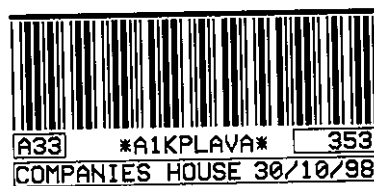


CBS Broadcast Services Limited

Directors' report and financial statements

31 December 1997

Registered number 2149581



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The company's principal activities are the provision of import, export and administrative services.

Dividends

The directors paid an interim dividend of £43,000 during the year (1996: £nil).

Directors

The directors of the company who served during the year are listed below:

M Cole
GAW Valvona (resigned 7 May 1997)
CE Morf

Directors' interests

No directors had any beneficial interests at any time during the year in the shares, debentures or rights to subscribe for shares or debentures in the company or any group company.

Auditors

A resolution under section 386 of the Companies Act 1985 dispensing with the requirement to re-appoint auditors annually is currently in effect.

By order of the board

M. Cole

M Cole
Director

October 29th 1998.

Mitre House
160 Alderstage Street
London

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of CBS Broadcast Services Limited

We have audited the financial statements on pages 4 to 14.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

29th October 1998

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover	2	1,366,078	1,434,080
Cost of sales		(630,486)	(714,371)
		<hr/>	<hr/>
Gross profit		735,592	719,709
Administrative expenses		(738,536)	(730,795)
Other operating income		37,148	22,177
		<hr/>	<hr/>
Operating profit		34,204	11,091
Interest receivable and similar income	3	20,734	3,095
Interest payable and similar charges		(2,180)	(4,610)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4-7	52,758	9,576
Tax on profit on ordinary activities	8	(25,159)	(12,295)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		27,599	(2,719)
Dividends paid and proposed	9	(43,000)	-
		<hr/>	<hr/>
Retained loss for the year		(15,401)	(2,719)
Retained profit at beginning of year		124,621	127,340
		<hr/>	<hr/>
Retained profit at end of year		109,220	124,621
		<hr/> <hr/>	<hr/> <hr/>

There were no discontinued activities during either year.

The company has no recognised gains and losses other than shown above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet

at 31 December 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	10		46,574		71,227
Current assets					
Debtors	11	283,418		245,094	
Cash at bank and in hand		156,154		143,181	
		<u>439,572</u>		<u>388,275</u>	
Creditors: amounts falling due within one year	12	<u>(376,924)</u>		<u>(334,879)</u>	
Net current assets			<u>62,648</u>		<u>53,396</u>
Total assets less current liabilities and net assets			<u>109,222</u>		<u>124,623</u>
Capital and reserves					
Called up share capital	14		2		2
Profit and loss account			109,220		124,621
Shareholders' funds - equity	15		<u>109,222</u>		<u>124,623</u>

The financial statements were approved by the board of the directors on ^{24th} October 1998 and were signed on its behalf by:

Michael Cole

M Cole

Director

October 29th 1998

Notes

(forming part of the financial statements)

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.

Basis of preparation

The financial statements are prepared under the historical cost accounting rules.

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence, it is exempt from the requirement to publish a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. These expected useful economic lives were revised during the year. The principal useful economic lives used during the year are:

Leasehold improvements	3 to 10 years
Computer equipment	3 to 5 years
Motor vehicles	3 years
Fixtures and fittings	5 to 8 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are taken to the profit and loss account.

Turnover

Turnover represents the invoiced value of services supplied, excluding value added tax.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Notes (continued)

1 Accounting policies (continued)

Pension costs

A pension scheme with two sections providing a defined contribution plan and a defined benefits plan based on final pensionable pay is operated by CBS Broadcast Services Limited Pension Fund on behalf of this company.

Defined contribution plan

Contributions to the defined contribution plan are charged to the profit and loss account as they become payable by the company.

Defined benefit plan

Contributions to the defined benefit plan are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at operating profit.

2 Turnover

The geographical analysis of turnover and the split between internal and external sales are as follows:

	1997 £	1996 £
United Kingdom	622,951	674,562
Rest of Europe	295,279	319,742
North America	447,848	439,776
	<hr/> 1,366,078 <hr/>	<hr/> 1,434,080 <hr/>
Intra group sales	341,254	493,366
External sales	1,024,824	940,714
	<hr/> 1,366,078 <hr/>	<hr/> 1,434,080 <hr/>

Notes (continued)

3 Interest receivable

	1997 £	1996 £
Foreign exchange translation differences	15,398	-
Bank interest receivable	5,336	3,095
	<u>20,734</u>	<u>3,095</u>

4 Profit before taxation

	1997 £	1996 £
<i>Profit before taxation is stated after charging</i>		
Auditors' fees	12,000	8,050
Hire of other assets - operating leases	64,710	57,218
Depreciation of tangible fixed assets	25,146	37,168
	<u>101,856</u>	<u>102,436</u>

Remuneration of the company's auditors for provision of non audit services (solely taxation) to the company was £5,985 (1996: £4,800).

