claims cannot be predicted with certainty, the Company believes based upon its knowledge of the facts and circumstances and applicable law that the ultimate resolution of such suits and claims will not have a material adverse effect on the Company's results of operations or financial condition. This belief is also based upon the adequacy of approximately $30,000,000 of accruals that have been established for probable losses on disposal of former operations and remaining Chapter 11 disputed claims and an insurance-type indemnity agreement which covers up to $35,000,000 of certain possible liabilities in excess of a threshold amount of $25,000,000, subject to certain adjustments. Substantial portions of such accruals are intended to cover environmental costs associated with Spelling's former operations. Such accruals are recorded without discount or offset for either the time value of money prior to the anticipated date of payment or expected recoveries from insurance or contribution claims against unaffiliated entities.

Although there are significant uncertainties inherent in estimating environmental liabilities, based upon the Company's experience it is considered unlikely that the amount of possible environmental liabilities and Chapter 11 disputed claims would exceed the amount of accruals by more than $50,000,000.

9. NET INCOME PER SHARE

Net income per common and common equivalent share is based on the combined weighted average number of common shares and common share equivalents outstanding which include, where appropriate, the assumed exercise or conversion of warrants and options. In computing net income per common and common equivalent share, the Company utilizes the treasury stock method. For the year ended December 31, 1992, computation of net income per common and common equivalent share on a fully diluted basis assumes conversion of the LYONs, resulting in an increase to net income for the hypothetical elimination of interest expense, net of tax, related to the LYONs. No such adjustment was necessary for 1993 as the LYONs were converted to shares of Common Stock as more fully described in Note 4, Subordinated Convertible Debt.

The information required to compute net income per share on a primary and fully diluted basis for the years ended December 31 is presented below:

	1993	1992	1991
Primary:			
Weighted average number of common and common equivalent shares	220,195	192,427	175,420
Fully Diluted:			
Net income	$243,646	$148,269	$ 89,112
Interest expense related to LYONs, net of tax	---	5,770	---
Adjusted net income	$243,646	$154,039	$ 89,112
Weighted average number of common and common equivalent shares	221,476	194,008	175,687
Shares issued upon assumed conversion of LYONs	---	8,306	---
Shares used in computing net income per common and common equivalent share assuming full dilution	221,476	202,314	175,687

10. BUSINESS SEGMENT INFORMATION

Prior to 1992, the Company's operations consisted primarily of operating and franchising video stores. With the acquisition of Sound Warehouse and Music Plus in November 1992, the acquisition of a majority interest in Spelling in April 1993 and the acquisition of Super Club in November 1993, the Company's operations were expanded to include the sale of prerecorded music and related items and the production and distribution of filmed entertainment.

Financial information about the Company's operations by industry segment for the years ended December 31 is as follows:

	1993	1992
Revenue:		
Video	$1,597,024	$1,234,237
Music	404,515	81,607
Filmed Entertainment	225,464	---
	$2,227,003	$1,315,844
Operating Income:		
Video	$ 332,118	$ 228,910
Music	43,181	13,952
Filmed Entertainment	47,728	---
	$ 423,027	$ 242,862
Depreciation and Amortization Expense:		
Video	$ 378,577	$ 305,043
Music	12,809	1,786
Filmed Entertainment	4,736	---
	$ 396,122	$ 306,829
Identifiable Assets:		
Video	$1,541,274	$1,177,184
Music	537,883	309,168
Filmed Entertainment	584,570	---
Corporate and Other	857,240	54,302
	$3,520,967	$1,540,654
Capital Expenditures:		
Video	$ 610,505	$ 523,012
Music	35,885	10,584
Filmed Entertainment	3,008	---
Corporate and Other	56,723	---
	$ 706,121	$ 533,596

11. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

The following is an analysis of certain items in the Consolidated Statements of Operations by quarter for 1993 and 1992.

	Revenue	Operating Income	Net Income	Net Income Per Share
1993				
First quarter	$ 433,398	$ 76,928	$ 44,686	$ .22
Second quarter	492,458	81,729	47,966	.22
Third quarter	577,450	127,329	69,699	.32
Fourth quarter	723,697	137,041	81,295	.34
	$2,227,003	$423,027	$243,646	$ 1.10
1992				
First quarter	$ 280,596	$ 47,614	$ 27,808	$ .15
Second quarter	287,758	50,402	30,192	.16
Third quarter	310,772	65,230	42,623	.22
Fourth quarter	436,718	79,616	47,646	.23
	$1,315,844	$242,862	$148,269	$ .76

12. OTHER MATTERS

In January 1994, the Company entered into a merger agreement pursuant to which the Company has agreed to merge with and into Viacom, with Viacom being the surviving corporation. Under the terms of the agreement each share of Common Stock shall be converted into the right to receive .08 shares of Viacom Class A common stock, .60615 shares of non-voting Viacom Class B common stock and under certain circumstances, up to an additional .13829 shares of non-voting Viacom Class B common stock. The closing of the merger is subject to customary conditions including approval of the merger by the Company's shareholders.

Concurrently with the merger agreement, the Company entered into a subscription agreement pursuant to which, in March 1994, the Company purchased from Viacom 22,727,273 shares of non-voting Viacom Class B common stock for an aggregate purchase price of $1,250,000,000, or $55 per share.

In February 1994, the Company entered into a credit agreement with certain banks pursuant to which such banks advanced the Company on an unsecured basis $1,000,000,000 for a term of twelve months. In March 1994, the Company used the proceeds from such borrowing along with $250,000,000 of proceeds from borrowings under its existing Credit Agreement for the purchase of shares of non-voting Viacom Class B common stock.

Under the terms of the subscription agreement the Company was granted certain rights to a make-whole amount in the event that the merger agreement is terminated and the highest average trading price of the non-voting Viacom Class B common stock during any consecutive 30 trading day period prior to the first anniversary of such termination is below $55 per share. Such make-whole amount would be based on the difference between $55 per share and such highest average trading price per share. However, the aggregate make-whole amount may not exceed $275,000,000.

Viacom is entitled to satisfy its obligation with respect to any such make-whole amount, at Viacom's option, either through the payment to the Company of cash or marketable equity or debt securities of Viacom, or a combination thereof, with an aggregate value equal to the make-whole amount or through the sale to the Company of the theme parks currently owned and operated by Paramount Communications Inc., a subsidiary of Viacom.

