UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2007

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 000-30364

NDS Group plc
(Exact name of registrant as specified in its charter)

England and Wales	**Not applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Heathrow Boulevard, 286 Bath Road, West Drayton, Middlesex, United Kingdom	**UB7 0DQ**
(Address of principal executive offices)	(ZIP Code)

+44 20 8476 8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] **Accelerated filer [ ]** **Non-accelerated filer [ ]**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

As of January 25, 2008, the following shares were outstanding: 16,120,931 Series A ordinary shares, par value $0.01 per share; 42,001,000 Series B ordinary shares, par value $0.01 per share; and 42,000,002 deferred shares, par value £1 per share.

NDS GROUP PLC

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PART I – Financial Information

Item 1. Financial Statements

NDS Group plc
Unaudited Consolidated Statements of Operations

(in thousands, except per-share amounts)	For the three months ended December 31, 2007	For the three months ended December 31, 2006	For the six months ended December 31, 2007	For the six months ended December 31, 2006
Revenue:				
Conditional access	$ 119,411	$ 98,184	$ 240,994	$ 191,031
Integration, development & support	12,844	12,683	23,753	31,095
License fees & royalties	29,061	23,450	58,005	47,800
New technologies	51,382	28,922	93,840	56,421
Other	2,250	1,823	3,232	2,877
Total revenue	214,948	165,062	419,824	329,224
Cost of goods and services sold	(81,486)	(61,118)	(149,942)	(123,353)
Gross margin	133,462	103,944	269,882	205,871
Operating expenses:				
Research & development	(48,040)	(43,309)	(99,051)	(77,975)
Sales & marketing	(14,042)	(9,314)	(23,662)	(17,291)
General & administration	(18,538)	(11,411)	(32,758)	(23,688)
Amortization of other intangibles	(3,332)	(2,510)	(6,615)	(4,927)
Total operating expenses	(83,952)	(66,544)	(162,086)	(123,881)
Operating income	49,510	37,400	107,796	81,990
Interest income	7,584	6,500	14,956	12,512
Income before income tax expense	57,094	43,900	122,752	94,502
Income tax expense	(16,725)	(13,609)	(36,089)	(29,123)
Net income	$ 40,369	$ 30,291	$ 86,663	$ 65,379
Net income per share:				
Basic net income per share	$ 0.70	$ 0.53	$ 1.50	$ 1.15
Diluted net income per share	$ 0.68	$ 0.52	$ 1.48	$ 1.13

The accompanying notes form an integral part of these unaudited consolidated financial statements.

NDS Group plc
Consolidated Balance Sheets

(in thousands, except share amounts)	As of December 31, 2007 (Unaudited)	As of June 30, 2007 (See Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 663,545	$ 592,750
Accounts receivable, net (inclusive of $94,675 and $89,711 due from related parties)	139,845	134,624
Accrued income	47,725	40,605
Inventories, net	67,944	54,133
Prepaid expenses	21,541	19,415
Other current assets	4,264	3,926
Total current assets	944,864	845,453
Property, plant & equipment, net	50,806	54,801
Goodwill	132,257	124,614
Other intangibles, net	61,548	63,080
Other non-current assets	72,076	56,905
Total assets	$ 1,261,551	$ 1,144,853
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (inclusive of $3,049 and $2,165 due to related parties)	$ 25,672	$ 22,110
Deferred income	83,649	75,777
Accrued payroll costs	30,611	31,186
Accrued expenses	37,749	37,473
Income tax liabilities	29,432	17,693
Other current liabilities	21,336	18,287
Total current liabilities	228,449	202,526
Deferred income	133,629	157,517
Other non-current liabilities	56,821	46,537
Total liabilities	418,899	406,580
Commitments and contingencies		
Shareholders' equity:		
Series A ordinary shares, par value $0.01 per share: 48,000,000 shares authorized; 16,110,056 and 15,718,904 shares outstanding as of December 31, and June 30, 2007, respectively	161	157
Series B ordinary shares, par value $0.01 per share: 52,000,000 shares authorized; 42,001,000 shares outstanding as of December 31, and June 30, 2007, respectively	420	420
Deferred shares, par value £1 per share: 42,000,002 shares authorized and outstanding as of December 31, and June 30, 2007	64,103	64,103
Additional paid-in capital	578,652	563,388
Retained earnings	142,769	56,106
Other comprehensive income	56,547	54,099
Total shareholders' equity	842,652	738,273
Total liabilities and shareholders' equity	$ 1,261,551	$ 1,144,853

The accompanying notes form an integral part of these unaudited consolidated financial statements.

