

**CBS OUTDOOR LIMITED**  
**(FORMERLY VIACOM OUTDOOR LIMITED)**

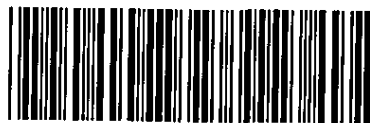
**REPORT OF THE DIRECTORS  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2006**

**REGISTERED NUMBER**

**2866133**

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**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2006

**Principal Activity**

The principal activity of the Company is that of a poster advertising contractor operating primarily in relation to transportation systems

**Business Review & Future Developments**

The results for the year are shown in the attached financial statements. During the year, the Company successfully negotiated exclusive long-term advertising management agreements with certain public transport operators, which the directors consider gives the Company a sound base for the future.

These included the successful renewal of a major advertising agreement with London Underground Limited on 22 May 2006 commencing on 15 August, 2006. As part of that agreement, the Company has embarked on a large programme of capital investment to upgrade the advertising estate on the London Underground transport network and introduce significant digital product innovation. This investment will also allow the Company to enhance its position on environmental issues through the elimination of wet-posted advertisements.

Risks and uncertainties associated with operating poster advertising concessions with transit partners include the following:

- The cyclical nature of advertising revenue and the health of the UK economy,
- Sales revenues derived from the resale of advertising space must cover minimum guarantees payable to franchise partners,
- Contractual commitments must be adhered to, including the provision of accurate sales, delivery and other operating data to franchise partners,
- Health and safety is of paramount importance given the requirement to post advertising campaigns in complex environments such as the London Underground.

In order to monitor and minimise any potential adverse impact of these key uncertainties, the Company's Operating Board meets at least once a month to discuss financial and other key performance metrics of the business, including:

- Sales and the sales pipeline, key client relationships, research and marketing initiatives,
- Financial performance by franchise partner, upcoming franchise renewals and potential tender opportunities,
- Delivery statistics and incidences of non-display together with appropriate resolution,
- Safety and quality indicators such as incidents at work and reviews of the quality of posted campaigns across nationwide locations,
- Employee turnover by department and other employee-related matters.

The Company's Directors monitor progress and strategy by reference to the following KPI's:

	<u>2006</u>	<u>2005</u>	Definition and analysis
Sales growth (%)	8.8%	5.4%	Growth in sales year on year
Gross margin (%)	35.4%	37.0%	Gross profit as a percentage of turnover

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 December 2006 were £232,845,000 (2005: £96,437,000) comprising fixed asset investments of £151,078,000 (2005: £10,705,000) plus net current assets of £82,699,000 (2005: £86,742,000).

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

On 21 June 2006, as part of a minor restructuring of the UK sub-group of CBS Corporation, the Company acquired 100% of the share capital of Simon & Schuster Limited, another CBS group company, for consideration of £139,241,335. Subsequent to the year end, on 5 February 2007 the Company changed its name from Viacom Outdoor Limited to CBS Outdoor Limited to reflect its new brand and corporate ownership structure.

**Results and Dividends**

The Company's profit after tax for the financial year is £24,417,000 (2005 £25,438,000). On 10 December 2007, dividends of £3,571,000 were declared on new preference share capital issued relating to the 2006 financial year (2005 - dividends paid on ordinary shares £54,006,000). The directors do not recommend payment of a final ordinary dividend.

**Directors and their Interests**

The directors who held office during the year and changes subsequent to the year end were -

M Baker-Munton	
T Bleakley	
D Embley	(appointed 22 September 2006, resigned as Company Secretary 1 May 2007)
T Goddard	(resigned 1 May 2007)
H Goldberg	(Company Secretary, appointed 1 May 2007)
I Haslegrave	(appointed 27 January 2005 and resigned 22 September 2006)
A Oldham	
C Punter	

No director held any disclosable interest in the issued share capital of the Company or any parent company during the year except for those held restricted stock units as disclosed in note 22.

**Research and Development**

The Company is undertaking research and development into digital underground advertising in connection with its renewed London Underground transit advertising contract.

**Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the Company intranet, email communications and an in-house magazine.

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

**Financial risk management**

The Company's operations expose it to a variety of financial risks that include

*Credit risks*

The Company has implemented policies that require appropriate credit checks on potential customers before advertising bookings are taken and campaigns are displayed. Outstanding debtors are monitored closely, are reported in monthly management reporting, and are reviewed regularly by the Company's Operating Board.

*Interest and liquidity risks*

The Company's bank accounts form part of a £ sterling and US\$ cash pooling arrangement managed by another group company, CBS International Netherlands BV, to ensure that the Company always has sufficient available funds to meet its obligations as they fall due. CBS International Netherlands BV Treasury also manages the operation of the Company's short-term investment accounts (i.e., money market funds, time deposits, etc.) in order to maximise the Company's net interest income.

**Creditor payment policy**

The Company aims to pay all of its creditors as per acceptable terms of business. For trade creditors, it is the Company's policy to agree the terms of payment at the start of the business with that of the supplier, ensure that suppliers are aware of the terms of payment and pay in accordance with its contractual and other legal obligations.

The number of days of average daily purchases included in trade creditors as at 31 December 2006 was 79 (2005: 93). The increase in days outstanding in 2006 is due to a minority number of suppliers with invoices outstanding.

**Statement of Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

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.

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information 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 section 234ZA of the Companies Act 1985


**Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the Annual General Meeting

By Order of the Board

London  
29 February 2008

Registered Office  
28 Jamestown Road  
Camden  
London NW1 7BY

 D Embley  
Director

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**

We have audited the financial statements of CBS Outdoor Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 other 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CBS OUTDOOR LIMITED  
(FORMERLY VIACOM OUTDOOR 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 2006 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*

*Chartered Accountants and Registered Auditors*

*London*

*29 February 2008*

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	<u>2006</u> £000	<u>2005</u> £000
Turnover	(2)	184,612	169,748
Cost of sales		(119,281)	(106,866)
		—	—
Gross profit		65,331	62,882
Distribution costs		(12,663)	(12,101)
Administrative expenses		(23,654)	(18,451)
		—	—
Operating profit	(3)	29,014	32,330
Interest income (net)	(4)	1,141	4,302
		—	—
Profit on ordinary activities before taxation	(2)	30,155	36,632
Tax on profit on ordinary activities	(7)	(5,738)	(11,194)
		—	—
Profit on ordinary activities after taxation		24,417	25,438
Dividend	(18)	-	(54,006)
		—	—
Retained profit / (loss) for the financial year	(16)	<u>24,417</u>	<u>(28,568)</u>

The Company had no recognised gains or losses other than the profits reported above and therefore no separate statement of total recognised gains and losses is presented

There are no differences between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

The results for the year are wholly attributable to the continuing operations of the Company

The accompanying notes form an integral part of these financial statements



**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	<u>2006</u> £000	<u>2005</u> £000
<b>FIXED ASSETS</b>			
Tangible assets	(8)	8,110	6,978
Investments	(9)	142,968	3,727
		<hr/>	<hr/>
		151,078	10,705
<b>CURRENT ASSETS</b>			
Stocks and work in progress	(10)	11,085	-
Debtors	(11)	107,671	87,580
Cash at bank and in hand		16,338	47,997
		<hr/>	<hr/>
		135,094	135,577
		<hr/>	<hr/>
Creditors Amounts falling due within one year	(12)	(52,395)	(48,835)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		82,699	86,742
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		233,777	97,447
		<hr/>	<hr/>
Creditors Amounts falling due after more than one year	(12)	(828)	(828)
Provision for liabilities and charges	(13)	(104)	(182)
		<hr/>	<hr/>
<b>NET ASSETS</b>		232,845	96,437
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share Capital	(14)	112,641	650
Share premium account	(15)	2	2
Profit and loss account	(16)	120,202	95,785
		<hr/>	<hr/>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	(17)	232,845	96,437
		<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements. The financial statements on pages 8 to 23 were approved by the Board of Directors on 29 February 2008 and were signed on its behalf by

