

LTA ADVERTISING LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 1 APRIL 1994
TO 31 DECEMBER 1994**

REGISTERED NUMBER

2866133



LTA ADVERTISING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1994

The Directors present their report on the affairs of the Company, together with the Financial Statements and Auditors' Report for the nine months ended 31 December 1994.

Principal Activity

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

Business Review

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

On 15 August 1994, the whole of the Company's share capital was acquired by LDI Limited, a UK company owned equally by Hambro Group Investments and Transportation Displays Incorporated of the United States of America.

The Company successfully negotiated exclusive long term advertising management agreements with London Underground Limited and certain bus operators which the directors consider give the Company a sound base for the future.

These financial statements show a profit for the period, after provision for taxation, of £811,000, which the Directors consider to be satisfactory.

Dividends and Transfer to Reserves

During the period, interim ordinary dividends of £294,000 were paid. After deducting the ordinary dividend, the profit for the year retained in the Company is £517,000, which will be transferred to reserves.

LTA ADVERTISING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

Directors and their Interests

The Directors who held office during the period were:-

W. Apfelbaum (Chairman)	(appointed 15 August 1994)
J. May	(appointed 15 August 1994)
J. Male	(appointed 15 August 1994)
R. J. Haynes	
J. F. Swainson	
C. Leth	(appointed 22 February 1995)
W. Nabarro	(appointed 22 February 1995)
I. S. Smith	(resigned 15 August 1994)
B. L. Robinson	(resigned 14 August 1994)
A. Brindle	(resigned 15 August 1994)
I. J. Harkness	(resigned 15 August 1994)
I. E. King	(resigned 15 August 1994)

No Director held any interest in the issued share capital of the Company during the period. The interests of directors who are also directors of the holding company in the shares of that company are shown in that company's financial statements.

Fixed Assets

Information relating to changes in tangible fixed assets is given in Note 8 to the Financial Statements.

Employees

Management hold frequent meetings with Employees and their representatives and encourage all staff to participate fully in the development of the business.

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

Liability Insurance

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

LTA ADVERTISING LIMITED

**DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1994
(CONTINUED)**

Auditors

KPMG Peat Marwick resigned as auditors of the Company on 15 August 1994, and Coopers & Lybrand were appointed in their place.

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of Coopers & Lybrand as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



J.F. Swainson
Secretary

Registered Office
10 Jamestown Road,
Camden,
London
NW1 7BY

20 March 1995.

LTA ADVERTISING LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the profit of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF LTA ADVERTISING LIMITED

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

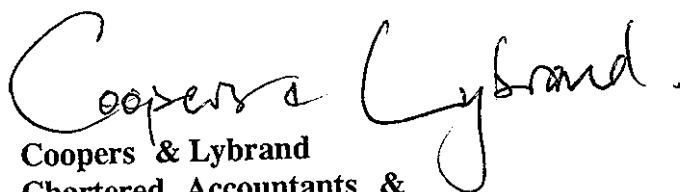
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants &
Registered Auditors

London
20 March 1995

LTA ADVERTISING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 APRIL TO 31 DECEMBER 1994

		9 month period ended 31 December <u>1994</u> £000	4 month period ended 31 March <u>1994</u> £000
	NOTE		
Turnover - continuing operations	(2)	20,591	7,129
Cost of sales - continuing operations		(15,828)	(5,671)
		<hr/>	<hr/>
Gross Profit		4,763	1,458
Administration expenses - continuing operations		(3,640)	(1,172)
		<hr/>	<hr/>
Operating profit - continuing operations		1,123	286
Interest payable (net)	(3)	(43)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	(3)	1,080	286
Tax on profit on ordinary activities	(6)	(269)	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		811	286
Dividends paid and proposed	(7)	(294)	(286)
		<hr/>	<hr/>
Retained profit for the financial period	(14)	517	-
		<hr/>	<hr/>

The company had no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses is presented. There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The movement in reserves is shown in Note 14.

LTA ADVERTISING LIMITED

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE PERIOD FROM 1 APRIL TO 31 DECEMBER 1994**


	31 December 1994 £000	31 March 1994 £000
Profit for the financial year	811	286
Dividends	(294)	(286)
Issue of shares	-	652
	<hr/>	<hr/>
Net addition to shareholders' funds	517	652
Opening shareholders' funds	652	-
	<hr/>	<hr/>
Closing shareholders' funds	1169	652
	<hr/>	<hr/>

LTA ADVERTISING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

		31 December 1994 £000	31 March 1994 £000
	NOTE		
FIXED ASSETS			
Tangible assets	(8)	241	273
CURRENT ASSETS			
Debtors	(9)	6,339	4,631
Cash at bank and in hand		2,022	1
Creditors: Amounts falling due within one year	(10)	(7,433)	(4,099)
NET CURRENT ASSETS		928	533
TOTAL ASSETS LESS CURRENT LIABILITIES		1,169	806
PROVISIONS FOR LIABILITIES AND CHARGES	(11)	-	(154)
NET ASSETS		1,169	652
CAPITAL AND RESERVES			
Capital: Authorised, issued and fully paid ordinary shares of £1 each.	(12)	650	650
Share premium account	(13)	2	2
Profit and loss account	(14)	517	-
TOTAL EQUITY SHAREHOLDERS' FUNDS		1,169	652

