

ONdigital Holdings Limited

Registered Number: 3261192

Directors' Report and Financial Statements

For the Year Ended 30 September 2000

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ONdigital Holdings Limited
(Formerly British Digital Broadcasting Holdings Limited)

Directors' Report for the Year Ended 30 September 2000

The directors present their report and the audited financial statements of the Group for the year ended 30 September 2000.

PRINCIPAL ACTIVITY

The Company's principal activity is as a holding company for the ONdigital Group, whose principal activity is the provision of pay television and interactive services via the medium of digital terrestrial broadcasting and will continue to be so for the foreseeable future.

REVIEW OF BUSINESS

On 11 May 2000 the company changed its name from British Digital Broadcasting Holdings Limited to ONdigital Holdings Limited. The Group now provides internet access through a television set.

RESULTS AND DIVIDENDS

The Group's loss for the financial year is £307,186,000 (1999 £148,244,000; 1998: £30,751,000).

DIRECTORS AND THEIR INTERESTS

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

Charles L Allen	
Gerard M Murphy	(appointed 4 September 2000)
Henry E Staunton	
Michael P Green	
Nigel N Walmsley	
Steven A Cain	(resigned 31 January 2000)
Stephen R Morrison	
Viscount Caldecote	(appointed 31 January 2000, resigned 4 September 2000)

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 ONdigital Group, 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 ONdigital Group and Granada Compass plc, are disclosed in the Granada Media PLC Annual Report and Accounts, copies of which can be obtained from the Company Secretary, Granada Media PLC, Stornaway House, 13 Cleveland Row, London SW1A 1GG.

CREDITOR PAYMENT POLICY

It is Group policy to settle the terms of payment when agreeing the terms of transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Trade creditor days of the Group for the year ended 30 September 2000 were 30 days (1999: 30 days), based on the ratio of Group trade creditors at the year-end to the amounts invoiced by suppliers.

DONATIONS

The group has made charitable donations in the year of £3,514 (1999: £nil; 1998: £nil).

POST BALANCE SHEET EVENTS

Full details of post balance sheet events are set out in note 19 to the accounts.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Directors' Report for the Year Ended 30 September 2000

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 the Group and of the profit or loss of the Group 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 Group 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 the Group 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 Group 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 Abdo
Secretary

27 March 2001

25 Knightsbridge
London SW1X 7RZ

**AUDITORS' REPORT TO THE MEMBERS OF
ONdigital Holdings Limited
(Formerly British Digital Broadcasting Holdings Limited)**

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

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.

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.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards generally accepted in the United Kingdom and in the United States. 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 affairs of the Company and the Group at 30 September 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985
- present fairly, in all material respects, the consolidated financial position of the group as at 30 September 2000, 30 September 1999 and 30 September 1998, and the results of its operation and its cash flow for the years ended 30 September 2000, 30 September 1999 and 30 September 1998 in conformity with accounting principles generally accepted in the United Kingdom. These principles differ in certain respects from accounting principles generally accepted in the United States. The effect of the differences in the determination of net income, shareholders' equity and cash flows is shown on pages 9 and 10.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH



27 March 2001

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Consolidated Profit and Loss Account for the Year Ended 30 September 2000

	Note	2000 £'000	1999 £'000	1998 £'000
Turnover (Including share of joint venture)	1 d) & 3	107,920	22,293	-
Less: Share of turnover of joint venture		(225)	-	-
Turnover		107,695	22,293	-
Cost of sales		(71,772)	(15,651)	-
		35,923	6,642	-
Administrative expenses		(318,581)	(154,785)	(30,991)
Group operating loss	4	(282,658)	(148,143)	(30,991)
Share of operating loss in joint venture		(7,142)	-	-
Total operating loss:				
Group and share of joint venture		(289,800)	(148,143)	(30,991)
Net Interest (payable)/receivable	6			
By Group		(17,420)	(92)	331
Joint Venture		34	-	-
Loss on ordinary activities before taxation		(307,186)	(148,235)	(30,660)
Tax on loss on ordinary activities	7	-	(9)	(91)
Retained loss for the financial year	14	(307,186)	(148,244)	(30,751)

All activities relate to continuing operations.

Statement of Total Recognised Gains and Losses for the Year Ended 30 September 2000

The Group had no recognised gains or losses during either year other than those reflected in the profit and loss account above.

The notes on pages 8 to 18 form part of these financial statements.

