

CBS Overseas Inc

Directors' report and financial statements

31 December 1996

Registered number FC16260



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CBS Overseas Inc

Director's report and financial statements

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CBS Overseas Inc

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 Overseas Inc

We have audited the financial statements on pages 3 to 9.

Respective responsibilities of directors and auditors

As described on page 1 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, applicable to overseas companies.

KPMG
Chartered Accountants
Registered Auditors

October 1997

CBS Overseas Inc

Profit and loss account for the year ended 31 December 1996

| | Note | 1996 £ | 1995 £ |
|--|------|-----------------------|-----------------------|
| Turnover | | 793,218 | 2,553,445 |
| Cost of sales | | <u>(1,382,584)</u> | <u>(3,181,407)</u> |
| Gross loss | | (589,366) | (627,962) |
| Administrative expenses | | (59,956) | (64,260) |
| Other operating income and expenses | 2 | <u>766,648</u> | <u>851,660</u> |
| Operating profit | | 117,326 | 159,438 |
| Other interest receivable and similar income | | 28,401 | 10,225 |
| Other interest payable and similar charges | | <u>(127,224)</u> | <u>-</u> |
| Profit on ordinary activities before taxation | 3 | 18,503 | 169,663 |
| Tax on profit on ordinary activities | 4 | <u>(35,453)</u> | <u>(62,577)</u> |
| Retained (loss)/profit for the financial year | | (16,950) | 107,086 |
| Retained profit brought forward | | <u>332,464</u> | <u>225,378</u> |
| Retained profit carried forward | | <u>315,514</u> | <u>332,464</u> |

There were no discontinued operations in either period.

The company has no recognised gains and losses other than those 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 profit for the year stated above and their historical cost equivalents.

The notes on pages 5 to 9 form part of these accounts.

CBS Overseas Inc

Balance sheet at 31 December 1996

| | Note | 1996 | 1995 |
|---|------|------------------|--------------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 5 | 10,367 | 40,504 |
| Current assets | | | |
| Debtors | 6 | 432,466 | 1,389,405 |
| Cash at bank and in hand | | 12,117 | 216,663 |
| | | <u>444,583</u> | <u>1,606,068</u> |
| Creditors: amounts falling due within one year | 7 | <u>(138,776)</u> | <u>(1,313,448)</u> |
| Net current assets | | <u>305,807</u> | <u>292,620</u> |
| Total assets less current liabilities and net assets | | <u>316,174</u> | <u>333,124</u> |
| Capital and reserves | | | |
| Called up share capital | 9 | 660 | 660 |
| Profit and loss account | | <u>315,514</u> | <u>332,464</u> |
| Shareholders' funds - equity | | <u>316,174</u> | <u>333,124</u> |

These financial statements were approved by the board of directors on 21st October 1997 and were signed on its behalf by:

Mariani Cole

M Cole
Director

CBS Overseas Inc

Notes

(forming part of the financial statements)

1 Accounting policies

CBS Overseas Inc is incorporated in the state of New York, USA. The company's principal activity was, until 30 November 1995, to own, operate and maintain satellite and other news-related transmission equipment in the UK and worldwide. From 1 December 1995, the company has hired such equipment on behalf of other group companies. The company has taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

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 have been prepared under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Tangible fixed assets

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal useful lives used for this purpose are:

| | | |
|------------------------|---|---------|
| Transmission equipment | - | 5 years |
| Software | - | 5 years |

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

Operating leases

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

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.

Turnover

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

CBS Overseas Inc

Notes (continued)

1 Accounting policies (continued)

Other income

CBS Inc. funds the payment of CBS Overseas Inc.'s participant fees in respect of the Eutelsat agreement. This has been included in other income as a contribution by CBS Inc.

2 Other income and expense

| | 1996 £ | 1995 £ |
|---------------------------|----------------|----------------|
| Eutelsat participant fees | - | 868,492 |
| ENEX participation fees | 766,648 | - |
| Other expense | - | (16,832) |
| | <u>766,648</u> | <u>851,660</u> |

Eutelsat participant fees include net foreign exchange gains of £nil (1995: £1,626).