NDS Group plc
Unaudited Consolidated Statements of Cash Flows

(in thousands)	For the six months ended December 31, 2007	2006
Operating activities:		
Net income	$ 86,663	$ 65,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,360	9,120
Amortization of other intangibles	6,615	4,927
Equity-based compensation	8,492	4,378
Other	390	399
Change in operating assets and liabilities, net of acquisitions:		
Inventories	(13,811)	(11,371)
Receivables and other assets	(29,020)	(38,168)
Deferred income	(16,016)	31,465
Accounts payable and other liabilities	20,396	(6,730)
Net cash provided by operating activities	75,069	59,399
Investing activities:		
Capital expenditure	(6,700)	(10,120)
Short-term investments, net	—	(18,986)
Business acquisitions, net of cash acquired	(10,537)	(82,456)
Net cash used in investing activities	(17,237)	(111,562)
Financing activities:		
Issuance of shares (inclusive of realized excess tax benefits of $848 and $1,790)	6,736	7,035
Net increase (decrease) in cash and cash equivalents	64,568	(45,128)
Cash and cash equivalents, beginning of period	592,750	320,636
Currency exchange movements	6,227	4,550
Cash and cash equivalents, end of period	$ 663,545	$ 280,058

The accompanying notes form an integral part of these unaudited consolidated financial statements.

NDS Group plc
Notes to the Unaudited Consolidated Financial Statements

Note 1. Description of business

NDS Group plc (the "Company") is domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The Company is engaged in the business of supplying open end-to-end digital technology and services to digital pay-television platform operators and content providers. The Company has customers throughout the world and has research and development facilities, customer support operations and administrative offices in the United Kingdom, Israel, France, Denmark, India, China, Hong Kong, South Korea, Australia and the United States. All the revenue, expenses, assets, liabilities and cash flows relate to the continuing operations of the Company and its consolidated subsidiaries.

There is a common management structure across the Company, which ensures that the various subsidiary entities operate in a coordinated and complementary manner. The business is managed as a single operating unit or segment.

The Company is a majority owned subsidiary of News Corporation and conducts business transactions with a number of affiliates and subsidiaries of News Corporation.

Note 2. Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position, the consolidated operating results and the consolidated cash flows as of and for the periods shown. The unaudited consolidated results of operations for the three- and six-month periods ended December 31, 2007 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending June 30, 2008.

These interim unaudited consolidated financial statements and notes hereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2007 included in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on August 29, 2007. Financial information as of June 30, 2007 has been derived from those audited consolidated financial statements.

These interim consolidated financial statements are unaudited and do not constitute U.K. statutory results as defined in Section 240 of the Companies Act 1985 of Great Britain. U.K. statutory accounts for the fiscal year ended June 30, 2007, which comprise parent company unconsolidated financial statements prepared under U.K. generally accepted accounting practice, and on which the auditors' report was unqualified, were approved by the Company's shareholders at its Annual General Meeting of Shareholders held on October 26, 2007 and have been delivered to the Registrar of Companies for England and Wales.

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to each reporting date. As such, all references to December 31, 2007 and December 31, 2006 relate to the three- and six-month periods ended December 30, 2007 and December 31, 2006, respectively. For convenience purposes, the Company continues to date its financial statements as of December 31.

All amounts are presented in thousands, except share and per share amounts or unless otherwise noted.

Recent accounting pronouncements

Income taxes

On July 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (the "FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109, Accounting for Income Taxes," ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 did not have a material impact on the Company's liability for unrecognized tax benefits. Total unrecognized tax benefits at the date of the Company's adoption of FIN 48 were $1.7 million, all of which will affect the Company's effective income tax rate, if and when recognized in future years. Movements in the accrued balance during the three- and six-month periods ended December 31, 2007 were immaterial. The Company does not presently anticipate such uncertain income tax positions will significantly increase or decrease in the next 12 months; however, actual developments in this area could differ from those currently expected.

