

# **CBS International Television (UK) Limited**

**(Registered Number: 715593)**

**Directors' report and financial statements  
31 December 2007**



## **CBS International Television (UK) Limited**

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## **CBS International Television (UK) Limited**

### **Directors' report for the year ended 31 December 2007**

The directors present their report and the audited financial statements of CBS International Television (UK) Limited ("the Company") for the year ended 31 December 2007.

#### **Principal activity, review of the business and future developments**

The Company's principal activity is the distribution of filmed product for theatrical and television viewing. From 1 January 2005 CBS International Television (UK) Limited no longer signs any new agreements and distributes no filmed product for theatrical and television viewing for new deals. Existing CBS International Television (UK) Limited deals at the year end 2007 will run their course. It is anticipated that all existing deals will have ended by 2012. The directors view the results of the Company for the year as satisfactory.

#### **Principal risks and uncertainties**

The management of the Company and execution of the Company's strategy are subject to a number of risks. The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for CBS Corporation group companies (the 'Group').

Group Treasury also seeks to limit counter-party risk by conducting all of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

#### **Liquidity Risk**

The Company finances its operations through a combination of intercompany payables, issued ordinary share capital and preference shares.

#### **Interest Rate Risk**

The Company has interest bearing assets and liabilities. These are group receivables and payables subject to the floating interest rates based upon USD LIBOR + 0.5% and GBP LIBOR + 0.3%. Interest on preference shares liabilities are fixed at 6% per annum. To the extent that the Company enters into banking arrangements, the Company's exposure to interest risk arises on the surplus cash bank accounts on which the interest income is based on UK LIBOR - 0.375 basis points. The Company does not participate in interest rate hedging. The directors keep these measures under constant review.

#### **Credit Risk**

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

#### **Foreign Exchange Risk**

To the extent that the Company enters into banking arrangements and intercompany agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

## **CBS International Television (UK) Limited**

### **Key Performance Indicators (KPI)**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Results and dividends**

The financial statements for the year disclose a profit after taxation of £1,914,140 (2006: £303,772). The directors do not recommend the payment of an ordinary dividend (2006: £nil). The profit for the year has been transferred to reserves.

### **Directors and their interests**

The directors listed below held office during the whole of the period from 1 January 2007 to the date of this report, unless stated below:

Richard Jones  
Gerard Dropvat  
Stephen Tague (appointed 4 December 2008)

### **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. 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

### **Auditors and disclosure of information to auditors**

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

## **CBS International Television (UK) Limited**

### **Directors' report for the year ended 31 December 2007 (continued)**

#### **Statement of directors' responsibilities**

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

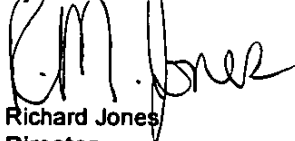
The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



Richard Jones  
Director

16 January 2009

## **CBS International Television (UK) Limited**

### **Independent auditors' report to the members of CBS International Television (UK) Limited**

We have audited the financial statements of CBS International Television (UK) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

## **CBS International Television (UK) Limited**

### **Independent auditors' report to the members of CBS International Television (UK) Limited (continued)**

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

26 January 2009

## CBS International Television (UK) Limited

### Profit and loss account for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	3	16,839,599	25,138,826
Cost of sales		(14,313,640)	(21,366,322)
Gross profit		2,525,959	3,770,504
Administrative / expenses		(430,313)	(4,955,991)
Operating profit/(loss)	4	2,095,646	(1,185,487)
Other operating income	7	2,498,603	600,618
Interest receivable and similar income	8	2,956,330	2,308,565
Interest payable and similar expenses	9	(4,146,339)	(907,353)
Profit on ordinary activities before taxation		3,404,240	816,343
Taxation on profit on ordinary activities	10	(1,490,100)	(512,571)
Profit for the financial year	16	1,914,140	303,772

Turnover and profit for the financial year relate exclusively to continuing operations.

There is no difference between the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 9 to 16 form part of these financial statements.



