

**ITV DIGITAL HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2004**  
**REGISTERED NUMBER: 3261192**



**ITV DIGITAL HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

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# ITV DIGITAL HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their annual report and the audited financial statements for the year ended 31 December 2004. The comparatives are for the 15 month period ended 31 December 2003.

#### Principal activities

The Company's principal activity is as a holding company for the ITV Digital Group.

#### 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

On 2 February 2004 the merger between Granada plc and Carlton Communications Plc became effective and ITV plc was listed on the London Stock Exchange.

Following the merger of Granada plc with Carlton Communications Plc in February 2004, Granada shareholders received one ITV plc ordinary 10 pence share for each Granada plc share held, and Carlton shareholders received 1.9386 ITV plc 10 pence ordinary shares and 0.1835 ITV plc 10 pence convertible shares for each Carlton Communications Plc share held.

Subsequent to the merger, the ITV plc group commenced an operational and legal restructuring programme with the objectives 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. The initial stages of the restructuring programme are considered to have furthered the achievement of the objectives and the restructuring programme is expected to continue during 2005.

At an Extraordinary General Meeting of Granada plc held on 17 September 2004 the shareholders passed a special resolution approving the re-registration of Granada plc as a limited company. The re-registration was registered by the Company Registrar on 21 September 2004 and the Company is now called Granada Limited.

At an Extraordinary General Meeting of Carlton Communications Plc held on 27 September 2004 the shareholders passed a special resolution approving the re-registration of Carlton Communications Plc as a limited company. The re-registration was registered by the Company Registrar on 27 September 2004 and the Company is now called Carlton Communications Limited.

#### Dividends

The directors do not recommend the payment of a dividend (15 months to 31 December 2003: £nil).

#### Directors

The following were directors of the Company during the year ended 31 December 2004:

|                  | Appointment Date<br>(if during period of accounts) | Resignation Date<br>(if during period of accounts) |
|------------------|--|--|
| Charles Allen    |  |  |
| Michael A. Green |  |  |
| Michael P. Green |  | 30 January 2004                                    |
| Paul Murray      |  | 30 January 2004                                    |
| Graham Parrott   |  | 17 August 2004                                     |
| Henry Staunton   |  |  |
| James Tibbitts   | 17 August 2004                                     |  |

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 2004. The shareholdings of Michael A. 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 2004. A copy of the accounts of ITV plc and Carltonco 120 Limited can be obtained from the Company Secretary at the registered office address.

**ITV DIGITAL HOLDINGS LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

**Auditors**

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in 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



Director

The London Television Centre  
Upper Ground  
London SE1 9LT

27 October 2005

# **ITV DIGITAL HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which 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 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;
- as explained in note 1 to the financial statements, the directors do not believe the going concern basis is appropriate and, these financial statements have not been prepared on that basis.

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 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 2004**

We have audited the financial statements on pages 6 to 12, which as described in note 1, have not been prepared on a going concern basis.

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**

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

**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 as at 31 December 2004 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  
8 Salisbury Square  
London  
EC4Y 8BB

*31 October 2005*

**ITV DIGITAL HOLDINGS LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

|   | Note | Year ended<br>31 December 2004<br>£'000 | 15 months ended<br>31 December 2004<br>£'000 |
|---|------|---|--|
| <b>Turnover</b>   |      | -                                       | -  |
| Cost of sales   |      | -                                       | -  |
| Gross profit/(loss)   |      | -                                       | -  |
| Administrative expenses                                     |      | -                                       | -  |
| <b>Operating profit/(loss)</b>                              |      | -                                       | -  |
| Net interest payable  | 3    | -                                       | -  |
| <b>Profit/(loss) on ordinary activities before taxation</b> | 4    | -                                       | -  |
| Tax on profit/(loss) on ordinary activities                 | 5    | -                                       | -  |
| <b>Profit/(loss) on ordinary activities after taxation</b>  |      | -                                       | -  |
| Retained loss brought forward                               |      | (1,206,607)                             | (1,206,607)                                  |
| Retained loss carried forward                               |      | (1,206,607)                             | (1,206,607)                                  |

The notes referred to above form part of these accounts.

