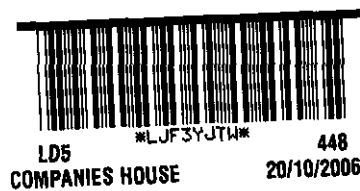


**ITV DIGITAL HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2005**  
**REGISTERED NUMBER: 3261192**



**ITV DIGITAL HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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# ITV DIGITAL HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their annual report and the audited financial statements for the year ended 31 December 2005. The comparatives are for the year ended 31 December 2004.

#### Principal activities

The Company's principal activity is as a holding company for the ITV Digital Group, whose principal activity was the provision of pay television and interactive services via the medium of digital terrestrial broadcasting.

#### Business Review

The results for the year are shown in the Profit and Loss Account on page 6 of these financial statements.

#### Principal transactions and post balance sheet events

The ITV plc group continued the operational and legal restructuring programme that commenced in 2004 with the objective to deliver synergies from the merger, rationalise intercompany funding arrangements, streamline dividend flows through the group structure, maximise retained earnings at the parent company level and eliminate unnecessary companies.

#### Dividends

The directors do not recommend the payment of a dividend (year to 31 December 2004: £nil)

#### Basis of Preparation

As the Company's subsidiaries are in liquidation, consolidated accounts have not been prepared.

The Company is presently wholly dependent on the support of its shareholders, Carlton Communications Limited ("Carlton") and Granada Media Limited ("Granada") (together the "Shareholders", now both part of the ITV plc Group), in order to continue to meet its debts as they fall due. The Shareholders have no legal or other obligation to continue to fund the Company. As noted above from 2 February 2004 the Shareholders became wholly owned subsidiaries of ITV plc.

The administrators of ONdigital 1998 plc (formerly ITV Digital plc) took the decision to close that company's main trading business on 30 April 2002 and it ceased to broadcast pay television and interactive services on 1 May 2002. As a result, the Company is not expected to be in a position to repay the loans due to Shareholders. In the absence of guarantees provided by the Shareholders that the loans will not be called for repayment, it is the opinion of the directors that the Company is not a going concern, because it is unable to fund its present obligations and liabilities. These accounts have therefore not been prepared on a going concern basis.

#### Directors

The following were directors of the Company during the year ended 31 December 2005:

|                | Resignation Date |
|----------------|------------------|
| Charles Allen  |                  |
| Mike Green     |                  |
| Henry Staunton | 29 March 2006    |
| James Tibbitts |                  |

No director had any interest in any contract with the Company or its subsidiary undertakings except as disclosed in these financial statements.

#### Directors' interests and share options

The shareholdings of Charles Allen and Henry Staunton in the share capital and interests in share options of ITV plc are disclosed in the accounts of ITV plc for the year ended 31 December 2005. A copy of the accounts of ITV plc can be obtained from the Company Secretary at the registered office address.

**ITV DIGITAL HOLDINGS LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

The shareholdings of Mike Green and James Tibbitts in the share capital and interests in share options of ITV plc are disclosed in the accounts of Carltonco 120 Limited for the year ended 31 December 2005. A copy of the accounts of Carltonco 120 Limited can be obtained from the Company Secretary at the registered office address.

**Donations**


Grants and charitable donations made during the period amounted to £nil (year to 31 December 2004: £nil).

There were no political contributions (year to 31 December 2004: £nil).

**Auditors**

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in a General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

By order of the Board

  
Helen Tautz  
Company Secretary

The London Television Centre  
Upper Ground  
London  
SE1 9LT

10 OCTOBER 2006

**ITV DIGITAL HOLDINGS LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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. As explained on page 2, these financial statements have not been prepared on a going concern basis.

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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF  
ITV DIGITAL HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

We have audited the financial statements of ITV Digital Holdings Limited for the year ended 31 December 2005 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes. The financial statements, which have not been prepared on a going concern basis, have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

Date *20th October 2006*

Po Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

**ITV DIGITAL HOLDINGS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

During the financial year and the preceding financial year the company did not trade and received no income and incurred no expenditure. Consequently, during those years the company made neither a profit nor a loss and has not presented a profit and loss account.

A statement of total recognised gains and losses has not been included as part of these financial statements as the Company made no gains or losses in the current or prior year.

The notes on pages 8 to 10 form part of these financial statements.

**ITV DIGITAL HOLDINGS LIMITED**

**BALANCE SHEET**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

|  |             | <b>31 December</b>      | <b>31 December</b>      |
|--|-------------|-------------------------|-------------------------|
|  |             | <b>2005</b>             | <b>2004</b>             |
|  | <i>Note</i> | <b>£'000</b>            | <b>£'000</b>            |
| <b>Fixed assets</b>                                    |             |                         |                         |
| Investments  | 6           | 3                       | 3                       |
| <b>Creditors – amounts falling due within one year</b> | 7           | <b>(974,610)</b>        | <b>(974,610)</b>        |
| Net current liabilities                                |             | <u>(974,610)</u>        | <u>(974,610)</u>        |
| Net liabilities  |             | <u><b>(974,607)</b></u> | <u><b>(974,607)</b></u> |
| <b>Capital and reserves</b>                            |             |                         |                         |
| Called up share capital                                | 8           | <b>20,700</b>           | <b>20,700</b>           |
| Share premium account                                  | 9           | <b>186,300</b>          | <b>186,300</b>          |
| Other reserves   | 9           | <b>25,000</b>           | <b>25,000</b>           |
| Profit and loss account                                | 9           | <b>(1,206,607)</b>      | <b>(1,206,607)</b>      |
| Equity shareholders' deficit                           |             | <u><b>(974,607)</b></u> | <u><b>(974,607)</b></u> |

The notes on pages 8 to 10 form part of these financial statements.