In the event that Viacom were to elect to sell the theme parks to the Company, the purchase price would be $750,000,000, payable through delivery to Viacom of shares of non-voting Viacom Class B common stock valued at $55 per share. If the theme parks were so purchased by the Company, the subscription agreement further provides that the Company would grant an option to Viacom, exercisable for a period of two years after the date of grant, to purchase a 50% equity interest in the theme parks at a purchase price of $375,000,000.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The adoption of SFAS No. 115 will require the Company to adjust its investment in non- voting Viacom Class B common stock to fair market value. Pursuant to the provisions of SFAS No. 115, the Company has classified such investment as an "available-for-sale security". Accordingly, any adjustment to fair value will be excluded from net income and reported as a separate component of shareholders' equity. Based on the quoted market price at March 23, 1994 and after satisfaction of Viacom's make-whole obligation, the maximum adjustment to fair value would result in a reduction of total assets and shareholders' equity of approximately $186,000,000, net of income taxes, at such date.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements of the Company are set forth in Part II, Item 8.

(2) The following financial statement schedules for each of the three years ended December 31, 1993 are submitted herewith:

Schedule V - Property, Plant and Equipment.

Schedule VI - Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment.

Schedule VIII - Valuation and Qualifying Accounts.

Schedule X - Supplementary Statements of Operations Information.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT
(In Thousands)

For the year ended December 31, 1993

Classification	Balance at beginning of period	Additions at cost	Retirements	Acquisitions (1)	Other changes add (deduct) describe (2)	Balance at end of period
Videocassette Rental Inventory	$580,748	$451,116	$(223,219)	$ 33,683	$ (840)	$841,488
Property and Equipment:						
Land and Buildings	$ 51,781	$ 28	$ (150)	$ 26,066	$ (10)	$ 77,715
Leasehold Improvements	199,463	72,624	(6,099)	16,582	(578)	281,992
Furniture and Fixtures	146,282	29,057	(4,071)	7,765	(455)	178,578
Equipment	132,648	62,832	(7,129)	6,368	(594)	194,125
Total Property and Equipment	$530,174	$164,541	$(17,449)	$ 56,781	$ (1,637)	$732,410

(1) Assets acquired in business combinations accounted for under the purchase method of accounting.

(2) Primarily represents the effects of foreign currency translation.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT
(In Thousands)

For the year ended December 31, 1992

Classification	Balance at beginning of period	Additions at cost	Retirements	Acquisitions (1)	Other changes add (deduct) describe (2)	Balance at end of period
Videocassette Rental Inventory	$ 472,009	$ 296,139	$(232,433)	$ 53,889	$ (8,856)	$ 580,748
Property and Equipment:						
Land and Buildings	$ 34,696	$ 1,036	$ (112)	$ 16,288	$ (127)	$ 51,781
Leasehold Improvements	148,440	38,698	(8,309)	25,442	(4,808)	199,463
Furniture and Fixtures	99,544	25,889	(7,834)	33,331	(4,648)	146,282
Equipment	98,916	32,770	(6,766)	10,114	(2,386)	132,648
Total Property and Equipment	$ 381,596	$ 98,393	$ (23,021)	$ 85,175	$ (11,969)	$ 530,174

(1) Assets acquired in business combinations accounted for under the purchase method of accounting.

(2) Primarily represents the effects of foreign currency translation.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT
(In Thousands)

For the year ended December 31, 1991

Classification	Balance at beginning of period	Additions at cost	Retirements	Acquisitions (1)	Other changes add (deduct) describe	Balance at end of period
Videocassette Rental Inventory	$ 367,217	$ 221,996	$(135,846)	$ 18,642	$ ---	$ 472,009
Property and Equipment:						
Land and Buildings	$ 30,536	$ 2,892	$ (574)	$ 1,842	$ ---	$ 34,696
Leasehold Improvements	116,352	27,892	(7,593)	11,789	---	148,440
Furniture and Fixtures	77,425	21,553	(5,825)	6,391	---	99,544
Equipment	73,582	26,361	(3,281)	2,254	---	98,916
Total Property and Equipment	$ 297,895	$ 78,698	$(17,273)	$ 22,276	$ ---	$ 381,596

(1) Assets acquired in business combinations accounted for under the purchase method of accounting.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE VI

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
(In Thousands)

For the year ended December 31, 1993

Classification	Balance at beginning of period	Additions charged to costs and expenses	Retirements	Other changes add (deduct) describe (1)	Balance at end of period
Videocassette Rental Inventory	$ 258,580	$ 295,729	$(182,624)	$ (420)	$ 371,265
Property and Equipment:					
Land and Buildings	$ 1,636	$ 896	$ ---	$ ---	$ 2,532
Leasehold Improvements	45,668	25,727	(1,998)	(78)	69,319
Furniture and Fixtures	38,450	19,045	(2,660)	(53)	54,782
Equipment	55,832	29,104	(1,813)	(91)	83,032
Total Property and Equipment	$ 141,586	$ 74,772	$ (6,471)	$ (222)	$ 209,665

(1) Primarily represents the effects of foreign currency translation.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE VI

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
(In Thousands)

For the year ended December 31, 1992

Classification	Balance at beginning of period	Additions charged to costs and expenses	Retirements	Other changes add (deduct) describe (1)	Balance at end of period
Videocassette Rental Inventory	$ 220,935	$ 234,862	$(194,815)	$ (2,402)	$ 258,580
Property and Equipment:					
Land and Buildings	$ 1,000	$ 668	$ (26)	$ (6)	$ 1,636
Leasehold Improvements	28,815	19,273	(1,774)	(646)	45,668
Furniture and Fixtures	25,082	15,516	(1,739)	(409)	38,450
Equipment	33,686	23,637	(873)	(618)	55,832
Total Property and Equipment	$ 88,583	$ 59,094	$ (4,412)	$ (1,679)	$ 141,586

(1) Primarily represents the effects of foreign currency translation.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE VI

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
(In Thousands)

