

# **TDI ADVERTISING LIMITED**

## **REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 1998**

**REGISTERED NUMBER**

**2866133**



**TDI ADVERTISING LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**

The Directors present their report on the affairs of the Company, together with the Financial Statements and Auditors' Report for the year ended 31 December 1998.

**Principal Activity**

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

**Business Review & Post Balance Sheet Events**

The results for the year are shown in the attached Financial Statements.

The Company successfully negotiated exclusive long term advertising management agreements with certain bus operators which the directors consider gives the Group a sound base for the future.

**Dividends and Transfer to Reserves**

No dividend was paid during the year (1997 - £3,181,000). The profit for the year retained in the Company is £4,716,000 (1997 - £2,070,000), which will be transferred to reserves.

**Directors and their Interests**

The Directors who held office during the period were:-

W.M. Apfelbaum (Chairman)  
J.J. Male  
R.J. Haynes  
J.F. Swainson  
C. Leth (resigned 1 May 1998)  
M. Karmazin  
F. Suleman  
M. Baker-Munton  
A. Oldham

No Director held any interest in the issued share capital of the Company or the holding company during the period. Directors' interests in the ultimate parent company are disclosed by that company in accordance with local regulations.

**Year 2000**

The company is aware of the risks and uncertainties surrounding the "millenium bug" issue, and has conducted a comprehensive exercise to minimise the impact of the issue on the company's business. This has included testing and replacement where necessary of hardware and software, working together with suppliers and customers where appropriate. The costs of this exercise have been absorbed within normal maintenance costs.

**TDI ADVERTISING LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

**Employees**

Management holds frequent meetings with Employees and their representatives and encourage all staff to participate fully in the development of the business. The company also operates a number of incentive schemes.

The Company recognises its obligations to give disabled people full and fair consideration for all vacancies. Wherever reasonable and practicable the Company will retain newly disabled employees and at the same time provide fair opportunities for the career development of disabled people.

**Liability Insurance**

The Company maintains liability insurance for the Directors and Officers of the Company with a limit of £2,000,000.

**Auditors**

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

**Directors' responsibilities in respect of the preparation of financial statements**

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 as at the end of the financial year 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 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.

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 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.

London  
25 May 2000

Registered Office  
10 Jamestown Road  
London NW1 7BY



By Order of the Board

J.F. Swainson  
Secretary

## **REPORT OF THE AUDITORS TO THE MEMBERS OF TDI ADVERTISING LIMITED**

We have audited the financial statements on pages 4 to 14.

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

The Directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 other information contained in the Annual Report and consider its implications for our report if we become aware of any misstatements or material inconsistencies with the financial statements.

### **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 at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers.*

**PricewaterhouseCoopers**  
**Chartered Accountants & Registered Auditors**

**London**  
**25 May 2000**

**TDI ADVERTISING LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	<u>1998</u> £000	<u>1997</u> £000
Turnover	(2)	89,892	63,922
Cost of sales		(65,044)	(42,390)
Gross Profit		24,848	21,532
Administration expenses		(14,784)	(12,654)
Operating profit		10,064	8,878
Interest payable (net)	(3)	(337)	(597)
Profit on ordinary activities before taxation	(3)	9,727	8,281
Tax on profit on ordinary activities	(6)	(5,011)	(3,030)
Profit on ordinary activities after taxation		4,716	5,251
Dividend		-	(3,181)
Retained profit for the financial year	(13)	4,716	2,070

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

**TDI ADVERTISING LIMITED**  
**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Profit for the financial year	4,716	5,251
Dividend	-	(3,181)
	<hr/>	<hr/>
Net addition to shareholders' funds	4,716	2,070
Opening shareholders' funds	10,556	8,486
	<hr/>	<hr/>
Closing shareholders' funds	15,272	10,556
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**TDI ADVERTISING LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 1998**

