

**CBS OUTDOOR LIMITED**

**REPORT OF THE DIRECTORS  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2009**

**REGISTERED NUMBER**

**02866133**

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**CBS OUTDOOR LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

The Directors present their annual report and the audited financial statements of CBS Outdoor Limited ("the Company") for the year ended 31 December 2009

**Principal activities**

The principal activity of the Company is that of a poster advertising contractor, operating in the transport and retail sector. The principal activities of the Company's subsidiaries are disclosed in note 9.

**Business review and future developments**

The results for the year are shown in the attached financial statements.

During the year, the Company continued with the upgrade and transformation of the London Underground advertising estate under the terms of the contract with London Underground Limited ("LUL") which was re-secured in 2006 for a period of eight and a half years. This agreement provides for the Company to maximise advertising revenues by framing all of the poster sites and introducing circa 2,000 innovative digital poster sites.

The Company also successfully renegotiated a number of its advertising concession contracts with its Franchise Partners. This has improved the profitability of the Contracts in light of the economic downturn.

**Principal risks and uncertainties**

Risks and uncertainties associated with operating poster advertising concessions with the Company's 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 and deliver a commercial return on any capital investment programmes,
- Contractual commitments must be adhered to, including the provision of accurate sales, delivery and other operating data to franchise partners and
- 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, and
- employee turnover by department and other employee-related matters.

**Future developments**

The Company has entered into an agreement with the London Olympic Organising Committee of the Olympic and Paralympic Games to be the sole supplier for outdoor media solutions.

The Company has recently completed the restructuring of its delivery function with respect to the London Underground. This is expected to achieve efficiencies in posting of advertising sites and reduces future operating costs.

**CBS OUTDOOR LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

**Key performance indicators (KPIs)**

The Company's Directors monitor progress and strategy by reference to, but not limited to, the following KPI's

	<b>2009</b>	<b>2008</b>	<b>Definition and analysis</b>
Turnover growth (%)	-16.46%	1.48%	Growth in turnover year on year
Gross margin (%)	3.96%	25.30%	Gross profit as a % of turnover
(Loss) / profit margin before exceptional items (%)	-20.69%	14.90%	Profit before tax and exceptionals as a % of turnover prior to impairment charges
Operating (loss) margin after exceptional items (%)	-58.77%	-63.30%	Operating (loss) before tax as a % of turnover after exceptional charges

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 December 2009 were £18,435,000 (2008 £121,306,000) comprising fixed assets and investments of £152,294,000 (2008 £149,660,000) plus net current assets of £33,302,000 (2008 £91,609,000).

**Results and dividends**

The Company's loss after tax for the financial year is £103,133,000 (2008 £117,940,000). The Directors do not recommend payment of a final ordinary dividend (2008 £nil) or preference dividend (2008 £nil). The Company has recognised impairments and loss on its onerous contract with LUL totalling £62,220,000 (2008 £149,115,000), details of which are set out in note 13. The Company also recognised a foreign exchange loss of £5,509,000 (2008 gain of £26,670,000) on the USD denominated treasury accounts recorded as cash.

**Directors and their interests**

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

T. Bleakley	(Resigned 31 October 2009)
J. Cotterrell	(Resigned 2 July 2010)
A. Dunning	(Company Secretary)
D. Embley	(Resigned 23 October 2009)
H. Kavanagh	(Resigned 2 July 2010)
M. Moran	(Appointed 2 July 2010)
C. Punter	(Resigned 15 August 2009)
N. Thomas	(Appointed 29 October 2009)

No Director held any disclosable interest in the issued share capital of the Company or any parent company during the year except for those that held restricted stock units as disclosed in note 20. The Company maintains liability insurance, which includes indemnity for its Directors and Officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

**Research and development**

The Company undertook external research in site exposure and recollection to improve future campaign allocations. These costs were expensed in the year. The Company has completed its development into digital advertising sites in connection with its London Underground advertising contract. As such, no costs have been capitalised during the year.

**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.

**CBS OUTDOOR LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

**Employees (continued)**

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 newsletter.

