

**NDS GROUP PLC REPORTS FULL YEAR REVENUES UP 35% AND OPERATING INCOME GROWTH OF 69% PLUS MAJOR CONTRACT WINS IN FOURTH QUARTER.**

*Fourth quarter 2001 sees digital TV subscriber base grow to 24.5 million*

**Highlights:**

- Full year revenue up 35% to £215.6 million (\$304 million)
- Operating income up 69% for full year to £43.8 million (\$61.7 million); Q4 operating profits up 28% to £11.9 million (\$16.8 million)
- Cash earnings per share up 92% to 61.1p (86.2¢)
- Won Conditional Access contract for Korea Digital Satellite Broadcasting
- New interactive application development agreement with DIRECTV Latin America
- Won Conditional Access contract for Sichuan Provincial Network Co. Ltd in China
- XTV™ launched by BSkyB as Sky+ in July
- Teletext chooses NDS for interactive TV holiday service

**London – 6 August 2001** – NDS Group plc (NASDAQ/NASDAQ Europe: NNDS), a News Corporation (NYSE: NWS, NWS.A) company and the leading provider of conditional access systems and interactive applications for digital pay TV, today announced its unaudited results for the final quarter and full year ended 30 June 2001 (Q4 FY01).

Commenting on NDS's performance, Dr. Abe Peled, President and Chief Executive Officer, said "The past year has been one of significant achievement for NDS as we have continued to execute on key elements of our strategy. We have successfully installed new systems, have won key new pay TV platforms and have won and delivered interactive applications. "

Rick Medlock, Chief Financial Officer, added, "This has been an excellent year, both financially and operationally. We have built on last years success to deliver impressive increases in revenues profits and margins, whilst continuing to invest significant sums in research and development."

**Key Statistics**

	3 months to 30 June 2001	3 months to 30 June 2000	% growth	Year ended 30 June 2001	Year ended 30 June 2000	% growth
<b>£'000</b>						
Revenues	54,148	47,855	+13%	215,628	160,214	+35%
Operating Income, before goodwill	11,906	9,287	+28%	43,770	25,841	+69%
Operating Margin %	22.0%	19.4%	+2.6%	20.3%	16.1%	+4.2%
Net Income	7,217	6,690	+8%	29,129	19,392	+50%
Diluted cash EPS	16.5p	12.8p	+30%	61.1p	31.9p	+92%
<b>\$'000</b>						
Revenues	76,349	67,476	+13%	304,035	225,902	+35%
Operating Income, before goodwill	16,787	13,095	+28%	61,716	36,436	+69%
Operating Margin %	22.0%	19.4%	+2.6%	20.3%	16.1%	+4.2%
Net Income	10,176	9,433	+8%	41,072	27,343	+50%
Diluted cash EPS	23.3¢	18.0¢	+30%	86.2¢	45.0¢	+92%
<b>Other Operating Statistics</b>						
Subscriber Additions (net)	1.2 million	1.7 million		6.0 million	5.5 million	
Subscribers at end of period	24.5 million	18.5 million		24.5 million	18.5 million	

1. For the convenience of the reader only, pounds sterling amounts for all periods have been translated into US dollar amounts at the exchange rate of US\$1.41 = £1.00, the closing rate of exchange on 30 June 2001.
2. The Company has defined operating income before charges for the amortisation of goodwill as a key measure of operating performance, so that period on period comparisons are not distorted by the impact of the goodwill amortisation charge arising from the Orbis acquisition. Operating income after goodwill amortisation can be found in the attached tables.
3. In the opinion of management, the financial statements reflect all adjustments of a normal and recurring nature, which are necessary to present fairly the financial position, results of operations and cashflows for the interim periods. The financial statements should be read in conjunction with the audited consolidated financial statements as of 30 June 2000. Audited financial statements for the year ended 30 June 2001 are expected to be published by October 2001.
4. The results for the period ended 30 June 2001 consolidate the results of Orbis Technology Limited from 1 December 2000.
5. Figures for diluted cash earnings per share are calculated based on net profit after adjusting for amortisation of goodwill and, in the prior year, for other one-off items so as to provide a more meaningful period-on-period comparison.
6. Diluted cash EPS is based on the diluted weighted average number of shares potentially in issue during the period, as calculated under UK GAAP. For the 3 months ended 30 June 2001 there was a diluted weighted average of 55,328,366 shares potentially in issue. At 30 June 2001 there were 53,244,400 shares in issue.

