

# **VIACOM OUTDOOR LIMITED**

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

**FOR THE YEAR ENDED  
31 DECEMBER 2002**

### **REGISTERED NUMBER**

**2866133**



**VIACOM OUTDOOR LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002**

The directors present their report on the affairs of the Company, together with the financial statements and Auditors' Report for the year ended 31 December 2002.

**Principal Activity**

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

**Business Review & Future Developments**

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

**Dividends and Transfer to Reserves**

No dividend was paid during the year (2001 - nil). The directors do not recommend payment of a final dividend (2001 - nil). The profit for the year retained in the Company is £21,834,000 (2001 - £15,675,000), which will be transferred to reserves.

**Directors and their Interests**

The directors who held office during the period were: -

M. Baker-Munton	
T. Goddard	
T. S. Haut	(resigned 22 April 2003)
R.J. Haynes	
M. Karmazin	
A. Oldham	
C. Punter	
J.F. Swainson	
F. Suleman	(resigned 15 March 2002)

No Director held any disclosable interest in the issued share capital of the Company during the period.

**Employees**

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

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

**Auditors**

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

**VIACOM OUTDOOR LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

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

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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

London  
28 October 2003

Registered Office  
28 Jamestown Road  
London NW1 7BY



By Order of the Board

J.F. Swainson  
Secretary

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIACOM OUTDOOR LIMITED**

We have audited the financial statements on pages 4 to 15, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

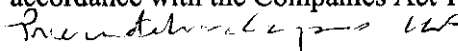
### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
28 October 2003

**VIACOM OUTDOOR LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002**


	Note	<u>2002</u> £000	<u>2001</u> £000
Turnover	(2)	133,823	123,050
Cost of sales		(86,628)	(78,679)
Gross profit		47,195	44,371
Administration expenses		(22,372)	(22,099)
Operating profit	(3)	24,823	22,272
Interest receivable (net)	(4)	386	915
Profit on ordinary activities before taxation		25,209	23,187
Tax on profit on ordinary activities	(7)	(3,375)	(7,512)
Profit on ordinary activities after taxation		21,834	15,675
Retained profit for the financial year	(15)	21,834	15,675

The results for the year are wholly attributable to the continuing operations of the Company. 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 are no differences between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**VIACOM OUTDOOR LIMITED**  
**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>2002</u> £000	<u>2001</u> £000
Profit for the financial year	21,834	15,675
Net addition to shareholders' funds	21,834	15,675
Opening shareholders' funds	52,999	37,324
Closing shareholders' funds	74,833	52,999

**VIACOM OUTDOOR LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Note	<u>2002</u> £000	<u>2001</u> £000
<b>FIXED ASSETS</b>			
Tangible assets	(8)	6,778	5,049
Investments	(9)	3,066	3,066
		<hr/>	<hr/>
		9,844	8,115
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	(10)	93,072	65,390
Cash at bank and in hand		7,609	19,643
		<hr/>	<hr/>
		100,681	85,033
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	(11)	(34,264)	(38,721)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		66,417	46,312
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		76,261	54,427
		<hr/>	<hr/>
Creditors: Amounts falling due after one year	(11)	(828)	(828)
Provision for liabilities and charges	(12)	(600)	(600)
		<hr/>	<hr/>
<b>NET ASSETS</b>		74,833	52,999
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share Capital	(13)	650	650
Share premium account	(14)	2	2
Profit and loss account	(15)	74,181	52,347
		<hr/>	<hr/>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		74,833	52,999
		<hr/>	<hr/>
Signed on behalf of the Board			
A Oldham	Director		
28 October 2003			

## **VIACOM OUTDOOR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002**

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

In December 2000, the Accounting Standards Board issued FRS19 ("Deferred taxation") and, as required, the Company has adopted FRS19 in these financial statements. As disclosed in note 10, the adoption of FRS19 has not had a significant impact on the Company's results for prior years, and hence prior year comparative information has not been restated. With the exception of the change in accounting policy for deferred taxation on adoption of FRS19, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

##### **a) Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. As a wholly-owned subsidiary of a company incorporated in Great Britain which prepares consolidated financial statements, the Company is exempt, under section 228 of the Companies Act 1985, from preparing consolidated financial statements.

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

The Company has taken advantage of the exemption provided under Financial Reporting Standard No. 8 (for subsidiary undertakings whose voting rights are more than 90% controlled within the group) from disclosing group related party transactions and balances. The financial statements of TDI Holdings Limited are publicly available.

