CBS UK Channels Limited

Directors' report and financial statements

Registered number 06972345

For the year ended 31 December 2012

Contents

Directors' report

The directors present their directors report and financial statements for the year ended 31 December 2012

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) As set out on the note 18 starting with the 1st of January 2013 the Company has a fourty nine percent (49%) economic interest in CBS UK Channels Partnership

Business review

The results of the company show a loss before tax of £366 000 (*2011 loss before tax of £2 389 000*) and turnover of £8,447 000 (*2011 £6 420 000*) As at 31 December 2012, the company had net liabilities of £5,914,000 (*31 December 2011 £5,456 000*)

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

Dividends

The directors do not recommend the payment of a dividend (*2011 £nil*)

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 (*2011 £nil*)

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

Stephen Tague
Director

Mitre House 160 Aldersgate Street, London EC1A 4DD
Registered number 06972345
18 September 2013

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 2012 set out on pages 5 to 15 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 Financial Reporting Council's website at www frc org uk/auditscopeprivate

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 2012 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

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

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

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Dukes Keep
Marsh Lane
Southampton
SO14 3FX

18 September 2013

Profit and Loss Account
for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £ 000
Turnover	2	8 447	6,420
Cost of sales		(6 480)	(6,743)
Gross profit/(loss)		1,967	(323)
Administrative expenses		(2,030)	(1 780)
Operating loss		(63)	(2,103)
Interest receivable	5	16	9
Interest payable and similar charges	6	(319)	(295)
Loss on ordinary activities before taxation		(366)	(2 389)
Tax on loss on ordinary activities	7	(92)	481
Loss for the financial period	15	(458)	(1 908)

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 7 to 15 are an integral part of these financial statements

Balance Sheet
At 31 December 2012

	Note	31 December 2012		31 December 2011	
		£ 000	£ 000	£ 000	£ 000
Non current assets					
Intangible assets	*8*		670		837
Deferred tax assets	*12*		1 623		1,715
Current assets					
Programme inventory	*9*	4,318		4,197	
Debtors	*10*	2,463		1,615	
Cash at bank and in hand		463		512	
		7,244		6,324	
Creditors amounts falling due within one year	*11*	(15,451)		(14 332)	
Net current liabilities			(8 207)		(8,008)
Net liabilities			(5,914)		(5,456)
Capital and reserves					
Called up share capital	*13*		-		-
Profit and loss account	*14*		(5,914)		(5,456)
Shareholders' deficit	*15*		(5 914)		(5,456)

The accompanying notes on pages 7 to 15 are an integral part of these financial statements

These financial statements were approved by the board of directors on 18 September 2013 and were signed on its behalf by

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

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

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

2 Analysis of turnover

	Year ended 31 December 2012	Year ended 31 December 2011
	£ 000	£ 000
By geographical market		
United Kingdom	8,447	6 420

3 Loss on ordinary activities

	Year ended 31 December 2012	Year ended 31 December 2011
	£ 000	£ 000
Loss on ordinary activities before taxation is stated after charging		
Amortisation – programme licence fees	3,309	3 803
Amortisation of goodwill	167	167
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 (*2011 none*) The directors were paid by another group undertaking

Notes *(continued)*

5 Interest receivable and similar income

	Year ended 31 December 2012 £ 000	Year ended 31 December 2011 £'000
Net exchange gains	16	9
	16	9

6 Interest payable and similar charges

	Year ended 31 December 2012 £ 000	Year ended 31 December 2011 £'000
Payable to other Group undertakings	319	295
	319	295

Notes *(continued)*

7 Taxation on loss on ordinary activities

	Year ended 31 December 2012 £ 000	Year ended 31 December 2011 £ 000
The charge/(credit) for the year is based on the results for the year and is comprised of the following		
Corporation Tax on profits of the period at 24 5% (2011 26 5%)	-	-
Total current tax charge/(credit)	-	-
Deferred tax (note 12)		
Origination and reversal of timing differences	(49)	(453)
Changes in tax rates and laws	141	(28)
Total deferred tax	92	(481)
Tax charge/(credit)	92	(481)

The tax assessed for the year varied from the amount computed by applying the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) to the loss on ordinary activities before tax The differences were attributed to the following factors

	Year ended 31 December 2012 £ 000	Year ended 31 December 2011 £ 000
Loss on ordinary activities before tax	(366)	(2,389)
Loss on ordinary activity multiplied by standard rate in the UK of 24 5% (2011 26 5%)	(90)	(633)
Effects of		
Accounting expense in excess of taxable loss	41	54
Tax losses carried forward (note 12)	49	579
Current tax charge for the year	-	-

