

Exterion Media (UK) Limited

Annual Reports and Financial Statements

31 December 2014

Registered No. 02866133

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COMPANIES HOUSE

Directors

S Gregory
D Madden
J Cotterrell
A Booker

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Camden Wharf
28 Jamestown Road
London NW1 7BY

Strategic Review

The directors present their strategic report for the year ended 31 December 2014.

Review of Business

The principal activity of the Company is that of a poster advertising contractor, operating in the transport and retail sectors in the UK. The principal activities of the Company's subsidiaries are disclosed in note 10.

On the 30th September 2013, Doubleplay III Ltd acquired all of the capital stock or other equity interests of Exterion Holdings (Cayman) Ltd (formerly CBS UK Group (2007) Ltd), Exterion Leasing (BDA) Ltd (formerly CBS Leasing (Bermuda) Ltd), Exterion Firewalker II (BDA) Ltd (formerly CBS Firewalker II Ltd) and the assets of CBS Outdoor Metro Services Limited from CBS Corporation. This sale included the company and its subsidiaries.

Key performance indicators (KPIs)

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

	2014	2013	Definition
Turnover (£'000)	112,238	112,791	
Turnover growth (%)	(0.49%)	(20.60%)	Growth in turnover year on year
Gross margin (%)	35.24%	37.50%	Gross profit as a % of turnover
Profit margin before exceptional items (%)	7.90%	8.33%	profit before tax and exceptionals as a % of turnover prior to impairment charges
Operating profit (£'000)	6,178	10,504	
Operating profit margin after exceptional items (%)	5.5%	9.3%	Operating profit before tax as a % of turnover after exceptional items
Average number of employees	299	348	

Turnover performance for the full year was consistent with prior years.

Gross margin at 35% is lower than in the previous year, due to an increase in cost of sales. A number of non-recurring costs have impacted the result for the year, such as restructuring and severance costs and costs associated to the outsourcing of billposting activities, these totalled £4.3 million.

As a result of the outsourcing programme staff exited the business, accounting for the majority of the reduction in average staff numbers between this year and last. This outsourcing programme is expected to reap cost savings in future periods.

The Company also recognised a foreign exchange loss of £841,571 (2013 loss of £1,318,987) on the USD & EUR denominated accounts (note 3) recorded as cash and intercompany balances in USD and Euros.

These factors resulted in a reduction in operating profit compared to the prior year but underlying profitability is ahead of management expectations.

Principal risks and uncertainties

Risks and uncertainties associated with operating poster advertising concessions with the company's partners include the following:

Strategic Review (continued)

- 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 programme;
- 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.

In order to monitor and minimise any potential adverse impact of these key uncertainties, the company's management 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.

The profile of the company's operations exposes it to financial risks including the effects of liquidity risks.

a. Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations.

The Group, to which the company belongs, central finance department is responsible for ensuring there are appropriate funding requirements to meet the ongoing requirements of the Group and for managing effectively liquid funds in the Group.

Regular cash flow forecasts are prepared by the company and reviewed by management. Management reviews annual strategy plans, budgets and forecasts, as well as daily cash balances and weekly forecasts to ensure that optimal use is made of liquid funds within the Group to avoid unnecessary borrowing.

b. Interest rate risk

It is the company's objective to minimise the cost of borrowings and maximise the value from its cash resources, whilst retaining the flexibility of funding opportunities.

The Group, to which the company belongs, has entered into an external loan with an interest rate which can flex resulting from financial covenant test results and movements in the LIBOR interest rate.

Strategic Review (continued)

c. Currency risk

Foreign currency transaction exposures result from sales or purchases by subsidiaries in a currency other than their functional currency. The Group, to which the company belongs, seeks to comply with the requirements of hedge accounting where considered appropriate.

d. Financial credit risk

The credit profiles of the Company's customers are obtained from credit rating agencies and are closely monitored. The scope of these reviews includes amounts overdue and credit limits.

Trade receivables are considered impaired when the amount is in dispute; customers are in financial difficulty or for other reasons which imply there is doubt over the recoverability of the debt.

