

CBS International Television (UK) Limited

(Registered Number: 715593)

**Directors' report and financial statements
31 December 2006**

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CBS International Television (UK) Limited

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CBS International Television (UK) Limited

Directors' report for the year ended 31 December 2006

The directors present their report and audited financial statements for the year ended 31 December 2006

Principal activity, review of the business and future developments

The company's principal activity is the distribution of filmed product for theatrical and television viewing. From 1 January 2005 CBS International Television (UK) Limited no longer signs any new agreements and distributes no filmed product for theatrical and television viewing for new deals. Existing CBS International Television (UK) Limited deals at the year end 2006 will run their course. It is anticipated that all existing deals will have ended by 2012. The directors view the results of the company for the year as satisfactory.

Principal risks and uncertainties

The management of the Company and execution of the Company's strategy are subject to a number of risks. The Directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for CBS Corporation group companies (the 'Group').

Group Treasury also seeks to limit counter-party risk by conducting all of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

Liquidity Risk

The Company finances its operations through a combination of intercompany payables, issued ordinary share capital and preference shares.

Interest Rate Risk

The Company has interest bearing assets and liabilities. These are group receivables subject to floating interest rates based upon USD LIBOR +0.5% and cash balances subject to floating interest rates based upon BSD LIBOR +0.5%. Interest on preference shares liabilities are fixed at 6% per annum. The majority of the Company's group payables do not attract any interest. To the extent that the Company enters into banking arrangements, the Company's exposure to interest risk arises on the surplus cash bank accounts on which the interest income is based on UK LIBOR - 0.375bp. The Company does not participate in interest rate hedging. The Directors keep these measures under constant review.

Credit Risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Foreign Exchange Risk

To the extent that the Company enters into banking arrangements and intercompany agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

CBS International Television (UK) Limited

Directors' report for the year ended 31 December 2006 (continued)

Key Performance Indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Results and dividends

The financial statements for the year disclose a profit after taxation of £303,772 (2005 £4,075,903) The directors do not recommend the payment of an ordinary dividend (2005 £ nil) The profit for the year has been transferred to reserves

Directors and their interests

The directors of the company during the year were as follows

C Hyde (Resigned 23 June 2006)
J Petito (Appointed 17 February 2006, resigned 26 June 2006)
R Jones (Appointed 26 June 2006)
G Dropvat (Appointed 23 June 2006)

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

Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Statement of director's responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

CBS International Television (UK) Limited

Directors' report for the year ended 31 December 2006 (continued)

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

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

By order of the board

G Dropvat
Director

29 January 2008

CBS International Television (UK) Limited

Independent auditors' report to the members of CBS International Television (UK) Limited

We have audited the financial statements of CBS International Television (UK) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

CBS International Television (UK) Limited

Independent auditors' report to the members of CBS International Television (UK) Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 January 2008

CBS International Television (UK) Limited

Profit and loss account for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	3	25,136,826	37,358,362
Cost of sales		(21,366,322)	(31,754,608)
Gross profit		3,770,504	5,603,754
Administrative (expenses)/income		(4,955,991)	486,871
Operating (loss)/profit	4	(1,185,487)	6,090,625
Other income	7	600,618	-
Interest receivable and similar income	8	2,308,565	1,017,808
Interest payable and similar expenses	9	(907,353)	(900,000)
Profit on ordinary activities before taxation		816,343	6,208,433
Taxation on profit on ordinary activities	10	(512,571)	(2,132,530)
Retained profit for the year	16	303,772	4,075,903

The notes on pages 10 to 17 form part of these accounts

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

There is no difference between the loss on ordinary activities before taxation and the retained loss for either year as stated above and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 December 2006

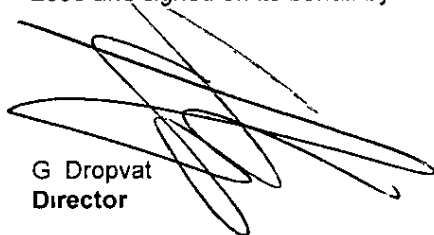
	Note	2006 £	2005 £
Profit for the financial year	16	303,772	4,075,903
Unrealised gain in relation to sale of the investment	16	26,775,787	-
Total recognised gains for the year		27,079,559	4,075,903