**Financial risk management**

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

*Credit risks*

The Company continues to monitor and amend its policies to ensure that appropriate credit checks are carried out 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.

*Foreign exchange, interest and liquidity risks*

The Company's bank accounts form part of a GBP and USD cash pooling arrangement managed by another group company, CBS International Netherlands BV ("CBSIN BV") to ensure that the Company has sufficient available funds to meet its obligations as they fall due. The Treasury function of CBSIN BV also manages the operation of the Company's short-term investment accounts (i.e. money market funds, time deposits, etc.) in order to minimise the Company's and the wider CBS Group net interest exposure. Named individuals within the wider CBS Group who are not employees of the Company have authority to draw down funds from these bank accounts for the benefit of other CBS Group companies.

The Company has financed its capital investment programme in the London Underground advertising estate through a sale and leaseback transaction. The term of the lease matches the term of the Advertising Concession contract with the London Underground with interest charged at a market related rate.

**Creditor payment policy**

The Company aims to pay all of its creditors in accordance with agreed terms of business, contractual and other legal obligations. The number of days of average daily purchases included in trade creditors as at 31 December 2009 was 59 (2008: 53).

**Statement of Directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- (1) select suitable accounting policies and then apply them consistently,
- (2) make judgements and accounting estimates that are reasonable and prudent,
- (3) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- (4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)**

**Going concern**

The Company has recorded an exceptional charge in the year of £62,220,000 (2008 £152,842,000) resulting in the Company recording a loss of £103,133,000 (2008 £117,940,000) after tax for the year

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. Based on this undertaking the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis

**Post balance sheet events**

The Directors continue to monitor the Company's performance in light of the onerous contract and current economic climate. This process includes investigating alternative strategic options for the Company's contracts and advertising estate. The Directors have not disclosed the specifics or possible outcomes of the process as such disclosure would prejudice the position of the Company. The Directors note that the accounting entries in this report and financial statements concerning the onerous contract are made expressly without giving effect to and without prejudice to the Company's legal claims, rights and remedies in relation to that contract.

**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 418 of the Companies Act 2006

**Independent 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

On behalf of the Board



N Thomas  
Director  
15 October 2010  
Registered Office  
28 Jamestown Road  
Camden, London NW1 7BY

**CBS OUTDOOR LTD**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CBS OUTDOOR LIMITED**

We have audited the financial statements of CBS Outdoor Ltd for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out in the Director's Report, the Directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on Financial Statements**

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*C. Pettitt (Senior Statutory Auditor)*  
*For and on behalf of PricewaterhouseCoopers LLP*  
*Chartered Accountants and Statutory Auditors*  
*London*  
*15 October 2010*

**CBS OUTDOOR LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £'000	2008 £'000
TURNOVER	(2)	163,395	195,597
Cost of sales		(156,922)	(146,136)
Gross profit		6,473	49,461
Distribution costs		(10,075)	(12,227)
Non-exceptional administrative expenses		(30,479)	(8,518)
Other income		276	402
<b>(Loss) / profit before exceptional items</b>		<b>(33,805)</b>	<b>29,118</b>
Impairment of assets	(13)	(14,252)	(92,729)
Provision for onerous contract	(13)	(47,968)	(56,386)
Impairment of investments	(9)	-	(3,727)
Exceptional administrative expenses	(3)	(62,220)	(152,842)
<b>Operating loss</b>		<b>(96,025)</b>	<b>(123,724)</b>
Net interest payable	(4)	(7,123)	(2,053)
<b>Loss on ordinary activities before taxation</b>	(2)	<b>(103,148)</b>	<b>(125,777)</b>
Tax credit on loss on ordinary activities	(7)	15	7,837
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(103,133)</b>	<b>(117,940)</b>

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

There are no differences between the loss on ordinary activities before taxation for the financial years 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**  
**REGISTERED NUMBER 02866133**  
**BALANCE SHEET AS AT 31 DECEMBER 2009**