D Embley



Director

29 February 2008

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently except as detailed below in dealing with items which are considered material in relation to the Company's financial statements

**a) Basis of Preparation**

The financial statements have been prepared on the going concern basis in accordance with applicable accounting standards and the Companies Act 1985 and under the historical cost convention. As a wholly-owned subsidiary of CBS Corporation, a company incorporated in the United States of America which prepares consolidated financial statements, the Company is exempt, under section 228 of the Companies Act 1985, from preparing consolidated financial statements.

The Company is exempt from the requirement of Financial Reporting Standard No. 1 (revised 1996) to prepare a cash flow statement as it was a wholly owned subsidiary undertaking of CBS Corporation at the year end and is included in the consolidated financial statements of that company.

The Company has taken advantage of the exemption provided under Financial Reporting Standard No. 8 (for subsidiary undertakings whose voting rights are more than 90% controlled within the group) from disclosing group related party transactions and balances. The financial statements of CBS Corporation are publicly available in the United States of America. There are no other material related party transactions.

**b) Change in accounting policy**

The Company has adopted FRS 20, 'Share-based payments' effective 1 January 2006. The adoption of this standard represents a change in accounting policy. FRS 20 requires that where share based compensation such as restricted share units in the Company's case are granted to third parties, including employees, a charge should be recognised in the profit and loss account based on the fair value of the awards granted at the date of grant. The Directors have assessed the impact of the adoption of the standard on both the current and prior year and have concluded that the effect would not be material.

**c) Turnover – poster advertising**

Turnover represents the amounts (excluding the value added tax) derived from the provision of goods and services to customers during the year, net of commissions and discounts, and is recognised when the advertisement is displayed.

**d) Fixed assets and depreciation**

Fixed assets are recorded at cost. Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Advertising structures – 10 years or life of contract for Traditional and 5 years for Digital  
Computer equipment – 3 to 5 years  
Leasehold improvements – 10 years  
Vehicles, plant and machinery - 4 to 10 years

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**e) Investments**

Investments in subsidiaries are held at the lower of cost and the estimated value of the underlying assets

**f) Stocks and work in progress**

Stocks include components and finished goods purchased for incorporation into advertising site improvements, which are recorded at the lower of cost and net realisable value of the separate items of stock or of groups of similar items. Work in progress is recorded at cost to date and represents the amount of other expenditure on advertising site improvements which are not yet installed or ready for service

**g) Leases**

Rental charges relating to operating leases are charged to the Profit and Loss account on a straight-line basis over the life of the lease. Finance leases are recorded at the present value of the minimum lease payments in the Balance Sheet both as an asset and as an obligation to pay future rentals over the lease term

**h) Provisions**

Provision is made for vacant leasehold properties to the extent to which the unavoidable costs of the lease exceed any benefits expected to be derived

**i) Pensions**

The Company operates a defined contribution pension scheme. The pension cost charge represents contributions payable to the scheme in respect of the accounting period

**j) Taxation**

The charge for current income tax is based on the results for the period as adjusted for items which are not taxed or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination, or to an asset or liability, the initial recognition of which does not affect either taxable or accounting income

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

j) Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. No discounting is taken into account when calculating the amount.

k) Foreign currencies

Transactions denominated in foreign currencies are translated at the rate applicable at the transaction date. Assets and liabilities denominated in foreign currencies are recorded at the rate applicable at the accounting date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as a foreign exchange gain or loss in the profit and loss account.

l) Financial instruments

Financial instruments are classified as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. The instruments are recorded at cost including any attributable transactions costs.

m) Research and development

Expenditure on research and development is charged to the profit and loss account in the year on which it is incurred with the exception of expenditure on the development of certain advertising media and products where the outcome of those projects is assessed as being reasonably certain as regards to viability and technical feasibility. Such expenditure is capitalised and depreciated over the shorter of life of the media and advertising contract to which it is utilised.