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

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

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

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

##### **c) Leases**

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

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

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



**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

e) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that a transaction or event that has occurred at the balance sheet date give rise to an obligation to pay more or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that, based on available evidence, it is more likely than not that suitable taxable profits will arise from which the reversal of the asset can be deducted.

f) Turnover

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

g) Provision

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

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Attributable pre-tax		Attributable pre-tax	
	Turnover	Profit	Turnover	Profit
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
All turnover and profit was earned in the United Kingdom and derived from Poster Advertising Contracting	133,823	25,209	123,050	23,187

3. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting) the following:

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Auditors' remuneration for audit	24	20
Auditors' remuneration for non-audit work	62	84
Depreciation on tangible fixed assets	2,495	1,085
Write down of investments	-	2,075
Operating leases - other assets	2,296	1,385

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

4. INTEREST RECEIVABLE (NET)

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Interest receivable - bank	(376)	(911)
Interest receivable - group	(23)	(6)
Other interest payable	13	2
	<hr/>	<hr/>
	(386)	(915)
	<hr/>	<hr/>

5. EMOLUMENTS OF DIRECTORS

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Aggregate emoluments	1,090	754
Company pension contributions to money purchase schemes	55	32
	<hr/>	<hr/>
	1,145	786
	<hr/>	<hr/>
<b>Highest paid director</b>		
Emoluments and benefits	314	184
Company pension contributions to money purchase schemes	12	7
	<hr/>	<hr/>
	326	191
	<hr/>	<hr/>

Retirement benefits were accruing to 6 directors (2001 – 5) under money purchase schemes. Mr. Karmazin is a director of Viacom Outdoor Limited to represent the interests of the US parent company and receives no emoluments in respect of services to the UK company.

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

**6. STAFF NUMBERS AND COSTS**

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

	<u>2002</u>	<u>2001</u>
Sales and Marketing	228	232
Operations	288	236
Administration	80	66
	<hr/>	<hr/>
	596	534
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	<u>£000</u>	<u>£000</u>
Wages and salaries	18,386	15,218
Social security costs	1,840	1,355
Other pension costs	641	580
	<hr/>	<hr/>
	20,867	17,153
	<hr/>	<hr/>

**7. TAXATION**

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
<b>CURRENT TAX:</b>		
UK Corporation Tax at 30% (2001 – 30%) on the profits of the year	7,036	7,667
Adjustment in respect of previous periods	(3,221)	(155)
	<hr/>	<hr/>
Total current tax	3,815	7,512
<b>DEFERRED TAX:</b>		
Origination and reversal of timing differences	(145)	-
Adjustment in respect of previous periods	(295)	-
	<hr/>	<hr/>
Total deferred tax	(440)	-
	<hr/>	<hr/>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>3,375</b>	<b>7,512</b>
	<hr/>	<hr/>

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Profit on ordinary activities before tax	25,209	23,187
Profit on ordinary activities at the standard rate in the UK (30%) (2001: 30%)	7,563	6,956
Effects of:		
Expenses not deductible for tax purposes	163	711
Accelerated capital allowances and other timing differences	129	23
Group relief surrender from group company without charge	(819)	-
Adjustments in respect of previous periods	(3,221)	(178)
	<hr/>	<hr/>
CURRENT TAX CHARGE FOR THE PERIOD	3,815	7,512
	<hr/>	<hr/>

The corporation tax charge for the year has been reduced by £4,040,000 as a result of losses surrendered by the group's parent undertaking, TDI Holdings Ltd. No payment for this surrender is to be made by the Company. Of this amount, £3,221,000 relates to losses surrendered in prior years by TDI Holdings, which were previously accounted for on the basis that payment would be made by the Company for this relief.

**8. TANGIBLE FIXED ASSETS**

	<u>Leasehold</u> <u>Improvements</u> <u>£000</u>	<u>Computer</u> <u>Equipment</u> <u>£000</u>	<u>Vehicles</u> <u>Plant and</u> <u>Machinery</u> <u>£000</u>	<u>Total</u> <u>£000</u>
<b>COST</b>				
At 1 January 2002	1,601	2,328	4,776	8,705
Additions	597	350	3,277	4,224
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	2,198	2,678	8,053	12,929
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>				
At 1 January 2002	318	1,424	1,914	3,656
Charge for year	523	587	1,385	2,495
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	841	2,011	3,299	6,151
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>				
At 31 December 2001	1,283	904	2,862	5,049
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	1,357	667	4,754	6,778
	<hr/>	<hr/>	<hr/>	<hr/>

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

9. <u>FIXED ASSET INVESTMENTS</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Investment in subsidiaries	16,107	16,107
Less: amounts written off in prior periods	(13,041)	(13,041)
	<hr/>	<hr/>
	3,066	3,066
	<hr/>	<hr/>

