

**ITV Digital Holdings Limited**  
(Formerly ONdigital Holdings Limited)

Registered Number: 3261192

**Directors' Report and Financial Statements**

**For the Year Ended 30 September 2001**



ITV Digital Holdings Limited  
(Formerly ONdigital Holdings Limited)

**Directors' Report for the Year Ended 30 September 2001**

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2001.

**PRINCIPAL ACTIVITY**

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.

The Company's subsidiaries, ONdigital 1998 plc (formerly ITV Digital plc) and ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited), went into administration under the Insolvency Act 1986 on 27 March 2002 and into creditors' voluntary liquidation on 18 October 2002. The Company's cost of investment in these subsidiaries has therefore been fully written off and loans to those entities have also been fully written off as the level of dividend from the liquidation is uncertain.

**CHANGE OF NAME**

On 11 July 2001 the Company changed its name from ONdigital Holdings Limited to ITV Digital Holdings Limited.

**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 and Granada (the "Shareholders"), 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.

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.

**REVIEW OF BUSINESS**

During the year the Company incurred an expense of £1,034.3 million resulting from a write down of its investments in ONdigital 1998 plc (formerly ITV Digital plc) and ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited) and provision against loans to ONdigital 1998 plc. At the balance sheet date the Company's current liabilities (including Shareholder loans) exceeded its current assets by £830.9 million.

**RESULTS AND DIVIDENDS**

The Company's loss for the financial year is £1,062.9 million (2000: nil). The directors do not propose the payment of a dividend (2000:nil).

#### DIRECTORS AND THEIR INTERESTS

The directors who held office during this year, are as follows:

Charles L Allen  
Gerard M Murphy  
Henry E Staunton  
Michael P Green  
Nigel N Walmsley  
Stephen R Morrison

On 26 November 2001, Nigel N Walmsley resigned as a director and Michael A Green was appointed in his place. On 30 September 2002, Stephen R Morrison resigned as a director and Graham J Parrott was appointed in his place.

Details of the interests of Michael P Green, Nigel N Walmsley and Gerard M Murphy in the shares of Carlton Communications Plc, which owns 50% of the Company, are disclosed in the Carlton Communications Plc Annual Report and Accounts, copies of which can be obtained from the Company Secretary, Carlton Communications Plc, 25 Knightsbridge, London SW1X 7RZ.

Details of the interests of Charles L Allen, Stephen R Morrison and Henry E Staunton in the shares of Granada Media plc, which owns 50% of the Company are disclosed in the Granada plc Annual Report and Accounts, copies of which can be obtained from the Company Secretary, Granada plc, The London Television Centre, Upper Ground, London, SE1 9LT.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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; 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 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.

#### AUDITORS

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

By order of the Board

D Abdoo  
Secretary

20 December 2002

25 Knightsbridge  
London SW1X 7RZ

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ITV Digital Holdings Limited  
(Formerly ONdigital Holdings Limited)**

We have audited the financial statements on pages 5 to 13.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance. This opinion has been prepared for and only for the company's members 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 in to 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 United Kingdom Companies Act. 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 generally accepted in the United Kingdom. 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.

**BASIS OF PREPARATION**

We draw your attention to note 1 which sets out disclosures related to the placing of the Company's trading subsidiaries into liquidation.

The Company is funded by its two shareholders but no legally binding commitment to continued funding or non-recall of debts owed has been made and the shareholders have no legal or other obligation to continue to support the Company.

In the absence of a 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 these financial statements.

Accordingly, adjustments have been made to these financial statements to reflect the fact that they have not been prepared on a going concern basis. These adjustments reduce assets to their realisable values. Our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 30 September 2001 and its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

A handwritten signature in cursive script, appearing to read "PricewaterhouseCoopers", is written over the printed name of the firm.

20 December 2002

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Profit and Loss Account for the Year Ended 30 September 2001

	Note	2001 £'000	2000 £'000
Turnover		-	-
Cost of sales		-	-
Gross Profit		-	-
Write off loans receivable from subsidiary undertakings		(319,191)	-
Administrative expenses		(1)	-
Operating loss	2	(319,192)	-
Write off fixed asset investments	5	(715,100)	-
Net interest (payable)/receivable	4	(28,581)	-
Loss on ordinary activities before taxation		(1,062,873)	-
Tax on loss on ordinary activities		-	-
Retained loss for the financial year	9	(1,062,873)	-

The Company had no recognised gains or losses during either year other than those reflected in the profit and loss account above. A separate statement of recognised gains and losses has therefore not been presented.