The Company recognizes interest and penalty charges related to unrecognized tax benefits as income tax expense, which is consistent with the recognition in prior reporting periods. As of July 1, 2007, the Company's recorded liability for accrued interest was immaterial, and there was no material change in the accrual for interest for either of the three- or six-month periods ended December 31, 2007.

Her Majesty's Revenue and Customs in the United Kingdom has completed its review of the Company's U.K. tax returns for all fiscal years through fiscal 2005 and has commenced a review of the Company's U.K. tax returns for fiscal 2006. Additionally, the Company's income tax returns for the fiscal years 2003 through 2006 are under examination in various foreign jurisdictions.

Business acquisitions and disposals

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141(revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R significantly changes the accounting for business combinations in a number of areas, including the treatment of contingent consideration, pre-acquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under SFAS No. 141R, changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS No. 141R beginning in the first quarter of fiscal 2010. This standard will change the Company's accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method significantly changes the accounting for transactions involving minority interest holders. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS No. 160 beginning in the first quarter of fiscal 2010. This standard would change the Company's accounting treatment for transactions involving any minority interest holders.

Other

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), providing a framework to improve the comparability and consistency of fair value measurements in applying GAAP. SFAS No. 157 also expands the disclosures regarding fair value measurement. SFAS No. 157 will become effective for the Company beginning in fiscal 2009. The Company is currently evaluating what effects the adoption of SFAS No. 157 will have on the Company's future consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 allows companies to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 will become effective for the

Company beginning in fiscal 2009. The Company is currently evaluating what effects the adoption of SFAS No. 159 will have on the Company's future consolidated results of operations and financial condition.

In March 2007, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payment for Goods or Services to Be Used in Future Research and Development Activities" ("EITF 07-3"). EITF 07-3 requires that nonrefundable advance payments for future research and development activities be deferred and capitalized. EITF 07-3 requires that such amounts be recognized as an expense as the goods are delivered or the related services are performed. If, subsequently, based on management's assessment, it is no longer expected that the goods will be delivered or services will be rendered, then EITF 07-3 requires that the capitalized advance payment be charged to expense. EITF 07-3 will be effective for the Company beginning in fiscal 2009. The Company is currently evaluating what effects, if any, the adoption of EITF 07-3 will have on the Company's future consolidated results of operations and financial condition.

Note 3. Comprehensive income

Comprehensive income comprises net income, foreign currency translation adjustments and certain pension adjustments. The components of comprehensive income were as follows:

	For the three months ended December 31,		For the six months ended December 31,	
(in thousands)	2007	2006	2007	2006
Net income	$ 40,369	$ 30,291	$ 86,663	$ 65,379
Foreign currency translation differences (no tax effect)	(1,249)	5,435	2,448	5,798
Comprehensive income	$ 39,120	$ 35,726	$ 89,111	$ 71,177

Note 4. Net income per share

Basic net income per share is calculated as net income divided by the weighted average number of ordinary shares in issue in each period. The interests of ordinary shareholders may be diluted due to the existence of equity awards granted to employees. The dilutive effect of potential shares to be issued pursuant to outstanding equity awards has been calculated using the treasury stock method and as such, is a function of the average share price in each period. The Company has two classes of ordinary shares: Series A ordinary shares, par value $0.01 per share ("Series A ordinary shares") and Series B ordinary shares, par value $0.01 per share ("Series B ordinary shares"), which have equal rights except in respect of voting and have equal weighting in the calculation of net income per share and equal net income per share.

The numerator for the calculations of net income per share is net income. The denominator for the calculations is the weighted average number of ordinary shares, as follows:

	For the three months ended December 31,		For the six months ended December 31,	
	2007	2006	2007	2006
Weighted average number of ordinary shares in issue	57,970,040	57,045,855	57,870,748	56,967,765
Effect of dilutive equity awards	1,080,817	938,707	837,491	924,759
Denominator for dilutive net income per share	59,050,857	57,984,562	58,708,239	57,892,524

Note 5. Inventories

(in thousands)	As of December 31, 2007	As of June 30, 2007
Unprocessed smart cards and their components	$ 60,703	$ 51,630
Other smart card inventory	6,225	2,476
Inventory reserves	(2,324)	(2,434)
	64,604	51,672
Contract work-in-progress	3,340	2,461
Total inventories	$ 67,944	$ 54,133

Unprocessed smart cards and their components are considered to be in the state of work-in-progress. Other smart card inventory represents smart cards shipped to customers but for which revenue had not been recognized as of the balance sheet date.