A number of changes to the UK Corporation tax system were announced in the March 2012 Budget Statement Finance Act 2012 was enacted on 17 July 2012 and included legislation to reduce the main rate of corporation tax to 24% with effect from 1 April 2012 and 23% with effect from 1 April 2013

The November 2012 Autumn Statement proposed to reduce the main rate of corporation tax to 21% from 1 April 2014 The March 2013 Budget Statement further proposed to reduce the main rate of corporation tax to 20% from 1 April 2015 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Notes *(continued)*

7 Taxation on loss on ordinary activities *(continued)*

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 2011 and 31 December 2012 have therefore been stated at the enacted rates of 25% and 23% respectively in accordance with FRS 19

Finance Act 2013 was substantively enacted on 2 July 2013 and reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015 The overall effect of the further changes from 23% to 20%, if applied to the deferred tax balance at 31 December 2012, would be to reduce the deferred tax asset by £211 635 (being £141 090 recognised in 2014 and £70 545 recognised in 2015)

The deferred tax charge / (credit) was mainly as a result of the tax effect of timing differences as follows

	Year ended 31 December 2012 £ 000	Year ended 31 December 2011 £ 000
Utilisation of tax losses	92	(481)
Total deferred tax charge / (credit)	92	(481)

Notes *(continued)*

8 Fixed assets

Intangible assets

	Goodwill £'000
Cost	
At 1 January 2012	1 214
At 31 December 2012	1 214
Amortisation	
At 1 January 2012	(377)
Charge for the year	(167)
At 31 December 2012	(544)
Net book value	
At 31 December 2012	670
At 31 December 2011	837

The directors note no impairment in respect of intangibles

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 2012 £ 000	31 December 2011 £ 000
Programme licence fee costs	4 318	4,197
	4,318	4 197

10 Debtors

	31 December 2012 £ 000	31 December 2011 £'000
Trade debtors	1 796	1 256
Prepayments and accrued income	667	359
	2,463	1,615

11 Creditors amounts falling due within one year

	31 December 2012 £'000	31 December 2011 £ 000
Trade creditors	307	747
Taxation and social security	262	103
Accrued expenses	2,348	2,358
Amounts owed to group undertakings	12 534	11,124
	15,451	14 332

As at 31 December 2012 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

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

	31 December 2012 £ 000	31 December 2011 £ 000
Unrelieved tax losses carried forward	1,623	1,715
Total deferred tax asset	1 623	1,715

	2012 £ 000	2011 £'000
Deferred tax asset		
At beginning of year	1,715	1,234
Adjustments in respect of prior periods	-	28
Effect of change in substantially enacted tax rate	(141)	(94)
Credited to P&L in respect of losses carried forward in the year	49	547
At end of period	1,623	1,715

13 Called up share capital

	31 December 2012 £	31 December 2011 £
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

14 Reserves

	Profit and loss account £ 000
At 1 January 2012	(5,456)
Loss for the period	(458)
At 31 December 2012	(5,914)

Notes *(continued)*

15 Reconciliation of movement in shareholders' deficit

	31 December 2012 £ 000	31 December 2011 £ 000
Loss for the financial period	(458)	(1,908)
Net addition to shareholders deficit	(458)	(1,908)
Opening shareholders deficit	(5,456)	(3,548)
Closing shareholders' deficit	(5,914)	(5,456)

16 Contingent liabilities and contingent assets

CBS UK Channels Limited has joint liability for the creditors in the partnership As at 31 December 2012 the partnership had creditors due within one year of £6 056,000 (*31 December 2011 £8 213 000*) and creditors due after one year of £nil (*31 December 2011 £21,380 000*) 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 ultimate controlling party of CBS UK Channels Limited is National Amusements Inc the beneficial owner of the majority of CBS Corporation voting shares

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

18 Subsequent Events

On the 1st of January 2013 Chellozone (UK) Limited exercised an option to purchase an additional one percent (1%) economic interest in CBS UK Channels Partnership from CBS UK Channels Limited for one million dollars ($1,000,000) From the 1st of January 2013 CBS UK Channels Limited has a forty nine percent (49%) economic interest in CBS UK Channels Partnership

A repayment of capital to each Partner was made in March 2013 £500,000 was paid to Chellozone (UK) Limited and £500,000 to CBS UK Channels Limited