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 period other than those disclosed above in the profit and loss account.

A note of historical cost profit and losses has not been included as part of the financial statements since the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

**ITV DIGITAL HOLDINGS LIMITED**  
**BALANCE SHEET**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

|  |             | 31 December<br>2004<br>£'000 | 31 December<br>2003<br>£'000 |
|--|-------------|------------------------------|------------------------------|
|  | <i>Note</i> |                              |                              |
| <b>Fixed assets</b>                                    |             |                              |                              |
| Investments  | 6           | 3                            | 3                            |
| <b>Creditors – amounts falling due within one year</b> | 7           | (974,610)                    | (974,610)                    |
| Net current liabilities                                |             | <u>(974,610)</u>             | <u>(974,610)</u>             |
| <b>Net liabilities</b>                                 |             | <u>(974,607)</u>             | <u>(974,607)</u>             |
| <br><b>Capital and reserves</b>                        |             |                              |                              |
| Called up share capital                                | 8           | 20,700                       | 20,700                       |
| Share premium account                                  | 9           | 186,300                      | 186,300                      |
| Other reserves   | 9           | 25,000                       | 25,000                       |
| Profit and loss account                                | 9           | (1,206,607)                  | (1,206,607)                  |
| <b>Equity shareholders' deficit</b>                    |             | <u>(974,607)</u>             | <u>(974,607)</u>             |

The notes referred to above form part of these accounts.

These financial statements were approved by the board of directors on 27 October 2005 and were signed on its behalf by :



Director

Date: 27 October 2005



**ITV DIGITAL HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

**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 funded by its two shareholders, Carlton and Granada which, since 2 February 2004, have been part of the ITV plc Group. No commitment to continued funding or non-recall of debts owed has been made by Carlton or Granada and the shareholders have no legal or other obligation to continue to support the company. In the absence of formal indication from the shareholders that the loans will not be called for repayment for the foreseeable future, the directors have concluded that the going concern basis is not appropriate in the these financial statements. Accordingly, the financial statements have not been prepared on a going concern basis and adjustments have been made to reduce assets to their realisable values.

In accordance with Section 228 of the Companies Act 1985, consolidated financial statements are not presented since the company is a wholly owned subsidiary undertaking of ITV plc.

The company is a wholly owned subsidiary of ITV plc, whose consolidated accounts are publicly available. Consequently it has taken advantage of the exemption granted by FRS 8 'Related Party Disclosures' and has not disclosed transactions with entities that are part of the group.

Under FRS1 'Cash flow statements', the company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary undertaking. The consolidated financial statements of ITV plc include a consolidated cash flow statement dealing with the cash flows of the group.

***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 Employee information**

The Company had no employees during the period (2003: nil) and no staff costs were incurred (2003: £nil).

**ITV DIGITAL HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

**3 Net Interest**

|   | Year ended<br>31 December 2004<br>£'000 | 15 months ended<br>31 December 2003<br>£'000 |
|---|---|--|
| Interest payable on shareholder loans           | -                                       | -  |
| Interest receivable from subsidiary undertaking | -                                       | -  |
| Net interest payable                            | -                                       | -  |

**4 Profit/(loss) on ordinary activities before tax for the period**

The profit/(loss) on ordinary activities before tax for the period is stated after charging:

|   | Year ended<br>31 December 2004<br>£'000 | 15 months ended<br>31 December 2003<br>£'000 |
|---|---|--|
| Operating profit/(loss) is stated after charging:       |   |  |
| Auditors' remuneration                                  |   |  |
| - Audit services  | -                                       | -  |
| Write off loans receivable from subsidiary undertakings | -                                       | -  |
| Write off interest accrued in current period            | -                                       | -  |

The remuneration of the auditors in the current (audit fee of £100 in 2003) period is borne by another group company.