Note 6. Deferred income

(in thousands)	As of December 31, 2007	As of June 30, 2007
Deferred security fees	$ 153,969	$ 180,009
Advance receipts and other deferred income	63,309	53,285
Total deferred income	$ 217,278	$ 233,294
Included within current liabilities	$ 83,649	$ 75,777
Included within non-current liabilities	133,629	157,517
	$ 217,278	$ 233,294

Note 7. Related-party transactions

The Company conducts business transactions with News Corporation and its subsidiaries and affiliates. These entities are considered to be related parties under SFAS No. 57, "Related Party Disclosures." Agreements covering arrangements between News Corporation's subsidiaries or affiliates and the Company are entered into in the context of two entities over which a third entity exercises significant influence or control. Therefore, there can be no assurance that each of the agreements, the transactions provided for therein or any amendments thereof will be effected on terms at least as favorable to the Company as could have been obtained from unaffiliated third parties. Any new contracts with related parties or significant amendments to such contracts are approved by the Audit Committee (the "Audit Committee") of the Company's Board of Directors (the "Board") in accordance with NASDAQ listing requirements.

These transactions are of three main types: the provision by the Company of technology and services for digital pay-television systems; the payment by the Company of royalties for the use of certain intellectual property rights; and the receipt by the Company of some administration and finance services.

a) Provision of technology and services

Technology and services for digital pay-television platform operators are supplied by the Company to affiliates and subsidiaries of News Corporation. The principal related parties to whom the Company supplies such services are BSkyB, DIRECTV (including its subsidiaries or affiliates DIRECTV Latin America, Sky Brasil and Sky Mexico), FOXTEL, Sky Network Television and Tata Sky (all of which currently are affiliates of News Corporation), and SKY Italia and STAR TV (both of which are wholly owned subsidiaries of News Corporation).

Revenue recognized from such related parties was as follows:

(in thousands)	For the three months ended December 31, 2007	2006	For the six months ended December 31, 2007	2006
Revenue from related parties	$ 146,452	$ 122,659	$ 305,710	$ 254,862

Included within the consolidated balance sheets are the following amounts in respect of normal sales transactions with related parties:

(in thousands)	As of December 31, 2007	As of June 30, 2007
Accounts receivable	$ 94,675	$ 89,711
Accrued income	27,611	26,854
Deferred income	(169,278)	(200,478)

b) Royalty payments

A royalty is payable to a related party in respect of certain intellectual property rights that the Company has licensed for use in certain applications supplied to its customers. The royalty expense in respect of these related party arrangements, which is included within cost of goods and services sold, was as follows:

(in thousands)	For the three months ended December 31, 2007	2006	For the six months ended December 31, 2007	2006
Royalties payable to related parties	$ 969	$ 397	$ 1,811	$ 1,135

Included within the consolidated balance sheets are the following amounts in respect of royalties payable to a related party:

(in thousands)	As of December 31, 2007	As of June 30, 2007
Accrued expenses	$ 5,363	$ 3,553

c) Administration and finance services

News Corporation provides services under a Master Intercompany Agreement that provides, among other things, for arrangements governing the relationship between the Company and News Corporation. The consideration for each of the services and other arrangements set forth in the Master Intercompany Agreement is mutually agreed and based upon allocated costs. All such consideration and any material arrangements are subject to the approval of the Audit Committee. The services covered by the Master Intercompany Agreement include cash management and financing, services of News Corporation employees, facility arrangements and employee matters, including pensions and certain other services.