For the year ended December 31, 1991

Classification	Balance at beginning of period	Additions charged to costs and expenses	Retirements	Other changes add (deduct) describe	Balance at end of period
Videocassette Rental Inventory	$ 162,624	$ 171,509	$(113,198)	$ ---	$ 220,935
Property and Equipment:					
Land and Buildings	$ 438	$ 566	$ (4)	$ ---	$ 1,000
Leasehold Improvements	16,002	13,788	(975)	---	28,815
Furniture and Fixtures	14,617	11,462	(997)	---	25,082
Equipment	16,585	18,052	(951)	---	33,686
Total Property and Equipment	$ 47,642	$ 43,868	$ (2,927)	$ ---	$ 88,583

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE VIII

VALUATION AND QUALIFYING ACCOUNTS
(In Thousands)

For the years ended December 31,

	Balance at beginning of period	Charged to expense	Accounts written off	Balance at end of period
1993 - Allowance for doubtful accounts	$ 229	$ 11,717	$ (9,809)	$ 2,137
1992 - Allowance for doubtful accounts	$ 374	$ 10,583	$ (10,728)	$ 229
1991 - Allowance for doubtful accounts	$ 426	$ 13,544	$ (13,596)	$ 374

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES

SCHEDULE X

SUPPLEMENTARY STATEMENTS OF OPERATIONS INFORMATION
(In Thousands)

For the years ended December 31,

Item (1)	Charged to Costs and Expenses 1993	1992	1991
Amortization of intangible assets	$ 24,692	$ 9,874	$ 5,518
Real property taxes	$ 26,411	$ 18,491	$ 8,734
Advertising costs	$ 50,774	$ 39,922	$ 38,992

(1) Items not presented are less than one percent of revenue.

Item 7(a)(4)

PART I.

ITEM 1. Financial Statements

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 1994	December 31, 1993
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 62,487	$ 95,254
Accounts and notes receivable, less allowance	155,415	135,172
Merchandise inventories	375,554	350,763
Film costs and program rights, net	151,735	117,324
Other	51,461	50,210
Total Current Assets	796,652	748,723
VIDEOCASSETTE RENTAL INVENTORY, NET	497,925	470,223
PROPERTY AND EQUIPMENT, NET	633,183	522,745
INTANGIBLE ASSETS, NET	903,928	856,318
INVESTMENTS IN VIACOM INC.	1,581,730	600,000
OTHER ASSETS	401,238	322,958
	$4,814,656	$3,520,967
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt and current portion of long-term debt	$1,000,000	$ 9,083
Accounts payable	198,248	369,815
Accrued liabilities	171,323	177,695
Accrued participation expenses	51,609	43,013
Income taxes payable	48,973	43,632
Total Current Liabilities	1,470,153	643,238
LONG-TERM DEBT, LESS CURRENT PORTION	1,152,000	603,496
OTHER LIABILITIES	78,603	59,999
MINORITY INTERESTS IN SUBSIDIARIES	93,824	90,834
COMMITMENTS AND CONTINGENCIES	---	---
SHAREHOLDERS' EQUITY:		
Preferred stock, $1 par value; authorized 500,000 shares; none issued	---	---
Common stock, $.10 par value; authorized 800,000,000 shares; issued and outstanding 249,233,467 and 247,380,069 shares, respectively	24,923	24,738
Capital in excess of par value	1,608,472	1,564,685
Cumulative foreign currency translation adjustment	(32,455)	(38,143)
Unrealized holding loss on available-for-sale securities	(276,123)	---
Retained earnings	695,259	572,120
Total Shareholders' Equity	2,020,076	2,123,400
	$4,814,656	$3,520,967

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended June 30, 1994	Three Months Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
REVENUE:				
Rental revenue	$372,307	$277,954	$ 764,925	$569,352
Product sales	199,300	128,788	404,630	259,141
Other revenue	104,653	85,716	203,235	97,363
	676,260	492,458	1,372,790	925,856
OPERATING COSTS AND EXPENSES:				
Cost of product sales	127,367	81,471	260,754	167,485
Operating expenses	378,278	293,091	758,189	524,796
Selling, general and administrative	51,736	36,167	115,369	74,918
OPERATING INCOME	118,879	81,729	238,478	158,657
INTEREST EXPENSE	(28,318)	(9,353)	(39,937)	(15,912)
INTEREST INCOME	1,144	2,716	2,540	4,497
GAIN FROM EQUITY INVESTMENT	---	2,979	---	2,979
OTHER INCOME (EXPENSE), NET	8,297	(2,534)	14,148	(4,312)
INCOME BEFORE INCOME TAXES	100,002	75,537	215,229	145,909
PROVISION FOR INCOME TAXES	37,001	27,571	79,635	53,257
NET INCOME	$ 63,001	$ 47,966	$ 135,594	$ 92,652
Net Income per Common Share - assuming full dilution	$ .25	$ .22	$ .53	$ .44

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1994
(In thousands)

	Common Stock	Capital in Excess of Par Value	Cumulative Translation Adjustment	Unrealized Holding Loss	Retained Earnings
Balance at December 31, 1993	$ 24,738	$1,564,685	$(38,143)	$ ---	$572,120
Net income for the period	---	---	---	---	135,594
Stock issued in acquisitions and investments	130	35,200	---	---	---
Sales of common stock	55	8,587	---	---	---
Cash dividends	---	---	---	---	(12,455)
Foreign currency translation adjustment	---	---	5,688	---	---
Unrealized holding loss on available-for-sale securities	---	---	---	(276,123)	---
Balance at June 30, 1994	$ 24,923	$1,608,472	$(32,455)	$(276,123)	$695,259

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30 1994	Six Months Ended June 30 1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 135,594	$ 92,652
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	235,005	186,073
Amortization of film costs	82,307	26,830
Additions to film costs and program rights	(96,671)	(34,226)
Interest on subordinated convertible debt	---	4,741
Gain from equity investment	---	(2,979)
Changes in operating assets and liabilities, net of effects from purchase transactions:		
(Increase) decrease in accounts receivable	2,483	(9,945)
Increase in merchandise inventories	(25,252)	(7,520)
Increase in other current assets	(2,216)	(9,284)
Decrease in accounts payable and accrued items	(199,814)	(101,868)
Increase in income taxes payable and related items	24,359	19,022
Other	(13,322)	10,350
	142,473	173,846
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of videocassette rental inventory	(229,369)	(188,505)
Disposals of videocassette rental inventory	33,637	18,762
Purchases of property and equipment	(157,463)	(55,186)
Purchase of Viacom Inc. securities	(1,250,000)	---
Net cash used in business combinations and investments	(101,510)	(49,406)
Other	(6,188)	(1,537)
	(1,710,893)	(275,872)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock, net	8,642	65,379
Proceeds from debt	3,001,000	631,410
Repayments of debt	(1,461,579)	(564,726)
Cash dividends paid	(12,410)	(7,672)
Other	---	(15,571)
	1,535,653	108,820
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,767)	6,794
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	95,254	43,358
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 62,487	$ 50,152

The accompanying notes are an integral part of these statements.