**Operational Review**

As at 30 June 2001 approximately 24.5 million set-top boxes (STBs) containing NDS technology were in use worldwide, up from 18.5 million at 30 June 2000. Customers in North America, Latin America, UK, Israel and Italy have driven this growth.

We have announced some significant successes in the quarter. In May, Discovery Networks Europe launched enhanced and interactive programming, developed with NDS, across Discovery channels on the BSkyB platform, bringing viewers additional information, while remaining in the TV screen environment. This uses NDS's Value@TV™ platform to give Discovery the flexibility to modify and expand their enhanced TV programming.

Also in May, Music Choice Europe began to broadcast multiple interactive music channels using NDS's Value@TV™ technology. The new NDS-developed application is considered to be probably the most technically demanding interactive TV application live today. Subscribers can tune in to any of Music Choice's 44 channels and see details about the current track on screen as well as TV screen ads. NDS designed the application to handle more than 20,000 real time data updates per day, an average of an update every 4.5 seconds.

In June, NDS announced that it had been selected as part of the winning consortium to launch Korea's first digital satellite broadcasting operation. It will provide the region's first fully interactive satellite TV platform. As part of the consortium led by Ssang Yong Information and Communications, NDS will supply its Open VideoGuard™ conditional access system, StreamServer™ for the management control of the digital headend and provide support consultancy for Ssang Yong in their role as Prime Systems Integrator. In addition to its work with Ssang Yong, NDS will work with Korean manufacturers to integrate interactive technology into set-top boxes and with content developers to make interactive services available to Korea Digital Satellite Broadcasting.

Also in June, NDS announced that it had entered into a multi-year, multi-level interactive television system agreement with DIRECTV Latin America to provide the Value@TV interactive television infrastructure and a series of at least six interactive television applications within a year. This agreement builds upon NDS's long-standing agreement with DIRECTV Latin America in providing conditional access solutions. Initially, NDS has deployed an interactive sports application, which is now live and available to all DIRECTV subscribers in Argentina. The second is a banking application enabling Brazilian subscribers to access Banco Bradesco services directly from their television remote controls.

In early July 2001 NDS announced that it has signed a contract with Sichuan Provincial Network Co. Ltd to provide NDS Open VideoGuard™ conditional access and an interactive TV stock information service and electronic program guide for the cable TV network's digital broadcasting infrastructure. Sichuan Provincial Network, China's second largest provincial cable network currently has over 7 million analog subscribers and expects to launch its new digital service in 2002.

We also announced collaboration agreements with STB manufacturer Pace to develop secure video-on-demand (VOD) and IP Television. The joint solution uses Pace's digital home gateway to decode encrypted VOD and IP Television delivered from NDS's Synamedia™ solution.

Also with Pace, we are integrating NDS Open VideoGuard™ conditional access solution with Pace's advanced Di4000 cable home gateway STB. The two companies will co-market the integrated solution to US cable operators, offering them an alternative choice in combined conditional access and STB solutions that is less costly than other solutions currently available on the market.

We have also increased our alliances with technology companies. Broadcom, a leading semiconductor company, has agreed to integrate NDS's XTV and Random Access to Scrambled Content Protocol (RASP) technologies into its standard digital STB chipsets.

These alliances are part of NDS's strategy to develop open systems integrated with multiple STB manufacturers. We believe that this will introduce some much-needed competition into the cable STB market and so lower the capital cost to cable operators of deploying advanced digital networks whilst also giving them the infrastructure to roll out sophisticated interactive applications which will earn incremental revenues.

During the quarter we expanded our global presence by opening a sales office in Germany, established a R&D laboratory in India and set up a new subsidiary in China to develop applications for the Chinese market.

Teletext, a service that has been popular in the UK for a great many years, launched in June an interactive service on Sky digital using our technology. This service enables viewers to access travel and holiday details using the remote control interactive button.

In July 2001 BSkyB announced the launch of its enhanced Sky+ service. This is the first deployment of our XTV technology to the consumer.

### **Financial Review**

For the full year ended 30 June 2001, revenues were £215.6 million compared to £160.2 million last year, an increase of 35%. For the 3 months period, revenues increased by 13% over the previous year, from £47.8 million to £54.1 million.