The Company had previously financed its capital investment programme in the London Underground advertising estate through a sale and leaseback transaction. Upon the cancellation of the Commercial Advertising Concession agreement (CAC) with London Underground Limited these assets were transferred to CBS Outdoor Metro Services Limited, and financed through the creation of a sub-lease with the Company acting as the lessor. 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.

On the 30th September 2013 a sub concession was signed between CBS Outdoor Metro Services Limited and Exterior Media Metro Services Limited related to the commercial advertising contract ("CAC") with London Underground, this agreement had a fixed transition term of 6 months beginning on the 1st October 2013. In order for the Exterior Media Metro Services (UK) Limited to perform its obligations under the sub-concession a sub-sublease was signed on the 30th September 2013 with CBS Outdoor Metro Services Ltd for the fixed assets related to the CAC. This had a fixed term of 6 months to the 31st March 2014.

On the 1st April 2014 the sub-lease between the company and CBS Outdoor Metro Services Limited was novated to Exterior Media Metro Services (UK) Limited.



Anthony Booker
Director
8th July 2015

Directors' report

Registered No. 02866133

The directors present their report for the year ended 31 December 2014.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A Booker
J Cotterrell
D Madden
S Gregory (Appointed 16th July 2014)
A Alonso (Resigned 10th February 2014)

No Director held any disclosable interest in the issued share capital of the Company or any parent company during the year. 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, and was in force during the entire financial year and as of the date of approval of the financial statements.

Dividends and results

The Company's profit after tax for the financial year is £3,452,121 (2013: profit £6,677,522). The Company also recognised a foreign exchange loss of £841,571 (2013: loss of £1,318,987) on the USD & EUR denominated accounts (note 3) recorded as cash and intercompany balances denominated in USD and Euros.

The directors do not recommend the payment of a final ordinary dividend (2013 – nil).

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.

Future Developments

The Company continues to review its existing operations for efficiency as well as any new opportunities in the outdoor advertising sector.

As part of reviewing efficiencies, in May 2014, management reached an agreement with a third party provider to outsource the delivery of its National Rail and Bus media campaigns.

Events since the balance sheet date

On 19th March 2015 a settlement was made relating to litigation which had been ongoing between the company and a third party at the balance sheet date, as described in note 14 of the financial statements.

Going Concern

The company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on pages 2 to 4.

The company has long term contracts with a number of franchise partners; it is also part of a group with considerable financial resources. The company is forecast to make a positive profit contribution in 2015 and 2016.

Directors' report (continued)

As a consequence, the directors believe the company is well placed to manage its business risks successfully and is well positioned to take advantage of any upswing in the economy and a recovery in advertising revenues.

The directors continue to adopt the going concern basis in preparing the annual report and accounts.

Disabled employees and Employee involvement

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 newsletter.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Anthony Booker
Director
8th July 2015

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditors' report

to the members of Exterior Media (UK) Limited

We have audited the financial statements of Exterior Media (UK) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 and express an opinion on 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.

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. In addition, we read all the financial and non-financial information in the Annual Reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2014 and of its profit 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 matters prescribed by the Companies Act 2006

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

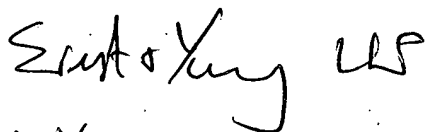
Independent auditors' report (continued)

to the members of Exterion Media (UK) Limited

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.



Philip Young
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
8th July 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Turnover	2	112,238	112,791
Cost of sales		(72,690)	(70,505)
Gross Profit		39,548	42,286
Distribution costs		(11,583)	(12,083)
Administrative expenses		(19,356)	(20,973)
Other operating income		262	168
Operating profit before exceptional items		8,871	9,398
Other income	3	1,908	3,580
Loss on acquisition	3	-	(914)
Legal settlement	3	(299)	-
Provision charge against asset impairment	3	(4,302)	(1,560)
Exceptional administrative (expense)/income – net		(2,693)	1,106
Operating profit		6,178	10,504
Net interest receivable	6	636	258
Profit on ordinary activities before taxation	2	6,814	10,762
Tax	7	(3,362)	(4,085)
Profit for the financial year	16	3,452	6,677

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £3,452,121 in the year ended 31 December 2014 (2013 – profit of £6,677,522).