BLOCKBUSTER ENTERTAINMENT CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(000's omitted in all tables except per share amounts)

1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of Blockbuster Entertainment Corporation and subsidiaries (the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. However, the Company believes that the disclosures contained herein are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent annual report to shareholders.

The financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position and results of operations.

In order to maintain consistency and comparability between periods presented, certain amounts have been reclassified from the previously reported financial statements in order to conform with the financial statement presentation of the current period.

The accompanying financial statements also include the financial position and results of operations of WJB Video Limited Partnership and certain of its affiliates ("WJB"), with which the Company merged in August 1993. This transaction has been accounted for under the pooling of interests method of accounting and, accordingly, these financial statements and notes thereto have been restated as if the companies had operated as one entity since inception. See Note 16, Business Combinations and Investments, for a further discussion of this transaction.

2. MERCHANDISE INVENTORIES

Merchandise inventories, consisting primarily of prerecorded music and videocassettes, are stated at the lower of cost or market. Cost is determined using the moving weighted average or the retail inventory method, the uses of which approximate the first-in, first-out basis.

3. FILM COSTS AND PROGRAM RIGHTS

Film costs and program rights relate to the operations of the Company's filmed entertainment business. See Note 16, Business Combinations and Investments. Film costs and program rights include production or acquisition costs (including advance payments to producers), capitalized overhead and interest, prints, and advertising expected to benefit future periods. These costs are amortized, and third party participations and residuals are accrued, in the ratio that the current year's gross revenue bears to estimated future gross revenue, calculated on an individual product basis.

Film costs and program rights are stated at the lower of cost, net of amortization, or estimated net realizable value on an individual film basis. Estimates of total gross revenue, costs and participation expenses are reviewed quarterly and write-downs to net realizable value are recorded and future amortization expense is revised as necessary.

The components of film costs and program rights, net of amortization, are as follows:

	June 30, 1994	December 31, 1993
Film costs:		
Released	$ 82,476	$ 77,204
In process and other	26,717	22,009
Program rights	146,780	89,690
	255,973	188,903
Less: non-current portion	(104,238)	(71,579)
Current portion of film costs and program rights	$ 151,735	$ 117,324

The non-current portion of film costs and program rights is included in other assets.

4. VIDEOCASSETTE RENTAL INVENTORY

Videocassettes are recorded at cost and amortized over their estimated economic lives with no provision for salvage value. Videocassettes which are considered base stock are amortized over thirty-six months on a straight-line basis. Videocassettes which are considered new release feature films frequently ordered in large quantities to satisfy initial demand ("hits") are, except as discussed below, amortized over thirty-six months on an accelerated basis. "Hit" titles for which ten or more copies per store are purchased are, for the tenth and any succeeding copies, amortized over nine months on an accelerated basis.

Videocassette rental inventory and related amortization are as follows:

	June 30, 1994	December 31 1993
Videocassette rental inventory	$ 894,416	$ 841,488
Less: accumulated amortization	(396,491)	(371,265)
	$ 497,925	$ 470,223

5. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation and amortization expense is provided over the estimated lives of related assets using the straight-line method. The components of property and equipment are as follows:

	Life	June 30, 1994	December 31, 1993
Land and buildings	15-32 Years	$ 92,912	$ 77,715
Leasehold improvements	2-10 Years	345,194	281,992
Furniture and fixtures	2-10 Years	205,393	178,578
Equipment	2-10 Years	242,524	194,125
		886,023	732,410
Less: accumulated depreciation and amortization		(252,840)	(209,665)
		$ 633,183	$ 522,745

6. INTANGIBLE ASSETS

Intangible assets primarily consist of the cost of acquired businesses in excess of the market value of net tangible assets acquired. The cost in excess of the market value of net tangible assets is amortized on a straight-line basis over periods ranging from 15 to 40 years.

Accumulated amortization of intangible assets at June 30, 1994 and December 31, 1993 was $59,460,000 and $45,286,000, respectively.

7. INVESTMENTS IN VIACOM INC.

In January 1994, the Company entered into a merger agreement pursuant to which the Company agreed to merge with and into Viacom Inc. ("Viacom"), with Viacom being the surviving corporation. The closing of the merger is subject to customary conditions including, but not limited to, approval of the merger by the Company's shareholders.

Concurrent with the merger agreement, the Company entered into a subscription agreement pursuant to which, in March 1994, the Company purchased from Viacom 22,727,273 shares of non-voting Viacom Class B common stock for an aggregate purchase price of approximately $1,250,000,000, or $55 per share.

Under the terms of the subscription agreement, the Company was granted certain rights to a make-whole amount in the event that the merger agreement is terminated and the highest average trading price of the non-voting Viacom Class B common stock during any consecutive 30 trading day period prior to the first anniversary of such termination is below

$55 per share. Such make-whole amount would be based on the difference between $55 per share and such highest average trading price per share. However, the aggregate make-whole amount may not exceed $275,000,000.

Viacom is entitled to satisfy its obligation with respect to any such make-whole amount, at Viacom's option, either through the payment to the Company of cash or marketable equity or debt securities of Viacom, or a combination thereof, with an aggregate value equal to the make-whole amount or through the sale to the Company of the theme parks currently owned and operated by Paramount Communications Inc., a subsidiary of Viacom. In the event that Viacom were to elect to sell the theme parks to the Company, the purchase price would be $750,000,000, payable through delivery to Viacom of shares of non-voting Viacom Class B common stock valued at $55 per share.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires the Company to carry its investment in non-voting Viacom Class B common stock at fair value. Pursuant to the provisions of SFAS No. 115, the Company has classified its investment in non-voting Viacom Class B common stock as an "available-for-sale security". Accordingly, based upon the quoted market price of such common stock and assuming that Viacom would have elected to satisfy its make-whole obligation using the method that results in the maximum unrealized holding loss to the Company, at June 30, 1994 the carrying value of the Company's investment has been reduced to $981,730,000. The corresponding unrealized holding loss resulting from such reduction has been excluded from net income and reported in a separate component of shareholders' equity.