The notes on pages 8 to 13 form part of these financial statements.

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Balance Sheet at 30 September 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Investments	5	-	232,000
Current assets			
Debtors due within one year	6	-	408,146
Cash at bank and in hand		1	1
		1	408,147
Creditors – amounts falling due within one year	7	(830,874)	(408,147)
Net current liabilities		(830,873)	-
Total assets less current liabilities		(830,873)	232,000
Capital and reserves			
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	(1,062,873)	-
Equity shareholders' funds	10	(830,873)	232,000

Approved By The Board on 20 December 2002

DIRECTOR



The notes on pages 8 to 13 form part of these financial statements.

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Statement of Cash Flows for the Year Ended 30 September 2001

	Note	2001 £'000	2000 £'000
Cash flow from operating activities		-	-
Capital expenditure and financial investment			
Receipt of loan repayment from subsidiary undertaking		483,100	-
Increase in loan to subsidiary undertaking		(376,992)	(327,000)
Acquisitions and disposals			
Increase in investment in subsidiary undertaking		(483,100)	-
Cash outflow before management of liquid resources and financing		(376,992)	(327,000)
Financing			
Issue of share capital		-	-
Increase in Shareholder loans		376,992	327,000
Increase in cash in the year	11	-	-

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2001

1. Accounting policies

a) Basis of Accounting

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

b) Basis of Preparation

The financial statements have not been prepared on a going concern basis.

The Company is funded by its two Shareholders, Carlton and Granada. These Shareholder loans total £830,874,000 (including capitalised and accrued interest) at the balance sheet date. The comparable amount owed at the date of signature of these financial statements is £974,603,804.

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 a 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 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.

c) Consolidated accounts

The Company has not prepared consolidated financial statements.

The Company's subsidiaries, ONdigital 1998 plc (formerly ITV Digital plc) and ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited), 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 written down to zero and loans to those entities have also been written down to zero as the amount of any liquidation dividend is uncertain.

2. Operating loss

	2001 £'000	2000 £'000
Operating loss is stated after charging:		
Auditors' remuneration		
- Audit services	1	-
Write off loans receivable from subsidiary undertakings (note 5)	319,191	-

In 2000 the audit fee was borne by ONdigital 1998 plc (formerly ITV Digital plc).

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2001

3 Staff costs

None of the directors of the Company received any remuneration from the Company.

4. Net interest (payable)/receivable

	2001 £'000	2000 £'000
Interest payable on shareholder loans	(45,732)	(18,514)
Interest receivable from subsidiary undertaking	17,151	18,514
Net interest (payable)	(28,581)	-

5. Investments

	ONdigital 1998 plc £'000	ONdigital 1998 (Services) Limited £'000	Total £'000
At 1 October 2000	232,000	-	232,000
Additions (ONdigital 1998 plc (formerly ITV Digital plc) Rights Issue)	483,100	-	483,100
Write off fixed asset investments	(715,100)	-	(715,100)
At 30 September 2001	-	-	-

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

On 18 December 2000, 1,000,000 Ordinary shares of 10p each in ONdigital 1998 plc (formerly ITV Digital plc) were subscribed by way of a rights issue to the company for cash consideration of £483,100,000, which was financed by way of the repayment of an intercompany loan from ONdigital 1998 Plc (formerly ITV Digital plc).

On 21 December 2000, a Court order confirming a special resolution of ONdigital 1998 plc (formerly ITV Digital plc) was registered which cancelled and extinguished 9p of the amount paid up on each ordinary share of 10p and reduced the nominal value of the unissued ordinary share capital of 10p each into ordinary shares of 1p each.

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2001

5. Investments (continued)

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 and loans to those entities have also been fully written off as the amount of any liquidation dividend is uncertain.

Investment	Past Activity	Principal place of business	Shareholding	Accounting year
ONdigital 1998 plc (formerly ITV Digital plc) (in liquidation)	Pay television	346 Queenstown Road London SW8 4NE	100% of equity shares	30 September
ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited (in liquidation)	Human resources	346 Queenstown Road London SW8 4NE	100% of equity shares	30 September

6. Debtors

	2001 £'000	2000 £'000
Amounts owed by subsidiary undertakings	-	408,146
	-	408,146

7. Creditors - amounts falling due within one year

	2001 £'000	2000 £'000
Short term shareholder loan	765,996	389,000
Capitalised interest on shareholder loan	64,570	-
Accruals and deferred income	308	19,147
	830,874	408,147

During the year to 30 September 2001, the Company was funded by a £450,000,000 short term loan facility from each of its shareholders which bears interest at 2% above Barclays base rate.