5 Remuneration of directors

The directors received no remuneration in respect of their duties as directors of the company in either the current or prior year.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company during the year was:

	1997 Number	1996 Number
Operations	4	4
Administration	7	6
	<hr/>	<hr/>
	11	10
	<hr/>	<hr/>

The aggregate payroll costs of these persons were:

	1997 £	1996 £
Wages and salaries	342,275	324,013
Social security costs	21,347	27,371
Other pension costs	27,235	20,952
	<hr/>	<hr/>
	390,857	372,336
	<hr/>	<hr/>

7 Pension costs

A pension scheme, with two sections providing a defined contribution plan and a defined benefits plan based on final pensionable pay, is operated by CBS Broadcast Services Limited Pension Fund on behalf of the company and certain employees of related companies. The assets of the scheme are held separately from those of any group company. The pension costs of the scheme paid by the company were £27,235 (1996: £20,952). An amount of £20,464 (1996: £13,968) is included in prepayments, which represents prepaid contributions at the balance sheet date.

Defined benefit plan

The contributions to this plan are determined by an independent qualified actuary on the basis of a valuation of the plan at 1 November 1994 using the Projected Unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that salary increases would average 7.0% per annum and that present and future pensions would increase at the rate of 3.0% per annum.

The actuarial valuation showed that the market value of the plan's assets was £1,370,000 at 1 November 1994 and that the actuarial value of those assets represented 95% of the benefits that had accrued to members after allowing for expected future increases in earnings (the funding level). The company contributions were set at 6.8% of pensionable salaries as from 1 November 1994 to ensure the shortfall in the value of the assets is eliminated over the remaining service lives of the existing employees.

Notes (continued)

8 Taxation

	1997 £	1996 £
UK corporation tax at 31½% (1996: 33%) on the profit for the year on ordinary activities	28,266	10,961
(Over)/under provision in respect of prior years	(3,107)	1,334
	<u>25,159</u>	<u>12,295</u>

9 Dividends

	1997 £	1996 £
Dividends on equity shares - interim paid	43,000	-

Notes *(continued)*

10 Tangible fixed assets

	Machinery and equipment	Leasehold improvements	Fixtures and fittings	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	158,308	118,146	58,115	334,569
Additions	-	-	493	- 493
Disposals	(62,146)	-	(3,116)	(65,262)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	96,162	118,146	55,492	269,800
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	146,649	82,013	34,680	263,342
Disposals	(62,146)	-	(3,116)	(65,262)
Charge for year	8,089	13,104	3,953	25,146
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	92,592	95,117	35,517	223,226
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 1997	3,570	23,029	19,975	46,574
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	11,659	36,133	23,435	71,227
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Debtors

	1997 £	1996 £
Trade debtors	177,658	125,267
Amounts owed by group companies:		
Parent company and fellow subsidiary undertakings	-	53,766
Other debtors	67,005	11,410
Prepayments and accrued income	38,731	54,651
ACT recoverable	24	-
	<hr/> 283,418 <hr/>	<hr/> 245,094 <hr/>

12 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	3,652	63,259
Amounts due to group companies:		
Parent company and fellow subsidiary undertakings	63,361	80,426
United Kingdom corporation tax payable	14,614	10,959
Other creditors	55,023	-
Accruals and deferred income	229,524	180,235
Advance corporation tax payable	10,750	-
	<hr/> 376,924 <hr/>	<hr/> 334,879 <hr/>

Notes (continued)

13 Deferred taxation

No provision for deferred taxation has been made in the financial statements. The total potential liability for deferred taxation is as follows:

	Total potential (asset)/liability	
	1997	1996
	£	£
<i>Tax effect of timing differences because of:</i>		
Excess of depreciation over tax allowances	(2,160)	(158)
Other short term timing differences	3,924	4,609
	<hr/>	<hr/>
	1,764	4,451
	<hr/>	<hr/>

14 Called up share capital

	1997	1996
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Issued, allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Opening shareholders' funds	124,623	127,342
Profit/(loss) for the financial year	27,599	(2,719)
	<hr/>	<hr/>
Dividend	152,222 (43,000)	124,623 -
	<hr/>	<hr/>
Closing shareholders' funds	109,222	124,623
	<hr/> <hr/>	<hr/> <hr/>

16 Lease commitments

The company leases buildings on short term leases. The rent payable under these leases is subject to renegotiation at intervals specified in each lease. The company pays all insurance, maintenance and repairs in respect of these properties. The total rental payable under operating leases in the next year is as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
<i>Date of lease termination:</i>				
Within one year	6,071	-	-	1,143
Expiring between two and five years inclusive	43,214	9,731	51,558	4,517
	<hr/>	<hr/>	<hr/>	<hr/>
	49,285	9,731	51,558	5,660
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17 Ultimate parent company

During the year ended 31 December 1997, the company's ultimate parent company was CBS Corporation (formerly Westinghouse Electric Corporation), a company incorporated in the United States of America. Copies of CBS Corporation's financial statements for the years ended 31 December 1997 and 31 December 1996 may be obtained from 11 Stanwix Street, Pittsburgh, Pennsylvania, USA, Pa 15222-1384.

The results and assets of the company as at 31 December 1997 and 31 December 1996 are not consolidated in the accounts of any group undertaking other than CBS Corporation.