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	Attributable pre-tax		Attributable pre-tax	
	Turnover	Profit	Turnover	Profit
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
All turnover and profit was earned in the United Kingdom and was derived predominately from Poster Advertising Contracting	184,612	30,155	169,748	36,632

**3 OPERATING PROFIT**

Operating profit is stated after charging / recognising the following

	<u>2006</u>	<u>2005</u>
	<u>£000</u>	<u>£000</u>
Auditors' remuneration for audit	70	37
Depreciation on tangible fixed assets	2,384	2,699
Operating leases	2,334	2,609
Foreign exchange loss / (gain)	3,887	(1,771)
Research and development	136	-

**4 INTEREST INCOME (NET)**

	<u>2006</u>	<u>2005</u>
	<u>£000</u>	<u>£000</u>
Interest income - bank	1,297	415
Interest (expense) / income – group companies	(156)	3,887
	<u>1,141</u>	<u>4,302</u>

**5 EMOLUMENTS OF DIRECTORS**

	<u>2006</u>	<u>2005</u>
	<u>£000</u>	<u>£000</u>
Aggregate emoluments	1,591	1,817
Company pension contributions to money purchase schemes	297	252
	<u>1,888</u>	<u>2,069</u>
Highest paid director		
Emoluments and benefits	226	268
Company pension contributions to money purchase schemes	251	208
	<u>477</u>	<u>476</u>

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

5 EMOLUMENTS OF DIRECTORS continued

A notional charge of £257,000 of restricted stock units (refer note 22) was awarded to the Directors relating to the year ending 31 December 2006 of which £101,000 relates to the highest paid director. Retirement benefits were accruing to 7 directors (2005 – 7) under money purchase schemes.

6 STAFF NUMBERS AND COSTS

The average monthly number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	<u>2006</u>	<u>2005</u>
Sales and Marketing	221	221
Operations	347	349
Administration	85	77
	<hr/>	<hr/>
	653	647
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	<u>£000</u>	<u>£000</u>
Wages and salaries	24,910	23,446
Social security costs	2,785	2,475
Other pension costs	1,209	1,100
	<hr/>	<hr/>
	28,904	27,021
	<hr/>	<hr/>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for the year is based on the results for the year and is comprised of the following

	<u>2006</u> <u>£000</u>	<u>2005</u> <u>£000</u>
Current Tax		
UK Corporation Tax at 30% (2005 – 30%) on the profits of the year	9,085	11,355
Adjustment in respect of previous periods	(3,478)	(361)
	<hr/>	<hr/>
	5,607	10,994
	<hr/>	<hr/>
Deferred Tax		
Origination and reversal of timing differences	72	(223)
Adjustment in respect of prior periods	59	423
	<hr/>	<hr/>
	131	200
	<hr/>	<hr/>
Tax on profit on ordinary activities	<hr/>	<hr/>
	5,738	11,194
	<hr/>	<hr/>

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

The tax assessed for the period is different 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 were attributed to the following factors overleaf

	<u>2006</u> <u>£000</u>	<u>2005</u> <u>£000</u>
Profit on ordinary activities before tax	30,155	36,632
Profit on ordinary activities at the standard rate in the UK (30%)	9,047	10,990
Effects of		
Expenses not deductible for tax purposes	152	142
Accelerated capital allowances	(127)	99
Other short-term timing differences	54	124
Tax relief in excess of accounting expense	(41)	-
Adjustments in respect of previous periods	(3,478)	(361)
	<hr/>	<hr/>
Current tax charge for the period	5,607	10,994
	<hr/>	<hr/>

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 arose mainly as a result of the timing differences as follows

Accelerated capital allowances	127	(99)
Other short-term timing differences	(54)	(124)
Adjustment in respect of previous periods	58	423
	<hr/>	<hr/>
	131	200
	<hr/>	<hr/>