On 28 September 2001 a further loan facility of £50 million was made available from each of its shareholders which bears interest at 7% above Barclays base rate.

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2001

8. Called up equity share capital

	2001 £'000	2000 £'000
Authorised equity share capital		
172,500,000 ordinary C shares of 10p each	17,250	17,250
172,500,000 ordinary G shares of 10p each	17,250	17,250
	34,500	34,500
Allotted and fully paid		
103,500,500 ordinary C shares of 10p each	10,350	10,350
103,500,500 ordinary G shares of 10p each	10,350	10,350
	20,700	20,700

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

9. Reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 October 2000	186,300	25,000	-
Loss transferred to reserves	-	-	(1,062,873)
At 30 September 2001	186,300	25,000	(1,062,873)

10. Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Retained loss for the financial year	(1,062,873)	-
Net proceeds of issue of ordinary share capital	-	-
Net (reduction in)/addition to shareholders' funds	(1,062,873)	-
Shareholders' funds - Opening	232,000	232,000
Shareholders' funds - Closing	(830,873)	232,000

ITV Digital Holdings Limited (Formerly ONdigital Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2001

11. Reconciliation to net debt/(cash)

	30 September 1999 £'000	Cash flow £'000	30 September 2000 £'000	Cash flow £'000	30 September 2001 £'000
Cash at bank and in hand	1	-	1	-	1
Net Funds	1	-	1	-	1

12. Shareholders

The Company is jointly owned by Carlton Communications Plc and Granada plc (owned by its wholly-owned subsidiary Granada Media plc) each holding a stake of 50%. Copies of Carlton Communications Plc accounts can be obtained from the Company Secretary at 25 Knightsbridge, London SW1X 7RZ. Copies of the Granada plc accounts can be obtained from the Company Secretary at The London Television Centre, Upper Ground, London SE1 9LT.

13. Related party transactions

	2001 Value of transactions £'000	(Receivable)/ payable at 30 Sep £'000	2000 Value of transactions £'000	(Receivable) /payable at 30 Sep £'000
Transactions with Carlton Communications plc				
Loan principal	188,498	382,998	163,500	194,500
Loan interest (accrued and capitalised)	22,866	32,441	9,257	9,575
Transactions with Granada Media plc				
Loan principal	188,498	382,998	163,500	194,500
Loan interest (accrued and capitalised)	22,866	32,441	9,257	9,575
Transactions with ITV Digital plc				
Loan principal	376,992	-	327,000	(389,000)
Loan interest	17,151	-	18,514	(19,146)
Repayment of loan principal	(483,100)			
Increase in equity	483,100			

ITV Digital Holdings Limited did not undertake any transactions with ONdigital (Services) 1998 Limited (formerly ITV Digital (Services) Limited) during the year and there were no outstanding balances at year-end.

14. Post balance sheet events

a) Administration order

On 12 February 2002 Deloitte & Touche were appointed to assist in a fundamental restructuring of the cost base of the ITV Digital Group requiring the significant renegotiation of the material contracts of ONdigital 1998 plc (formerly ITV Digital plc).

On 27 March 2002, the Company's subsidiaries, ONdigital 1998 plc (formerly ITV Digital plc) and ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited), went into administration under the Insolvency Act 1986.

b) Liquidation

On 18 October 2002, the Company's subsidiaries, ONdigital 1998 plc (formerly ITV Digital plc) and ONdigital 1998 (Services) Limited (formerly ITV Digital (Services) Limited), were placed into creditors' voluntary liquidation under the Insolvency Act 1986.

c) Agency

The Company has acted, and continues to act, as agent for its shareholders in the settlement of claims brought against the Shareholders and the Company's subsidiaries, in connection with the insolvency of those subsidiaries.

15. Contingent liabilities

As a result of the events described in Note 14, a number of claims have been made against the Company by employees of the Company's subsidiaries. No provision has been made for these claims as the Directors do not believe that the company is liable to meet them.