Balance sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	9	9,460	10,839
Investments	10	93	1,009
Other long term assets	11	706	4,353
Finance debtors amounts falling due after more than one year	11	892	-
		<u>11,151</u>	<u>16,201</u>
Current assets			
Deferred tax asset	7	12,586	15,948
Debtors amounts falling due within one year	11	101,413	77,989
Finance debtors amounts falling due within one year	11	1,391	6,809
Cash at bank and in hand		21,056	22,771
		<u>136,446</u>	<u>123,517</u>
Creditors: amounts falling due within one year	12	<u>(99,371)</u>	<u>(96,641)</u>
Net current assets		<u>37,075</u>	<u>26,876</u>
Total assets less current liabilities		<u>48,226</u>	<u>43,077</u>
Creditors: amounts falling due after more than one year	12	(892)	-
Provisions for liabilities	14	<u>(1,627)</u>	<u>(1,250)</u>
Net assets		<u>45,707</u>	<u>41,827</u>
Capital and reserves			
Called up share capital	15	650	650
Share premium account	16	2	2
Share based payment reserve	16	428	-
Profit and loss account	16	44,627	41,175
Shareholders' funds	17	<u>45,707</u>	<u>41,827</u>

These financial statements were approved by the board and were signed on its behalf by:



Anthony Booker
Director
8th July 2015

Company registered number: 02866133

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

As a wholly-owned subsidiary of Doubleplay II Ltd, which prepares group financial statements, the Company has taken the exemption, under section 401 of the Companies Act 2006, from preparing group financial statements. As such, these financial statements give information about the company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on the going concern basis in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006 and under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on pages 2 to 4.

The company has long term contracts with a number of franchise partners; it is also part of a group with considerable financial resources. The company is forecast to make a positive profit contribution in 2015 and 2016.

As a consequence, the directors believe the company is well placed to manage its business risks successfully.

The directors continue to adopt the going concern basis in preparing the annual reports and financial statements.

Statement of cash flows

The Company is exempt from the requirement of FRS 1 (revised 1996) to prepare a statement of cash flows as it was a wholly owned subsidiary undertaking of Doubleplay II Ltd at the year end and is included in the group financial statements of that company.

Related party transactions

The Company has taken advantage of the exemption provided under FRS 8 from disclosing group related party transactions and balances. There are no other material related party transactions.

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.

The company's reported turnover consists of media and production revenues. *Media* revenues are recognised rateably over the period that the advertisement is displayed. *Production* revenues are recognised in total on the first day the advertisement is displayed. Deferred revenue represents revenue when customers have been invoiced prior to the display of the advertisement or the completion of the production, this is released to the income statement when the recognition criteria have been met.

Fixed tangible 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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	– 4 to 10 years
Furniture & fittings	– 10 years

Traditional advertising structures relate to non-animated, static advertising displays. Digital advertising structures relate to advertising displays where advertising content is displayed electronically.

Investments

Investments in subsidiaries are held at cost less amounts provided for any impairment in value after taking into account their net asset value.

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.

Asset in course of construction

Assets in the course of construction 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. Assets in the course of construction 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.

Leases

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Where assets are financed by a 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.

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 value of the total assets held, a further provision is made. In determining the provision for onerous controls, the forecast cash flows have been discounted.

Litigation provisions

The Company recognises a provision for estimated cash outflow arising from outstanding litigations or claims brought against its subsidiaries. A provision is only recognised when it is probable that an outflow of economic events will be required to settle the obligation based on the expert advice of its internal and external legal counsel. If the effect is material, the provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the

Notes to the financial statements (continued)

1. Accounting policies (continued)

current market assessments of the time value of money and when appropriate, the risks to the liability.

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.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

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.

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

technical feasibility is capitalised and depreciated over the shorter of life of the media and advertising contract for which it is utilised.

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.

Dividends

Dividends are recorded in the year when approved and declared.

Interest

Interest is recognised in the period in which it is incurred or earned at the applicable interest rate.