In October 1993, the Company purchased 24,000,000 shares of newly-issued Series A cumulative convertible preferred stock of Viacom for an aggregate purchase price of $600,000,000, representing a purchase price of $25 per share. The preferred stock provides for the payment of quarterly dividends at an annual rate of 5% and is convertible into non-voting Viacom Class B common stock at a conversion price of $70 per share. The preferred stock is redeemable at the option of Viacom beginning in October 1998. Since the preferred stock is an unlisted equity security, the provisions of SFAS No. 115 described above are not applicable to this investment. However, based upon a valuation which considered the terms and conditions of the preferred stock as well as comparisons to other similar securities, the Company estimates the fair value of such investment to be approximately $440,000,000 at June 30, 1994.

8. OTHER ASSETS

Other assets consist primarily of equity investments in less than majority-owned businesses, the non-current portion of film costs and program rights related to the Company's filmed entertainment business and the non-current portion of accounts and notes receivable.

9. ACCRUED PARTICIPATION EXPENSES

Accrued participation expenses relate to the Company's filmed entertainment business and include amounts due to producers and other participants for their share of programming and distribution revenue.

10. DEBT

Debt consists of the following:

	June 30, 1994	December 31, 1993
Bank term loan, interest at eurodollar rate plus .75% (5.56% at June 30, 1994)	$1,000,000	$ ---
Payable to banks under an unsecured revolving credit agreement, interest at 5.09% at June 30, 1994	1,000,000	411,000
Unsecured senior notes, interest fixed at 6.625%	150,000	150,000
Bank term loan, interest at eurodollar rate plus 2% (5.62% at December 31, 1993)	---	49,579
Payable to others, interest at 10.00%	2,000	2,000
Total debt	2,152,000	612,579
Less: current portion	(1,000,000)	(9,083)
Long-term debt, less current portion	$1,152,000	$ 603,496

In February 1994, the Company entered into a credit agreement with certain banks pursuant to which such banks advanced the Company on an unsecured basis $1,000,000,000 for a term of twelve months. This credit agreement requires, among other items, that the Company maintain certain financial ratios and comply with certain financial covenants. In March 1994, the Company used the proceeds from such borrowing along with $250,000,000 of proceeds from borrowings under its existing revolving credit agreement for the purchase of shares of non-voting Viacom Class B common stock. See Note 7, Investments in Viacom Inc., for a further discussion of such investment.

11. SHAREHOLDERS' EQUITY

As of June 30, 1994, approximately 48,879,000 shares of the Company's common stock, $.10 par value ("Common Stock") were reserved for issuance under employee benefit and dividend reinvestment plans, upon exercise of certain warrants and options, and in connection with potential acquisitions of other businesses, properties or securities.

During the six months ended June 30, 1994, the Company's shareholders approved an increase in the number of authorized shares of Common Stock from 300,000,000 to 800,000,000 shares.

Cash dividends of five cents per common share were declared during the six months ended June 30, 1994.

During the six months ended June 30, 1994, an unrealized holding loss of $276,123,000 resulting from a fair value adjustment to the Company's investment in non-voting Viacom Class B common stock was reported in a separate component of shareholders' equity. See Note 7, Investments in Viacom Inc., for a further discussion of this fair value adjustment.

12. GAIN FROM EQUITY INVESTMENT

It is the Company's policy to record gains or losses from the sale or issuance of previously unissued stock by its subsidiaries or by companies in which the Company is an equity investor and accounts for its investment using the equity method. The Company's consolidated results of operations for the three months ended June 30, 1993 include a gain before income taxes of $2,979,000 resulting from the Company's investment in Discovery Zone, Inc. ("Discovery Zone") and a subsequent initial public offering of 5,000,000 common shares by Discovery Zone in June 1993. Discovery Zone owns, operates and franchises indoor recreational facilities for children.

13. INCOME TAXES

Income taxes have been provided for based on the Company's anticipated annual effective income tax rate.

14. NET INCOME PER SHARE

Net income per common share is based on the combined weighted average number of common shares and common share equivalents outstanding which include, where appropriate, the assumed exercise or conversion of warrants and options. In computing net income per common share, the Company utilizes the treasury stock method. For the three and six months ended June 30, 1993, computation of net income per common share on a fully diluted basis assumes conversion of the Liquid Yield Option Notes ("LYONs") which were outstanding during this period, resulting in an adjustment to net income for the hypothetical elimination of interest expense, net of tax, related to the LYONs.

The information required to compute net income per common share on a primary and fully diluted basis is presented below:

	Three Months Ended June 30, 1994	Three Months Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Primary:				
Weighted average number of common and common equivalent shares	253,990	214,547	253,901	208,928
Fully diluted:				
Net income	$ 63,001	$ 47,966	$135,594	$ 92,652
Interest expense related to LYONs, net of tax	---	1,561	---	3,081
Adjusted net income	$ 63,001	$ 49,527	$135,594	$ 95,733
Weighted average number of common and common equivalent shares	253,993	215,308	253,902	209,642
Shares issued upon assumed conversion of LYONs	---	8,300	---	8,300
Shares used in computing net income per common share - assuming full dilution	253,993	223,608	253,902	217,942

15. STOCK OPTIONS AND WARRANTS

A summary of stock option and warrant transactions for the six months ended June 30, 1994 is as follows:

Options and warrants outstanding at beginning of period	18,314
Granted	5,426
Exercised	(373)
Cancelled	(475)
Options and warrants outstanding at end of period	22,892
Average price of options and warrants exercised	$11.78
Prices of options and warrants outstanding at end of period	$1.08 to $33.50
Average price of options and warrants outstanding at end of period	$18.21
Vested options and warrants at end of period	12,475
Options available for future grants at end of period	11,849

16. BUSINESS COMBINATIONS AND INVESTMENTS

All business combinations discussed below, except for the merger with WJB, were accounted for under the purchase method of accounting and, accordingly, are included in the Company's financial statements from the date of acquisition.