Administration fees charged to the Company in respect of these services were as follows:

(in thousands)	For the three months ended December 31, 2007	2006	For the six months ended December 31, 2007	2006
Administrative fees charged by related parties	$ 38	$ 59	$ 75	$ 118

As part of these administration and finance services, News Corporation pays certain costs (principally certain payroll, legal and property expenses) on behalf of the Company. The Company reimburses News Corporation for such payments, typically the month following that in which the payment was made by News Corporation. Included within the consolidated balance sheets are the following amounts that were owed to News Corporation in respect of administrative services and other costs paid by News Corporation on behalf of the Company:

(in thousands)	As of December 31, 2007	As of June 30, 2007
Accounts payable	$ 3,049	$ 2,165

d) Other

The Company has a short-term loan facility of £30 million (approximately $60 million) from a subsidiary of News Corporation. The facility has no expiry date and no amounts were drawn down as of December 31, 2007 or June 30, 2007. The facility is considered to be adequate for the Company's needs.

The Company has entered into cross-guarantees with HSBC Bank plc ("HSBC") providing mutual guarantees with other subsidiaries of News Corporation for amounts owed to HSBC under a collective overdraft facility of £20 million (approximately $40 million). News Corporation has indemnified the Company against any liabilities which the Company may be required to pay under these cross-guarantees. The Company has been informed by News Corporation that no amounts were owed to HSBC as of December 31, 2007 or June 30, 2007 that would be covered by these guarantees.

Note 8. Contingencies and commitments

a) Litigation

Echostar Litigation

On June 6, 2003, Echostar Communications Corporation, Echostar Satellite Corporation, Echostar Technologies Corporation and Nagrastar L.L.C. (collectively, "Echostar") filed an action against the Company in the United States District Court for the Central District of California. Echostar filed an amended complaint on October 8, 2003, which purported to allege claims for violation of the Digital Millennium Copyright Act ("DMCA"), the Communications Act of 1934 ("CA"), the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, California's Unfair Competition statute and the federal Racketeer Influenced and Corrupt Organizations ("RICO") statute. The complaint also purported to allege claims for civil conspiracy, misappropriation of trade secrets and interference with prospective business advantage. The complaint sought injunctive relief, unspecified compensatory and exemplary damages and restitution. On December 22, 2003, all of the claims were dismissed by the court, except for the DMCA, CA and unfair competition claims, and the court limited these claims to acts allegedly occurring within three years of the filing of Echostar's original complaint.

After Echostar filed a second amended complaint, the Company filed a motion to dismiss this complaint on March 31, 2004. On July 21, 2004, the court issued an order directing Echostar to, among other things, file a third amended complaint within ten days correcting various deficiencies noted in the second amended complaint. Echostar filed its third amended complaint on August 4, 2004. On August 6, 2004, the court ruled that the Company was free to file a motion to dismiss the third amended complaint, which the Company did on September 20, 2004. The hearing occurred on January 3, 2005. On February 28, 2005, the court issued an order treating the Company's motion to dismiss as a motion for a more definite statement, granting the motion and giving Echostar until March 30, 2005 to file a fourth amended complaint correcting various deficiencies noted in the third amended complaint. On March 30, 2005, Echostar filed a fourth amended complaint, which the Company moved to dismiss. On July 27, 2005, the court granted in part and denied in part the Company's motion to dismiss, and again limited Echostar's surviving claims to acts allegedly occurring within three years of the filing of Echostar's original complaint. The Company believes these surviving claims are without merit and intends to vigorously defend against them.

On October 24, 2005, the Company filed its Amended Answer with Counterclaims, alleging that Echostar misappropriated the Company's trade secrets, violated the Computer Fraud and Abuse Act and engaged in unfair competition. On

November 8, 2005, Echostar moved to dismiss the Company's counterclaims for conversion and claim and delivery, arguing that these claims were preempted and time-barred. Echostar also moved for a more definite statement of the Company's trade secret misappropriation claim. On December 8, 2005, the court granted in part and denied in part Echostar's motion to dismiss and for a more definite statement, but granted the Company leave to file amended counterclaims. On December 13, 2005, the Company filed a Second Amended Answer with Counterclaims, which Echostar answered on December 27, 2005. The Company filed motions for summary judgment dismissing Echostar's claims and Echostar filed a motion for summary judgment dismissing the Company's counterclaims on October 29, 2007. Those motions were heard on January 7, 2008. On January 16, 2008, the court granted the motions in part and denied them in part. The court has set this case to go to trial in April 2008.