	Note	2009 £'000	2008 £'000
<b>FIXED ASSETS</b>			
Tangible assets	(8)	8,385	8,419
Investments	(9)	139,241	139,241
Other long term assets		4,668	2,000
		<u>152,294</u>	<u>149,660</u>
<b>CURRENT ASSETS</b>			
Work in progress	(10)	544	1,342
Debtors	(11)	56,318	86,203
Cash at bank and in hand		61,992	89,200
		<u>118,854</u>	<u>176,745</u>
Creditors Amounts falling due within one year	(12)	(85,552)	(85,136)
<b>NET CURRENT ASSETS</b>		<u>33,302</u>	<u>91,609</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>185,596</u>	<u>241,269</u>
Creditors Amounts falling due after more than one year	(12)	(60,931)	(63,577)
Provision for liabilities and charges	(13)	(106,230)	(56,386)
<b>NET ASSETS</b>		<u><u>18,435</u></u>	<u><u>121,306</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	(14)	112,641	112,641
Share premium account	(15)	2	2
Share based payment reserve	(15)	741	479
Profit and loss account	(15)	(94,949)	8,184
<b>TOTAL SHAREHOLDERS' FUNDS</b>	(16)	<u><u>18,435</u></u>	<u><u>121,306</u></u>

The accompanying notes form an integral part of these financial statements. The financial statements on pages 7 to 21 were approved by the Board of Directors on 14 October 2010 and were signed on its behalf by

*Nick Thomas*

N Thomas  
Director  
15 October 2010



## **CBS OUTDOOR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **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 on the going concern basis in accordance with applicable accounting standards and the Companies Act 2006 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 has taken the exemption, under section 400 of the Companies Act 2006, 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 Number 8 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.

Given the current economic climate, the Directors have assessed the Company's resources and ability to continue in operational existence for the foreseeable future. The Company is reliant upon its ultimate parent company, CBS Corporation Inc., in making available such funds as are needed by the Company (as discussed in the Director's report). Consequently, 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 and other undertakings by its parent company, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

##### **b) 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. Deferred revenue represents revenue when customers have been invoiced prior to the display of the advertisement, and is released to the income statement when the recognition criteria has been met.

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**c) Fixed assets and depreciation**

Fixed assets are recorded at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 3-5 years for Digital

Computer equipment – 3 to 5 years

Leasehold improvements – 10 years

Vehicles, plant and machinery – 4 to 10 years

**d) Investments**

Investments in subsidiaries are held at cost less amounts provided for any permanent diminution in value.

**e) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount.

**f) Work in progress**

Stocks include components and finished goods purchased for incorporation into advertising sites, which are recorded at the lower of cost and net realisable value of the separate items of stock or of groups of similar items. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Work in progress is recorded at cost to date and represents the amount of other expenditure on advertising sites which are not yet installed or ready for service.

**g) Leases**

Where assets are financed by leasing arrangement that give rights approximating to ownership, the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. Depreciation on the relevant assets and interest are charged to the profit and loss account. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

**h) Provisions**

Provisions for onerous contracts are recognised when the expected benefits from a contract are lower than the unavoidable costs of meeting the contract's obligations. Where an onerous contract exists the related assets are impaired by the value of the forecasted loss of the contract. Where the loss of the contract exceeds the total assets held, a further provision is made.

**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.

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

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.

In accordance with FRS 19 'Deferred Tax', deferred tax is recognised on all timing differences originated but not reversed, on a non-discounted basis, where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised when it is more likely that not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

k) Foreign currencies

Transactions denominated in foreign currencies are translated at the rate applicable at the transaction date. Monetary 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. All related transactions that affect the profit and loss (such as interest or dividends) are recognised based on the substance of the underlying financial instrument.

Trade receivables are recognised at their fair value. An allowance for doubtful debts is calculated based on a specific account balances and general provision for those balances exceeding their credit terms.

m) Research and development

Expenditure on research is charged to the profit and loss account in the year in which it is incurred. 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 is capitalised and depreciated over the shorter of life of the media and advertising contract for which it is utilised. The Company capitalised £nil (2008 £47,000) of development expenditure in the year ending 31 December 2009.

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**n) Share based compensation schemes**

Where share based compensation (such as restricted stock units) are granted to employees, a charge is recognised in the profit and loss account based on the fair value of the awards granted at the date of the grant with a corresponding credit to equity. The total amount expensed is recognised over the vesting period.