## **CBS International Television (UK) Limited**

### **Statement of total recognised gains and losses for the year ended 31 December 2007**

	<b>Note</b>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Profit for the financial year	16	1,914,140	303,772
Unrealised gains in relation to sale of the investment	16	-	26,775,787
<b>Total recognised gains for the financial year</b>		<b>1,914,140</b>	<b>27,079,559</b>

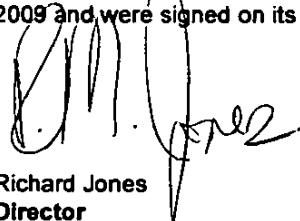
## CBS International Television (UK) Limited

### Balance sheet as at 31 December 2007

	Notes	2007 £	2006 £
<b>Financial Fixed assets</b>			
Investments	11	26,776,787	26,776,787
		<u>26,776,787</u>	<u>26,776,787</u>
<b>Current assets</b>			
Debtors	12	41,632,266	41,666,073
Cash at bank and in hand		14,054,841	7,000,012
		<u>55,687,107</u>	<u>48,666,085</u>
<b>Creditors: amounts falling due within one year</b>	13	(56,355,071)	(52,248,189)
<b>Net current liabilities</b>		(767,964)	(3,582,104)
Preference shares	14	(15,000,000)	(15,000,000)
Accumulated interest payment on preference shares	14	(14,400,000)	(13,500,000)
<b>Net liabilities</b>		(3,391,177)	(5,305,317)
<b>Capital and reserves</b>			
Called up share capital	15/16	133,733	133,733
Share premium account	16	449,700	449,700
Profit and loss account	16	(3,974,610)	(5,888,750)
<b>Shareholders deficit</b>		(3,391,177)	(5,305,317)

The notes on pages 9 to 16 form part of these financial statements.

The financial statements on pages 6 to 16 were approved by the board of directors on 16 January 2009 and were signed on its behalf by:

  
 Richard Jones  
 Director

# **CBS International Television (UK) Limited**

## **Notes to the financial statements for the year ended 31 December 2007**

### **1. Accounting policies**

#### **a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, adopting the accounting policies set out below.

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. 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.

#### **b) Foreign currencies**

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are expressed in sterling at the average rates ruling during the month of the transaction. The resulting profits or losses are dealt within the profit and loss account.

#### **c) Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that a transaction or an event that has occurred at the balance sheet date gives rise to an obligation to pay more tax in the future or a right to pay less tax in the future.

However, deferred tax assets are only recognised to the extent that, based on all available evidence, it is more likely than not that suitable taxable profits will arise from which the reversal of the underlying timing differences can be deducted.

Deferred tax is recognised on an undiscounted basis.

#### **d) Investments**

Investments are stated at cost. Provision is made where in the opinion of the directors there has been a permanent diminution in value. Dividends are recognised as income in the profit and loss account.

## **CBS International Television (UK) Limited**

### **Notes to the financial statements for the year ended 31 December 2007**

**e) Leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

**f) Revenue recognition**

The Company's revenue comprises licence fees which are recognised as revenue when the rights to the television program or film usage have been passed onto its customers in accordance with the licence agreements.

**g) Interest**

Interest receivable and payable are recorded in the profit and loss account as they accrue.

**h) Dividend Income**

Dividend income is recognised when the right to receive payment is established.

## **2 Cash flow statement and related party disclosures**

The company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the CBS Corporation group and its financial statements are included in the consolidated financial statements of that group, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with other group companies of the CBS Corporation group and investees of the group qualifying as related parties. (see note 18).

## **3 Turnover**

Turnover of the Company principally comprises revenue arising from the distribution of filmed product, stated net of VAT. Turnover is predominately derived in the United Kingdom. There is only one principal class of business.

Since 1 January 2005 no new contracts were signed by the Company, and the Company only derived revenue from existing contracts concluded before 1 January 2005.

## **4 Operating profit/(loss)**

Operating profit/(loss) for the financial year is stated after charging:

	2007 £	2006 £
Foreign exchange loss	424,351	4,931,787
Auditors' remuneration for audit services	13,780	14,960

## CBS International Television (UK) Limited

### Notes to the financial statements for the year ended 31 December 2007

#### 5 Directors' emoluments

None of the directors received any remuneration in respect of their services to the Company or under a Long Term Incentive Scheme or a defined benefit scheme during the year (2006: nil). No (2006: nil) directors were granted stock or group options in the Company or other group companies of the CBS Corporation. No (2006: nil) directors exercised share options in the Company or other group companies of the CBS Corporation group during the year.

#### 6 Staff costs

The company has no employees (2006: nil).