2. Turnover

	Turnover 2014 £000	Attributable pre-tax profit 2014 £000	Turnover 2013 £000	Attributable pre-tax profit 2013 £000
All turnover and profit was earned in the United Kingdom and was derived predominantly from poster advertising contracts	112,238	6,814	112,791	10,762

Included in turnover are commission amounts of £4,279,773 (2013 – £9,933,095) from transactions with group undertakings.

3. Operating profit and exceptional items

This is stated after charging/(crediting):

	2014 £000	2013 £000
Auditors' remuneration	106	98
Auditors' remuneration for non-audit services	10	10
Staff costs (note 5)	24,437	32,283
Depreciation of owned fixed assets	2,465	2,399
Operating leases – rental of buildings	1,549	1,823
– vehicles	531	538
Foreign exchange loss	842	1,319
Charitable donations	48	46
Impairment of intercompany receivables	3,386	–
Management charges – intra group (note 4)	–	2,941
Legal settlement	299	(2,514)*
Distributions from subsidiaries	(1,908)	(1,066)
Amounts written off intangible fixed assets	–	914
Waive of intergroup receivable/(payable) loans	–	1,506
Impairment of investments in subsidiaries (note 10)	916	54
Income from mark up applied to recharges to group undertakings	–	(895)

Notes to the financial statements (continued)

3. Operating profit and exceptional items (continued)

Non-audit services performed by the auditors include agreed upon procedures for revenue certifications and accounting advice.

(*) Prior year amount included within other income.

Administrative expense for the year totalled £22,049,000 (2013 expenses £19,867,000) including exceptional income of £1,908,000 and exceptional costs of £4,601,000 (2013 exceptional income £3,580,000 and exceptional costs £2,474,000).

Exceptional Items

In 2014 the exceptional income relates to an intercompany distribution of £898,908 and the distribution of income from a subsidiary of £1,008,781. Exceptional costs were made up of a £916,005 impairment in an investment, a £3,385,954 impairment of intercompany receivables and £299,112 being a legal settlement with a third party.

In 2013 the exceptional income relates to exceptional other income relating to a legal settlement with a third party supplier of £2,514,000 and distributions received from subsidiaries of £1,066,000. Amounts written off intangible fixed assets of £913,750 related to the purchase of assets from CBS Outdoor Metro Services Limited and exceptional charges relating to the impairment of investments in subsidiaries of £54,000 and a charge resulting from the waiving of an intercompany receivable due from a subsidiary of £1,506,000.

4. Directors' remuneration

	2014 £000	2013 £000
Aggregate remuneration in respect of qualifying services	2,871	1,455
Company pension contributions to money purchase schemes	56	28
	<u>2,927</u>	<u>1,483</u>
Highest paid Director		
Remuneration and benefits	1,674	1,084
Company pension contributions to money purchase schemes	15	17
	<u>1,689</u>	<u>1,101</u>

In 2014 a charge of £312,814 (2013 - £188,744) is reflected in the financial statements relating to a Director's share based payment, £206,032 (2013 - £164,301) of which relates to the highest paid Director.

The above details of directors' remuneration do not include the remuneration of Mr A Alonso and Mr P Brown, which are paid by the parent undertaking and recharged to the company as part of a management charge. This management charge, which in 2014 amounted to £nil (2013 - £2,941,185) also includes a recharge of administration costs borne by the parent undertaking on behalf of the Company and it is not possible to identify separately the amount of A Alonso's and Mr P Brown's remuneration.

Notes to the financial statements (continued)

5. Staff costs

	2014 £000	2013 £000
Wages and salaries	20,574	27,160
Social security costs	2,297	2,895
Share based payments (see note 20)	428	1,105
Other pension costs	1,138	1,123
	<u>24,437</u>	<u>32,283</u>

The table above includes amounts paid to directors.