Operating income for the year, before charges for the amortisation of goodwill, was £43.8 million, which represented a 69% increase from £25.8 million for fiscal year 2000. For the quarter, operating income increased by 28% from £9.3 million to £11.9 million. Net profit was £29.1 million for the full year and £7.2 million for the quarter, compared to £19.4 million and £6.7 million respectively in the equivalent periods in the prior financial year.

The advance in Conditional access revenues for the full year reflects the continued growth in our customers' subscriber bases. As at 30 June 2001 approximately 24.5 million active smart cards supplied by NDS protected customers' revenues, an increase of 1.2 million in the quarter and 6.0 million in the full year. Conditional access revenues were slightly lower in the quarter compared to the same period last year due to a decrease in the volume of smart cards this quarter.

Revenues from Integration, development and support for the quarter included enhancement work undertaken for major customers and support and maintenance income from network customers whose digital television services have launched in the past year. This revenue line shows a very substantial increase over prior year due to the increase in the number of customers for whom we are undertaking contracts and our order book for deliverables to customers in financial year 2002 is healthy.

Licence fees and royalties include a second and final payment from Microsoft for licensing our NDS Core set-top box middleware, following the receipt of the first payment under this agreement in Q4 in the previous year. Royalty income from NDS's technology incorporated in STBs showed a decline in the quarter after very strong growth earlier in the year; we believe this is due to retailers and manufacturers reducing their levels of inventory.

Revenues from New technologies amounted to £5.6 million in the quarter and £15.1 million for the full year, which represents a significant increase over the £2.8 million and £5.5 million respectively in the previous financial year. This revenue line includes revenues from Orbis Technology. Orbis' performance has helped UK bookmakers exploit the Internet and digital television to achieve greater penetration of the at-home market. Since 1 December 2000 Orbis has made a strong contribution to NDS revenues and has met the targets set as part of the earn-out agreement so far.

During the quarter NDS has also provided and helped launch interactive functionality for DIRECTV Latin America and Teletext on the Sky platform in the UK and is working on a number of interactive projects for channel operators which are expected to be deployed later this year. BSkyB announced the launch in July 2001 of their enhanced Sky+ service and this will mean that NDS will start to earn revenues from XTV in fiscal 2002 for the first time.

Gross margin for the quarter increased to 70.0% compared with 64.5% in the corresponding period last year, as a result of a reduction of the royalties payable by NDS and a change in the revenue mix. The gross margin for the full year rose from 61.3% to 64.4% over prior year primarily because of economies of scale, change in revenue mix and reduced royalties payable.

The principal driver of operating expenses was headcount. As at 30 June 2001, NDS employed just over 1,300 people worldwide, compared with 1,040 at 30 June 2000. Of the additional headcount approximately 50 employees now work for our subsidiary, Orbis. Most of the other planned increases in headcount are in research and development and in specialist sales and marketing roles. The management of NDS continues to pay particular attention to the need to retain tight control of costs, taking into account an increase in the number of locations out of which the Group operates and the expansion of the range and complexity of both markets and products.

The main growth in expenditure continues to be in research and development. Interactive contracts in progress are one of the major thrusts of our activities, and expenditure was incurred in bringing XTV™-enabled STBs to commercial production. NDS has also partnered with STB manufacturers to accelerate the development of cable STBs for the US market and incurred a one-off expense in Q4 as a result.

The relative values of the US dollar and sterling have fluctuated much more than in previous periods. Over the course of the year, the US dollar has appreciated by about 8% against sterling. This has resulted in a foreign exchange gain in the year (within general and administrative expenses) of approximately £1.7 million, compared with a gain of approximately £1.0 million in the previous year.

Amortisation of goodwill expense increased from £0.3 million to £1.9 million quarter to quarter and from £1.5 million to £4.6 million year to year. This reflects amortisation of the goodwill arising from the acquisition of Orbis. We expect that goodwill amortisation expense will be £7 million in fiscal 2002. This number may be adjusted depending on the final payment under the earn-out provisions of the sale and purchase agreement.

Diluted cash earnings per share for the quarter rose 30% from 12.8p to 16.5p; for the full year the increase was 92% from 31.9p to 61.1p.

Debtor health has improved over the course of the year, with the absolute level of trade receivables remaining constant despite the increase in revenues. NDS ended the year with free cash balances of £50.9 million having generated cash of £37.9 million.