Signed on behalf of the Board

 J. Male

 J. F. Swainson

Directors

20 March 1995

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994

1. ACCOUNTING POLICIES

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

a) Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of LDI Limited and its cash flows are included within the consolidated cash flow statement of that Company.

b) Fixed assets and depreciation

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

Vehicles, plant and machinery - 4 to 10 years
Computer equipment - 3 to 5 years

c) Consumable stores are taken to profit and loss in the period in which the expenditure is incurred.

d) Leases

Rental charges relating to 'operating leases' are charged to the profit and loss account on a straight line basis over the life of the lease.

e) Pensions

The company during the period participated in the LRT Pension Fund, a defined benefit pension scheme. This fund was valued at regular intervals by independent actuaries at which time the actuaries recommended the level of contributions to be made necessary to provide for the long term solvency of the fund.

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

The costs of providing pensions are recognised on a systematic basis and are allocated to the period benefiting from the employee's services. The difference between the charge to profit and loss account and the contributions paid is shown as an asset or liability in the balance sheet.

f) Taxation

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

g) Turnover

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

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>Turnover</u>		<u>Attributable pre-tax Profit</u>	
	<u>31 Dec</u>	<u>31 Mar</u>	<u>31 Dec</u>	<u>31 Mar</u>
	<u>1994</u>	<u>1994</u>	<u>1994</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Poster Advertising Contracting	20,591	7,129	1,080	286

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on Ordinary Activities before taxation is arrived at after the following:

	31 Dec 1994 £000	31 Mar 1994 £000
Auditors' remuneration for audit	18	12
Auditors' remuneration for non-audit work	18	-
Depreciation on tangible assets	97	47
Operating leases and renting agreement charges		
- plant & machinery	6	3
- other assets	374	193
Interest receivable	22	-
Interest payable	(65)	-

4. EMOLUMENTS OF DIRECTORS

	31 Dec 1994 £000	31 Mar 1994 £000
Emoluments	170	52
Social Security costs	15	4
Other pension costs	4	6
	—	—
	189	62
	—	—

The highest paid director was paid £54,613 (March 1994 - £22,000), excluding pension contributions. The Chairman was paid £NIL (March 1994 - £NIL), excluding pension contributions.

Directors (including the Chairman and the highest paid director) received emoluments (excluding pension contributions) in the following ranges:

	31 Dec 1994 <u>Number</u>	31 Mar 1994 <u>Number</u>
£0 to £5,000	6	4
£10,001 to £15,000	-	1
£15,001 to £20,000	-	1
£25,001 to £30,000	1	1
£40,001 to £45,000	1	-
£45,001 to £50,000	1	-
£50,001 to £55,000	1	-
	<u>10</u>	<u>7</u>

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

5. STAFF NUMBERS AND COSTS

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

	31 Dec <u>1994</u>	31 Mar <u>1994</u>
Poster advertising contracting	246	255

The aggregate payroll costs of these persons were as follows:

	31 Dec <u>1994</u> £000	31 Mar <u>1994</u> £000
Wages and salaries	3,771	1,560
Social security costs	310	143
Other pension costs	347	145
Severance costs	46	-
	<hr/> 4,474	<hr/> 1,848

6. TAXATION

The tax charge for all periods up to 15 August 1994 will be met by the former parent London Regional Transport.

	31 Dec <u>1994</u> £000	31 Mar <u>1994</u> £000
UK Corporation Tax at 33% on the profits from 15th August 1994 to 31 December 1994 (March 1994 - 33%)	<u>269</u>	-

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

7. DIVIDENDS

	31 Dec <u>1994</u> £000	31 Mar <u>1994</u> £000
On ordinary shares	294	286
	—	—

8. TANGIBLE FIXED ASSETS

The tangible fixed assets at 31 December 1994 as shown in the balance sheet are analysed as follows:

	<u>Computer Equipment</u> £000	<u>Vehicles Plant and Machinery</u> £000	<u>Total</u> £000
COST			
At 31 March 1994	365	297	662
Additions	65	-	65
Disposals	-	(44)	(44)
At 31 December 1994	430	253	683
	—	—	—
DEPRECIATION			
At 31 March 1994	214	175	389
Charge for period	60	37	97
Disposals	-	(44)	(44)
At 31 December 1994.	274	168	442
	—	—	—
NET BOOK VALUE			
At 31 December 1994	156	85	241
	—	—	—
At 31 March 1994	151	122	273
	—	—	—