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

	2014 No.	2013 No.
By activity		
Sales and Marketing	173	181
Operations	39	75
Administration	87	92
	<u>299</u>	<u>348</u>

6. Net interest receivable

	2014 £000	2013 £000
Interest receivable – group companies	1,016	77
Interest receivable – bank	59	249
Interest receivable – finance lease – group company	246	714
Total interest receivable	<u>1,321</u>	<u>1,040</u>
Interest payable – finance lease	(246)	(718)
Interest payable – bank	–	(2)
Interest payable – group companies	(366)	(62)
Total interest and similar charges payable	<u>(612)</u>	<u>(782)</u>
Unwinding of discount factor in provisions (note 14)	(73)	–
Net interest receivable and similar items	<u>636</u>	<u>258</u>

Notes to the financial statements (continued)

7. Tax

(a) Tax on profit on ordinary activities

The taxation charge is made up as follows:

	2014	2013
	£000	£000

Current tax:

UK corporation tax on the profits for the year at 21.49% (2013 – 23.25%)

Total current tax (note 7(b))

–	–
–	–

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the blended rate of corporation tax in the UK of 21.49% (2013 – 23.25%). The differences are explained below:

	2014	2013
	£000	£000
Profit on ordinary activities before tax	6,814	10,762
Profit on ordinary activities multiplied by blended rate of corporation tax in the UK of 21.49% (2013 – (23.25%))	1,464	2,502
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,681	99
Depreciation in excess of capital allowances	575	500
Non taxable income	(410)	(306)
Other short-term timing differences	(108)	(98)
Accounting expense in excess of tax relief		–
Surplus charges in income		–
Current tax	3,202	2,697
Utilisation of recognised tax losses brought forward	(3,202)	(2,697)
Current tax charge for the year (note 7(a))	–	–

(c) Deferred tax

The deferred tax charge was mainly as a result of the tax effect of timing differences as follows

	2014	2013
	£000	£000
Accelerated capital allowances	(415)	(769)
Utilisation of tax losses	2,980	2,320
Other timing differences	101	83
Changes in tax rate	–	2,638
Prior year adjustments	696	(187)
Total deferred tax charge	3,362	4,085

Notes to the financial statements (continued)

7. Tax (continued)

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

	2014 £000	2013 £000
Accelerated capital allowances	5,399	5,185
Other short term timing differences	64	221
Unrelieved tax losses carried forward	7,123	10,542
Total deferred tax asset	<u>12,586</u>	<u>15,948</u>

(d) Factors that may affect future tax charges

A number of changes to the UK Corporation tax system as announced in the March 2013 Budget Statement was enacted by the Finance Act on 17 July 2013 and included legislation to reduce the main rate of corporation tax further from 21% down to 20% with effect from 1 April 2015.

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.

8. Dividends

	2014 £000	2013 £000
Declared and paid during the year	<u>-</u>	<u>30,000</u>

The Company paid a dividend of £15,000,000 to Exterior Holdings II (UK) Ltd, the Company's immediate parent undertaking on 30th January 2013

The Company paid a dividend of £15,000,000 to Exterior Holdings II (UK) Ltd, the Company's immediate parent undertaking on 16th April 2013

Notes to the financial statements (continued)

9. Tangible fixed assets

	<i>Leasehold improvements</i> £000	<i>Furniture, fittings and Vehicles</i> £000	<i>Computers</i> £000	<i>Advertising structures</i> £000	<i>Assets in the course of construction</i> £000	<i>Total</i> £000
Cost						
At 1 January 2014	4,464	776	8,596	21,187	4,160	39,183
Additions	–	–	–	–	2,488	2,488
Capitalisations	–	54	1,202	1,139	(2,395)	–
Transfers to other group companies	–	–	–	–	(1,298)	(1,298)
Write off	–	(146)	(119)	(1,287)	(104)	(1,656)
At 31 December 2014	4,464	684	9,679	21,039	2,851	38,717
Accumulated depreciation						
At 1 January 2014	2,932	702	8,494	16,216	–	28,344
Charge for year	300	59	945	1,161	–	2,465
Write off	–	(146)	(119)	(1,287)	–	(1,552)
At 31 December 2014	3,232	615	9,320	16,090	–	29,257
Net book value						
At 1 January 2014	1,532	74	102	4,971	4,160	10,839
At 31 December 2014	1,232	69	359	4,949	2,851	9,460

Assets in the course of construction materially relates to the programme of capital investment to upgrade the advertising structures on the Company's advertising estate.