### About NDS

NDS Group plc is the leading supplier of open conditional access software and interactive systems for the secure delivery of entertainment and information to television set-top boxes and personal computers. The company also develops secure datacasting solutions for the distribution of data and multimedia. See [www.nds.com](http://www.nds.com) for more information.

#### *Cautionary Statement Concerning Forward-looking Statements*

*The statements contained in this release which are not historical facts may constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements relate to the plans, projections or future performance of NDS, which involve certain risks and uncertainties, including risk of market acceptance, the effect of economic conditions, possible regulatory changes, technological developments, the impact of competitive pricing and the ability of NDS and its commercial partners to develop systems and solutions which meet the needs of the broadcasting industry in a timely and cost-efficient manner, as well as certain other risks and uncertainties which are detailed in NDS's filings with the SEC. Company or product names have been used for identification purposes only and may be the trademarks or registered trademarks of their respective companies.*

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### CONFERENCE CALL

Dr. Abe Peled, President and Chief Executive Officer and Rick Medlock, Chief Financial Officer, will host a conference call to discuss this announcement and answer questions at 15.00 (UK time) on Monday 6 August 2001.

European dial-in: 08700 559 363 (UK) or +44 (0) 141 567 8852 (Continent)  
European replay: 0800 027 0225 (UK) or +44 (0) 141 566 8866 (Continent)  
ID: 593            Passcode: 183#

US dial-in: 800 289 0730 (toll-free) or 913 981 5509  
US replay: 888 203 1112 (toll-free) or 719 457 0820  
Passcode: 566010

The audio replay for the call will also be available on the NDS website [www.nds.com](http://www.nds.com). For additional information please contact Fiona Pelham at Taylor Rafferty on +44 (0) 20 7936 0400.

{Tables follow}

**NDS GROUP PLC**  
**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2001**

	<i>Notes</i>	<b>3 months ended 30 June</b>	
		<b>2001 £'000</b>	<b>2000 £'000</b>
<b>Revenues</b>			
Conditional access		27,567	28,710
Integration, development & support		9,262	4,818
Licence fees & royalties		10,311	10,638
New technologies		5,626	2,776
Other revenue		1,382	913
<b>Total revenues</b>		<u>54,148</u>	<u>47,855</u>
<b>Cost of sales</b>			
Smart card & changeover provisions		(8,897)	(9,660)
Operations & support		(6,120)	(5,215)
Royalties		(700)	(2,046)
Other		(514)	(913)
<b>Total cost of sales</b>		<u>(16,231)</u>	<u>(17,006)</u>
Gross profit		<u>37,917</u>	<u>30,849</u>
<i>Gross profit %</i>		<i>70.0%</i>	<i>64.5%</i>
<b>Operating expenses, excluding goodwill amortisation</b>			
Sales & marketing expenses		(4,240)	(4,180)
Research & development		(18,238)	(12,894)
General & administration		(3,533)	(4,488)
<b>Total</b>		<u>(26,011)</u>	<u>(21,562)</u>
<b>Operating income, before goodwill amortisation</b>		<b>11,906</b>	<b>9,287</b>
<i>Operating income %</i>		<i>22.0%</i>	<i>19.4%</i>
Amortisation of goodwill		(1,893)	(341)
<b>Operating profit</b>		<u>10,013</u>	<u>8,946</u>
Share of associate's operating profit		5	-
Net interest income		170	992
<b>Profit on ordinary activities before tax</b>		<u>10,188</u>	<u>9,938</u>
Taxation		(2,971)	(3,248)
<b>Net profit</b>		<u><u>7,217</u></u>	<u><u>6,690</u></u>
<b>Earnings per share</b>			
	5		
Basic		13.6p	12.7p
Diluted		13.0p	12.2p
<b>Adjusted earnings per share</b>			
Basic		17.1p	13.4p
Diluted		16.5p	12.8p



