

## **NDS GROUP PLC REPORTS FIRST QUARTER OPERATING INCOME UP 13% AND SIGNIFICANT CONTRACT DELIVERIES**

*First quarter 2002 sees digital TV subscriber base grow to 25.7 million*

### **Highlights:**

- Revenue up 10% to £60 million (\$89 million)
- Operating income up 13% to £12.4 million (\$24.8 million)
- Cash earnings per share up 18% to 16.9p (25.0¢)
- BSkyB launch Sky+ using XTV™ software
- Cablevision commences digital cable roll-out incorporating NDS technology
- Further interactive applications go live in UK and Latin America
- Won Conditional Access contract for Sichuan Provincial Network Co. Ltd in China
- Very strong growth in New Technologies

**London – 30 October 2001** – NDS Group plc (NASDAQ/NASDAQ Europe: NNDS), a News Corporation (NYSE: NWS, NWS.A) company and the world's leading provider of conditional access systems and interactive applications for digital pay TV, today announced its unaudited results for the quarter ended 30 September 2001 (Q1 FY02).

Commenting on NDS's performance, Dr. Abe Peled, President and Chief Executive Officer, said "Our results show confirmed steady progress as we execute our strategy to become a leading provider of digital pay TV products and services. This is particularly rewarding given the current economic climate and the comparison to a very strong first quarter last year. We are confident that the transition to digital is inevitable and we continue to work with our customers to help them make digital pay TV a compelling consumer proposition. The success of some of our key customers who have adopted these technologies will be key in our further progress."

Rick Medlock, Chief Financial Officer, added, "Yet again, NDS has been able to report a record quarter, both for revenues and operating income. The success of our New Technologies can clearly be seen and they now comprise 11% of revenues, demonstrating our success in building a new major revenue stream to complement our mainstream business."

**Key Statistics**

	3 months to 30 September 2001	3 months to 30 September 2000	% growth	Year ended 30 June 2001
<b>£'000</b>				
Revenues	60,067	54,632	+10%	215,628
Operating Income, before goodwill	12,361	10,921	+13%	43,770
Operating Margin %	20.6%	20.0%	+0.6%	20.3%
Net Income	7,586	7,544	+/-	29,129
Diluted cash EPS	16.9p	14.3p	+18%	61.1p
<b>\$'000</b>				
Revenues	88,899	80,855	+10%	319,129
Operating Income, before goodwill	18,294	16,163	+13%	64,780
Operating Margin %	20.6%	20.0%	+0.6%	20.3%
Net Income	11,227	11,165	+/-	43,111
Diluted cash EPS	25.0¢	21.2¢	+18%	90.4¢
<b>Other Operating Statistics</b>				
Subscriber Additions (net)	1.2 million	1.5 million		6.0 million
Subscribers at end of period	25.7 million	20.0 million		24.5 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\$1.48 = £1.00, the closing rate of exchange on 30 September 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 2001.
4. Results for periods 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 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 September 2001 there was a diluted weighted average of 54,982,309 shares potentially in issue. At 30 September 2001 there were 53,244,500 shares in issue.

**Operational Review**

As at 30 September 2001 approximately 25.7 million set-top boxes containing NDS technology were in use worldwide, up from 24.5 million at 30 June 2001. Customers in North America, UK, Israel and Italy have driven this growth. Interactive applications making use of our technology are in use in the UK, Latin America and Israel.

Towards the end of the quarter, two major projects on which we have been working were launched. In the UK, BSkyB launched its Sky+ service which is the first deployment of our XTV™ technology to the consumer. We have been working on this technology for over two years. We believe it is significantly ahead of competitive offerings, and will provide consumers with enhanced television beyond the choice and convenience that basic digital TV offers. Sky+ enables viewers to record one program while watching another; pause live TV and continue recording; and automatically record episodes of a favourite series. It is simple and easy to use and offers viewers total integration with the popular Sky Guide electronic programme guide.

In the US, a major milestone was achieved when Cablevision began a widescale rollout of its new digital services to over 800,000 homes in Long Island. The delivery of NDS Open VideoGuard™ and StreamServer® software played a critical role in the system-wide effort that enabled Cablevision to deploy digital services to its customers. This includes a significant number of new digital broadcast channels, music audio channels, video-on-demand (VOD), and interactive television services. Cablevision is one of the first advanced interactive cable networks deployed in the world, we have enhanced many of our components for the unique requirements of this environment. This included both headend and smart card security features.