Vehicles have been amalgamated into furniture and fittings column and computers disclosed separately. This is due to the material nature of the computer assets and the similar useful lives of furniture, fittings and vehicles.

The write offs recognised relate to assets no longer in use.

Notes to the financial statements (continued)

10. Investments

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 January 2014	1,063
Additions	—
At 31 December 2014	<u>1,063</u>
Impairment:	
At 1 January 2014	54
Impairment	916
At 31 December 2014	<u>970</u>
Net book value as at 31 December	<u>93</u>

During the year the group, in which the company belongs, undertook steps to allow some of the company's subsidiaries to be dissolved.

This resulted in the receipt of distributions from TDI Mail Holdings Limited of £1,008,781 and £898,908 from ABC Outdoor Limited.

The Company owns directly the whole of the issued ordinary share capital of:

<i>Entity</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Exterior Leasing (UK) Limited	England & Wales	Investment company
ABC Outdoor Limited	Northern Ireland	Dormant

During 2013 and 2014 the Company began the process of dissolving the dormant Companies it owns.

- TDI (BP) Limited was dissolved on 4th February 2014
- TDI Buses Limited was dissolved on 8th October 2013
- TDI Transit Advertising was dissolved on 4th February 2014
- Outdoor Images Ltd was dissolved on 4th February 2014
- Metrobus Advertising Ltd was dissolved on 4th February 2014
- TDI (FB) Ltd was dissolved on 4th February 2014
- TDI Mail Holdings was dissolved on 18th November 2014
- ABC Outdoor Limited was put into administration and a liquidator was appointed on 30 September 2014

Notes to the financial statements (continued)

11. Debtors

	2014 £000	2013 £000
Due within one year		
Trade debtors	55,309	50,280
Amounts owed by parent undertakings	20,493	16,284
Amounts owed by fellow subsidiary undertakings	19,035	5,282
Amounts owed by owned subsidiaries	10	–
Other debtors	2,294	2,350
Corporation tax	–	–
Prepayments and accrued income	4,272	3,793
Finance lease	1,391	6,809
	<u>102,804</u>	<u>84,798</u>
Amounts falling due after more than one year		
Finance lease	892	–
Loans to parent undertaking	–	–
Loans to fellow subsidiary undertakings	–	3,386
Other debtors	706	967
	<u>1,598</u>	<u>4,353</u>

All amounts owed by parent companies and fellow subsidiary undertakings within the UK are non-interest bearing, unsecured and due on demand, these amounted to £5,069,388 (2013: £0). All amounts owed by parent companies and fellow subsidiary undertakings based outside the United Kingdom are interest bearing, unsecured and due on demand, with the exception of a loan provided to Exterior Media Spain S.A which is repayable on 17 April 2018 with interest charged GBP-LIBOR plus 250 basis points. This loan was impaired in 2015 resulting in a charge of £3,385,954. For all other amounts owed by related companies outside of the United Kingdom the applicable interest rate is linked to the GBP-LIBOR plus 100 basis points (GBP-LIBOR plus 200 basis points prior to 1 October 2011). These amounted to £34,468,558 (2013: £21,565,741)

During 2014 a number of intercompany loans were novated from Exterior Media (Italy) S.r.L. to Exterior Media (UK) Ltd. On 1st January 2014 and 31st July 2014 receivables from Exterior Media (France) SA of €2,162,137 and €2,291,118 were novated and on 1st January 2014 and 16th July 2014 receivables from Exterior Holdings I (NL) BV of €2,368,206 and €6,848,274 were also novated.

As part of the acquisition in 2013, most of the assets of CBS Outdoor Metro Services Limited were transferred to Exterior Media Metro Services Limited ("EMMS") with another sub-lease agreement created between these two parties. On 1 April 2014, the sub-lease agreement was novated and CBS Outdoor Metro Services Limited ceased to be a party to the sub-lease. Subsequently the lease was extended again to 30 September 2016 with an effective interest rate payable of 7.10%.