Sogecable Litigation

On July 25, 2003, Sogecable, S.A. and its subsidiary Canalsatellite Digital, S.L., Spanish satellite broadcasters and customers of Canal+ Technologies SA (together, "Sogecable"), filed an action against the Company in the United States District Court for the Central District of California. Sogecable filed an amended complaint on October 9, 2003, which purported to allege claims for violation of the DMCA and the RICO statute. The amended complaint also purported to allege claims for interference with contract and prospective business advantage. The complaint sought injunctive relief, unspecified compensatory and exemplary damages and restitution. On December 22, 2003, all of the claims were dismissed by the court. Sogecable filed a second amended complaint. The Company filed a motion to dismiss the second amended complaint on March 31, 2004. On August 4, 2004, the court issued an order dismissing the second amended complaint in its entirety. Sogecable had until October 4, 2004 to file a third amended complaint. On October 1, 2004, Sogecable notified the court that it would not be filing a third amended complaint, but would appeal the court's entry of final judgment dismissing the suit to the United States Ninth Circuit Court of Appeals. On December 14, 2006, the appellate court issued a memorandum decision reversing the district court's dismissal. On January 26, 2007, the Company filed its petition for rehearing by an en banc panel of the United States Ninth Circuit Court of Appeals. On February 21, 2007, the petition was denied. On June 11, 2007, the Company filed a petition for a Writ of Certiorari in the United States Supreme Court seeking reversal of the Ninth Circuit Court of Appeals' decision. On August 27, 2007, the Company renewed its motion to dismiss the second amended complaint on grounds not previously decided. On October 1, 2007, the petition for Writ of Certiorari was denied. On January 25, 2008, the court issued an order granting-in-part and denying-in-part the Company's renewed motion to dismiss Sogecable's second amended complaint. The court dismissed Sogecable's claim for tortious interference with prospective economic advantage, but allowed Sogecable to proceed on its RICO and DMCA claims, as well as its claim for tortious interference with contract. The court has set June 2, 2009 as the trial date. The Company believes that Sogecable's claims are without merit and it will continue to vigorously defend itself in this matter.

Barry Thomas Litigation

On November 28, 2005, Barry W. Thomas filed a complaint alleging infringement of United States Patent No. 4,777,354 by DIRECTV, Inc., its parent The DIRECTV Group, Inc., and the National Rural Telecommunications Cooperative in the United States Distinct Court for the Western District of North Carolina, Charlotte Division, captioned Barry W. Thomas v. DIRECTV, Inc., *et al.*, No. 3:05CV496-K (W.D.N.C.). Although not a party to this case, the Company has assumed a share in the cost of DIRECTV, Inc.'s defense. The asserted patent expired on January 27, 2006.

On February 24, 2006, Mr. Thomas voluntarily dismissed his complaint against The DIRECTV Group, Inc., but not his complaint against DIRECTV, Inc. On February 27, 2006, DIRECTV, Inc. filed an Answer and Counterclaims where, among other things, DIRECTV, Inc. denied Mr. Thomas's allegations of infringement and alleged that the patent is invalid, unenforceable, and that Mr. Thomas's cause of action is barred by the equitable doctrine of laches.

DIRECTV, Inc. filed a motion for summary judgment barring pre-suit damages based on its laches defense on September 12, 2006. The court granted DIRECTV, Inc.'s motion on December 19, 2006, limiting DIRECTV, Inc.'s potential liability to the two-month period between the filing of the complaint and the expiration of the patent. There is no schedule for pretrial proceedings or trial date set by the court, although the court held a patent claim construction hearing on November 17, 2006. The parties are now awaiting the court's decision on issues of claim construction and further guidance concerning a case schedule.