#### 7 Other operating income

	2007 £	2006 £
Dividend income from investments in preference shares of group companies	2,498,603	-
Release of film lease provision	-	600,618
	<b>2,498,603</b>	<b>600,618</b>

#### 8 Interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	789,279	1,364,190
Group interest receivable	2,167,051	944,375
	<b>2,956,330</b>	<b>2,308,565</b>

#### 9 Interest payable and similar expenses

	2007 £	2006 £
Non-equity appropriations		
£1 redeemable preference shares (see Note 14)	900,000	900,000
Group interest payable	3,248,339	-
Bank interest payable	-	7,353
	<b>4,148,339</b>	<b>907,353</b>

## CBS International Television (UK) Limited

### Notes to the financial statements for the year ended 31 December 2007

#### 10 Taxation on profit on ordinary activities

The taxation charge based on the profit on ordinary activities comprises:

	2007 £	2006 £
<b>Current Tax</b>		
UK Corporation Tax on profits for the financial year at 30% (2006: 30%)	1,490,100	334,717
Adjustment in respect of previous years	-	(41,772)
<b>Total current tax charge</b>	<b>1,490,100</b>	<b>292,945</b>
<b>Deferred Tax</b>		
Origination and reversal of timing differences (Note 17)	-	180,185
Adjustment in respect of previous periods (Note 17)	-	39,441
<b>Total deferred tax charge</b>	<b>-</b>	<b>219,626</b>
<b>Taxation on profits on ordinary activities</b>	<b>1,490,100</b>	<b>512,571</b>

The tax assessed for the year varies from the amount computed by applying the standard rate of corporation tax in the UK (30%) to the profit on ordinary activities before taxation. The differences are attributed to the following factors:

	2007 £	2006 £
Profits on ordinary activities before taxation	3,404,240	816,343
Profit on ordinary activities multiplied by standard UK rate at 30% (2006: 30%)	1,021,272	244,902
<b>Effects of:</b>		
Expenses not deductible for tax purposes	270,300	270,000
Non taxable income	(749,581)	-
Adjustment in respect of previous periods	-	(41,772)
Other short term timing differences	948,109	(180,185)
<b>Current tax charge for the year</b>	<b>1,490,100</b>	<b>292,945</b>

The Chancellor of the Exchequer announced a reduction in the standard rate of UK corporation tax from 30 per cent to 28 per cent with effect from 1 April 2008. This change became substantively enacted upon the third reading and approval of the Finance Bill 2007, which took place in the House of Commons on 26 June 2007. This legislation change has no effect on this Company.

No current provision for taxation is recorded due to the availability of tax losses. A deferred tax asset of £884,902 (2006: £nil) has not been recognised in respect of interest payable as the Company is not anticipating these amounts to be paid within the immediate future.

## CBS International Television (UK) Limited

### Notes to the financial statements for the year ended 31 December 2007

#### 10 Taxation on profit on ordinary activities (continued)

The deferred tax credit in 2006 was mainly as a result of the tax effect of timing differences as follows:

	2007 £	2006 £
Adjustment in respect of previous periods	-	39,441
Other timing differences	-	180,185
<b>Total deferred tax charge</b>	<b>-</b>	<b>219,626</b>

#### 11 Fixed asset investments

	Other investments £
<b>At 1 January 2007 and 31 December 2007</b>	<b>26,776,787</b>

The following was the investment as at 31 December 2007.

	Country of incorporation	Principal activity	% ordinary shares holding	% preference shares holding
<b>Other investment</b>				
CBS Outdoor Limited	England and Wales	Outdoor advertisement	-	23.91%

#### 12 Debtors

	2007 £	2006 £
Trade debtors	-	2,011,553
Amounts due from group undertakings	41,479,897	39,249,859
Corporation Tax	-	372,005
Other debtors	52,369	32,656
<b>Total</b>	<b>41,532,266</b>	<b>41,666,073</b>

As at 31 December 2007, £2,543,203 (2006: £2,316,323) of the amounts due from fellow group undertakings accrue interest at GBP Libor + 0.30% and £37,856,030 (2006: £36,458,263) of the amounts due from fellow group undertakings accrue interest at USD Libor + 0.50% and the remaining balance is interest free. The loans are unsecured and repayable on demand.

## CBS International Television (UK) Limited

### Notes to the financial statements for the year ended 31 December 2007

#### 13 Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	55,893,254	52,002,980
Corporation Tax	456,875	-
Accruals	4,942	245,209
	<b>56,355,071</b>	<b>52,248,189</b>

As at 31 December 2007, £55,144,943 (2006: £nil) of the amounts owed to fellow group undertakings accrue interest at GBP Libor + 0.30% and the remaining balance is interest free. The loans are unsecured and repayable on demand.