Notes to the financial statements (continued)

12. Creditors

	2014 £000	2013 £000
Amounts falling due within one year		
Trade creditors	4,478	6,010
Finance lease creditor	1,391	6,809
Amounts owed to parent undertaking (note 13)	30,012	25,868
Amounts owed to fellow subsidiary undertakings (note 13)	25,045	20,602
Corporation tax creditor	–	–
Other taxation and social security	1,507	3,592
Accruals and differed income	36,938	33,760
	<u>99,371</u>	<u>96,641</u>
Amounts falling due after more than one year		
Finance lease creditor	892	–
	<u>892</u>	<u>–</u>

The finance sale and leaseback was entered into on 14 December 2007 for a term of 5 years. The contract was then further extended for an additional two years up to December 2014 and again subsequently extended in line with the extension of the CAC to 30 September 2016. An effective interest rate of 7.1% p.a is applied with monthly repayments over the extended term.

	2014 £000	2013 £000
Future minimum payments under the finance lease are as follows		
Within one year	1,392	7,041
In two to five years inclusive	1,043	–
Total gross payments	2,435	7,041
Less finance charges	(152)	(232)
	<u>2,283</u>	<u>6,809</u>

13. Loans

Loans repayable, included within creditors, are analysed as follows

	2014 £000	2013 £000
Not wholly repayable within five years	–	–
Wholly repayable within five years	31,846	27,644
	<u>31,846</u>	<u>27,644</u>

Notes to the financial statements (continued)

13. Loans (continued)

Details of loans wholly repayable within five years are as follows:

	2014 £000	2013 £000
1% above LIBOR group loan repayable on demand	16,814	15,009
Non-interest bearing unsecured group loans repayable on demand	15,032	12,635

£26,797,020 of the loans balances are included within amounts owed to parent undertakings (2013 - £22,556,823), £5,048,715 of the loan balance are included within amounts owed to fellow subsidiary undertakings (2013 - £5,087,212)

14. Provisions for liabilities

	<i>Dilapidation Provision</i> 2014 £000	<i>Dilapidation Provision</i> 2013 £000	<i>Litigation Provision</i> 2014 £000	<i>Litigation Provision</i> 2013 £000
At 1 January	1,250	—	—	—
Recognition of provision	—	1,250	341	—
Unwinding of the discount factor (note 6)	73	—	—	—
Utilisation of provision in year	(37)	—	—	—
At 31 December	<u>1,286</u>	<u>1,250</u>	<u>341</u>	<u>—</u>

Dilapidation provision represents the Company's estimated cost of returning its leased offices and warehouses to its original state at the end of the lease term. The estimated cost is discounted at a rate of 5% over the estimated useful life of the asset or the lease term, whichever is shorter.

Litigation provision represents the Company's estimated cash outflow arising from outstanding litigations or claims made against it.

15. Issued share capital

	2014 £000	2013 £000
<i>Allotted, called up and fully paid</i>		
(2013 – 650,000) ordinary shares of £1 each	<u>650</u>	<u>650</u>
	<u>650</u>	<u>650</u>

Notes to the financial statements (continued)

16. Movements on reserves

	Share premium account £000	Share based- payment reserve £000	Profit and loss account £000
At 1 January 2013	2	1,405	62,258
Profit for the financial year	-	-	6,677
Dividends (note 8)	-	-	(30,000)
Share based payment	-	835	-
Transfer of shared based payment reserve	-	(2,240)	2,240
At 1 January 2014	2	-	41,175
Profit for the financial year	-	-	3,452
Share based payment	-	428	-
31 December 2014	2	428	44,627

17. Reconciliation of shareholders' funds

	2014 £000	2013 £000
Profit for the financial year	3,452	6,677
Dividends (note 8)	-	(30,000)
Retained Profit for the financial year	3,452	(23,323)
Share based payments	428	835
Opening shareholders' funds	41,827	64,315
Closing shareholders' funds	45,707	41,827

18. Events since the balance sheet date

On 19th March 2015 a settlement was made relating to litigation which had been ongoing between Exterior Media (UK) and a third party at the balance sheet date, as described in note 14 of the financial statements.