During the six months ended June 30, 1994, the Company acquired businesses that own and operate video stores and indoor recreational facilities for children, invested in a business which develops, publishes and distributes interactive software and acquired a distributor of filmed entertainment. The aggregate purchase price paid by the Company was approximately $141,195,000 and consisted of cash and 1,304,864 shares of the Company's Common Stock.

In November 1993, the Company acquired all of the outstanding capital stock of Super Club Retail Entertainment Corporation and subsidiaries ("Super Club"), which owns and operates video and music stores. The purchase price paid by the Company was approximately $150,000,000 and consisted of 5,245,211 shares of Common Stock and warrants to acquire shares of Common Stock. The warrants give the holders the right to acquire 1,000,000 and 650,000 shares of Common Stock at exercise prices of $31.00 and $32.42 per share, respectively.

In August 1993, the Company merged with WJB, its then largest franchise owner. Under the terms of the agreement and plan of reorganization, the Company issued 7,214,192 shares of its Common Stock in exchange for the equity interests of WJB. This transaction has been accounted for under the pooling of interests method of accounting and, accordingly, the Company's financial statements have been restated for all periods as if the companies had operated as one entity since inception.

During the second quarter of 1993, the Company acquired a majority of the common stock of Spelling Entertainment Group Inc. and subsidiaries ("Spelling"), a producer and distributor of filmed entertainment. The aggregate consideration paid by the Company totaled approximately $163,369,000 and consisted of cash and 9,278,034 shares of Common Stock. The Company also issued to certain sellers of Spelling's common stock, warrants to acquire an aggregate of 2,000,000 shares of its Common Stock at an exercise price of $25 per share. Additionally, in October 1993, the Company exchanged 3,652,542 shares of Common Stock for 13,362,215 newly-issued shares of Spelling's common stock. As a result of the transactions described above, the Company owned approximately 70.5% of the outstanding common stock of Spelling at June 30, 1994.

The Company's consolidated results of operations for the six months ended June 30, 1993, on an unaudited pro forma basis assuming the acquisitions of Super Club and Spelling had occurred as of January 1, 1993 are as follows:

Revenue	$1,153,271
Net income	$ 96,046
Net income per common share - assuming full dilution	$ .41

The purchase price allocations for business combinations and investments during the six months ended June 30, 1994 and 1993, as described above, were as follows:

	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Videocassette rental inventory	$ 4,619	$ 6,436
Property and equipment	1,859	6,391
Intangible assets	58,638	279,372
Other assets	74,168	127,884
Working capital (deficiency), excluding cash acquired	13,901	(8,083)
Debt assumed	---	(91,988)
Other liabilities	(16,345)	(20,128)
Minority interests in subsidiaries	---	(76,137)
Common stock issued	(35,330)	(174,341)
Net cash used in business combinations and investments	$101,510	$ 49,406

The amounts presented above for the six months ended June 30, 1994 reflect the preliminary purchase price allocations for business combinations.

17. LEGAL MATTERS

The Company has become subject to various lawsuits, claims and other legal matters in the course of conducting its business, including its business as a franchisor. The Company believes that such lawsuits, claims and other legal matters should not have a material adverse effect on the Company's consolidated results of operations or financial condition.

Spelling is involved in a number of legal actions including threatened claims, pending lawsuits, contract disputes, environmental clean-up assessments, damages from alleged dioxin contamination and other matters. While the outcome of these suits and claims cannot be predicted with certainty, the Company believes based upon its knowledge of the facts and circumstances and applicable law that the ultimate resolution of such suits and claims will not have a material adverse effect on the Company's consolidated results of operations or financial condition. This belief is also based upon the adequacy of approximately $30,000,000 of accruals that have been established for probable losses on disposal of former operations and remaining Chapter 11 disputed claims and an insurance-type indemnity agreement which covers up to $35,000,000 of certain possible liabilities in excess of a threshold amount of $25,000,000, subject to certain adjustments.

18. OTHER MATTERS

In July 1994, the Company reached an agreement in principle to exercise its option from DKB Investments L.P. pursuant to which the Company would increase its ownership of Discovery Zone common stock to approximately 50.1%. In addition, the Company reached an agreement in principle whereby Discovery Zone will acquire all of the franchised Discovery Zone facilities and territories currently owned by the Company in exchange for 4,500,000 newly-issued shares of Discovery Zone common stock. Donald F. Flynn, Chairman of the Board and Chief Executive Officer of Discovery Zone and a partner of DKB Investments L.P., is a member of the Company's Board of Directors. Consummation of the transactions is subject, among other things, to approvals by a special committee of the Company's Board of Directors as such committee shall deem to be necessary, receipt by such committee of a financial fairness opinion, negotiation and execution of definitive agreements and other customary conditions.

Item 7(b) Pro Forma Financial Information.

Viacom Inc.
Unaudited Pro Forma Combined Condensed Financial Statements

The following unaudited pro forma condensed balance sheet at December 31, 1994 gives effect to the sale of Madison Square Garden ("MSG") as if the event had occurred on such date, and was prepared based upon the balance sheets of Viacom Inc. ("Viacom"), and MSG at December 31, 1994.

The following unaudited pro forma combined condensed statement of operations for the year ended December 31, 1994 gives effect to the merger of Paramount Communications Inc. ("Paramount") with and into a wholly-owned subsidiary of Viacom Inc. on July 7, 1994 (the "Paramount Merger"), the merger of Blockbuster Entertainment Corporation ("Blockbuster") with and into Viacom Inc. on September 29, 1994 (the "Blockbuster Merger"), the sale of Viacom's one-third partnership interest in LIFETIME, certain acquisitions by Paramount and the sale of MSG as if they had occurred simultaneously at the beginning of the year. The unaudited pro forma condensed statement of operations was prepared based upon the consolidated results of operations of Viacom for the year ended December 31, 1994, Paramount for the two months ended February 28, 1994 and Blockbuster for the nine months ended September 30, 1994. Financial information for Paramount and Blockbuster commencing March 1, 1994 and October 1, 1994, respectively, is included in the Viacom historical information. These unaudited pro forma condensed financial statements should be read in conjunction with the audited financial statements, including the notes thereto, of Viacom, which are included in Viacom's Annual Report on Form 10-K for the year ended December 31, 1994.