**o) Dividends**

Dividends are recorded in the period when approved and declared.

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

	Turnover 2009 £'000	Attributable pre-tax Loss 2009 £'000	Turnover 2008 £'000	Attributable pre-tax Loss 2008 £'000
All turnover and loss was earned in the United Kingdom and was derived predominantly from poster advertising contracts	163,395	(103,148)	195,597	(125,777)

Further business segmental reporting disclosures, as required under Statement of Standard Accounting Practice 25, have not been given as, in the opinion of the Directors, this would be prejudicial to the commercial interest of the Company.

**3 OPERATING LOSS**

Operating loss is stated after charging / (recognising) the following

	2009 £'000	2008 £'000
Auditors' remuneration for audit services	94	86
Auditors' remuneration for non-audit services	75	10
Staff costs (note 6)	27,099	27,263
Depreciation on tangible fixed assets	6,277	15,940
Operating leases		
- Rental of buildings	1,495	1,907
- Vehicles	791	510
Loss on sale of asset	66	-
Foreign exchange loss / (gain)	5,509	(26,670)
Exceptional administrative expense (note 8,10 and 13)	62,220	152,842
Donations	2	4

Administrative expenses for the year totalled £92,699,000 (2008 £161,360,000) including £62,220,000 (2008 £152,842,000) of exceptional charges.

Included in the depreciation charge above is £3,358,000 (2008 £12,451,000) relating to leased assets.

Non-audit services performed by the auditors include agreed upon procedures for revenue certifications and liquidation of the dormant companies.

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**4 NET INTEREST RECEIVABLE / (PAYABLE)**

	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Interest receivable – Group companies	317	515
Interest receivable – Bank	349	935
Interest receivable – Tax Authorities	-	194
Total interest receivable	<u>666</u>	<u>1,644</u>
Interest payable – Finance lease	(5,723)	(3,697)
Interest payable – Bank	(37)	
Interest payable – Other	(153)	-
Total interest and similar charges payable	<u>(5,913)</u>	<u>(3,697)</u>
Unwinding of factor on provisions	(1,876)	-
Net interest payable and similar items	<u>(7,123)</u>	<u>(2,053)</u>

**5 EMOLUMENTS OF DIRECTORS**

	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Aggregate emoluments	1,142	2,152
Compensation for loss of office	611	-
Company pension contributions to money purchase schemes	156	163
	<u>1,909</u>	<u>2,315</u>
Highest paid Director		
Emoluments and benefits	471	900
Compensation for loss of office	237	-
Company pension contributions to money purchase schemes	36	37
	<u>744</u>	<u>937</u>

A charge of £262 000 (2008 £479,000) is reflected in the financial statements relating to restricted stock units (refer note 20) awarded to the Directors for the year ending 31 December 2009 of which £113,000 (2008 £285,000) relates to the highest paid Director 104,804 (2008 33,178) shares were issued to Directors in the year with 28 846 (2008 25,041) being issued to the highest paid Director Retirement benefits were accruing to 2 Directors (2008 6) 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>2009</u> <u>Number</u>	<u>2008</u> <u>Number</u>
By activity		
Sales and Marketing	166	209
Operations	278	321
Administration	88	66
	<u>532</u>	<u>596</u>

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**6 STAFF NUMBERS AND COSTS (CONTINUED)**

The aggregate payroll costs of these persons were as follows

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	22,855	22,802
Social security costs	2,556	2,615
Share based payments	262	479
Other pension costs	1,426	1,367
	<u>27,099</u>	<u>27,263</u>

**7 TAX ON LOSS ON ORDINARY ACTIVITIES**

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

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Current Tax		
UK Corporation Tax at 28.0% (2008: 28.5%) on the loss of the year	-	-
Adjustment in respect of previous periods	-	809
Corporation tax credit	(15)	(8,646)
	<u>(15)</u>	<u>(7,837)</u>
Deferred Tax		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax credit on loss on ordinary activities	<u>(15)</u>	<u>(7,837)</u>

The Chancellor of the Exchequer announced a reduction in the standard rate of UK Corporation Tax from 30 percent to 28 percent 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. The current tax credit is therefore stated at the effective rate of 28.0% (2008: 28.5%).