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

9. DEBTORS

	31 Dec <u>1994</u> £000	31 Mar <u>1994</u> £000
Due within one year:		
Trade debtors	6,047	4,340
Amounts owed by parent and fellow subsidiary undertakings	-	164
Other debtors	83	26
Prepayments and accrued income	209	101
	<hr/>	<hr/>
	6,339	4,631
	<hr/>	<hr/>

10. CREDITORS

	31 Dec <u>1994</u> £000	31 Mar <u>1994</u> £000
Amounts falling due within one year:		
Bank overdraft	-	1
Trade creditors	446	578
Amounts owed to parent undertaking	2,779	-
Amounts owed to fellow subsidiary undertakings	-	1,843
Other creditors	-	90
Corporation Tax	269	-
Other Taxation and social security	714	6
Accruals and deferred income	3,225	1,295
Dividend payable	-	286
	<hr/>	<hr/>
	7,433	4,099
	<hr/>	<hr/>

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

11. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Pension Contributions</u>	
	<u>31 Dec</u>	<u>31 Mar</u>
	<u>1994</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
At 31 March 1994	154	-
Transferred (to)/from London Regional Transport	(154)	76
Amounts provided	-	78
At 31 December 1994	-	154

There was no liability to deferred taxation, provided or potential, at 31 December 1994.

12. CALLED UP SHARE CAPITAL

	<u>31 Dec</u>	<u>31 Mar</u>
	<u>1994</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Authorised ordinary shares of £1 each	650,000	650,000
Allotted, called up and fully paid ordinary shares of £1 each	650,000	650,000

13. SHARE PREMIUM ACCOUNT

	<u>Share Premium Account</u>
	<u>31 Dec</u>
	<u>1994</u>
	<u>£000</u>
At 31 March 1994	2
At 31 December 1994	2

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

14. PROFIT AND LOSS RESERVE

	31 Dec 1994 £000	31 Mar 1994 £000
Balance brought forward	-	-
Retained profit for the period	517	-
Balance carried forward	517	-

15 COMMITMENTS

The company had no commitments at the end of the period, authorised or contracted for, other than annual commitments under non-cancellable operating leases and other arrangements as follows:

	31 Dec 1994		31 March 1994	
	<u>Land & Buildings</u>	<u>Other</u>	<u>Land & Buildings</u>	<u>Other</u>
	£000	£000	£000	£000
Operating leases, renting and other agreements which expire:				
Within one year	-	44	-	76
In two to five years inclusive	-	106	-	190
Over five years	349	-	349	-
	349	150	349	266

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.

The company's assets are charged in favour of The First National Bank of Boston to secure monies due to that bank from time to time and in respect of letter of credit facilities.

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

16. PENSIONS

During the period the Company's employees were members of the London Regional Transport Pension Fund. Under the terms of the sale of LTA Advertising Limited a new scheme was to be established within six months of sale offering employees comparable pension benefits to the LRT scheme.

In February 1995 the LTA Pension Scheme was established in operation, and is a defined contribution scheme. A bulk transfer arrangement of past service reserves out of the LRT Pension Scheme has been arranged for staff opting to transfer on the Projected Accrued Benefit funding method (as set out in 'Pension Fund Terminology' issued by the Institute and Faculty of Actuaries in 1986 and revised in 1988).

The actuarial assumptions which had the most significant effects on the results of the valuation are relating to the rate of return on investments and rates of increase in salaries and pensions. It was assumed that:

- (1) the transferring assets be valued by discounting projected future income from the underlying investments allowing for 8½% per annum growth in income;
- (2) salaries increase by 6% per annum; and
- (3) future pensions increase for the majority of staff at 4% per annum.

The new LTA scheme is an exempt approved scheme under Chapter 1 of Part XIV of the Taxes Act. The assets of the scheme are held in trust in an independently managed fund and are therefore completely separate from the assets of the Company. The pension scheme is independently advised and its accounts will be independently audited.

17. CONTINGENT LIABILITY

Under the terms of the leases of the properties occupied by the company, there is an obligation on the company to maintain and reinstate those properties. The first of these leases expires in 2007 and at this stage the directors do not consider a provision is necessary. Any potential liability cannot be quantified at this stage.

LTA ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1994 (CONTINUED)

18. HOLDING COMPANY

The Company is a wholly owned subsidiary of LDI Limited (LDI), which is registered in England and Wales. Copies of the consolidated financial statements are available from 10 Jamestown Road, London, NW1 7BY.

LDI is owned 50% by Transportation Displays Incorporated (TDI) of the U.S.A., an out-of-home media company specialising in the sale of advertising in and on transit systems, and 50% by Hambro Group Investments, a U.K. based investment bank. The directors of LDI have been informed that TDI intends to include the financial statements of LDI in its own annual audited financial statements. TDI is responsible for the day to day management oversight of LDI pursuant to an agreement dated 29 June 1994.