The unaudited pro forma data are not necessarily indicative of the results of operations or financial position of Viacom that would have occurred if the Paramount Merger, Blockbuster Merger, the sale of Viacom's one-third partnership interest in LIFETIME, certain acquisitions by Paramount and the sale of MSG had occurred at the beginning of the period or the date indicated, nor are they necessarily indicative of future operating results or financial position. The pro forma adjustments are based upon available information and certain assumptions set forth herein, including the notes to the unaudited pro forma condensed financial statements, which Viacom believes are reasonable under the circumstances.

The future results of operations of Viacom will reflect increased amortization of goodwill (see Notes 3b, 4a and 5a), increased interest expense (see Notes 2a, 3c and 5b) and decreased Preferred Stock dividend requirements (see Note 4c). The following unaudited pro forma condensed statement of operations does not reflect potential cost savings attributable to consolidation of certain operating and administrative functions including the elimination of duplicate facilities and personnel.

Viacom Inc.
Unaudited Pro Forma Condensed Balance Sheet
At December 31, 1994
(In millions)

Assets	Historical Viacom Inc.	MSG Sale	Pro Forma Viacom Inc.
Cash and cash equivalents	$597.7		$597.7
Other current assets	4,657.5	($697.4)(1)	3,960.1
Total current assets	5,255.2	(697.4)	4,557.8
Property and equipment, net	2,583.1		2,583.1
Intangible assets, at amortized cost	16,111.7		16,111.7
Other assets	4,323.7		4,323.7
	$28,273.7	($697.4)	$27,576.3
Liabilities and Shareholders' Equity			
Current liabilities	$4,131.2		$4,131.2
Long-term debt	10,402.4	($985.0)(1a)	9,417.4
Other liabilities	1,948.5	287.6 (1b)	2,236.1
Shareholders' Equity:			
Preferred stock	1,200.0		1,200.0
Common stock	10,591.6		10,591.6
Total shareholders' equity	11,791.6		11,791.6
	$28,273.7	($697.4)	$27,576.3

See accompanying notes.

Viacom Inc.
Unaudited Pro Forma Combined Condensed Statement of Operations
For the 12 months ended December 31, 1994
(In millions, except per share data)

	Historical Viacom Inc.	Other Pro Forma Adjustments	Pro Forma Viacom Inc.	Pro Forma Paramount	Paramount Merger Adjustments	Historical Blockbuster
Revenues..	$7,363.2		$7,363.2	$619.6		$2,138.8
Expenses:						
Operating..	4,401.0		4,401.0	493.3	$ (297.9)(3a)	394.3
Selling, general and administrative...............	1,888.2		1,888.2	192.6	(34.2)(3a)	1,290.9
Depreciation and amortization.....................	465.7		465.7	14.1	53.2 (3b)	93.4
Total expenses................................	6,754.9		6,754.9	700.0	(278.9)(3b)	1,778.6
Earnings (loss) from continuing operations..........	608.3		608.3	(80.4)	278.9	360.2
Other income (expense):						
Interest expense.................................	(494.1)	$ 12.6(2a)	(481.5)	(8.9)	(91.7)(3c)	(71.3)
Interest and other investment income..............						4.1
Other Items, net.................................	262.5	(267.4)(2b)	(4.9)	(21.3)	27.2 (3a)	50.5
Total other income (expense)....................	(231.6)	(254.8)	(486.4)	(30.2)	(64.5)	(16.7)
Earnings from continuing operations before income taxes..............................	376.7	(254.8)	121.9	(110.6)	214.4	343.5
Provision for income taxes..........................	279.7	(98.6)(2d)	181.1	(33.3)	92.9	127.1
Equity in earnings (loss) of affiliated companies, net of tax............................	18.6	(3.6)(2d)	15.0	14.8		
Minority interest..................................	14.9		14.9		(17.9)(3e)	
Earnings from continuing operations before discontinued operations and extraordinary items ...	130.5	(159.8)	(29.3)	(62.5)	103.6	216.4
Cumulative convertible preferred stock dividend requirement..............................	75.0		75.0			
Earnings attributable to common stock before discontinued operations and extraordinary items ...	$55.5	($159.8)	($104.3)	($62.5)	$ 103.6	$216.4
Weighted average number of common shares or common shares and common share equivilants.........	213.5		213.5		41.1	
Primary earnings (loss) per common share before discontinued operations and extraordinary items (6)	$0.26					

	Blockbuster Merger Adjustments	Pro Forma Combined Company	MSG Sale	Pro Forma Combined Company and MSG Sale
Revenues..		$10,121.6		$10,121.6
Expenses:				
Operating..		4,990.7		4,990.7
Selling, general and administrative...............		3,337.5		3,337.5
Depreciation and amortization.....................	$ 128.5 (4a)	754.9	$ (1.5)(5a)	753.4
Total expenses................................	128.5	9,083.1	(1.5)	9,081.6
Earnings from continuing operations.................	(128.5)	1,038.5	1.5	1,040.0
Other Income (expense):				
Interest expense.................................	(11.1)(4b)	(664.5)	41.6 (5b)	(622.9)
Interest and other investment income..............		4.1		4.1
Other Items, net.................................	(15.0)(4c)	36.5		36.5
Total other income (expense)....................	(26.1)	(623.9)	41.6	(582.3)
Earnings from continuing operations before income taxes..............................	(154.6)	414.6	43.1	457.7
Provision for income taxes..........................	(9.5)(4d)	358.3	14.6 (5c)	372.9
Equity in Earnings (loss) of affiliated companies, net of tax............................		29.8		29.8
Minority Interest..................................		(3.0)		(3.0)
Earnings from continuing operations before discontinued operations and extraordinary items ...	(145.1)	83.1	28.5	111.6
Cumulative convertible preferred stock dividend requirement..............................	(15.0)(4c)	60.0		60.0
Earnings attributable to common stock before discontinued operations and extraordinary items ...	($130.1)	$23.1	$28.5	$51.6

Weighted average number of common shares or common shares and common share equivilants.........	149.1	403.7	403.7
Primary earnings (loss) per common share before discontinued operations and extraordinary items (6)			$0.13

See accompanying notes.