**NDS GROUP PLC**  
**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2001**

	Notes	Year ended 30 June	
		2001 £'000	2000 £'000
<b>Revenues</b>			
Conditional access		122,862	102,737
Integration, development & support		38,282	22,375
Licence fees & royalties		31,870	26,387
New technologies		15,069	5,533
Other revenue		7,545	3,182
Total revenues		215,628	160,214
<b>Cost of sales</b>			
Smart card & changeover provisions		(41,983)	(33,102)
Operations & support		(23,681)	(21,300)
Royalties		(5,258)	(6,381)
Other		(5,754)	(1,175)
Total cost of sales		(76,676)	(61,958)
Gross profit		138,952	98,256
Gross profit %		64.4%	61.3%
<b>Operating expenses, excluding goodwill amortisation</b>			
Sales & marketing expenses		(14,417)	(11,178)
Research & development		(65,164)	(46,184)
General & administration		(15,601)	(15,053)
Total		(95,182)	(72,415)
<b>Operating income, before goodwill amortisation</b>		<b>43,770</b>	<b>25,841</b>
Operating income %		20.3%	16.1%
Amortisation of goodwill		(4,590)	(1,536)
Operating profit		39,180	24,305
Profit on sale of discontinued operations	3	-	5,192
Share of associate's operating profit		5	-
Net interest income (expense)		2,098	(3,389)
Profit on ordinary activities before tax		41,283	26,108
Taxation		(12,154)	(6,498)
Profit on ordinary activities after tax		29,129	19,610
Minority interests	4	-	(218)
<b>Net profit</b>		<b>29,129</b>	<b>19,392</b>
<b>Earnings per share</b>			
	5		
Basic		55.1p	40.1p
Diluted		52.8p	38.7p
<b>Adjusted earnings per share</b>			
Basic		63.8p	33.0p
Diluted		61.1p	31.9p



**NDS GROUP PLC**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2001**

	<i>Notes</i>	<b>30 June 2001 £'000</b>	<b>30 June 2000 £'000</b>
<b>Fixed assets</b>			
Investments	6	1,839	191
Intangible assets		67,127	16,475
Tangible assets		20,698	16,809
		<u>89,664</u>	<u>33,475</u>
<b>Current assets</b>			
Stocks		22,438	11,722
Deferred tax asset		2,899	3,094
Debtors due within one year	7	50,098	54,071
Cash	8	65,337	21,734
		<u>140,772</u>	<u>90,621</u>
<b>Creditors</b>			
Amounts falling due within one year	9	(89,480)	(62,320)
<b>Net current assets</b>		<u>51,292</u>	<u>28,301</u>
<b>Total assets less current liabilities</b>		140,956	61,776
<b>Creditors</b>			
Amounts falling due after one year		(1,684)	(1,474)
<b>Provisions for liabilities and charges</b>		(13,406)	(7,685)
<b>Net assets</b>		<u>125,866</u>	<u>52,617</u>
<b>Equity and capital reserves</b>			
	10		
Equity share capital		334	329
Share premium		145,534	120,726
Shares to be issued		22,336	-
Profit and loss account		(217,603)	(243,703)
Capital contribution		133,265	133,265
		<u>83,866</u>	<u>10,617</u>
Non-equity capital		42,000	42,000
<b>Total capital employed</b>		<u>125,866</u>	<u>52,617</u>

**NOTES****1. Basis of preparation and presentation**

These unaudited financial statements have been prepared using the accounting policies disclosed in the consolidated financial statements for the year ended 30 June 2000 which are in compliance with UK GAAP. They do not constitute statutory accounts. Figures for 30 June 2000 and for the year ended on that date have been extracted from the consolidated financial statements of NDS Group plc on which the auditors gave an unqualified audit report. Audited financial statements for the year ended 30 June 2001 are expected to be published in October 2001.

**2. Acquisition of Orbis Technology Limited**

On 1 December 2000, NDS Group plc acquired the entire share capital of Orbis Technology Limited ("Orbis"). The results of Orbis have been consolidated from that date. The assets acquired and the consideration payable may be summarised as:

	<b>£'000</b>
<b>Fair value of net assets acquired</b>	
Goodwill	55,242
Other net assets	2,953
	<u>58,195</u>
<b>Fair value of consideration:</b>	
Cash	2,969
Series A Loan Notes	14,403
Fair value of shares issued up to 30 June 2001	18,487
Fair value of shares to be issued	22,336
	<u>58,195</u>

The Directors have estimated the useful life of the goodwill arising on the acquisition of Orbis to be ten years.

The consideration payable is dependent on the revenues and profitability of Orbis in the two years ending 31 March 2002. The fair values stated above include an estimate of the amounts expected to be paid, as adjusted after determining the actual revenues and profitability for the year ended 31 March 2001. The actual fair value of the amount to be paid may be up to £9 million higher than the amounts stated above.