The Company believes that Mr. Thomas's claims are without merit and it will continue to vigorously defend itself in this matter.

b) Guarantees

In the normal course of business, the Company provides, and from time to time makes payments in respect of, indemnification agreements of varying scopes, including warranties concerning the security of the Company's smart cards,

limited product warranties and indemnification of customers against claims of intellectual property infringement made by third parties arising from the use of the Company's products or services. Also, the Company may be subject to liquidated damages in the event of late delivery of goods or services. The nature of these commitments has been considered in determining the revenue and costs recognized in these financial statements. Costs are accrued for known warranty and indemnification issues if a loss is probable and can be reasonably estimated. Historically, costs related to these warranties and indemnification agreements have not been significant, but because potential future costs are highly variable, the Company is unable to estimate the maximum potential impact of these guarantees on the Company's future results of operations.

c) Other

The nature of the Company's business is such that it may be subject to claims by third parties alleging infringements of various intellectual property rights. Such claims are vigorously defended. Where a liability arising from these claims is probable, an accrual is made based on management's best estimate. It is not considered that any resulting liability in excess of amounts recognized in these financial statements would materially affect the Company's financial position.

Amounts payable by the Company under certain contracts are subject to audit rights held by third parties and the terms of such contracts may be open to subjective interpretation. The Company settles its liabilities under such contracts based on its assessment of the amounts due. However, it may be subject to claims that the amounts paid are incorrect. It is not considered that any resulting liability in excess of amounts recognized in these financial statements would materially affect the Company's financial position.

The Company experiences routine litigation in the normal course of its business. The Company believes that none of its pending litigation will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

The Company's operations are subject to tax in various domestic and international jurisdictions and, as a matter of course, the Company is regularly audited by U.K. and overseas tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

Note 9. Equity-based compensation

The following amounts have been recorded in the consolidated financial statements relating to equity-based compensation:

	For the three months ended December 31,		For the six months ended December 31,	
(in thousands, except share amounts)	2007	2006	2007	2006
Number of stock options exercised in period	280,838	294,017	329,636	326,078
Number of conditional awards vested in period, net of statutory tax withholdings	—	—	67,409	—
Equity-based compensation cost included within the statement of operations	$ 4,181	$ 1,784	$ 8,492	$ 3,738
Net cash received from exercise of equity-based awards	$ 5,579	$ 4,638	$ 5,888	$ 5,245
Excess tax benefits derived from equity-based awards	$ 836	$ 1,763	$ 888	$ 1,790
Intrinsic value of stock options exercised	$ 10,583	$ 9,403	$ 11,918	$ 10,247

During the three-month period ended December 31, 2007, fixed conditional awards over American Depositary Receipts ("ADRs") representing an aggregate of 27,500 Series A ordinary shares were awarded to certain employees and directors,

twenty-five percent of which will vest on August 15, 2008. The remaining balance will vest in three equal annual installments, subject to the individual's continued employment with the Company. The grant date fair value of these awards was $55.91 per share.

In addition, during the three-month period ended December 31, 2007, certain employees and executives of the Company had the opportunity to earn grants of ADRs representing Series A ordinary shares under the NDS 2006 Long-Term Incentive Plan conditioned upon the attainment of pre-determined operating income goals for the fiscal year ending June 30, 2008 (the "Fiscal 2008 Performance-Based Conditional Awards"). To the extent that it is determined that the Company's actual fiscal 2008 operating income falls within the performance goal range, the employees or executives will receive a percentage of their annualized base salary, ranging from 0% to 45% for the vast majority of recipients (the range for some recipients was from 0% to up to 187.5%) in time-vested ADRs representing Series A ordinary shares. If it is determined that ADRs representing Series A ordinary shares are to be issued in respect of the Fiscal 2008 Performance-Based Conditional Awards, the first 25% of such ADRs will vest on August 15, 2008, with the remaining balance vesting in three equal annual installments over the next three years, subject to the individual's continued employment with the Company. The grant date fair value of the awards was $55.91 per share.

As of December 31, 2007, the total compensation cost related to non-vested equity-based awards not yet recognized was approximately $46.3 million and the period over which it is expected to be recognized is 3.7 years. The Board may grant additional equity-based compensation, which would result in additional operating expenses being recorded in future periods.

