CBS UK Channels Limited

Directors' report and financial statements

Registered number 06972345

For the year ended 31 December 2013

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2013.

Principal activities

Commencing on the 1st of January 2013 the Company has a fourty nine percent (49%) economic interest in CBS UK Channels Partnership, originally a joint venture with Zone Media Broadcasting Limited to broadcast CBS content in the UK). *Until the* 31st of December 2012 *the* Company held a 50% participating interest in CBS Chellozone UK Channels Partnership.

Business review

The results of the company show a profit before tax of £201,593 (*2012: loss before tax of £365,870*) and turnover of £nil (*2012: £8,447,461*). As at 31 December 2013, the company had net liabilities of £6,088,767 (*31 December 2012: £5,914,184*).

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

Dividends

The directors do not recommend the payment of a dividend (*2012: £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 (*2012: £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
Director

Mitre House, 160 Aldersgate Street, London EC1A 4DD
Registered number 06972345
23 September 2014

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
Chartered Accountants
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 2013 set out on pages 5 to 14. 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 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/auditscopeukprivate.

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 2013 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Southampton

23 September 2014

Profit and Loss Account
for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Turnover	2	-	8,447,461
Cost of sales		-	(6,480,008)
Gross profit		-	1,967,453
Administrative expenses		(19,208)	(2,030,339)
Profit on partial sale of investment	9	519,995	-
Operating profit/(loss)	3	500,787	(62,886)
Interest receivable	5	-	16,397
Interest payable and similar charges	6	(299,194)	(319,381)
Profit/(loss) on ordinary activities before taxation		201,593	(365,870)
Tax on profit/(loss) on ordinary activities	7	(376,176)	(92,381)
Loss for the financial period	15	(174,583)	(458,251)

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 14 are an integral part of these financial statements.

Balance Sheet
At 31 December 2013

	Note	31 December 2013		31 December 2012	
		£	£	£	£
Non current assets					
Intangible assets	*8*		-		669,549
Investments	*9*		3,787,526		-
Deferred tax asset	*13*		1,087,259		1,622,500
Current assets					
Programme inventory	*10*	-		4,318,315	
Debtors	*11*	159,065		2,463,635	
Cash at bank and in hand		7,249		462,567	
		166,314		7,244,517	
Creditors: amounts falling due within one year	*12*	(11,129,866)		(15,450,750)	
Net current liabilities			(10,963,552)		(8,206,233)
Net liabilities			(6,088,767)		(5,914,184)
Capital and reserves					
Called up share capital	*14*		1		1
Profit and loss account	*15*		(6,088,768)		(5,914,185)
Shareholders' deficit	*16*		(6,088,767)		(5,914,184)

The accompanying notes on pages 7 to 14 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 23 September 2014 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.

In the prior year the company held a 50% participating interest in CBS Chellozone UK Channels Partnership. This partnership was not an entity and therefore the company accounted for its share of the profit and loss, assets and liabilities of the partnership in the prior year financial statements.

As per note 9, the investment in the partnership is now held at cost.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost (less amounts written off).

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 2013	Year ended 31 December 2012
	£	£
By geographical market		
United Kingdom	-	8,447,461

3 Operating profit/(loss)

	Year ended 31 December 2013	Year ended 31 December 2012
	£	£
Operating profit/(loss) is stated after charging:		
Amortisation – programme licence fees	-	3,309,188
Amortisation of goodwill	-	167,387
Auditors' remuneration		
Audit fees in respect of these financial statements	13,000	13,000

4 Remuneration of directors

None of the directors received any remuneration in respect of their services to the Company during the year (*2012: none*). The directors were paid by another group undertaking.

5 Interest receivable and similar income

	Year ended 31 December 2013	Year ended 31 December 2012
	£	£
Net exchange gains	-	16,397
	-	16,397

Notes *(continued)*

6 Interest payable and similar charges

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Net exchange loss	9,575	-
Payable to other Group undertakings	289,619	319,381
	299,194	319,381

7 Taxation on loss on ordinary activities

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
The charge for the year is based on the results for the year and is comprised of the following:		
Corporation Tax on profits/(loss) of the period at 23.25% (2012: 24.5%)	-	-
Total current tax charge	-	-
Deferred tax (note 13)		
Origination and reversal of timing differences	182,925	(48,709)
Changes in tax rates and laws	186,953	141,090
Adjustment in respect of previous periods	6,298	-
Total deferred tax	376,176	92,381
Tax charge	376,176	92,381