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

	<u>Country of incorporation</u>	<u>Principal activity</u>
TDI (BP) Limited	England & Wales	Dormant
TDI (FB) Limited	England & Wales	Dormant
Outdoor Images Limited	England & Wales	Dormant
TDI Buses Limited	England & Wales	Dormant
TDI Transit Advertising Limited	England & Wales	Dormant
Metrobus Advertising Limited	England & Wales	Dormant

The Company also owns, directly or through subsidiaries, 75% of the issued share capital of:

	<u>Country of incorporation</u>	<u>Principal activity</u>
TDI Mail Holdings Limited	England & Wales	Holding company
Ripple Vale Holdings Limited	British Virgin Islands	Holding company
Sky Blue Investments Limited	Jersey	Holding company
Viacom Outdoor Limited	Northern Ireland	Poster advertising contractor

Since the year end, the Company has acquired the remaining 25% shareholdings in the above companies for a consideration of £657,673.

10. <u>DEBTORS</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Due within one year:		
Trade debtors	32,984	27,768
Amounts due from parent undertaking	32,295	29,515
Amounts owed by fellow subsidiary undertakings	21,245	2,567
Amounts owed by subsidiary undertakings	3,368	3,924
Other debtors	603	995
Prepayments and accrued income	2,137	621
	<hr/>	<hr/>
	92,632	65,390
Due after one year:		
Deferred taxation	440	-
	<hr/>	<hr/>
	93,072	65,390
	<hr/>	<hr/>

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

The Company has adopted the provisions of FRS19 in the period. At 31 December 2002, the Company had a deferred tax asset of £440,000 (2001: an unrecognised asset of £295,000). Of this balance £363,000 (2001: an unrecognised asset of £235,000) arose due to the difference between capital allowances and depreciation, and £77,000 (2001: an unrecognised asset of £60,000) arose due to short term timing differences.

11. <u>CREDITORS</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Amounts falling due within one year:		
Trade creditors	227	245
Amounts owed to fellow subsidiary undertakings	3,854	2,945
Amounts owed to subsidiary undertakings	1,670	5,155
Corporation tax	1,827	6,170
Other taxation and social security	2,649	2,722
Accruals and deferred income	24,037	21,484
	<hr/>	<hr/>
	34,264	38,721
	<hr/>	<hr/>
Amounts falling due after one year:		
Deferred consideration on acquisition of TDI Transit Advertising Limited	828	828
	<hr/>	<hr/>

The above amount of £828,000 will be offset against a similar amount of indebtedness due from the vendor to TDI Transit Advertising Limited.

12. PROVISION FOR LIABILITIES AND CHARGES

	<u>Vacant Property</u> <u>£000</u>
At 1 January 2002	600
Charged to the profit and loss	-
Utilised in the year	-
	<hr/>
At 31 December 2002	600
	<hr/>

13. CALLED UP SHARE CAPITAL

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Authorised 650,000 ordinary shares of £1 each	650	650
	<hr/>	<hr/>
Allotted, called up and fully paid 650,000 ordinary shares of £1 each	650	650
	<hr/>	<hr/>

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

14. SHARE PREMIUM ACCOUNT

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
At 31 December	2	2
	—	—

15. PROFIT AND LOSS RESERVE

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Balance brought forward	52,347	36,672
Retained profit for the year	21,834	15,675
	—	—
Balance carried forward	74,181	52,347
	—	—

16. COMMITMENTS

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

	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Operating leases, renting and other agreements, which expire:				
Within one year	10	69	33	153
In two to five years inclusive	340	687	91	363
Over five years	1,350	-	1,523	-
	—	—	—	—
	1,700	756	1,647	516
	—	—	—	—

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.

**VIACOM OUTDOOR LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)**

**17. PENSIONS**

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

The Viacom Outdoor scheme, a money purchase scheme, is an exempt approved scheme under Chapter 1 of Part XIV of the Taxes Act. The assets of the scheme are held in trust in an independently managed fund and are therefore completely separate from the assets of the Company. The pension scheme is independently advised and its accounts are independently audited. The pension cost relating to the scheme for the year was £637,000 (2001: 577,000) of which £91,000 (£79,000) was accrued and unpaid at the year end.

**18. HOLDING COMPANY**

The smallest group into which the Company is consolidated is headed by TDI Holdings Limited, which is registered in England and Wales. The largest group into, which the Company is consolidated, is headed by Viacom Inc., of the United States of America, a company listed on the New York Stock Exchange. The directors consider LDI Limited (the immediate parent company) to be the immediate controlling company, and Viacom Inc. the ultimate controlling company. Copies of the consolidated financial statements of TDI Holdings Limited are available from 28 Jamestown Road, London, NW1 7BY.