These financial statements were approved by the board of directors on **10 OCTOBER 2006** and were signed on its behalf by :



**M Green**  
Director

Date: **10 OCTOBER 2006**



# ITV DIGITAL HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### **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.

##### ***Basis of preparation***

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

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company has adopted FRS 21 (IAS 10) 'Events after the balance sheet date' for the first time in these accounts. The principal impact is on dividend recognition. Previously dividends were recognised in the period for which they were declared as relating to, now dividends are recognised during the period in which they are declared. There is no effect on these financial statements arising from this change.

The Company has adopted FRS 28 'Corresponding amounts' for the first time in these accounts. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

##### ***Going concern***

The financial statements have not been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons. The Company is presently wholly dependent on the support of its shareholders, Carlton Communications Limited and Granada Media Limited, in order to continue to meet its debts as they fall due. The shareholders have no legal or other obligation to continue to fund the Company.

##### ***Cash flow statement***

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

##### ***Investments***

The Company's balance sheet includes investments at cost less amounts written off in respect of any permanent diminution in value.

##### ***Taxation***

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised and computed without discounting. Full provision is made in respect of all timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes at the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that the asset will be recovered.

#### **2 Staff costs, directors' and auditor's remuneration**

No director received any emoluments for their services to this Company (2004: £nil). The auditor's remuneration for the current period has been borne by another group company (2004: £nil). There were no employees and hence no staff costs during the year (2004: nil)

**ITV DIGITAL HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

**3 Investments**

|  | Investment in<br>subsidiary<br>undertakings<br>£'000 | Other Market<br>Investments<br>£'000 | Total<br>£'000   |
|--|--|--------------------------------------|------------------|
| <b>Cost at 1 January 2005 and 31 December 2005</b>       | <b>715,100</b>                                       | <b>3</b>                             | <b>715,103</b>   |
| <b>Provisions at 1 January 2005 and 31 December 2005</b> | <b>(715,100)</b>                                     | <b>-</b>                             | <b>(715,100)</b> |
| <b>Net Book Value at 31 December 2005</b>                | <u><u>-</u></u>                                      | <u><u>3</u></u>                      | <u><u>3</u></u>  |
| <b>Net Book Value at 31 December 2004</b>                | <u><u>-</u></u>                                      | <u><u>3</u></u>                      | <u><u>3</u></u>  |

The Company has investments in two subsidiary companies:

- ONdigital 1998 plc (formerly ITV Digital plc) – 233 million Ordinary shares with a nominal value of 1p each
- ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited) - 2 Ordinary shares with a nominal value of £1 each

Both subsidiaries are wholly owned, incorporated in the United Kingdom and registered in England and Wales.

Both subsidiaries have been placed into the hands of liquidators under the Insolvency Act 1986. The Company's cost of investment in these subsidiaries has therefore been fully written off.

**4 Creditors: amounts falling due within one year**

|  | <b>31 December<br/>2005<br/>£'000</b> | <b>31 December<br/>2004<br/>£'000</b> |
|--|---------------------------------------|---------------------------------------|
| Short term shareholder loan              | <b>874,394</b>                        | 874,394                               |
| Capitalised interest on shareholder loan | <b>100,210</b>                        | 100,210                               |
| Other amounts payable to shareholders    | <b>4</b>                              | 4                                     |
| Accruals and deferred income             | <b>2</b>                              | 2                                     |
|  | <u><u><b>974,610</b></u></u>          | <u><u>974,610</u></u>                 |

**ITV DIGITAL HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

**5 Share Capital**

|   | <b>31 December</b>   | <b>31 December</b>   |
|---|----------------------|----------------------|
|   | <b>2005</b>          | <b>2004</b>          |
|   | <b>£'000</b>         | <b>£'000</b>         |
| <b>Authorised equity share capital</b>    |                      |                      |
| 172,500,000 ordinary C shares of 10p each | 17,250               | 17,250               |
| 172,500,000 ordinary G shares of 10p each | <u>17,250</u>        | <u>17,250</u>        |
|   | <u><b>34,500</b></u> | <u><b>34,500</b></u> |
| <b>Allotted and fully paid</b>            |                      |                      |
| 103,500,500 ordinary C shares of 10p each | 10,350               | 10,350               |
| 103,500,500 ordinary G shares of 10p each | <u>10,350</u>        | <u>10,350</u>        |
|   | <u><b>20,700</b></u> | <u><b>20,700</b></u> |

All C and G class shares are identical and rank pari passu in all respects as the same class of share.

**6 Reconciliation of movements in shareholders' funds**

|                        | <b>Share</b>   | <b>Share</b>   | <b>Other</b>    | <b>Profit and</b>  | <b>Total</b>     |
|------------------------|----------------|----------------|-----------------|--------------------|------------------|
|                        | <b>Capital</b> | <b>Premium</b> | <b>reserves</b> | <b>Loss</b>        | <b>2005</b>      |
|                        | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>    | <b>£'000</b>       | <b>£'000</b>     |
| At beginning of year   | 20,700         | 186,300        | 25,000          | (1,206,607)        | (974,607)        |
| Result for the year    | -              | -              | -               | -                  | -                |
| At the end of the year | <u>20,700</u>  | <u>186,300</u> | <u>25,000</u>   | <u>(1,206,607)</u> | <u>(974,607)</u> |

**7 Ultimate parent company**

The Company's ultimate parent company is ITV plc, a company incorporated and registered in England and Wales.

The largest and smallest group in which the results of the company were consolidated was that headed by ITV plc. The consolidated accounts of ITV plc are available to the public and may be obtained from the Company Secretary, The London Television Centre, Upper Ground, London SE1 9LT.