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**8 TANGIBLE FIXED ASSETS**

	<b><u>Land &amp; Leasehold Improvements</u></b>	<b><u>Furniture, Fixtures &amp; Computers</u></b>	<b><u>Vehicles Plant and Machinery</u></b>	<b><u>Total</u></b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>COST</b>				
At 1 January 2006	1,815	2,979	8,293	13,087
Additions	370	1,073	2,284	3,727
Disposals	-	(368)	(832)	(1,200)
	—	—	—	—
At 31 December 2006	2,185	3,684	9,745	15,614
	—	—	—	—
<b>DEPRECIATION</b>				
At 1 January 2006	688	1,193	4,228	6,109
Charge for year	416	623	1,345	2,384
Disposals	-	(157)	(832)	(989)
	—	—	—	—
At 31 December 2006	1,104	1,659	4,741	7,504
	—	—	—	—
<b>NET BOOK VALUE</b>				
At 31 December 2005	1,127	1,786	4,065	6,978
	—	—	—	—
At 31 December 2006	1,081	2,025	5,004	8,110
	—	—	—	—



**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**9 FIXED ASSET INVESTMENTS**

	<u>Cost</u> £000	<u>Provision</u> £000	<u>Total</u> £000
At 1 January 2006	16,768	(13,041)	3,727
Additions during the year	139,241	-	139,241
	—	—	—
At 31 December 2006	156,009	(13,041)	142,968
	—	—	—

On 21 June 2006, CBS Outdoor Limited acquired 100% of the share capital of Simon and Schuster Limited, another CBS group company, for a consideration of £139,241,335. As detailed in note 13, the consideration of the acquisition comprised the issue of preference shares to three other group companies (CBS UK Limited, CBS International Television (UK) Limited and Front Street Management Inc) and the assumption of indebtedness owed by CBS UK Limited.

The Company owns, directly or through subsidiaries, the whole of the issued ordinary share capital of

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
ABC Outdoor Limited (Formerly Viacom Outdoor Limited)	Northern Ireland	Dormant
Metrobus Advertising Limited	England & Wales	Dormant
Outdoor Images Limited	England & Wales	Dormant
Ripple Vale Holdings Limited	British Virgin Islands	Holding company
Simon & Schuster Limited	England & Wales	Book publishing
Sky Blue Investments Limited	Jersey	Holding company
TDI (BP) Limited	England & Wales	Dormant
TDI Buses Limited	England & Wales	Dormant
TDI (FB) Limited	England & Wales	Dormant
TDI MAIL Holdings Limited	England & Wales	Holding company
TDI Transit Advertising Limited	England & Wales	Dormant

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**10 STOCKS AND WORK IN PROGRESS**

	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>£000</b>	<b>£000</b>

Stocks and work in progress	11,085	-
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Stocks and work in progress relate entirely to the programme of capital investment to upgrade the advertising estate on the London Underground transport network

**11 DEBTORS**

	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>£000</b>	<b>£000</b>

Due within one year		
Trade debtors	42,963	38,965
Amounts due from parent undertaking	29,393	29,385
Amounts owed by fellow subsidiary undertakings	29,194	12,763
Amounts owed by subsidiary undertakings	2,993	2,993
Other debtors	1,920	2,150
Prepayments and accrued income	853	838

	107,316	87,094
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Due after one year		
Deferred taxation	355	486

	107,671	87,580
--	---------	--------

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

Accelerated capital allowances	101	286
Other timing differences	254	200
	355	486

All amounts due from related companies are non-interest bearing and due on demand

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

12 <u>CREDITORS</u>	<u>2006</u> <u>£000</u>	<u>2005</u> <u>£000</u>
Amounts falling due within one year		
Overdraft	8,194	-
Trade creditors	3,328	3,298
Amounts owed to parent undertaking	3,435	3,435
Amounts owed to subsidiary undertakings	2,535	2,697
Amount owed to fellow subsidiary undertakings	16	-
Corporation tax	1,527	8,373
Other taxation and social security	1,651	3,152
Accruals and deferred income	31,709	27,880
	<hr/>	<hr/>
	52,395	48,835
	<hr/>	<hr/>
Amounts falling due after more than one year		
Deferred consideration on acquisition of TDI Transit Advertising Limited	828	828
	<hr/>	<hr/>
	53,223	49,663
	<hr/>	<hr/>

The above amount of £828,000 will be offset against a similar amount of indebtedness due from the vendor to TDI Transit Advertising Limited. All amounts due to related companies are non-interest bearing and due on demand.