CBS International Television (UK) Limited

Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Financial Fixed assets			
Investments	11	26,776,787	1,000
		26,776,787	1,000
Current assets			
Debtors (including £35,690,613 (2005 £nil) due after more than one year)	12	41,666,073	5,364,563
Cash at bank and in hand		7,000,012	43,788,059
		48,666,085	49,152,622
Creditors amounts falling due within one year	13	(52,248,189)	(53,337,880)
Net current liabilities		(3,582,104)	(4,185,258)
Provisions for liabilities and charges		-	(600,618)
Preference shares	14	(15,000,000)	(15,000,000)
Accumulated interest payment on preference shares	14	(13,500,000)	(12,600,000)
Net liabilities		(5,305,317)	(32,384,876)
Capital and reserves			
Called up share capital	15	133,733	133,733
Share premium account	16	449,700	449,700
Profit and loss account	16	(5,888,750)	(32,968,309)
Shareholders deficit		(5,305,317)	(32,384,876)

The financial statements on pages 8 to 17 were approved on behalf of the Board on 29 January 2008 and signed on its behalf by


G Dropvat
Director

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

1. Accounting policies

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

a) Basis of preparation

The accounts have been prepared in accordance with the Companies Act 1985, under the historical cost convention and in accordance with applicable accounting standards

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

b) Tangible fixed assets

The costs of tangible fixed assets are written off by equal instalments over their expected useful lives as follows

Leasehold improvements	Over period of lease
Furniture and fittings	10 years
Machinery and equipment	3 years

c) Foreign currencies

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

d) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

e) Investments

Investments are stated at cost. Provision is made where in the opinion of the directors there has been a permanent diminution in value.

f) Leases

Operating lease rentals are charged on a straight-line basis over the lease term.

g) Revenue recognition

The company's revenue comprises licence fees which are recognised as revenue when the rights to the television program or film usage have been passed onto its customers in accordance with the licence agreements.

2 Cash flow statement and related party disclosures

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

3 Turnover

Turnover of the Company principally comprises revenue arising from the distribution of filmed product, stated net of VAT. Turnover is predominately derived in the United Kingdom. There is only one principal class of business.

Since 1 January 2005 no new contracts were signed under CBS International Television (UK) Limited, and the company only derived revenue from existing contracts concluded before 1 January 2005.

4 Operating profit

Operating profit for the year is stated after charging

	2006 £	2005 £
Foreign exchange loss / (gain)	4,931,787	(473,691)
Auditors' remuneration for audit services	14,960	15,703

5 Directors' emoluments

None of the directors received any remuneration in respect of their services to the company or under a Long Term Incentive Scheme or a defined benefit scheme during the year (2005: nil). No (2005: two) directors were granted stock options in the year in the ultimate parent company. No (2005: nil) directors exercised share options in the ultimate parent undertaking during the year.

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

6 Staff costs

The company has no employees (31 December 2005 nil)

7 Other operating income

	2006 £	2005 £
Release of film lease provision	600,618	-
	600,618	-

8 Interest receivable and similar income

	2006 £	2005 £
Third party interest receivable	1,364,190	908,254
Group interest receivable	944,375	109,554
	2,308,565	1,017,808

9 Interest payable and similar expenses

	2006 £	2005 £
Non-equity appropriations		
£1 redeemable preference shares (see Note 15)	900,000	900,000
Third party interest payable	7,353	-
	907,353	900,000

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

10 Taxation on profit on ordinary activities

The tax charge based on the profit on ordinary activities comprises

	2006 £	2005 £
Current Tax		
UK Corporation Tax on profits of the year at 30% (2003 30%)	334,717	2,137,695
Adjustment in respect of previous years	(41,772)	-
Total current tax charge	292,945	2,137,695
Deferred Tax		
Origination and reversal of timing differences	180,185	(5,165)
Adjustment in respect of previous periods	39,441	-
Total deferred tax	219,626	(5,165)
Taxation on profits on ordinary activities	512,571	2,132,530

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

	2006 £	2005 £
Profits on ordinary activities before tax	816,343	6,208,433
Profit on ordinary activity multiplied by standard UK rate, 30% (2005 30%)	244,902	1,862,530
Effects of		
Expenses not deductible for tax purposes	270,000	270,000
Accelerated capital allowances and other timing differences	-	5,165
Adjustment in respect of previous periods	(41,772)	-
Other short term timing differences	(180,185)	-
Current tax charge for the year	292,945	2,137,695

The Chancellor's Budget Statement on 21 March 2007 announced the reduction in the rate of Corporation Tax from 30% to 28% with effect from 1 April 2008. An assessment of the impact of this change has not yet been made.