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

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

The tax assessed for the period is different from the amount computed by applying the weighted average rate of corporation tax in the UK (28.0%) to the loss on ordinary activities before taxation (2008: 28.5%). The differences were attributed to the following factors:

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(103,148)	(125,777)
Loss on ordinary activities at the standard rate in the UK of 28.0% (2008: 28.50%)	(28,881)	(35,846)
Effects of:		
Expenses not deductible for tax purposes	96	1,125
Accelerated capital allowances	852	789
Losses carried forward not recognised	27,824	18,143
Other short-term timing differences	(13)	152
Surrender of losses to Group for nil payment	-	7,413
Effect of change in statutory rate	(1)	(432)
Tax relief in excess of accounting expense	107	10
Surplus charges on income	1	-
Adjustments in respect of previous periods	-	809
Current tax credit for the period	(15)	(7,837)

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.

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of Corporation Tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the Balance Sheet date and therefore are not included in the financial statements.

The deferred tax asset not recognised as at 31 December 2009 and 31 December 2008 has therefore been stated at the enacted rate of 28% in accordance with FRS 19. The future proposed changes to the tax rates are not considered to have a material effect on the Company's reported tax position at the balance sheet date.

The Directors are not recognising a provision for deferred tax assets of £46,303,000 (2008: £19,516,000) in respect of accelerated capital allowances, tax losses carried forward and other short-term timing differences due to the uncertainty of future taxable profits.

**8 TANGIBLE FIXED ASSETS**

	Leasehold Improvements £'000	Furniture, Fittings and Computers £'000	Vehicles £'000	Advertising Structures £'000	Total £'000
<b>COST</b>					
At 1 January 2009	2,517	6,475	190	88,972	98,154
Additions	37	626	16	15,818	16,497
Retirements	-	(306)	-	(109)	(415)
At 31 December 2009	2,554	6,795	206	104,681	114,236
<b>DEPRECIATION</b>					
At 1 January 2009	1,583	4,808	165	83,179	89,735
Charge for year	290	713	25	5,249	6,277
Retirements	-	-	-	(43)	(43)
Impairment	-	-	-	9,882	9,882
At 31 December 2009	1,873	5,521	190	98,267	105,851
<b>NET BOOK VALUE</b>					
At 31 December 2008	934	1,667	25	5,793	8,419
At 31 December 2009	681	1,274	16	6,414	8,385

Refer to note 13 for further information regarding the impairment.

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**8 FIXED ASSETS CONTINUED**

Included in fixed assets are advertising sites subject to the sale and leaseback agreement (refer to note 12)

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Cost	88,482	75,651
Accumulated depreciation	(88,482)	(75,651)
Net book value	<u>-</u>	<u>-</u>

**9 INVESTMENTS**

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
<b>Cost</b>		
As at 1 January and 31 December	156,009	156,009
<b>Impairment</b>		
As at 1 January	(16,768)	(13,041)
Provision for impairment	-	(3,727)
As at 31 December	<u>(16,768)</u>	<u>(16,768)</u>
Net Book Value as at 31 December	139,241	139,241

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	Northern Ireland	Dormant
CBS Outdoor Leasing (UK) Limited	England & Wales	Investment company
Metrobus Advertising Limited	England & Wales	Dormant
Outdoor Images Limited	England & Wales	Dormant
Ripple Vale Holdings Limited	British Virgin Islands	Dormant
Simon & Schuster Limited	England & Wales	Book publishing
Sky Blue Investments Limited	Jersey	Dormant
TDI (BP) Limited	England & Wales	Dormant
TDI Buses Limited	England & Wales	Dormant
TDI (FB) Limited	England & Wales	Dormant
TDI MAIL Holdings Limited	England & Wales	Dormant
TDI Transit Advertising Limited	England & Wales	Dormant

The directors believe that the carrying value of the investments is supported by their underlying net assets

**10 WORK IN PROGRESS**

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Cost	4,914	31,999
Impairment charged in year	(4,370)	(30,657)
	<u>544</u>	<u>1,342</u>