3 Profit before taxation

| | 1996 £ | 1995 £ |
|---|----------------|----------------|
| Operating lease costs - transmission facilities | 594,587 | 575,591 |
| Depreciation | 30,137 | 35,136 |
| Audit fees | 9,022 | 6,000 |
| | <u>633,746</u> | <u>616,727</u> |

In addition, the company was recharged £10,613 in respect of rent (1995: £10,172).

4 Tax on profit on ordinary activities

| | 1996 £ | 1995 £ |
|--|---------------|---------------|
| UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities: | | |
| Current | 10,720 | 62,577 |
| Under provision in respect of prior years | | |
| Current | 24,733 | - |
| | <u>35,453</u> | <u>62,577</u> |

CBS Overseas Inc

Notes (continued)

5 Tangible fixed assets

| | Software £ | Transmission equipment £ | Total £ |
|------------------------------|---------------|--------------------------------|------------|
| <i>Cost:</i> | | | |
| At beginning and end of year | 25,082 | 150,730 | 175,812 |
| <i>Depreciation</i> | | | |
| At beginning of year | 9,699 | 125,609 | 135,308 |
| Charge for the period | 5,016 | 25,121 | 30,137 |
| | 14,715 | 150,730 | 165,445 |
| <i>Net book value</i> | | | |
| At 31 December 1996 | 10,367 | - | 10,367 |
| At 31 December 1995 | 15,383 | 25,121 | 40,504 |

6 Debtors

| | 1996 £ | 1995 £ |
|--|-----------|-----------|
| Trade debtors | 124,750 | 402,599 |
| Other debtors | 3,839 | - |
| Amounts owed by fellow subsidiary undertakings | 163,373 | 956,090 |
| Prepayments | 128,004 | - |
| Amounts due within one year | 419,966 | 1,358,689 |
| Prepayments (due after more than one year) | 12,500 | 30,716 |
| | 432,466 | 1,389,405 |

There are no fixed terms of repayment for the amounts owed by and due to group companies.

CBS Overseas Inc

Notes (continued)

7 Creditors: amounts falling due within one year

| | 1996 £ | 1995 £ |
|--|----------------|------------------|
| Trade creditors | 2,192 | - |
| Amounts owed to parent company | 30,876 | 523,553 |
| Corporation tax | 10,720 | 62,577 |
| Other creditors including taxation and social security | - | 89,028 |
| Accruals | 94,988 | 626,818 |
| Deferred income | - | 11,472 |
| | <u>138,776</u> | <u>1,313,448</u> |

8 Provisions for liabilities and charges

There is no provided deferred tax. The unprovided deferred tax asset is as follows:

| | 1996 £ | 1995 £ |
|--|---------------|--------------|
| Excess of depreciation over capital allowances | 11,212 | 6,145 |
| Short term timing differences | 1,035 | 1,488 |
| | <u>12,247</u> | <u>7,633</u> |

9 Called up share capital

| | 1996 | 1995 |
|---|-----------------|-----------------|
| <i>Authorised</i> | | |
| 2,000 Ordinary shares of \$10 each | <u>\$20,000</u> | <u>\$20,000</u> |
| <i>Allotted, called up and fully paid</i> | | |
| 100 Ordinary shares of \$10 each | <u>\$1,000</u> | <u>\$1,000</u> |
| At historic exchange rate of \$1.515: £1 | <u>£660</u> | <u>£ 660</u> |

CBS Overseas Inc

Notes (continued)

10 Reconciliation of movement in shareholders' funds

| | 1996 £ | 1995 £ |
|--------------------------------------|----------------|----------------|
| Opening shareholders' funds | 333,124 | 226,038 |
| (Loss)/profit for the financial year | (16,950) | 107,086 |
| Closing shareholders' funds | <u>316,174</u> | <u>333,124</u> |

11 Financial commitments

At 31 December 1996, the company had annual commitments under operating leases as follows:

| | 1996 £ | 1995 £ |
|--|----------------|----------------|
| Expiring greater than five years (transmission facilities) | <u>590,752</u> | <u>613,656</u> |

12 Ultimate parent company

During the year ended 31 December 1996, the company's ultimate parent company was Westinghouse Electric Corporation, a company incorporated in the United States of America. Copies of Westinghouse Electric Corporation's financial statements for the years ended 31 December 1995 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 1996 and 31 December 1995 are not consolidated in the accounts of any group undertaking other than Westinghouse Electric Corporation.