13 PROVISION FOR LIABILITIES AND CHARGES

	<u>Vacant Property</u> <u>2006</u> <u>£000</u>	<u>2005</u> <u>£000</u>
At 1 January 2006	182	260
Utilised in the year	(78)	(78)
	<hr/>	<hr/>
At 31 December 2006	104	182
	<hr/>	<hr/>

This provision is expected to be fully utilised by the year ended 31 December 2007.

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**14 CALLED UP SHARE CAPITAL**

	<u>2006</u> £000	<u>2005</u> £000
Authorised		
650,000 ordinary shares of £1 each	650	650
112,000,000 6% non-cumulative fixed preference shares of £1 each	112,000	-
	—	—
	112,650	650
	—	—
Allotted, called up and fully paid		
650,000 ordinary shares of £1 each	650	650
111,991,335 6% non-cumulative fixed preference shares of £1 each	111,991	-
	—	—
	112,641	650
	—	—

During the year, a minor restructuring took place in which three CBS group companies, CBS UK Limited, CBS International Television (UK) Limited and Front Street Management Inc transferred their respective shareholdings in another UK CBS group company, Simon & Schuster Limited, to the Company in exchange for the assumption by the Company of US\$50 million in indebtedness owed by CBS UK Limited, and the issue of preference shares in the Company. The indebtedness assumed by the Company of US\$50 million (£27,250,000) was repaid on 26 June 2006. As a result of this transaction the 111,991,335 non-cumulative fixed rate preference shares were issued for a total consideration of £111,991,335. These shares have been issued with no redemption date or rights attaching to them.

Subsequent to the year end, on 30 November 2007 the preference shares held by CBS UK Limited were transferred to Pimco 2706, an unlimited company registered in England and Wales, and on 4 December 2007 the preference shares held by Front Street Management Inc in the Company were transferred to PTC Holdings CV, a partnership registered in the Netherlands, respectively. On 10 December 2007, the shares in Pimco 2706 and PTC Holdings CV were transferred to CBS UK Group Limited. All these entities belong to the CBS Corporation Group.

**15 SHARE PREMIUM ACCOUNT**

	<u>2006</u> £000	<u>2005</u> £000
At 31 December	2	2
	—	—

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**16 PROFIT AND LOSS RESERVE**

	<u>2006</u> £000	<u>2005</u> £000
Balance brought forward	95,785	124,353
Retained profit / (loss) for the year	24,417	(28,568)
	—	—
Balance carried forward	120,202	95,785
	—	—

**17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2006</u> £000	<u>2005</u> £000
Retained profit / (loss) for the year	24,417	(28,568)
Net proceeds from issue of preference share capital	111,991	-
	—	—
Net addition to / (deduction from) shareholders' funds	136,408	(28,568)
Opening shareholders' funds	96,437	125,005
	—	—
Closing shareholders' funds	232,845	96,437
	—	—

**18 DIVIDEND PAID**

	<u>2006</u> £000	<u>2005</u> £000
Interim paid		
- On ordinary shares £83 086 per £1 share	-	54,006
	—	—

**CBS OUTDOOR LIMITED (FORMERLY VIACOM OUTDOOR LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**19 COMMITMENTS**

The Company had annual commitments under non-cancellable operating leases and other arrangements as follows

	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b><u>2006</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2005</u></b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating leases, renting and other agreements, which expire				
Within one year	59	117	46	156
In two to five years inclusive	332	447	555	614
Over five years	1,138	-	1,284	-
	—	—	—	—
	1,529	564	1,885	770
	—	—	—	—

In the normal course of business and in line with accepted practice in the industry in which it operates, the Company has entered into contracts to provide advertising services to site owners. The terms of these contracts include commitments to pay minimum guaranteed fees to the site owners concerned, which are not included in the above table due to commercial sensitivity.

