CBS UK Channels Limited

Directors' report and financial statements

Registered number 06972345

For the year ended 31 December 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011 The company was incorporated on 24 July 2009 and therefore the comparative period is from 24 July 2009 to 31 December 2010

Principal activities

The Company holds a 50% participating interest in CBS Chellozone UK Channels Partnership (a joint venture with Zone Media Broadcasting Limited to broadcast CBS content in the UK)

Business review

The results of the company show a loss before tax of £2,389,000 (*2010 loss before tax of 4,782,000*) and turnover of £6,420,000 (*2010 £4,129,000*) As at 31 December 2011, the company had net liabilities of £5,456,000 (31 December 2010 £3,548,000)

During the period the company performed in line with management's expectations

Dividends

The directors do not recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

Richard M Jones

Stephen Tague

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

Stephen Tague
Director

Mitre House, 160 Aldersgate Street, London ECIA 4DD
Registered number 06972345
18 July 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

KPMG LLP
Dukes Keep
Marsh Lane
Southampton
SO14 3EX
United Kingdom

Independent auditor's report to the members of CBS UK Channels Limited

We have audited the financial statements of CBS UK Channels Limited for the year ended 31 December 2011 set out on pages 4 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Andy T

A Turner, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

25 July 2012

Profit and Loss Account
for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £'000	15 month Period ended 31 December 2010 £'000
Turnover	2	6,420	4,129
Cost of sales		(6,743)	(6,313)
Gross loss		(323)	(2,184)
Administrative expenses		(1,780)	(2,324)
Operating loss		(2,103)	(4,508)
Interest receivable	5	9	-
Interest payable and similar charges	6	(295)	(274)
Loss on ordinary activities before taxation		(2,389)	(4,782)
Tax on loss on ordinary activities	7	481	1,234
Loss for the financial period	15	(1,908)	(3,548)

All of the above results are from continuing operations There is no difference between the above results and those calculated on a historical cost basis

The company has no recognised gains or losses other than those in the profit and loss account and therefore no separate statement of recognised gains and losses has been presented

The accompanying notes on pages 6 to 13 are an integral part of these financial statements

Balance Sheet
At 31 December 2011

	Note	31 December 2011		31 December 2010	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	*8*		837		1,004
Current assets					
Programme inventory	*9*	4,197		4,754	
Debtors (including £1,715,000 *(2010 £1 234 000)* due after one year)	*10*	3,330		1,495	
Cash at bank and in hand		512		375	
		8,039		6,624	
Creditors amounts falling due within one year	*11*	(14,332)		(11,176)	
Net current assets			(6,293)		(4,552)
Total assets less current liabilities			(5,456)		(3,548)
Net liabilities			(5,456)		(3,548)
Capital and reserves					
Called up share capital	*13*		-		-
Profit and loss account	*14*		(5,456)		(3,548)
Shareholders' deficit	*15*		(5,456)		(3,548)

The accompanying notes on pages 6 to 13 are an integral part of these financial statements

These financial statements were approved by the board of directors on 18 July 2012 and were signed on its behalf by

Stephen Tague

Stephen Tague
Director

Company registered number 06972345

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 financial statements, except as noted below

Basis of preparation

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

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of CBS Corporation Inc , the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Going concern

CBS Corporation Inc has provided the Company with an undertaking that it will, for at least 12 months from the date of approval of these financial statements, continue to make available such funds as are needed by the Company to continue to trade This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

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 gains or losses on translation are included in the profit and loss account

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Programme inventory

Programme inventory comprises fees paid and payable for film licenses, film distribution rights, and broadcasting rights for television programmes Programme inventory is stated at cost less any provision for impairment, less accumulated amortisation

Amortisation is provided to write off the cost of the programme inventory over the period of the license

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Interest Rate Risk

The Company has interest bearing liabilities These are group payables subject to the floating interest rates based upon GBP LIBOR + 2 00%. The Company does not participate in interest rate hedging The directors keep these measures under constant review

Joint arrangement which is not an entity

The company holds a 50% participating interest in CBS Chellozone UK Channels Partnership This partnership is not an entity and therefore the company has accounted for its share of the profit and loss, assets and liabilities of the partnership in these financial statements

2 Analysis of turnover

	Year ended 31 December 2011	15 month period ended 31 December 2010
	£'000	£'000
By geographical market		
United Kingdom	6,420	4,129

3 Loss on ordinary activities

	Year ended 31 December 2011	15 month period ended 31 December 2010
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging		
Amortisation – programme licence fees	3,803	3,264
Amortisation of goodwill	167	210
Auditors' remuneration		
Audit fees in respect of these financial statements	13	13

4 Remuneration of directors

None of the directors received any remuneration in respect of their services to the Company during the year (*2010 none*) The directors were paid by another group undertaking

Notes *(continued)*

5 Interest receivable and similar income

	Year ended 31 December 2011 £'000	15 month period ended 31 December 2010 £'000
Net exchange gains	9	-
	9	-

6 Interest payable and similar charges

	Year ended 31 December 2011 £'000	15 month period ended 31 December 2010 £'000
Payable to other Group undertakings	295	117
Net exchange losses	-	157
	295	274