Viacom Inc.
Notes to Unaudited Pro Forma Combined Condensed Financial Statements

(1) Represents the elimination of the net assets of MSG and related use of proceeds for:

(a) Repayment of debt from the proceeds.

(b) A non-recurring tax charge of approximately $288 million. (See Note 5).

(2) Pro forma adjustments made to Viacoms historical results reflect the following:

(a) A decrease in interest expense of $12.6 million resulting from the repayment of bank debt due to the use of cash proceeds from the sale of the one-third partnership interest in LIFETIME.

(b) Eliminates the gain on the sale of the one-third partnership interest in LIFETIME.

(c) Pro forma income tax adjustments reflect the income tax effects calculated at the statutory tax rate.

(d) Eliminates Viacom's equity in earnings, net of tax, of LIFETIME.

(3) Pro forma adjustments related to the Paramount Merger:

(a) Reversal of merger-related charges principally related to adjustments of programming assets based upon new management strategies and additional programming sources and other costs incurred related to the merger with Paramount.

(b) Increase in amortization expense resulting from the increase in intangibles which are amortized over a period of up to 40 years.

(c) Increase in interest expense resulting from additional debt financing and use of cash to finance the Paramount Merger. The assumed interest rate on the debt financing from banks of 5.9% was calculated based on average historical London Interbank Offered Rate for the year ended December 31, 1994.

(d) Pro forma income tax adjustments reflect the income tax effects calculated at the statutory tax rate in effect during the period presented. The effective income tax rate on a pro forma basis is adversely affected by amortization of excess acquisition costs, which are not deductible for tax purposes.

(e) Eliminates minority interest in Paramount for the period March 1 to June 30, 1994.

(4) Pro forma adjustments related to the Blockbuster Merger:

(a) Increase in amortization expense resulting from the increase in intangibles which are amortized over a period of up to 40 years.

(b) Reflects additional interest expense resulting from Blockbuster's additional borrowings used to fund its investment in Viacom.

(c) Eliminates the 5% cumulative annual dividend on the $600 million intercompany Series A Preferred Stock investment by Blockbuster.

(d) Pro forma income tax adjustments reflect the income tax effects calculated at the statutory tax rate in effect during the period presented. The effective income tax rate on a pro forma basis is adversely affected by amortization of excess acquisition costs, which are not deductible for tax purposes.

(5) Pro forma adjustments related to the sale of MSG:

(a) Decrease in amortization expense resulting from the excess acquisition costs allocated to MSG.

(b) Decrease in interest expense resulting from the repayment of debt (see Note 1). The assumed interest rates on the debt financing from banks are as stated in Note 3.

(c) Reflects the income tax effect on the interest adjustment calculated at the statutory tax rate in effect.

Note: This transaction did not result in a book gain but, due to a difference in the book basis versus tax basis of MSG net assets, will result in a taxable gain. The related non-recurring tax charge is approximately $288 million, which has not been reflected in the pro forma statement of operations.

(6) Pro forma primary earnings per common share is calculated based on the weighted average number of shares of Viacom Common Stock outstanding, the number of shares of Viacom Common Stock issued in connection with the Paramount Merger and Blockbuster Merger and respective common share equivalents as if these transactions occurred at the beginning of the year. Conversion of the Series B Preferred Stock would have an antidilutive effect on earnings per common share and therefore fully diluted earnings per common shares is not presented.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VIACOM INC.

Date: April 13, 1995

By: /s/ Philippe P. Dauman

Philippe P. Dauman
Executive Vice President,
Chief Administrative Officer,
General Counsel and Secretary

EXHIBIT INDEX	PAGE
23.1 Consent of Ernst & Young LLP as to financial statements of Paramount Communications Inc.	
23.2 Consent of Arthur Andersen LLP as to financial statements of Blockbuster Entertainment Corporation.	
23.3 Consent of Price Waterhouse LLP as to financial statements of Paramount Communications Inc.	

EXHIBIT 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in Registration Statements (Form S-3 No. 33-55785 and Form S-8 Nos. 33-41934 and 33-56088) of Viacom Inc., Registration Statement (Form S-8 No 33-55173) of Paramount Communications Inc. and Registration Statement (Form S-8 No. 33-55709) of Blockbuster Entertainment Corporation of our report dated August 27, 1993, except for Notes A and J, as to which the date is September 10, 1993, with respect to the consolidated financial statements of Paramount Communications Inc. included in the Viacom Inc. Current Report (Form 8-K) filed with the Securities and Exchange Commission on April 14, 1995.

ERNST & YOUNG LLP

New York, New York
April 12, 1995

Exhibit 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our report dated March 23, 1994 on Blockbuster Entertainment Corporation's 1993, 1992 and 1991 financial statements, included in this Form 8-K, into Viacom Inc.'s previously filed Registration Statements on Form S-3 (File No. 33-55785) and on Form S-8 (File Nos. 33-41934 and 33-56088), Paramount Communications Inc.'s previously filed Registration Statement on Form S-8 (File No. 33-55173) and Blockbuster Entertainment Corporation's previously filed Registration Statement on Form S-8 (File No. 33-55709).

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida
April 10, 1995

EXHIBIT 23.3

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (No. 33-55785) of Viacom Inc., Form S-8 (Nos. 33-41934 and 33-56088) of Viacom Inc., Form S-8 (No. 33-55173) of Paramount Communications Inc. and Form S-8 (No. 33-55709) of Blockbuster Entertainment Corporation of our reports dated June 3, 1994, appearing on page F-2 and page 4 of Item 14(a) in the Paramount Communications Inc. Transition Report on Form 10-K for the eleven month period ended March 31, 1994, as amended by Form 10-K/A Amendment No. 1 dated July 29, 1994 and as further amended by Form 10-K/A Amendment No. 2 dated August 12, 1994 included in the Viacom Inc. Current Report (Form 8-K) filed with the Securities and Exchange Commission on April 14, 1995.

/s/ Price Waterhouse LLP
Price Waterhouse LLP

New York, New York
April 12, 1995