**20 PENSIONS**

During the period, certain of the Company's employees were members of the CBS Outdoor Pension Scheme.

The CBS Outdoor Scheme, a money purchase scheme, is an exempt approved scheme under Chapter 1, Part XIV of the Taxes Act (2001). The assets of the scheme are held in trust in an independently managed fund and are therefore completely separate from the assets of the Company. The pension scheme is independently advised and its accounts are independently audited. The pension cost relating to the scheme for the year was £1,209,000 (2005: £1,100,000) of which £125,000 (2005: £117,000) was accrued and unpaid at the year end.

**21 HOLDING COMPANY**

On 31 December 2005 the parent group was separated into two separate entities listed on the US stock exchange, Viacom Inc and CBS Corporation. CBS Outdoor Limited is a wholly owned subsidiary of CBS Corporation. The largest group and smallest into which the Company is now consolidated is headed by CBS Corporation, a company listed on the New York Stock Exchange in the United States of America.

At the Balance Sheet date, TDI Holdings Limited was the ultimate UK parent company of CBS Outdoor Limited. Subsequent to the year end, on 28 August 2007 TDI Holdings was acquired by CBS UK Group Limited, making CBS UK Group Limited the ultimate UK parent company.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006  
(CONTINUED)**

**21 HOLDING COMPANY continued**

The directors consider LDI Limited (the immediate parent company) to be the immediate controlling company, and National Amusements Inc (the beneficial owner of the majority of CBS Corporation voting shares) to be the ultimate controlling company. Copies of the consolidated financial statements of CBS Corporation are available on-line at [cbscorporation.com](http://cbscorporation.com)

**22 RESTRICTED STOCK UNITS**

CBS Corporation operates a restricted Stock Unit ("RSU") Scheme for certain employees of the group. A number of employees of the Company have been granted RSUs under this scheme. RSUs give the employees the right to receive CBS Corp Class B Common Stock for nil consideration provided they are in employment within the group at the date the RSU vests.

In the prior year certain employees of the Company had been granted stock options in CBS Corporation although these had minimal value at 1 January 2006 as the exercise price exceeded the current market share price.

On 1 June 2006, CBS Corporation announced the completion of its Voluntary Exchange Offer ("VEO") which gave eligible employees the voluntary opportunity to tender their outstanding stock options to purchase shares of CBS Corp Class B Common Stock in exchange for RSUs of CBS Corp Class B Common Stock. RSUs issued in connection with the VEO will vest over four years from the date of grant, 1 June 2006, subject to forfeiture and other restrictions.

A further grant of RSUs was given during 2006 to eligible Company employees. As a result 95,249 RSUs were issued which will vest over four years in four equal annual instalments from the date of grant, subject to forfeiture and other restrictions. All RSUs awarded are equity settled, with an exercise price of £nil.

At 31 December 2006 there were a total of 109,091 RSUs outstanding with an exercise price of £nil, a weighted average remaining contractual life of 3 years and a fair value of \$25.28, and of which none were exercisable. The charge for the year arising from these share based payments was £274,000.

The fair value of the RSUs for 2006 and 2005 was measured based upon the closing stock price of CBS Common Stock on the date of grant. Under the Scheme rules RSU holders are entitled to receive dividends from the date of grant, irrespective of the exercise date.

**23 POST BALANCE SHEET EVENT**

On 10 December 2007, the Directors authorised and paid the 2006 preference dividend which amounted to £3,571,450.

On 19 July 2007, the Commons of the United Kingdom in Parliament voted to submit for enactment several laws among which is the reduction to the rate of corporation tax from 30% to 28% in April 2008. The impact on the Company's tax position will be recorded in 2007 when the change in rate is substantially enacted.