Notes to the financial statements (continued)

19. Pensions

During the year, certain employees of the Company were members of the Exterior Media Pension Scheme (formerly known as the CBS Outdoor Pension Scheme).

The Exterior Media 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 financial statements are independently audited. The pension cost relating to the scheme for the year was £1,138,291 (2013 – £1,122,871) of which £104,410 (2013 – £147,690) was accrued and unpaid at the year end.

20. Share based payments

Under the Management Incentive Plan, the Doubleplay I Ltd Group provided senior executive employees the opportunity to invest in depository receipts held by Stichting Administratiekantoor Doubleplay ("Stichting") with rights that correspond to the rights of the B shares issued by Doubleplay I Limited. Employees are expected to remain in service for a period of three years from the date of the first grant on 9 April 2014. Settlement will be made at the event of an exit. The fair value of the rights granted is estimated at the date of the two grants which were on 9 April 2014 and 9 July 2014 using a Black-Scholes option pricing model taking into account the terms and conditions upon which the rights were granted. The model takes into account the equity value at the valuation dates, expected term assumptions and the volatility. The expected volatility was determined with reference to comparable quoted companies and measured based on the historical share price volatility over the periods that matched the expected term. The fair value was calculated based on the weighted average of a range of expected term assumptions.

The expense recognised for employee services received during the year for equity settled share based payment transaction is £427,778 (2013 - nil). At 31 December 2014, the total depository receipts issued were 470,000 out of which 339,445 is held by senior management employees of the company while the remainder is held by employees of other group companies and another group undertaking.

The inputs used in the measurement of the fair values at grant dates of the equity settled share based payment plans were as follows:

	Grant dates	
	9 April	9 July
Fair value	£2.0m	£4.3m
Dividend yield (%)	0%	0%
Expected volatility	25.6% to 38.8%	32.5 to 36.1%
Risk-free interest rate (%)	0.3% to 1.5%	0.7% to 1.5%
Expected term	1.73 to 4.73 years	2.48 to 4.48 years

Notes to the financial statements (continued)

20. Share based payments (continued)

In 2013 CBS Corporation Inc. operated 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.

A further grant of RSUs was given during 2013 to 15 eligible Company employees. As a result 18,850 RSUs were issued. All RSUs awarded are equity settled, with an exercise price of £nil.

As part of the sale of the company to Platinum Equity, CBS Corporation accelerated the vesting of all the outstanding RSUs as at 30th September 2013. As a result of this all RSUs were vested in 2013.

The charge for the year arising from these share based-payments was £nil (2013 – £835,221).

A reconciliation of the movement in shares is shown below:

	<i>Number of restricted stock Units/ restricted share 2014 shares</i>	<i>Weighted average fair value 2014 \$</i>	<i>Number of restricted stock Units/ restricted share 2013 shares</i>	<i>Weighted average fair value 2013 \$</i>
Outstanding as at 1 January	-	-	44,536	22.72
Granted during the year	-	-	18,850	43.21
Vested during the year	-	-	(62,299)	36.76
Forfeited and cancelled during the year	-	-	(1,087)	28.67
Outstanding at 31 December	-	-	-	-

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

The fair value of the RSUs for 2013 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.

Notes to the financial statements (continued)

21. Other financial commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	112	101	11	378
In two to five years	141	261	132	68
Over five years	1,414	–	1,165	–
	<u>1,667</u>	<u>362</u>	<u>1,308</u>	<u>446</u>

As part of the operations activity, 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 2014 was £1,468,063 (2013 – £2,052,665).

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 future minimum guaranteed fees to the site owners concerned, which are not included in the above table due to commercial sensitivity.

22. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Exterion Holdings II (UK) Limited a company registered in United Kingdom. Its ultimate parent company is Semper Veritas Holding S.a.r.l, a company registered in Luxembourg. The ultimate controlling party is Platinum Equity Capital Partners International III (Cayman), L.P.

The smallest group in which the results of the company are consolidated is that headed by Doubleplay II Limited and the largest group is that headed by Doubleplay I Limited, incorporated in England and Wales. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from Camden Wharf 28 Jamestown Road London NW1 7BY.