	Note	<u>1998</u> £000	<u>1997</u> £000
<b>FIXED ASSETS</b>			
Tangible assets	(7)	2,786	1,570
Investments	(8)	10,354	16,104
		—	—
		13,140	17,674
		—	—
<b>CURRENT ASSETS</b>			
Debtors	(9)	27,960	23,747
Cash at bank and in hand		1,642	18
		—	—
		29,602	23,765
Creditors: Amounts falling due within one year	(10)	(26,282)	(29,695)
		—	—
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		3,320	(5,930)
		—	—
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		16,460	11,744
		—	—
Creditors: Amounts falling due after one year	(10)	(1,188)	(1,188)
		—	—
<b>NET ASSETS</b>		15,272	10,556
		—	—
<b>CAPITAL AND RESERVES</b>			
Share Capital	(11)	650	650
Share premium account	(12)	2	2
Profit and loss account	(13)	14,620	9,904
		—	—
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		15,272	10,556
		—	—

Signed on behalf of the Board

J.J. Male

J.F. Swainson  
25 May 2000

Directors

## **TDI ADVERTISING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998**

#### **1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently 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 in accordance with applicable accounting standards and under the historical cost accounting rules. As a wholly-owned subsidiary of a company incorporated in Great Britain 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 to prepare a cash flow statement as it was a wholly owned subsidiary undertaking of LDI Limited at the year end and its cash flows are included within the consolidated cash flow statement 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 LDI Limited, in which these results are included, are publicly available.

##### **b) Fixed assets and depreciation**

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:

Leasehold improvements – 10 years

Vehicles, plant and machinery - 4 to 10 years

Computer equipment - 3 to 5 years

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

##### **c) 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.

##### **d) Pensions**

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



**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

e) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a liability method only to the extent that it is probable that an actual liability will crystallise.

f) Turnover

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.

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

	Attributable pre-tax		Attributable pre-tax	
	Turnover	Profit	Turnover	Profit
	<u>1998</u>	<u>1998</u>	<u>1997</u>	<u>1997</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
All turnover and profit was earned in the United Kingdom and derived from Poster Advertising Contracting	89,892	15,477	63,922	8,281

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on Ordinary Activities before taxation is arrived at after charging/(crediting) the following:

	<u>1998</u>	<u>1997</u>
	<u>£000</u>	<u>£000</u>
Auditors' remuneration for audit	42	36
Auditors' remuneration for non-audit work	87	134
Depreciation on tangible fixed assets	741	378
Write-down of investments	5,750	-
Operating leases and renting agreement charges		
- other assets	905	795
Interest receivable	(323)	(216)
Interest payable to group undertakings	645	813
Other interest payable	15	-
	<u>337</u>	<u>597</u>

**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

4. EMOLUMENTS OF DIRECTORS

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Emoluments	719	775
Company pension contributions to money purchase schemes	29	22
	—	—
	748	797
	—	—
Highest paid director		
Emoluments and benefits	283	250
Company pension contributions to money purchase schemes	7	5
	—	—
	290	255
	—	—

Retirement benefits were accruing to 5 directors (1997 – 5) under money purchase schemes.  
Messrs. Apfelbaum, Karmazin and Suleman are paid by the U.S. parent company for services to the group as a whole.

5. STAFF NUMBERS AND COSTS

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

	<u>1998</u>	<u>1997</u>
Sales and Marketing	197	155
Operations	203	210
Administration	44	35
	—	—
	444	400
	—	—

The aggregate payroll costs of these persons were as follows:

	<u>£000</u>	<u>£000</u>
Wages and salaries	11,273	9,522
Social security costs	1,103	777
Other pension costs	430	365
	—	—
	12,806	10,664
	—	—

**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

6. TAXATION

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
UK Corporation Tax at 31% (1997 - 33%) on the profits of the year	5,011	3,030
	—	—

7. TANGIBLE FIXED ASSETS

	<u>Leasehold</u> <u>Improvements</u> <u>£000</u>	<u>Computer</u> <u>Equipment</u> <u>£000</u>	<u>Vehicles</u> <u>Plant and</u> <u>Machinery</u> <u>£000</u>	<u>Total</u> <u>£000</u>
<b>COST</b>				
At 1 January 1998	498	676	1,168	2,342
Additions	212	824	921	1,957
Disposals	-	(150)	(2)	(152)
	—	—	—	—
At 31 December 1998	710	1,350	2,087	4,147
	—	—	—	—
<b>DEPRECIATION</b>				
At 1 January 1998	16	352	404	772
Charge for year	75	537	129	741
Disposals	-	(150)	(2)	(152)
	—	—	—	—
At 31 December 1998	91	739	531	1,361
	—	—	—	—
<b>NET BOOK VALUE</b>				
At 31 December 1997	482	324	764	1,570
	—	—	—	—
At 31 December 1998	619	611	1,556	2,786
	—	—	—	—