Stocks and work in progress relates to the programme of capital investment to upgrade the advertising estate on LUL estate and Docklands Light Railway. The expenditure on the LUL programme has been subject to a sale and leaseback transaction (refer note 12) and an impairment charge in the year (refer note 13)



**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**11 DEBTORS**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Due within one year		
Trade debtors	41,660	47,320
Amounts due from parent undertaking	7,238	7,998
Amounts owed by fellow subsidiary undertakings	4,193	17,786
Other debtors	806	4,935
Corporation tax	30	1,804
Prepayments and accrued income	2,391	6,360
	<u>56,318</u>	<u>86,203</u>

All amounts due from related companies within the UK are non-interest bearing and due on demand. All amounts due from related companies based outside the United Kingdom are interest bearing, unsecured and due on demand. The applicable interest rate is linked to the GBP-LIBOR plus 200 basis points (GBP-LIBOR plus 50 basis points prior to 1 November 2009).

**12 CREDITORS**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year		
Overdraft	13,486	7,293
Trade creditors	6,754	4,973
Finance lease	21,273	18,859
Amounts owed to parent undertaking	1,658	963
Amount owed to fellow subsidiary undertakings	10,220	14,713
Other taxation and social security	1,084	697
Accruals and deferred income	31,077	37,638
	<u>85,552</u>	<u>85,136</u>
Amounts falling due after more than one year		
Finance lease	60,102	62,749
Deferred consideration on acquisition of TDI Transit Advertising Limited	829	828
	<u>60,931</u>	<u>63,577</u>

The above amount of £829,000 will be offset against a similar amount of indebtedness due from the vendor to TDI Transit Advertising Limited. All amounts owed to parent or fellow subsidiaries within the UK are non-interest bearing and due on demand. All amounts due from related companies based outside the United Kingdom are interest bearing. The applicable interest rate is linked to the GBO-LIBOR plus 200 basis points (GBP-LIBOR plus 50 basis points prior to 1 November 2009).

The finance sale and leaseback was entered into on 14 December 2007 for a term of 5 years. The contract contains a clause to extend the agreement for a further two years. This clause is exercisable by the Lessor. An effective interest rate of 6.75% is applied with monthly repayments over the term of the agreement. The Company sold an additional tranche of assets into the sale and leaseback transaction totalling £18,467,000 in 2009.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Future minimum payments under the finance lease are as follows		
Within one year	26,116	21,754
In two to five years inclusive	65,156	72,458
Total gross payments	91,272	94,212
Less finance charges	(9,897)	(12,604)
	<u>81,375</u>	<u>81,608</u>

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**13 PROVISION FOR LIABILITIES AND CHARGES**

	<b>Onerous Contract 2009 £'000</b>	<b>Onerous Contract 2008 £'000</b>
At 1 January	56,386	-
Unwinding of the discount	1,876	-
Utilisation of provision in year	(23,000)	-
Charged to the income statement in year	70,968	56,386
At 31 December	<u>106,230</u>	<u>56,386</u>

The Company has recognised a further provision in 2009 for the onerous contract that it has with LUL (the Commercial Advertising Concession "CAC" or "the contract"). The loss on the contract requires significant judgement around estimates, particularly in the current economic climate. These judgements and estimates include, but are not limited to, the Company's cost of capital, the timing of completion of the transformation project, the capital cost of completing the transformation project and the revenue forecasts to the end of March 2015 (the Contract end date), in particular, the duration and depth of the current recessionary climate in the UK.

The Company has recognised a further impairment of £4,370,000 (2008: £30,657,000) against the related stock and work in progress, an impairment of £9,882,000 (2008: £62,072,000) against fixed assets and recognised a provision for the onerous contract of £47,968,000 (2008: £56,386,000). The provision for the onerous contract will be released against the future operating loss recorded for the LUL contract.