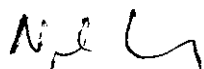
ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Consolidated Balance Sheet at 30 September 2000

	Note	2000 £'000	1999 £'000	1998 £'000
Fixed assets				
Tangible assets	8	107,728	72,443	14,270
Interests in Joint Venture	9			
Share of gross assets		1,492	-	-
Share of gross liabilities		(6,248)	-	-
		(4,756)	-	-
Current assets				
Stock	10	15,169	288	391
Debtors due within one year	11	93,004	40,735	2,778
Cash at bank and in hand		17,551	13,179	2,136
		125,724	54,202	5,035
Creditors – amounts falling due within one year	12	(558,711)	(149,474)	(18,160)
Net current liabilities		(432,987)	(95,272)	(12,855)
Total assets less current liabilities		(330,015)	(22,829)	1,415
Capital and reserves				
Called up share capital	13	20,700	20,700	8,300
Share premium account	14	186,300	186,300	74,700
Other reserves	14	25,000	25,000	25,000
Profit and loss account	14	(562,015)	(254,829)	(106,585)
Equity shareholders' funds	15	(330,015)	(22,829)	1,415

Approved By The Board on 27 March 2001

NIGEL WALMSLEY
DIRECTOR



The notes on pages 8 to 18 form part of financial statements.

ONDigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Company Balance Sheet at 30 September 2000

	Note	2000 £'000	1999 £'000	1998 £'000
Fixed assets				
Investments	9	232,000	232,000	108,000
Current assets				
Debtors due within one year	11	408,146	62,632	-
Cash at bank and in hand		1	1	-
		408,147	62,633	-
Creditors – amounts falling due within one year	12	(408,147)	(62,633)	-
Net current assets		-	-	-
Total assets less current liabilities		232,000	232,000	108,000
Capital and reserves				
Called up share capital	13	20,700	20,700	8,300
Share premium account	14	186,300	186,300	74,700
Other reserves	14	25,000	25,000	25,000
Profit and loss account	14	-	-	-
Equity shareholders' funds	15	232,000	232,000	108,000

Approved By The Board on 27 March 2001

NIGEL WALMSLEY
DIRECTOR



The notes on pages 8 to 18 form part of these financial statements.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Consolidated Statement of Cash Flows for the Year Ended 30 September 2000

	Note	2000 £'000	1999 £'000	1998 £'000
Cash flow from operating activities	16	(214,223)	(108,772)	(79,228)
Returns on investment and servicing of finance				
Net interest received		1,094	541	331
Taxation - corporation tax paid		(36)	(91)	-
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(102,918)	(67,430)	(14,380)
Acquisitions and disposals				
Capital contribution to joint venture		(2,900)	-	-
Cash outflow before management of liquid resources and financing		(318,983)	(175,752)	(93,277)
Financing				
Issue of share capital		-	124,000	66,000
Increase in shareholder loan		327,000	62,000	-
Capital contribution		-	-	25,000
		327,000	186,000	91,000
Increase/(Decrease) in cash in the year	17	8,017	10,248	(2,277)
Reconciliation of net cash flow to movement in net cash				
Increase/(Decrease) in cash in the year		8,017	10,248	(2,277)
Changes in net cash resulting from cash flows		8,017	10,248	(2,277)
Opening net cash/(debt)		9,492	(756)	1,521
Closing net cash/(debt)	17	17,509	9,492	(756)

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

1. Accounting policies

a) Going Concern

The financial statements have been prepared on a going concern basis. The Company is dependent on continuing financial support being made available by its ultimate shareholders to enable it to continue its activity and meet its liabilities as they fall due. The ultimate shareholders have confirmed their intention to continue to fund or procure the funding of the Company on a basis consistent with the present operation of its business so as to maintain the Company as a going concern and to enable the Company to meet its debts as and when they fall due. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

b) Basis of Accounting

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

c) Basis of Consolidation

The financial statements consolidate the accounts of the Company and all its subsidiary undertakings. Joint ventures are consolidated using gross equity accounting.

The Company has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its own profit and loss account.

d) Turnover

Turnover, which excludes value added tax, represents digital terrestrial pay channel subscriptions and other revenues derived from continuing activities. Subscription revenue is recognised over the period to which it relates.

e) Tangible Fixed Assets

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

Leasehold improvements:	Over the period of the lease
Fixtures and fittings	2 - 4 years
Technical equipment	5-15 years
Set top boxes	2 years
Smartcards	5 years

f) Stocks

Stocks are stated at the lower of cost and net realisable value.

g) Programming Costs

Programming costs are amortised over the period of transmission. Payments made in advance of transmission are included in prepayments until transmission commences, at which point they are transferred to stocks and amortised over the period of transmission.

h) Retailer Commissions and Aerial Enhancements

Cost such as retailer commissions and aerial enhancements are carried forward as prepayments and amortised over one year representing the period of subscription to which the customer is contractually committed.