The consideration is payable in several installments extending to 1 December 2004. To the extent that shares have not been issued as at the balance sheet date, the fair value of those shares (as determined at the date of acquisition) has been shown as a separate element of equity shareholders' funds. As at 30 June 2001, 408,804 Series A ordinary shares had been issued in partial settlement of the consideration payable. Based on the estimates used above, a further 477,855 Series A ordinary shares are expected to be issued. The actual number may be up to 192,548 shares higher than this number.

The company's obligations under the Loan Notes have been guaranteed by its bankers which, in turn, have been supported by a deposit by the company of £14.4 million cash as collateral security.

**3. Profit on sale of discontinued operations**

This prior period item represents the profit on the sale of the discontinued digital broadcast business, which was sold to Ordinto Investments, a subsidiary of The News Corporation Limited with effect from 1 July 1999. The business was sold to Tandberg Television ASA on 14 October 1999.

**4. Minority interests**

Minority interests represented the earnings and net assets of NDS Americas Inc., which was consolidated as a controlled non-subsiary prior to its acquisition by NDS Group plc on 4 November 1999.

**5. Earnings per share**

In addition to earnings per share calculated on the basis of net profit for the year, figures are also presented for earnings per share adjusted to eliminate the distortions caused by certain non-trading items. Amounts eliminated are amortisation of goodwill and, in the prior year, profit on the disposal of discontinued operations and the minority interests arising prior to the NDS Group acquiring ownership of NDS Americas Inc. A reconciliation of the profits used in the calculations is as follows:

	<b>Year ended 30 June 2001 £'000</b>	<b>Year ended 30 June 2000 £'000</b>
Net profit	29,129	19,392
Adjust for:		
Minority interests	-	218
Amortisation of goodwill	4,590	1,536
Profit on disposal of discontinued operations	-	(5,192)
Adjusted net profit	33,719	15,954
	<b>3 months ended 30 June 2001 £'000</b>	<b>3 months ended 30 June 2000 £'000</b>
Net profit	7,217	6,690
Adjust for:		
Amortisation of goodwill	1,893	341
Adjusted net profit	9,110	7,031

The weighted average number of shares and the weighted average number of potential shares in issue for each period (including potential shares to be issued in connection with the acquisition of Orbis) have been determined in accordance with FRS 14 and are as follows:

<b>Period</b>	<b>Weighted average shares in issue</b>	<b>Weighted average number of potential shares</b>
3 months to 30 June 2000	52,471,271	54,825,596
3 months to 30 June 2001	53,123,906	55,328,366
Year ended 30 June 2000	48,309,178	50,044,537
Year ended 30 June 2001	52,824,956	55,197,631

**6. Investments**

Investments comprise:

	<b>30 June 2001</b> <b>£'000</b>	<b>30 June 2000</b> <b>£'000</b>
Associated undertaking	874	-
Other investments	965	191
	<u>1,839</u>	<u>191</u>

During the year, the NDS Group subscribed for 40% of the share capital of ADSR Limited, a company incorporated in England whose business is the provision of services connected with electronic chip design and security. Other investments are unlisted equity interests in enterprises specialising in technology complementary to that developed by the NDS Group.

**7. Debtors**

	<b>30 June 2001</b> <b>£'000</b>	<b>30 June 2000</b> <b>£'000</b>
Trade receivables	42,805	42,874
Amounts loaned to The News Corporation Group	-	5,674
Other debtors	4,815	3,932
Prepaid expenses	2,478	1,591
	<u>50,098</u>	<u>54,071</u>

**8. Cash**

	<b>30 June 2001</b> <b>£'000</b>	<b>30 June 2000</b> <b>£'000</b>
Restricted cash deposits	14,403	-
Freely available cash at bank and in hand	50,934	21,734
	<u>65,337</u>	<u>21,734</u>

Restricted cash deposits are amounts held in an interest bearing account with the Company's bank as security to support guarantees given by the bank in connection with the Series A Guaranteed Loan Notes issued in connection with the acquisition of Orbis.