Following on from the launch of an interactive sports application in Argentina for DIRECTV Latin America, in July we launched the first banking application on that platform in co-operation with Banco Bradesco in Brazil. Our Value@TV™ iTV banking application enables Brazilian subscribers of DIRECTV Latin America to access key information about Banco Bradesco, including product and service information, directly from their televisions. Later this year, subscribers will be able to view their accounts and savings activity and perform banking transactions. In September, a similar application was launched for subscribers in Venezuela, in co-operation with Banco Mercantil. We are developing a further four interactive applications for DIRECTV Latin America.

We have also provided further enhancements to interactive applications used by channels on the BSkyB platform. With QVC, viewers can now order items from a directory using their TV remote to activate a "buy button"; this makes use of our technology to secure the flow of information on the telephone "return path".

We have also announced some significant new contracts in the quarter. In July, we announced a contract with Sichuan Provincial Network 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 is China's second largest provincial cable network with over 7 million subscribers and expects to launch its new digital service later this financial year. We will provide conditional access security, NDS Core middleware, and the digital content management systems which are crucial to the operation of the digital broadcasting network. In addition we are developing a Chinese language stock information service which will provide real-time data for the A shares traded on the Shenzhen and Shanghai stock exchanges. Through the interactive TV service, viewers can track the performance of their portfolio, follow the ticker to monitor movement in all Shenzhen and Shanghai shares, and also watch live programming from the channel of their choice at the same time. Thirdly, we are

developing an interactive program guide that will enable the viewer to navigate through the simplified Chinese-language program names and the mosaic of channels offered.

During the quarter we agreed with Maxisat, a broadband TV services company in Finland, to build a headend to deliver real time TV channels to broadband networks using our Synamedia™ broadband architecture. This will allow Maxisat to add broadcast TV and video on demand over broadband while controlling, managing, and securing the digital entertainment package. Synamedia includes content encryption using NDS Open VideoGuard™ for both television and video on demand to prevent the unauthorised copying and distribution of video content.

We have also won a contract to develop the first digital interactive service for China's national broadcaster, CCTV. The multi-event sports application will have a controlled launch at the Ninth National Games of China on November 11, 2001, and will be rolled out subsequently across the China provincial cable networks. The application follows the deployment of our conditional access system across the digital cable platform established by China's Information Network Center (INC). The Chinese-language application is the third interactive TV sports service developed and deployed by NDS and has expanded functionality over earlier generations. Viewers will be able to select a window from four simultaneous sporting events and then choose from a number of additional options. These include access to a results service, medal count table, local and national news headlines and a message board linked to CCTV's internet web site.

We continue with projects to develop interactive applications for Tevel, Matav and YES in Israel.

During the quarter we signed a marketing agreement with Reuters, the global information, news and technology group to provide Reuters Online Reports to NDS clients. This alliance will offer to broadcasters and channels the ability to include content produced by Reuters within NDS interactive TV applications.

### **Financial Review**

Revenues for the quarter ended 30 September 2001 were £60.1 million, an increase of 10% from £54.6 million in the previous year.

Operating income for the quarter, before charges for the amortisation of goodwill, was £12.4 million, which represents a 13% increase from £10.9 million for the first quarter of the previous financial year.

Conditional access revenues at £25.1 million for the quarter were lower than the same period last year due to a decrease in the volume of smart cards supplied. We believe that this is due in part to our customers drawing down on their inventories. The base of active smart cards protecting our customers' revenues rose by 1.2 million in the quarter to 25.7 million at 30 September 2001. This compares with 20.0 million at 30 September 2000.

Revenues from integration, development and support for the quarter were £14.0 million, compared to £8.8 million in the first quarter of the previous financial year. As well as supporting an increasing number of customer operations around the world, we continue to supply our customers with upgrades and enhancements. Several of our major customers have upgraded and expanded their systems during the quarter which have contributed to this revenue line. Our order book for deliverables to customers over the next months remains healthy.

Licence fees and royalties were £8.9 million compared to £9.9 million in the previous year. In the quarter we recognised income from the supply of a conditional access system to Cablevision,

which commenced its digital roll-out in September 2001. We also recognised licence fees connected to the supply of system enhancements to some existing customers. The prior year figures also included licence fees from new systems but were boosted by particularly high royalties for decoder manufacturers.