#### 14 Preference shares

15,000,000 preference shares are issued at £1 par value and carry an interest rate of 6% per annum. No dividends have been paid since April, 1992. An amount of GBP 900,000 is accruing each year. The earliest date on which the company can redeem the shares is March 31, 2012. There is no limit as to when remaining shares need to be redeemed as long as the redemption occurs "so soon after such date or dates as it lawfully may". The shares must be redeemed in any event. A premium is not payable on redemption. The shares must be redeemed at par, interest and arrears of dividends are payable. The preference shares carry votes at meetings. Under FRS 25 the preference shares are classified as a long term liability together with the accumulated unpaid interest of GBP 14,400,000. The shareholders have no option to redeem their shares.

#### 15 Share capital

	2007 £	2006 £
<b>Authorised:</b>		
50,000,000 ordinary shares at £1 each	50,000,000	50,000,000
15,000,000 6% preference shares at £1 each	15,000,000	15,000,000
<b>Allotted, called up and fully paid</b>		
133,733 ordinary shares at £1 each	133,733	133,733
	<b>133,733</b>	<b>133,733</b>

#### 16 Reconciliation of movements in reserves and shareholders' deficit

	2007 £	2006 £
Opening shareholders' deficit	(5,305,317)	(32,384,876)
Profit for the financial year	1,914,140	303,772
Unrealised gains in relation to sale of the investment	-	26,775,787
<b>Closing shareholders' deficit</b>	<b>(3,391,177)</b>	<b>(5,305,317)</b>



## CBS International Television (UK) Limited

### Notes to the financial statements for the year ended 31 December 2007

#### 16 Reconciliation of movements in reserves and shareholders' deficit (continued)

	Share capital £	Share premium £	Profit and loss account £
At 1 January 2007	133,733	449,700	(5,888,750)
Profit for the financial year	-	-	1,914,140
<b>At 31 December 2007</b>	<b>133,733</b>	<b>449,700</b>	<b>(3,974,610)</b>

#### 17 Deferred Taxation

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

	2007 £	2006 £
<b>Total deferred tax asset</b>	<b>-</b>	<b>-</b>

The movement on the deferred tax asset is as follows:

At 1 January	-	219,626
Adjustment in respect of previous periods	-	(39,441)
Current year movement	-	(180,185)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

#### 18 Related party transactions

As permitted by Financial Reporting Standard 8, "Related Party Disclosures", the Company is exempt from disclosing related party transactions with other group companies of the CBS Corporation group and investees of the group qualifying as related parties.

As at 31 December 2005 the former parent group was split into two separate entities Viacom Inc. and CBS Corporation. Both entities have the same ultimate controlling party, National Amusements Inc. which has a holding share of 52% in each entity.

The Company conducts business transactions on an arms length basis with entities outside the CBS Corporation Group as follows:

Included in Turnover, there are several transactions under normal market conditions with related parties:

- Nickelodeon UK Ltd (NUL - a wholly owned subsidiary of Viacom Inc.) buys TV products from the Company. The value of the TV revenue in 2007 was £190,798 (2006: £215,923). The balance outstanding from NUL at the balance sheet date amounted to nil (2005: £2,832).
- Paramount Comedy Channel LLP (PCC - a wholly owned subsidiary of Viacom Inc.) buys

## **CBS International Television (UK) Limited**

### **Notes to the financial statements for the year ended 31 December 2007**

#### **18 Related party transactions (continued)**

TV products from the Company. The value of the TV revenue in 2007 was £286,725 (2006: £584,481). The balance outstanding from PCC at the balance sheet date amounted to nil (2006: £38,714).

- Sci-Fi Channel Ltd (SFC - a wholly owned subsidiary of Viacom Inc.) buys TV products from the Company. The value of the TV revenue in 2007 was £682,117 (2006: £528,912).
- The balance outstanding from SFC at the balance sheet date amounted to nil (2006: £107,696).

#### **19 Ultimate parent undertaking**

The company's immediate parents are CBS International (Netherlands) B.V. and CBS Enterprises (UK) Ltd. The ultimate parent company is CBS Corporation which is incorporated in the USA. The ultimate controlling party is National Amusements Inc., the beneficial owner of the majority of CBS Corporation voting shares.

The only group in which the results of CBS International Television (UK) Limited are consolidated is CBS Corporation. The consolidated financial statements for this group are available to the public and can be obtained from 51 West 52 Street, New York, New York 10019-6188, USA.