**9. Creditors - Amounts falling due within one year**

	<b>30 June 2001</b> <b>£'000</b>	<b>30 June 2000</b> <b>£'000</b>
Series A Guaranteed Loan Notes	14,403	-
Trade payables	12,217	8,907
UK Corporation Tax	6,625	2,670
Other creditors and accruals	22,891	21,232
Customer deposits and deferred income	33,344	29,511
	<u>89,480</u>	<u>62,320</u>

10. *Share capital and reserves*

Movements on consolidated capital and reserves and reconciliation of movements in shareholders' funds for the year ended 30 June 2001 are as follows:

	<u>Equity share capital</u>	<u>Share Premium</u>	<u>Non- equity share capital</u>	<u>Shares to be issued</u>	<u>Capital contribution</u>	<u>Profit and loss account</u>	<u>Total share- holders' funds</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 June 2000	329	120,726	42,000	-	133,265	(243,703)	52,617
Profit for the financial year	-	-	-	-	-	29,129	29,129
Issue of shares for cash	2	6,324	-	-	-	(4,656)	1,670
Acquisition of Orbis	3	18,484	-	22,336	-	-	40,823
Other movements	-	-	-	-	-	230	230
Foreign exchange movement	-	-	-	-	-	1,397	1,397
As at 30 June 2001	<u>334</u>	<u>145,534</u>	<u>42,000</u>	<u>22,336</u>	<u>133,265</u>	<u>(217,603)</u>	<u>125,866</u>

**11. Cashflow**

A condensed, consolidated unaudited statement of cash flows prepared in accordance with UK GAAP is as follows:

	<b>3 months ended 30 June 2001 £'000</b>	<b>Year ended 30 June 2001 £'000</b>	<b>Year ended 30 June 2000 £'000</b>
Operating profit	10,013	39,180	24,305
Non-cash operating costs	4,289	12,868	9,904
Movement in working capital	3,015	1,919	11,917
Net cash inflow from operating activities	<u>17,317</u>	<u>53,967</u>	<u>46,126</u>
Net interest received (paid)	1,133	2,098	(3,389)
Tax paid	(5,718)	(9,170)	(2,307)
Capital expenditure	(3,741)	(11,187)	(8,612)
Payments to, and purchase of, minority interests	-	-	(2,563)
Acquisitions and disposals	(1,437)	551	70,607
Proceeds from issue of shares	166	1,670	118,451
Repayment of debt with News Corporation	-	-	(148,969)
<b>Cash generated</b>	<b><u>7,720</u></b>	<b><u>37,929</u></b>	<b><u>69,344</u></b>
Interest-bearing deposits with News Corporation	17,474	5,674	(6,593)
Restricted cash deposits	597	(14,403)	-
Increase in free cash balances	<u>25,791</u>	<u>29,200</u>	<u>62,751</u>

**12. US GAAP**

Differences in net income between UK GAAP and US GAAP arise out of:

- a) different bases of recognition of some subscriber fees as income;
- b) the requirement under US GAAP to record a charge against income in respect of options granted under Employee Share Option Schemes where no such charge arises under UK GAAP;
- c) the measurement of goodwill and the treatment of contingent consideration to be issued in connection with the acquisition of Orbis;
- d) the recognition point for liabilities to UK National Insurance payable by employers on the exercise of certain share options;
- e) the allocation of charges and credits for corporate taxes between the income statement and reserve movements;
- f) the requirement under US GAAP to recognise the fair value of certain embedded foreign currency derivatives; and
- g) the treatment of the earnings of NDS Americas Inc. prior to its acquisition by NDS as a minority interest under UK GAAP and the treatment of the subsequent purchase of NDS Americas Inc.

A reconciliation of net profit under UK GAAP to that under US GAAP is as follows:

	<b>3 months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
UK GAAP: Net profit for the period	7,217	6,690
Adjustments		
- subscriber fees	(497)	(461)
- share option scheme	(229)	(552)
- acquisition of Orbis	(6,640)	-
- fair valuation of currency derivatives	117	-
- National Insurance on options	(255)	-
- allocation of tax benefits	(398)	-
US GAAP: Net income (loss) for the period	(685)	5,677

	<b>Year ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
UK GAAP: Net profit for the period	29,129	19,392
Adjustments		
- subscriber fees	(1,671)	603
- share option scheme	(1,470)	(13,566)
- acquisition of Orbis	(6,183)	-
- National Insurance on options <sup>(1)</sup>	11	-
- fair valuation of currency derivatives	117	-
- allocation of tax benefits	(1,298)	-
- minority interests and purchase of NDS Americas, Inc.	-	385
US GAAP: Net income for the period	18,635	6,814

(1) Includes £280,000 relating to periods prior to 1 July 2000 as a result of implementing EITF 00-16.

{ENDS}