i) Taxation

Corporation tax payable is provided at current rates on all taxable profits.

j) Foreign Currency

Foreign currency assets and liabilities are translated into sterling at closing rates of exchange or at contract rates of exchange where appropriate.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

k) Pensions

The Group maintains a defined contribution based pension scheme. The costs are charged against profits in the year in which they are incurred.

l) Deferred Taxation

Provision is made for taxation on timing differences between profits stated in the financial statements and profits or losses computed for taxation purposes if there is a reasonable probability that such taxation will become payable in the foreseeable future.

m) Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2. Summary of differences between UK and US Generally Accepted Accounting Principles ("GAAP")

The Group's financial statements are prepared in accordance with UK GAAP which differs in certain significant respects from US GAAP. The material differences relate principally to the following items and the effect of the necessary adjustments is shown in the tables below.

(a) Subscriber acquisition costs

Under UK GAAP certain subscriber acquisition costs have been carried forward as prepayments and expensed over twelve months. Under US GAAP such costs are written off as incurred.

(b) Deferred taxes

Under UK GAAP, deferred taxes are only accounted for to the extent that liabilities or benefits are expected to crystallise within the foreseeable future. Under US GAAP, in accordance with SFAS 109, deferred taxes are accounted for on all temporary differences and a valuation adjustment is established in respect of those deferred tax assets where it is more likely than not that some portion will not be realised. The Group has established a full valuation allowance.

(c) Cash flows

Under UK GAAP, the Group presents its cash flows under the following classifications: (a) operating activities; (b) returns on investments and servicing of finance; (c) taxation; (d) capital expenditure and financial investment; (e) acquisitions and disposals; (f) management of liquid resources; and (g) financing. US GAAP requires only three categories of cash flow activity: (a) operating; (b) investing; (c) financing.

Cash flows arising from taxation and returns on investments and servicing of finance under UK GAAP would be included as operating activities under SFAS 95. Cash and cash equivalents under US GAAP include liquid financial instruments with original maturities of under three months, which are not included in the UK GAAP definition of cash.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

The summary consolidated statements of cash flows prepared under US GAAP are set out below:

		Year ended 30 September	
	2000	1999	1998
	£'000	£'000	£'000
Net cash provided by operating activities	(213,165)	(108,322)	(78,897)
Net cash used by investing activities	(105,818)	(67,430)	(14,380)
Net cash provided by financing activities	327,000	186,000	91,000
Net increase/(decrease) in cash and cash equivalents	8,017	10,248	(2,277)
Cash and cash equivalents at beginning of year	9,492	(756)	1,521
	17,509	9,492	(756)

Effect on net loss of differences between UK GAAP and US GAAP

		Year ended 30 September	
	2000	1999	1998
	£'000	£'000	£'000
Net loss attributable to holders of Ordinary Shares under UK GAAP	(307,186)	(148,244)	(30,751)
Effect on net loss of US GAAP adjustments			
- Expense subscriber acquisition costs as incurred	6,100	(22,400)	-
	(301,086)	(170,644)	(30,751)

Cumulative effect on shareholders' equity of differences between UK GAAP and US GAAP

		At 30 September	
	2000	1999	1998
	£'000	£'000	£'000
Shareholders' equity under UK GAAP	(330,015)	(22,829)	1,415
Effect on shareholders' equity of US GAAP adjustment			
- Expense subscriber acquisition costs as incurred	(16,300)	(22,400)	-
	(346,315)	(45,229)	1,415

3. Turnover

Turnover is derived from the provision of pay television and interactive services via the medium of digital terrestrial broadcasting and other associated services. All turnover arises within the United Kingdom from activities conducted from the United Kingdom.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

4. Operating loss

Group	2000 £'000	1999 £'000	1998 £'000
Operating loss is stated after charging:			
Auditors' remuneration			
- Audit services	55	40	15
- Non-audit services	108	134	112
Staff costs (see note 5)	24,134	8,651	2,165
Operating lease rental			
- Plant and machinery	49	16	3
- Other	772	667	-
Depreciation of tangible fixed assets	67,633	9,648	197

The audit fee for the company was borne by a fellow group undertaking.