**14 CALLED UP SHARE CAPITAL**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Authorised		
650,000 ordinary shares of £1 each	650	650
112,000,000 6% non-cumulative fixed preference shares of £1 each	<u>112,000</u>	<u>112,000</u>
	<u>112,650</u>	<u>112,650</u>
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	<u>111,991</u>	<u>111,991</u>
	<u>112,641</u>	<u>112,641</u>

The preference shares were issued with no redemption date or rights attaching to them. The shares are all held by companies within the CBS Group. Dividends of £nil (2008: £nil) were declared and paid on the Company's preference shares.

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**15 RESERVES**

	Share Premium reserve £'000	Share based payment reserve £'000	Profit and Loss reserve £'000
As at 1 January 2008	2	-	126,124
Retained loss for the financial year	-	-	(117,940)
Share based payment	-	479	-
At 31 December 2008	2	479	8,184
Retained loss for the financial year	-	-	(103,133)
Share based payment	-	262	-
At 31 December 2009	2	741	(94,949)

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

	2009 £'000	2008 £'000
Loss for the financial year	(103,133)	(117,940)
Dividends	-	-
Retained loss for the financial year	(103,133)	(117,940)
Shared based payments	262	479
Opening shareholders' funds	121,306	238,767
Closing shareholders' funds	18,435	121,306

**17 COMMITMENTS**

The Company has the following annual commitments

	Land and Buildings 2009 £'000	Other 2009 £'000	Land and Buildings 2008 £'000	Other 2008 £'000
Operating leases, renting and other agreements, which expire				
Within one year	217	98	119	-
In two to five years inclusive	58	505	395	640
Over five years	1 217	-	1,344	-

As part of the transformation of the London Underground estate, the Company has entered into contracts with key suppliers for the delivery of components, products and services. The total value of these commitments as at 31 December 2009 was £4,817,000 (2008 £9,317,000)

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

**CBS OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
**(CONTINUED)**

**18 PENSIONS**

During the year, 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 £1,426,000 (2008: £1,367,000) of which £139,000 (2008: £91,956) was accrued and unpaid at the year end.

**19 HOLDING COMPANY**

CBS Outdoor Limited is a wholly owned subsidiary of CBS Corporation. The largest group and smallest into which the Company is consolidated is headed by CBS Corporation, a company listed on the New York Stock Exchange in the United States of America.

The Directors consider TDI Holdings 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 [www.cbscorporation.com](http://www.cbscorporation.com).

**20 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 2007 certain employees of the Company were granted stock options in CBS Corporation although these had minimal value at 1 January 2008 as the exercise price exceeded the current market share price.

A further grant of RSUs was given during 2009 to 8 eligible Company employees. As a result 104,804 (2008: 33,178) 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 2009 there were a total of 145,315 (2008: 65,439) RSUs to vest in future years with an exercise price of £nil, a weighted average remaining contractual life of 3 (2008: 2) years and a fair value of \$10.34 (2008: \$23.77), and of which none were exercisable. The charge for the year arising from these share based payments was £262,000 (2008: £479,000).

A reconciliation of the movement in shares is shown below:

	Number of restricted stock units/ restricted share 2009 shares	Weighted average fair value 2009 \$	Number of restricted stock units/ restricted share 2008 shares	Weighted average fair value 2008 \$
Outstanding as at 1 January	65,439	23.77	93,066	25.18
Granted during the year	104,804	5.20	42,843	22.99
Vested during the year	(18,021)	23.95	(22,233)	25.47
Forfeited during the year	(6,907)	24.13	(48,237)	25.84
Outstanding at 31 December	<u>145,315</u>	<u>10.34</u>	<u>65,439</u>	<u>23.77</u>

The exercise price for all restricted stock units/restricted shares above are £nil.

The fair value of the RSUs for 2009 and 2008 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.

**CBS OUTDOOR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**(CONTINUED)**

**21 POST BALANCE SHEET EVENTS**

The Directors continue to monitor the Company's performance in light of the onerous contract and current economic climate. This process includes investigating alternative strategic options for the Company's contracts and advertising estate. The Directors have not disclosed the specifics or possible outcomes of the process as such disclosure would prejudice the position of the Company. The Directors note that the accounting entries in this report and financial statements concerning the onerous contract are made expressly without giving effect to and without prejudice to the Company's legal claims, rights and remedies in relation to that contract.