Revenues from new technologies amounted to £6.6 million in the quarter, or 11% of total revenues, which represents a significant increase over the £1.9 million in the previous financial year. We are working on a growing number of interactive applications across eight of our platforms. We were also able to recognise initial revenues from the supply of our XTV™ technology to BSkyB and fees from further deployments of our OpenBet™ software with bookmakers in the UK and Asia Pacific regions.

Other revenues were unusually high in both the current and prior year periods. In the current year, this included the supply of a significant amount of hardware as part of a major system enhancement completed for a major customer.

Gross margin for the quarter increased to 65.8% compared with 60.4% in the corresponding period last year. This has been achieved by economies of scale, change in revenue mix towards higher-margin new technology revenues and by reduced royalties payable.

The increases in sales & marketing and research & development expenditure from the first quarter of the previous financial year primarily reflect headcount increases made last year. We have increased the overall number of employees by about 40 in the quarter to about 1,360 as at September 2001. These new employees have been mostly in research and development and in specialist sales roles. Most of the headcount increases have been in low cost environments, as part of our policy of lowering the effective cost of our research & development activities through our centres in Bangalore and Beijing. Given the increased global economic uncertainty, we have undertaken a further review of our costs with the key focus on controlling the cost base expansion. It is vitally important to ensure that we have the right balance between adding resources to support the increasing number of customers, the expansion of the range and complexity of both markets and products, and the need to contain cost growth.

The increase in general & administrative expenses from the first quarter of last year is substantially explained by the impact of movements in the relative values of the US dollar and sterling on short terms assets and liabilities. During the quarter ended 30 September 2001 we recorded a foreign exchange loss of nearly £0.9 million compared to a gain in the prior year period of nearly £0.6 million. We monitor our foreign exchange exposure and the larger part of our cash balances are denominated in sterling. To date, we have concluded that it would be prohibitively expensive to attempt to hedge our net currency exposure, having regard to the nature and timing of our projected US dollar-denominated receipts and payments.

Amortisation of goodwill expense increased from £0.3 million to £1.7 million quarter to quarter, reflecting amortisation of the goodwill arising from the acquisition of Orbis in December 2000.

Diluted earnings per share for the quarter, adjusted to eliminate distortions caused by the amortisation of goodwill rose 18% from 14.3p to 16.9p.

During the quarter we absorbed about £3.4 million of cash. In addition to the timing of tax payments, our overall levels of advances and deposits from customers declined as we recognised income from orders previously received. As at 30 September 2001 we had free cash balances of £47.5 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 Tuesday 30 October 2001.

UK & International: +44 208 401 1043  
UK only free phone: 0500 10 16 30  
(Instant Replay: +44 208 288 4459 - Passcode: 623252)

USA free phone: +1 800 491 3127  
(Instant Replay: +1 800 625 5288 - Passcode: 123 0225)

The audio replay for the call will also be available on the NDS website [www.nds.com](http://www.nds.com).

{Tables follow}

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

	<i>Notes</i>	<b>3 months ended</b>		<b>Year ended</b>
		<b>30 September</b>		<b>30 June</b>
		<b>2001</b>	<b>2000</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenues</b>				
Conditional access		25,144	30,910	122,862
Integration, development & support		13,989	8,822	38,282
Licence fees & royalties		8,872	9,850	31,870
New technologies		6,614	1,880	15,069
Other revenue		5,448	3,170	7,545
<b>Total revenues</b>		<u>60,067</u>	<u>54,632</u>	<u>215,628</u>
<b>Cost of sales</b>				
Smart card & changeover provisions		(8,025)	(10,280)	(41,983)
Operations & support		(6,992)	(6,165)	(23,681)
Royalties		(911)	(1,903)	(5,258)
Other		(4,613)	(3,270)	(5,754)
<b>Total cost of sales</b>		<u>(20,541)</u>	<u>(21,618)</u>	<u>(76,676)</u>
<b>Gross profit</b>		<u>39,526</u>	<u>33,014</u>	<u>138,952</u>
<i>Gross profit %</i>		<i>65.8%</i>	<i>60.4%</i>	<i>64.4%</i>
<b>Operating expenses, excluding goodwill amortisation</b>				
Sales & marketing expenses		(4,568)	(2,962)	(14,417)
Research & development		(17,529)	(15,462)	(65,164)
General & administration		(5,068)	(3,669)	(15,601)
<b>Total</b>		<u>(27,165)</u>	<u>(22,093)</u>	<u>(95,182)</u>
<b>Operating income, before goodwill amortisation</b>		<b>12,361</b>	<b>10,921</b>	<b>43,770</b>
<i>Operating income %</i>		<i>20.6%</i>	<i>20.0%</i>	<i>20.3%</i>
Amortisation of goodwill		(1,723)	(342)	(4,590)
<b>Operating profit</b>		<u>10,638</u>	<u>10,579</u>	<u>39,180</u>
Share of associate's operating profit		-	-	5
Net interest income		663	193	2,098
<b>Profit on ordinary activities before tax</b>		<u>11,301</u>	<u>10,772</u>	<u>41,283</u>
Taxation		(3,715)	(3,228)	(12,154)
<b>Net profit</b>		<u><u>7,586</u></u>	<u><u>7,544</u></u>	<u><u>29,129</u></u>

