CBS UK Channels Limited

Directors' report and financial statements

Registered number 06972345

for the period ended 31 December 2010

Contents

Directors' report

The directors present their directors' report and financial statements for the period ended 31 December 2010 The company was incorporated on 24 July 2009 and this was the first accounting period

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 £4,782,000 and turnover of £4,129,000 As at 31 December 2010, the company had net liabilities of £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

Jones, Richard M (appointed on 18 November 2009)

Tague, Stephen (appointed on 1 September 2009)

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
15 April, 2011

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

KPMG LLP
Dukes Keep
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Southampton
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United Kingdom

Independent auditors' report to the members of CBS UK Channels Limited

We have audited the financial statements of CBS UK Channels Limited for the period ended 31 December 2010 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 2010 and of its loss for the period 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

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

18 April, 2011

Profit and Loss Account
for Period ended 31 December 2010

	Note	15 month Period ended 31 December 2010 £'000
Turnover	2	4,129
Cost of sales		(6,313)
Gross loss		(2,184)
Administrative expenses		(2,324)
Operating loss		(4,508)
Interest payable and similar charges	5	(274)
Loss on ordinary activities before taxation		(4,782)
Tax on loss on ordinary activities	6	1,234
Loss for the financial period	14	(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 this profit and loss account

Balance Sheet
for Period ended 31 December 2010

	Note	2010	
		£	£
		£'000	£'000
Fixed assets			
Intangible assets	7		1,004
Current assets			
Programme inventory	8	4,754	
Debtors	9	1,495	
Cash at bank and in hand		375	
		6,624	
Creditors amounts falling due within one year	10	(11,176)	
Net current assets			(4,552)
Total assets less current liabilities			(3,548)
Net liabilities			(3,548)
Capital and reserves			
Called up share capital	12		-
Profit and loss account	13		(3,548)
Shareholders' deficit	14		(3,548)

These financial statements were approved by the board of directors on 15 April, 2011 and were signed on its behalf by

Stephen Tague
Director

Company registered number 06972345

Notes

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

The estimated useful life of the Partnership's goodwill is seven years and three months

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

	15 month period ended 31 December 2010 £'000
By geographical market	
United Kingdom	**4,129**

3 Loss on ordinary activities

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

4 Remuneration of directors

None of the directors received any remuneration in respect of their services to the Company during the period The directors were paid by another group undertaking

Notes *(continued)*

5 Interest payable and similar charges

	15 month Period ended 31 December 2010 £'000
Payable to other Group undertakings	117
Net exchange losses	157
	274

6 Taxation on loss on ordinary activities

	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 (see note 11)	
Origination and reversal of timing differences	(1,234)
Total deferred tax	(1,234)
Tax (credit) on loss on ordinary activities	(1,234)

Notes *(continued)*

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

The current tax credit for the period is lower than the standard rate of corporation tax in the UK (28%) The differences are explained below

	15 month Period ended 31 December 2010 £'000
Loss on ordinary activities before tax	**(4,782)**
Loss on ordinary activity multiplied by standard rate in the UK - 28%	**(1,339)**
Effects of	
Expenses not deductible for tax purposes	**59**
Tax losses carried forward	**1,280**
Total current tax charge	**-**

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 This change became substantively enacted on 20 July 2010 The March 2011 Budget Statement further proposed to reduce the main rate of corporation tax to 26% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% 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

The deferred tax asset carried forward as at 31 December 2010 has therefore been stated at the enacted rate of 27% in accordance with FRS 19 The future proposed changes to the tax rates are not considered to have a material effect on the company's reported tax position at the balance sheet date

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

	15 month Period ended 31 December 2010 £'000
Tax losses carried forward	**(1,234)**
Total deferred tax credit	**(1,234)**

Notes *(continued)*

7 Intangible assets

	Goodwill £'000
Cost	
At beginning of period	-
Additions	1,214
At end of period	1,214
Amortisation	
At beginning of period	-
Charge for the period	(210)
At end of period	(210)
Net book value	
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

Acquisition	*Useful life of goodwill*
UK Channels Business	7 years 3 months

Notes *(continued)*

8 Programme inventory

	15 month Period ended 31 December 2010 £'000
Programme licence fee costs	4,754
	4,754

9 Debtors

	15 month Period ended 31 December 2010 £'000
Trade debtors	87
Taxation and social security	59
Prepayments and accrued income	115
Deferred tax asset (note 11)	1,234
	1,495

10 Creditors amounts falling due within one year

	15 month Period ended 31 December 2010
Trade creditors	1,192
Accrued expenses	2,207
Amounts owed to group undertakings	7,777
	11,176

As at 31 December 2010, 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)*

11 Deferred tax asset

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

	15 month Period ended 31 December 2010 £'000
Tax losses carried forward	**1,234**
Deferred tax liability	**1,234**

Deferred tax asset	
At beginning of period	-
Credited against loss for the year	**1,234**
At end of period	**1,234**

12 Called up share capital

	15 month Period ended 31 December 2010 £
Allotted, called up and fully paid	
1 Ordinary share of £1 each	**1**

13 Reserves

	Profit and loss account £'000
At beginning of period	-
Loss for the period	(3,548)
At end of period	(3,548)

14 Reconciliation of movement in shareholders' funds

	£'000
Loss for the financial period	(3,548)
Net deduction to shareholders' funds	(3,548)
Opening shareholders' funds	-
Closing shareholders' deficit	(3,548)

Notes *(continued)*

15 Contingent liabilities and contingent assets

CBS UK channels has joint liability for all the creditors in the partnership

16 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