**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

8. <u>FIXED ASSET INVESTMENTS</u>	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Investment in subsidiaries at cost	16,104	16,104
Less: provisions	(5,750)	-
	<hr/>	<hr/>
Net book value	10,354	16,104
	<hr/>	<hr/>

The company owns, through subsidiaries, 75% of the issued share capital, consisting of £1 ordinary shares, of TDI Metro (NI) Limited. The principal activity of this company, which is registered in Northern Ireland, is that of poster advertising contracting. The company also owns, directly or through subsidiaries, the whole of the issued share capital of TDI Transit Advertising Limited, Outdoor Images Limited, TDI Buses Limited, TDI(BP) Limited, TDI(FB) Limited and Metrobus Advertising Limited. The principal activity of these companies, all of which are registered in England & Wales, is that of poster advertising contracting.

9. <u>DEBTORS</u>	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Due within one year:		
Trade debtors	19,514	17,914
Other debtors	43	928
Prepayments and accrued income	393	879
Amounts due from parent undertaking	3,785	-
Amounts owed by fellow subsidiary undertakings	816	67
Amounts owed by subsidiary undertakings	3,409	3,959
	<hr/>	<hr/>
	27,960	23,747
	<hr/>	<hr/>

10. <u>CREDITORS</u>	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Amounts falling due within one year:		
Bank overdraft	-	507
Trade creditors	200	111
Amounts owed to parent undertaking	3,354	10,992
Amounts owed to subsidiary undertakings	1,717	3,033
Corporation Tax	5,230	3,632
Other Taxation and social security	1,343	1,654
Deferred consideration on acquisition of subsidiary	-	522
Accruals and deferred income	14,438	9,244
	<hr/>	<hr/>
	26,282	29,695
	<hr/>	<hr/>

**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

Amounts falling due after one year:

Deferred consideration on acquisition of TDI Transit Advertising Limited	1,188	1,188
	—	—

Of the deferred consideration totalling £1,188,000, an amount of £828,000 will be offset against a similar amount of indebtedness due from the vendor to LDI Ltd., the immediate parent company. The balance of £360,000 is held in an escrow bank account pending finalisation of warranties relating to the acquisition.

**11. CALLED UP SHARE CAPITAL**

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Authorised 650,000 ordinary shares of £1 each	650	650
	—	—
Allotted, called up and fully paid 650,000 ordinary shares of £1 each	650	650
	—	—

**12. SHARE PREMIUM ACCOUNT**

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
At 31 December	2	2
	—	—

**13. PROFIT AND LOSS RESERVE**

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Balance brought forward	9,904	7,834
Retained profit for the year	4,716	2,070
	—	—
Balance carried forward	14,620	9,904
	—	—

**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

**14. 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>Buildings</b>	<b>Land and Other</b>
	<b><u>1998</u></b>	<b><u>1998</u></b>	<b><u>1997</u></b>	<b><u>1997</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	-	142	-	59
In two to five years inclusive	60	177	7	376
Over five years	417	-	384	-
	—	—	—	—
	477	319	391	435
	—	—	—	—

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.

**15. PENSIONS**

During the period certain of the Company's employees were members of the TDI Pension Scheme.

The TDI scheme, a money purchase scheme, is an exempt approved scheme under Chapter 1 of Part XIV of the Taxes Act. 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 £430,000, of which £59,000 was accrued and unpaid at the year end.

**16. CONTINGENT LIABILITY**

Under the terms of the leases of the properties occupied by the company, there is an obligation on the company to maintain and reinstate those properties. The first of these leases expires in 2007 and at this stage the directors do not consider a provision is necessary as it is anticipated that future maintenance expenditure will mitigate any liability.

**TDI ADVERTISING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

**17. HOLDING COMPANY**

The Company is a wholly owned subsidiary of LDI Limited, which is registered in England and Wales. Copies of the consolidated financial statements are available from 10 Jamestown Road, London, NW1 7BY. The ultimate parent undertaking is Viacom Inc., of the United States of America, a company listed on the New York Stock Exchange. In January 1999 LDI Limited became a wholly owned subsidiary of TDI Holdings Limited, which is registered in England and Wales and is also a wholly owned subsidiary of Viacom Inc.