**5 Taxation**

Analysis of charge in period

|   | Year ended<br>31 December 2004<br>£'000 | 15 months ended<br>31 December 2003<br>£'000 |
|---|---|--|
| <i>Current tax:</i>                         |   |  |
| UK corporation tax on profit for the period | -                                       | -  |
| Total current tax (see below)               | -                                       | -  |
| Tax on profit on ordinary activities        | -                                       | -  |

# ITV DIGITAL HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

The current tax charge for the period is equal to (15 months ended 31 December 2003: equal to) the standard rate of corporation tax in the UK (year ended 31 December 2004: 30%, 15 months ended 31 December 2003: 30%). The differences are explained below:

|  | Year ended<br>31 December 2004<br>£'000 | 15 months ended<br>31 December 2003<br>£'000 |
|--|---|--|
| Profit on ordinary activities before tax   | -                                       | -  |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 : 30%) | -                                       | -  |
| Effects of:  |   |  |
| Expenses not deductible for tax purposes   | -                                       | -  |
| Depreciation in excess of capital allowances   | -                                       | -  |
| Trade losses not utilised  | -                                       | -  |
| Total current tax charge   | -                                       | -  |

#### 6 Investments

|   | ONdigital 1998 plc<br>£'000 | Other Market<br>Investments<br>£'000 | Total<br>£'000 |
|---|-----------------------------|--------------------------------------|----------------|
| Cost at 1 January 2004 and 31 December 2004       | 715,100                     | 3                                    | 715,103        |
| Provisions at 1 January 2004 and 31 December 2004 | (715,100)                   | -                                    | (715,100)      |
| Net Book Value at 31 December 2004                | -                           | 3                                    | 3              |
| Net Book Value at 31 December 2003                | -                           | 3                                    | 3              |

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.

**ITV DIGITAL HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

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

|  | <b>31 December<br/>2004<br/>£'000</b> | <b>31 December<br/>2003<br/>£'000</b> |
|--|---------------------------------------|---------------------------------------|
| Short term shareholder loan              | 874,394                               | 874,394                               |
| Capitalised interest on shareholder loan | 100,210                               | 100,210                               |
| Other amounts payable to shareholders    | 4                                     | 3                                     |
| Accruals and deferred income             | 2                                     | 3                                     |
|  | <u>974,610</u>                        | <u>974,610</u>                        |

**8 Share Capital**

|   | <b>31 December 2004<br/>£'000</b> | <b>31 December 2003<br/>£'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>34,500</u>                     | <u>34,500</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>20,700</u>                     | <u>20,700</u>                     |

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

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

|                                   | <b>Share<br/>Capital<br/>£'000</b> | <b>Share<br/>Premium<br/>£'000</b> | <b>Other<br/>reserves<br/>£'000</b> | <b>Profit and<br/>Loss<br/>£'000</b> | <b>Total<br/>2004<br/>£'000</b> | <b>Total<br/>2003<br/>£'000</b> |
|-----------------------------------|------------------------------------|------------------------------------|-------------------------------------|--------------------------------------|---------------------------------|---------------------------------|
| At beginning of year / period     | 20,700                             | 186,300                            | 25,000                              | (1,206,607)                          | (974,607)                       | (974,607)                       |
| Profit/(loss) for the year/period | -                                  | -                                  | -                                   | -                                    | -                               | -                               |
| At end of year/period             | <u>20,700</u>                      | <u>186,300</u>                     | <u>25,000</u>                       | <u>(1,206,607)</u>                   | <u>(974,607)</u>                | <u>(974,607)</u>                |

**ITV DIGITAL HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

**10 Contingent liabilities**

The Company and certain other group companies have entered into cross guarantees for the group's bank arrangements and are jointly and severally liable in respect of any overdraft arising.

In the opinion of the directors, adequate allowance has been made in respect of these matters.

**11 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.