<b>Earnings per share</b>	<b>2</b>			
Basic		14.2p	14.3p	55.1p
Diluted		13.8p	13.7p	52.8p
<b>Adjusted earnings per share</b>				
Basic		17.5p	15.0p	63.8p
Diluted		16.9p	14.3p	61.1p

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

	<i>Notes</i>	<b>30 September 2001 £'000</b>	<b>30 September 2000 £'000</b>	<b>30 June 2001 £'000</b>
<b>Fixed assets</b>				
Investments	3	2,244	191	1,839
Intangible assets		65,404	16,152	67,127
Tangible assets		20,225	17,831	20,698
		87,873	34,174	89,664
<b>Current assets</b>				
Stocks		21,114	15,597	22,438
Deferred tax asset		2,790	2,627	2,899
Debtors due within one year	4	51,652	53,783	50,098
Cash	5	61,906	39,110	65,337
		137,462	111,117	140,772
<b>Creditors</b>				
Amounts falling due within one year	6	(76,158)	(71,586)	(89,480)
<b>Net current assets</b>		61,304	39,531	51,292
<b>Total assets less current liabilities</b>		149,177	73,705	140,956
<b>Creditors</b>				
Amounts falling due after one year		(1,581)	(1,501)	(1,684)
<b>Provisions for liabilities and charges</b>		(15,342)	(10,118)	(13,406)
<b>Net assets</b>		132,254	62,086	125,866
<b>Equity and capital reserves</b>				
Equity share capital	7	334	331	334
Share premium		145,535	124,469	145,534
Shares to be issued		22,336	-	22,336
Profit and loss account		(211,216)	(237,979)	(217,603)
Capital contribution		133,265	133,265	133,265
		90,254	20,086	83,866
Non-equity capital		42,000	42,000	42,000
<b>Total capital employed</b>		132,254	62,086	125,866



**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 2001 which are in compliance with UK GAAP. They do not constitute statutory accounts. Figures for 30 June 2001 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.

**2. 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 amortisation of goodwill. A reconciliation of the profits used in the calculations is as follows:

	<b>3 months ended 30 September</b>		<b>Year ended 30 June</b>
	<b>2001 £'000</b>	<b>2000 £'000</b>	<b>2001 £'000</b>
Net profit	7,586	7,544	29,129
Add back amortisation of goodwill	1,723	342	4,590
Adjusted net profit	<u>9,309</u>	<u>7,886</u>	<u>33,719</u>

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 Technology Limited) have been determined in accordance with FRS 14. These quantities are therefore a function of, amongst other things, the average quoted share price for the period. The figures used in the calculations 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 September 2000	52,600,021	55,079,254
3 months to 30 September 2001	53,244,453	54,982,309
Year ended 30 June 2001	52,824,956	55,197,631

**3. Investments**

	<b>30 September 2001 £'000</b>	<b>30 September 2000 £'000</b>	<b>30 June 2001 £'000</b>
Associated undertaking	1,279	-	874
Other investments	965	191	965
	<u>2,244</u>	<u>191</u>	<u>1,839</u>

During the quarter, we advanced further funds to ADSR Limited to fund a programme of capital investment. We own 40% of ADSR, a company which provides 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.