Notes *(continued)*

7 Taxation on loss on ordinary activities

	Year ended 31 December 2011 £'000	15 month period ended 31 December 2010 £'000
Analysis of (credit) in period		
Current tax on loss for the period	-	-
Total current tax	-	-
Deferred tax (note 12)		
Origination and reversal of timing differences	(453)	(1,234)
Adjustments in respect of prior periods	(28)	-
Total deferred tax	(481)	(1,234)
Tax (credit) on loss on ordinary activities	(481)	(1,234)

The current tax credit for the period is lower than *(2010 lower than)* the standard rate of corporation tax in the UK of 26 5% (*2010 28%*) The effective rate of corporation tax in the UK changed from 28% to 26% on 1 April 2011 The differences are explained below

	Year ended 31 December 2011 £'000	15 month Period ended 31 December 2010 £'000
Loss on ordinary activities before tax	(2,389)	(4,782)
Loss on ordinary activity multiplied by standard rate in the UK of 26 5% (*2010 28%*)	(633)	(1,339)
Effects of		
Expenses not deductible for tax purposes	-	59
Non-trading loan relationships	54	-
Tax losses carried forward (note 12)	579	1,280
Total current tax charge	-	-

Notes *(continued)*

8 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2011	1,214
Additions	-
At 31 December 2011	1,214
Amortisation	
At 1 January 2011	(210)
Charge for the year	(167)
At 31 December 2011	(377)
Net book value	
At 31 December 2011	**837**
At 31 December 2010	1,004

On 1 October 2009, CBS Chellozone UK Channels Partnership acquired the trade and assets of Zonemedia Broadcasting Limited's UK business excluding the Extreme Channel

The following sets out the periods over which goodwill is amortised

	Useful life of goodwill
UK Channels Business	7 years 3 months

Notes *(continued)*

9 Programme inventory

	31 December 2011 £'000	31 December 2010 £'000
Programme licence fee costs	4,197	4,754
	4 197	4,754

10 Debtors

	31 December 2011 £'000	31 December 2010 £'000
Trade debtors	1,256	87
Taxation and social security	-	59
Prepayments and accrued income	359	115
Deferred tax asset (note 12)	1,715	1,234
	3,330	1,495

11 Creditors: amounts falling due within one year

	31 December 2011 £'000	31 December 2010 £'000
Trade creditors	747	1,192
Taxation and social security	103	-
Accrued expenses	2,358	2,207
Amounts owed to group undertakings	11,124	7,777
	14,332	11,176

As at 31 December 2011, the loan owed to fellow group undertakings accrues interest at 1 month GBP LIBOR + 2 00% The loan is unsecured and repayable on demand

Notes *(continued)*

12 Deferred tax asset

	2011 £'000	2010 £'000
Deferred tax asset		
At beginning of year	**1,234**	-
Adjustments in respect of prior periods	**28**	-
Effect of change in substantially enacted tax rate	**(94)**	-
Credited to P&L in respect of losses carried forward in the year	**547**	1,234
At end of year	**1,715**	1,234

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

	31 December 2011 £'000	31 December 2010 £'000
Tax losses carried forward	**1,715**	1,234
Deferred tax asset	**1,715**	1,234

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement Finance Act 2011 was enacted on 18 July 2011 and included legislation to reduce the main rate of corporation tax to 26% with effect from 1 April 2011 and 25% with effect from 1 April 2012

The March 2012 Budget Statement further proposed to reduce the main rate of corporation tax to 24% from 1 April 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore are not included in these financial statements

Deferred tax is measured on a non discounted basis at the tax rate which is expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date The deferred tax liability recognised as at 31 December 2010 and 31 December 2011 have therefore been stated at the enacted rates of 27% and 25% respectively in accordance with FRS 19

Finance Act 2012 was substantively enacted on 26 March 2012 and reduced the main rate of corporation tax to 24% with effect from 1 April 2012 The effect of the change would be to reduce the deferred tax asset provided at 31 December 2011 by £68,596 This decrease in the deferred tax asset would increase profit for the year by £68,596

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year The overall effect of the further changes from 24% to 22%, if applied to the deferred tax balance at 31 December 2011, would be to reduce the deferred tax asset by £137,192 (being £68,596 recognised in 2013 and £68,596 recognised in 2014)

13 Called up share capital

	31 December 2011 £	31 December 2010 £
Allotted, called up and fully paid		
1 Ordinary share of £1 each	**1**	1

Notes *(continued)*

14 Reserves

	Profit and loss account £'000
At 1 January 2011	(3,548)
Loss for the period	(1,908)
At 31 December 2011	**(5,456)**

15 Reconciliation of movement in shareholders' funds

	31 December 2011 £'000	31 December 2010 £'000
Loss for the financial period	**(1,908)**	(3,548)
Net deduction to shareholders' funds	**(1,908)**	(3,548)
Opening shareholders' funds	**(3,548)**	-
Closing shareholders' deficit	**(5,456)**	(3,548)

16 Contingent liabilities and contingent assets

CBS UK channels has joint liability for the creditors in the partnership As at 31 December 2011, the partnership had creditors due within one year of £8,213,000 (31 December *2010 £6,274,000*) and creditors due after one year of £21,380,000 (*31 December 2010 £16,610,000*) The creditors due after one year were wholly due to the partnership members

17 Ultimate parent company

The Company is a subsidiary undertaking of CBS Corporation based in the USA, which is the ultimate parent company

The largest group in which the results of the Company are consolidated is that headed by CBS Corporation, USA No other group financial statements include the results of the Company

The consolidated financial statements of these groups are available to the public from 51 West 52 Street, New York, 10019-6188, USA