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

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

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

	2006 £	2005 £
Adjustment in respect of previous periods	39,441	-
Accelerated capital allowances less than depreciation	-	(5,165)
Other timing differences	180,185	-
Total deferred tax charge	219,626	(5,165)

11 Fixed asset investments

	Other investments £
At 1 January 2006	1,000
Disposals	(1,000)
Additions	26,776,787
At 31 December 2006	26,776,787

The following was the principal investment as at 31 December 2006

	Country of incorporation	Principal activity	% ordinary shares holding	% preference shares holding
Other investments				
CBS Outdoor Limited	England and Wales	Outdoor advertisement	-	23,91%

As at 31 December 2005

	Country of incorporation	Principal activity	% ordinary shares holding	% preference shares holding
Other investments				
Simon & Schuster UK Limited	England and Wales	Book Distribution	19%	-

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

12 Debtors

	2006 £	2005 £
Trade debtors	2,011,553	2,730,346
Amounts due from group undertakings	39,249,859	2,275,060
Other debtors	32,656	139,531
Deferred tax asset (see Note 17)	-	219,626
Corporation Tax	372,005	-
	41,666,073	5,364,563

The amounts receivable from fellow group include amounts receivable over 1 year of £35,690,613
The loan is unsecured and accrues interest at USD LIBOR +0.50%

13 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	52,002,980	52,343,592
Taxation and social security	-	635,001
Accruals	245,209	359,287
	52,248,189	53,337,880

The amounts owed to fellow group undertakings accrue no interest. The loans are unsecured and repayable on demand.

14 Preference shares

The preference shares disclosed as liabilities carry interest of 6% per annum. The interest rights are cumulative. The preference shares carry no votes at meetings. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus accrued interest. Under FRS 25 the preference shares are classified as a long term liability together with the accumulated unpaid interest.

15 Share capital

	2006 £	2005 £
Authorised		
50,000,000 ordinary shares at £1 each	50,000,000	50,000,000
15,000,000 6% preference shares at £1 each	15,000,000	15,000,000
Allotted, called up and fully paid		
133,733 ordinary shares at £1 each	133,733	133,733
	133,733	133,733

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

16 Reconciliation of movement in reserves and shareholders' deficit

	2006 £	2005 £
Opening shareholder's deficit	(32,384,876)	(36,460,779)
Profit for the year	303,772	4,075,903
Unrealised gain in relation to sale of the investment	26,775,787	-
Closing shareholders' deficit	(5,305,317)	(32,384,876)

	Share Capital	Share premium £	Profit and loss account £
At 1 January 2006	133,733	449,700	(32,968,309)
Retained profit for the year	-	-	303,772
Unrealised gain in relation to sale of the investment	-	-	26,775,787
At 31 December 2006	133,733	449,700	(5,888,750)

17 Deferred Taxation

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

	2006 £	2005 £
Other short term timing differences	-	219,626
Total deferred tax asset	-	219,626
Deferred tax asset		
At 1 January 2006	219,626	
Prior year adjustment	(39,441)	
Current year movement	(180,185)	
At 31 December 2006	-	

CBS International Television (UK) Limited

Notes to the financial statements for the year ended 31 December 2006

18 Related party transactions

As permitted by Financial Reporting Standard 8, "Related Party Disclosures", transactions with other entities of which at least 90% is held by CBS Inc are not disclosed

As at 31 December 2005 the former parent group was split into two separate entities Viacom Inc and CBS Corporation. Both entities have the same ultimate controlling party, National Amusements Inc, which has a holding share of 52% in each entity. Therefore all transactions between CBS International Television (UK) Limited and other entities within the Viacom Inc businesses are disclosed below.

The Company conducts business transactions on an arms length basis with other related parties within the Viacom Group as follows:

Included in Turnover are several transactions under normal market conditions with related parties:

- Nickelodeon UK Ltd (NUL - a wholly owned subsidiary of Viacom Inc) buys TV products from CBS International Television (UK) Limited. The value of the TV revenue in 2006 was £215,923 (2005 £233,000). The balance outstanding from NUL at the balance sheet date amounted to £2,832 (2005 £44,534).
- Paramount Comedy Channel LLP (PCC - a wholly owned subsidiary of Viacom Inc) buys TV products from CBS International Television (UK) Limited. The value of the TV revenue in 2006 was £584,481 (2005 £791,000). The balance outstanding from PCC at the balance sheet date amounted to £38,714 (2005 nil).
- Sci-Fi Channel Ltd (SFC - a wholly owned subsidiary of Viacom Inc) buys TV products from CBS International Television (UK) Limited. The value of the TV revenue in 2006 was £528,912 (2005 £296,000). The balance outstanding from SFC at the balance sheet date amounted to £107,696 (2005 nil).

19 Ultimate parent undertaking

The company's immediate and ultimate parent companies are CBS Operations Inc and CBS Corporation respectively, both of which are incorporated in the USA. The ultimate controlling party of CBS International Television (UK) Limited is National Amusements Inc, the beneficial owner of the majority of CBS Corporation voting shares.

The only group in which the results of CBS International Television (UK) Limited are consolidated is CBS Corporation. The consolidated financial statements for this group are available to the public and may be obtained from 1515 Broadway, New York, N Y, 10036, USA.