**4. Debtors**

	<b>30 September 2001 £'000</b>	<b>30 September 2000 £'000</b>	<b>30 June 2001 £'000</b>
Trade receivables	46,043	42,842	42,805
Amounts loaned to The News Corporation Group	-	6,302	-
Other debtors	2,854	2,790	4,815
Prepaid expenses	2,755	1,849	2,478
	51,652	53,783	50,098

**5. Cash**

	<b>30 September 2001 £'000</b>	<b>30 September 2000 £'000</b>	<b>30 June 2001 £'000</b>
Restricted cash deposits	14,403	-	14,403
Freely available cash at bank and in hand	47,503	39,110	50,934
	61,906	39,110	65,337

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 Technology Limited.

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

	<b>30 September 2001 £'000</b>	<b>30 September 2000 £'000</b>	<b>30 June 2001 £'000</b>
Series A Guaranteed Loan Notes	14,403	-	14,403
Trade payables	13,154	10,026	12,217
UK Corporation Tax	7,122	4,725	6,625
Other creditors and accruals	20,091	19,972	22,891
Customer deposits and deferred income	21,388	36,863	33,344
	76,158	71,586	89,480

**7. Share capital and reserves**

Movements on consolidated capital and reserves and reconciliation of movements in shareholders' funds for the 3 months ended 30 September 2001 are as follows:

	<b>Equity share capital</b>	<b>Share premium</b>	<b>Non-equity share capital</b>	<b>Shares to be issued</b>	<b>Capital contribution</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 30 June 2001	334	145,534	42,000	22,336	133,265	(217,603)	125,866
Profit for the period	-	-	-	-	-	7,586	7,586
Issue of shares for cash	-	1	-	-	-	-	1
Other movements	-	-	-	-	-	25	25
Foreign exchange movement	-	-	-	-	-	(1,224)	(1,224)
As at 30 September 2001	<b>334</b>	<b>145,535</b>	<b>42,000</b>	<b>22,336</b>	<b>133,265</b>	<b>(211,216)</b>	<b>132,254</b>

The consideration payable in connection with the acquisition of Orbis Technology Limited on 1 December 2000 is dependent upon the revenues and profitability of Orbis for the two years ended 31 March 2002 and is payable in several instalments. "Shares to be issued" represents an estimate of the amounts to be settled in shares, based on the fair value of those shares as at the date of acquisition.

**8. Cashflow**

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

	<b>3 months ended 30 September 2001</b>	<b>3 months ended 30 September 2000</b>	<b>Year ended 30 June 2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating profit	10,639	10,579	39,180
Non-cash operating costs	3,736	2,208	12,868
Movement in working capital	(14,553)	7,101	1,919
Net cash (outflow) inflow from operating activities	(178)	19,888	53,967
Net interest received	709	192	2,098
Tax paid	(1,499)	(662)	(9,170)
Capital expenditure	(2,059)	(2,382)	(11,187)
Acquisitions and disposals	(405)	-	551
Proceeds from issue of shares	1	967	1,670
<b>Cash generated (absorbed)</b>	<b>(3,431)</b>	<b>18,003</b>	<b>37,929</b>
Interest-bearing deposits with News Corporation	-	(627)	5,674
Restricted cash deposits	-	-	(14,403)
Increase (decrease) in free cash balances	(3,431)	17,376	29,200
Free cash, beginning of period	50,934	21,734	21,734
Free cash, end of period	47,503	39,110	50,934

**9. 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 requirement under US GAAP, following the early adoption of SFAS 142, not to amortise goodwill with effect from 1 July 2001.

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

	<b>3 months ended 30 September 2001 £'000</b>	<b>3 months ended 30 September 2000 £'000</b>	<b>Year ended 30 June 2001 £'000</b>
UK GAAP: Net profit for the period	7,586	7,544	29,129
Adjustments			
- subscriber fees	(472)	(434)	(1,671)
- share option scheme	(239)	(553)	(1,470)
- acquisition of Orbis	498	-	(6,183)
- fair valuation of currency derivatives	(185)	-	117
- National Insurance on options	(267)	-	11
- allocation of tax benefits	-	-	(1,298)
- amortisation of goodwill (from 1 July 2001)	1,723	-	-
US GAAP: Net income for the period	8,644	6,557	18,635

{ENDS}