5. Staff costs

	2000 £'000	1999 £'000	1998 £'000
Wages and salaries	22,049	7,851	1,949
Social security costs	1,639	617	177
Other pension costs	446	183	39
	24,134	8,651	2,165

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

The average monthly number of persons employed by the Group during the year was as follows:

	2000 Number	1999 Number	1998 Number
Administration and management	61	-	-
Transmission and related activities	213	163	18
Sales and distribution	896	47	12
	1,170	210	30

6. Interest and similar items

	2000 £'000	1999 £'000	1998 £'000
Interest payable on shareholder loans	(18,514)	(633)	-
Total interest payable and similar charges	(18,514)	(633)	-
Interest receivable by Group	1,094	541	331
Share of joint venture interest receivable	34	-	-
Total interest receivable	1,128	541	331
Net interest (payable)	(17,386)	(92)	331

7. Tax on loss on ordinary activities

	2000 £'000	1999 £'000	1998 £'000
UK Corporation tax at 30% (1999 : 30.5%; 1998: 27%)	-	9	91

ONdigital Holdings Limited (formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

8. Tangible Fixed Assets

Group	Leasehold improvements £000	Fixtures and fittings £'000	Technical equipment, set top boxes and smartcards £'000	Total £'000
Cost				
At 1 October 1998	8,326	996	5,145	14,467
Additions	935	2,895	63,600	67,430
Transfer	-	-	391	391
At 1 October 1999	9,261	3,891	69,136	82,288
Additions	2,161	3,264	97,493	102,918
At 30 September 2000	11,422	7,155	166,629	185,206
Accumulated depreciation				
At 1 October 1998	-	197	-	197
Charge for the year	568	1,393	7,687	9,648
At 1 October 1999	568	1,590	7,687	9,845
Charge for the year	648	2,693	64,292	67,633
At 30 September 2000	1,216	4,283	71,979	77,478
Net book amount at 30 September 2000	10,206	2,872	94,650	107,728
Net book amount at 30 September 1999	8,693	2,301	61,449	72,443
Net book amount at 30 September 1998	8,326	799	5,145	14,270

All of the amounts included within leasehold improvements are with respect to short leasehold.

Company

The Company holds no tangible fixed assets.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

9. Investments

Group	£'000
At 1 October 1999 and 1 October 1998	-
Share of net liabilities of joint venture	(4,756)
At 30 September 2000	(4,756)
Company	£'000
At 30 September 1998	108,000
Additions	124,000
At 30 September 1999	232,000
Additions	-
At 30 September 2000	232,000

Investments relate to the investment held in two subsidiary companies and a joint venture partnership comprising:

ONdigital plc - 232 million ordinary shares with a nominal value of 10p each
 ONdigital (Services) Limited - 2 ordinary shares with a nominal value of £1 each
 ONrequest - £2,900,000 capital contribution

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

Investment	Activity	Principal place of business	Shareholding
ONdigital plc	Pay television	346 Queenstown Road London SW8 4NE	100% of equity shares
ONdigital (Services) Limited	Human resources	346 Queenstown Road London SW8 4NE	100% of equity shares
Onrequest	Pay per view television	346 Queenstown Road London SW8 4NE	50% of capital

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

10. Stock

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Raw materials and consumables	-	-	288	-	391	-
Programming costs	15,169	-	-	-	-	-
	15,169	-	288	-	391	-

11. Debtors

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Trade debtors	10,705	-	1,935	-	-	-
Prepayments and accrued income	65,844	-	29,701	-	771	-
Amounts owed by subsidiary undertakings	-	408,146	-	62,632	-	-
Amounts owed by associate undertakings	5,298	-	-	-	-	-
Other debtors	11,157	-	9,099	-	2,007	-
	93,004	408,146	40,735	62,632	2,778	-

12. Creditors – amounts falling due within one year

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Bank loans and overdrafts	42	-	3,687	-	2,892	-
Short term shareholder loan	389,000	389,000	62,000	62,000	-	-
Trade creditors	36,191	-	9,337	-	3,163	-
Corporation tax	-	-	36	-	118	-
Social security and PAYE	723	-	285	-	-	-
Accruals and deferred income	132,755	19,147	74,129	633	11,987	-
	558,711	408,147	149,474	62,633	18,160	-

During the year to 30 September 2000, the Company was funded by a £450,000,000 short term loan facility from its shareholders which bears interest at 2% above Barclays base rate. Subsequent to year end this facility was increased to £700,000,000.

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

13. Called up equity share capital

	2000 £'000	1999 £'000	1998 £'000
Authorised equity share capital			
172,500,000 ordinary C shares of 10p each	17,250	17,250	17,250
172,500,000 ordinary G shares of 10p each	17,250	17,250	17,250
	34,500	34,500	34,500
Allotted and fully paid			
103,500,500 ordinary C shares of 10p each	10,350	10,350	4,150
103,500,500 ordinary G shares of 10p each	10,350	10,350	4,150
	20,700	20,700	8,300

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

During the year to 30 September 1999, 124,000,000 Ordinary Shares were issued for cash. The nominal value of these shares was £12,400,000 and the consideration received was £124,000,000.