The tax assessed for the year varied from the amount computed by applying the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%) to the profit/(loss) on ordinary activities before tax. The differences were attributed to the following factors:

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Profit/(Loss) on ordinary activities before tax	201,593	(365,870)
Profit/(Loss) on ordinary activity multiplied by standard rate in the UK of 23.25% (2012: 24.5%)	46,870	(89,638)
Effects of:		
Expenses not deductible for tax purposes	2,226	-
Accounting expense in excess of taxable loss	169,297	41,943
Increase in non trading tax losses	67,337	-
Group relief received for nil payment	(100,817)	-
Tax losses (utilised)/carried forward	(184,913)	47,695
Current tax charge for the year	-	-

Notes *(continued)*

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

A number of changes to the UK Corporation tax system were announced in the November 2012 Autumn Statement and the March 2013 Budget Statement. Finance Act 2013 was enacted on 17 July 2013 and included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

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 2013 and 31 December 2013 have therefore been stated at the enacted rates of 23% and 20% respectively 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.

No allowance has been made in the accounts for the potential value of non trade losses carried forward which equate to £57,924 (2012: £nil). The Directors do not consider recoverability of this asset to be probable.

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

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Utilisation of tax losses	369,878	92,381
Adjustment in respect of previous periods	6,298	-
Total deferred tax charge	376,176	92,381

Notes *(continued)*

8 Fixed assets

Intangible assets

	Goodwill £
Cost	
At 1 January 2013	1,213,557
Change in investment status (refer to note 9)	(1,213,557)
At 31 December 2013	-
Amortisation	
At 1 January 2013	(544,000)
Change in investment status (refer to note 9)	544,000
At 31 December 2013	-
Net book value	
At 31 December 2013	-
At 31 December 2012	669,549

9 Investments

	Associate £
At 1 January 2013	-
Change in investment status	4,787,526
Distribution of capital from partnership	(1,000,000)
At 31 December 2013	3,787,526

As at 01 January 2013, the Company sold 1% of its investment in the CBS UK Partnership for $1m (£0.618m) to the Chellozone partner. The Company recognised a gain of £519,995 on this disposal. As a result of this transaction, the Company no longer has joint control over the partnership and as such the investment is treated as an associate and held at cost. The cost assumed is equal to the carrying value of the Company's existing share of net assets within thePartnership, less the 1% disposed.

Notes *(continued)*

10 Programme inventory

	31 December 2013 £	31 December 2012 £
Programme licence fee costs	-	4,318,315
	-	4,318,315

11 Debtors

	31 December 2013 £	31 December 2012 £
Deferred tax asset (see also note 13)	159,065	-
Trade debtors	-	1,796,043
Prepayments and accrued income	-	667,592
	159,065	2,463,635

12 Creditors: amounts falling due within one year

	31 December 2013 £	31 December 2012 £
Trade creditors	-	307,485
Taxation and social security	-	261,540
Accrued expenses	15,600	2,347,604
Amounts owed to group undertakings	11,114,266	12,534,121
	11,129,866	15,450,750

As at 31 December 2013, 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)*

13 Deferred tax asset

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

	31 December 2013 £	31 December 2012 £
Unutilised tax losses	1,246,324	1,622,500
Total deferred tax asset	1,246,324	1,622,500

	2013 £	2012 £
Deferred tax asset:		
At beginning of year	1,622,500	1,714,880
Utilisation of tax losses	(369,878)	-
Adjustment in respect of previous periods	(6,298)	-
Effect of change in substantially enacted tax rate	-	(141,089)
Credited to P&L in respect of losses carried forward in the year	-	48,709
At end of period	1,246,324	1,622,500

	2013 £
Recognised as:	
Non current asset	1,087,259
Current asset	159,065
Total deferred tax asset	1,246,324

The deferred tax charge (total amount of £(376,176) was mainly as a result of the tax effect of timing differences of utilisation of tax losses and adjustment in respect of previous periods.

14 Called up share capital

	31 December 2013 £	31 December 2012 £
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

Notes *(continued)*

15 Reserves

	Profit and loss account £
At 1 January 2013	(5,914,185)
Loss for the period	(174,583)
At 31 December 2013	(6,088,768)

16 Reconciliation of movement in shareholders' deficit

	31 December 2013 £	31 December 2012 £
Loss for the financial period	(174,583)	(458,250)
Net addition to shareholders' deficit	(174,583)	(458,250)
Opening shareholders' deficit	(5,914,184)	(5,455,934)
Closing shareholders' deficit	(6,088,767)	(5,914,184)

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.