14. Reserves

Group

	Share premium £'000	Other reserves £'000	Profit and loss account £'000
At 1 October 1998	74,700	25,000	(106,585)
Premium on shares issued	111,600	-	-
Loss transferred to reserves	-	-	(148,244)
At 30 September 1999	186,300	25,000	(254,829)
Loss transferred to reserves	-	-	(307,186)
At 30 September 2000	186,300	25,000	(562,015)

Company

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 October 1998	74,700	25,000	-
Premium on shares issued	111,600	-	-
Loss transferred to reserves	-	-	-
At 30 September 1999	186,300	25,000	-
Loss transferred to reserves	-	-	-
At 30 September 2000	186,300	25,000	-

ONDigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

15. Reconciliation of movements in shareholders' funds

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Retained loss for the financial year	(307,186)	-	(148,244)	-	(30,751)	-
Net proceeds of issue of ordinary share capital	-	-	124,000	124,000	66,000	66,000
Capital contribution					25,000	25,000
Net (reduction in)/addition to shareholders' funds	(307,186)	-	(24,244)	124,000	60,249	91,000
Shareholders' funds as at 30 September 1999	(22,829)	232,000	1,415	108,000	(58,834)	17,000
Shareholders' funds as at 30 September 2000	(330,015)	232,000	(22,829)	232,000	1,415	108,000

16. Reconciliation of operating loss to cash flow from operating activities

	2000 £'000	1999 £'000	1998 £'000
Operating loss	(282,658)	(148,143)	(30,991)
Depreciation	67,633	9,648	197
Movements in working capital:			
Debtors	(52,269)	(37,957)	(152)
Creditors	67,952	67,577	(47,891)
Stock	(14,881)	103	(391)
Net Cash Outflow from Operating Activities	(214,223)	(108,772)	(79,228)

17. Movement in cash in the year

	30 September 1998 £'000	Cash flow £'000	30 September 1999 £'000	Cash flow £'000	30 September 2000 £'000
Cash at bank and in hand	2,136	11,043	13,179	4,372	17,551
Overdrafts	(2,892)	(795)	(3,687)	3,645	(42)
Net Funds	(756)	10,248	9,492	8,017	17,509

ONdigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

18. Shareholders

The Company is jointly owned by Carlton Communications Plc and 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 Media PLC accounts can be obtained from the Company Secretary at Stornoway House, 13 Cleveland Row, London SW1A 1GG.

19. Subsequent events

On 12 October 2000, the company's loan facility from its shareholders was increased from £450,000,000 to £700,000,000.

On 18 December 2000 1,000,000 ordinary shares of 10 pence each in ONdigital plc were issued by way of a rights issue to ONdigital Holdings Limited for cash consideration of £483,100,000, which was financed by way of the repayment of an intercompany loan to ONdigital plc.

20. Contingent Liability

Claims for additional payments have been received in respect of certain programme suppliers. The directors consider that the appropriate provision has been made in the financial statements for amounts due to programme suppliers.

21. Capital commitments

	2000 £'000	1999 £'000	1998 £'000
Expenditure on tangible assets	27,014	2,600	4,039

22. Operating lease commitments

At 30 September 2000, the Group had minimum annual commitments under non-cancellable operating leases as follows:

	Land and buildings £'000	Other £'000	2000 Total £'000	Land and buildings £'000	Other £'000	1999 and 1998 Total £'000
Operating leases which expire:						
After one year but within five years	252	16	268	-	16	16
After five years	529	-	529	507	-	507

Company

The Company has no operating leases.

ONDigital Holdings Limited (Formerly British Digital Broadcasting Holdings Limited)

Notes to the Financial Statements for the Year Ended 30 September 2000

23. Related party transactions

The Group has entered into the following trading agreements with subsidiary and associated undertakings of its shareholders on an arms length basis:

		2000		1999		1998	
		Purchases	Amounts owed at	Purchases	Amounts owed at	Purchases	Amounts owed at
			30 Sep		30 Sep		30 Sep
		£'000	£'000	£'000	£'000	£'000	£'000
Television programming	Carlton Group	4,441	355	1,014	179	-	-
	Granada Group	5,348	2,614	719	305	-	-
		9,789	2,969	1,732	485	-	-
Call centre service staff	Granada Group	5,765	5,765	5,100	-	-	-
						-	-
Set top box purchases	Granada Group	6,454	1	5,085	190	-	-

The Group is exempt under the terms of Financial Reporting Standard 8 and from disclosing related party transactions with entities that are part of the ONDigital Group.