Note 10. Supplementary cash flow information

	For the six months ended December 31,	
(in thousands)	2007	2006
Cash receipts and payments:		
Cash payments for capital expenditure	$ (6,700)	$ (10,361)
Proceeds from sale of property, plant and equipment	260	241
Interest received in cash	14,908	10,038
Cash payments for income taxes	(23,991)	(21,993)
Gross purchases of short-term investments	—	(203,387)
Gross sales of short-term investments	—	184,401
Cash paid in respect of deferred consideration for acquisitions	(115)	(1,937)
Supplemental information on businesses acquired[1]:		
Fair value of non-cash assets acquired[2]	$ 12,566	$ 92,213
Cash (overdraft) acquired	(48)	13,435
Less: liabilities assumed[2]	(2,144)	(11,694)
Cash paid in respect of acquisitions	$ 10,374	$ 93,954

(1) In the six-month period ended December 31, 2007, the Company acquired CastUp Inc., a provider of solutions for the hosting, management and distribution of video over the Internet, for initial consideration of $10.4 million. In the six-month period ended December 31, 2006, we acquired Jungo Limited for cash consideration and costs totaling $77.5 million, net of cash acquired. In the six-month period ended December 31, 2006, we also acquired Interactive Television Entertainment ApS for consideration of $3.0 million.

(2) Based on preliminary allocation of purchase price.

Note 11. Pension expense

The elements of expense related to the defined benefit pension scheme that the Company operates are as follows:

(in thousands)	For the three months ended December 31, 2007	For the three months ended December 31, 2006	For the six months ended December 31, 2007	For the six months ended December 31, 2006
Service cost	$ 59	$ 51	$ 117	$ 102
Interest cost	339	310	674	614
Expected return on plan assets	(321)	(256)	(637)	(507)
Amortization of unrecognized net loss	108	149	215	296
	$ 185	$ 254	$ 369	$ 505

During the six-month periods ending December 31, 2007 and 2006, the Company made discretionary contributions of $1.0 million and $0.9 million, respectively, to the Company's defined benefit pension scheme.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This document contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of NDS Group plc, its directors or its officers with respect to, among other things, trends affecting NDS Group plc's financial condition or results of operations. Unless otherwise indicated or unless the context requires otherwise, all reference herein to the "Company," "we," "our" and "us" refers to the NDS Group plc. Readers of this document are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Those risks and uncertainties are discussed under Item 1A. Risk Factors of Part II of this Quarterly Report on Form 10-Q, in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 as filed with the Securities and Exchange Commission ("SEC") on August 29, 2007 (SEC file no. 000-30364), as well as the information set forth elsewhere in this Quarterly Report. The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should carefully review other documents filed by the Company with the SEC. This section should be read in conjunction with the unaudited consolidated financial statements of the Company and related notes set forth elsewhere herein.

Introduction

Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of our financial condition, changes in financial condition and results of operations, and is organized as follows:

- ***Overview of our business*** — This section provides a general description of our business and developments that have occurred to date during the fiscal year ending June 30, 2008 that we believe are important in understanding our results of operations and financial condition or to disclose known future trends.
- ***Results of operations*** — This section provides an analysis of our results of operations for the three- and six-month periods ended December 31, 2007 and 2006. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.
- ***Liquidity and capital resources*** — This section provides an analysis of our cash flows for the six-month periods ended December 31, 2007 and 2006. It includes a discussion of the financial capacity available to fund our future commitments and obligations, as well as a discussion of other financing arrangements.

Overview of our Business

We supply open end-to-end digital technology and services to digital pay-television platform operators, and content providers. Our technologies include conditional access and microprocessor security, broadcast stream management, set-top box and residential gateway middleware, electronic program guides ("EPGs"), digital video recording ("DVR") technologies and interactive infrastructure and applications. Middleware and DVR technologies are deployed on third-party hardware devices, such as set-top boxes, residential gateway devices and PCs; we refer to these deployments as middleware clients and DVR clients, respectively. We provide technologies and services supporting standard definition and high definition television and a variety of industry, Internet and Internet protocol ("IP") standards, as well as technology for mobile devices. Our software systems, consultancy and systems integration services are focused on providing platform operators and content providers with technology to help them profit from the secure distribution of digital information and entertainment to consumer devices that incorporate various technologies supplied by us.

Our main customers are the digital pay-television platform operators that utilize a broadcast infrastructure to deliver video and data to multiple subscribers. In addition, we may sell interactive applications to content providers, who do not usually operate a broadcast platform, but instead provide content for transmission over a platform operator's network. The applications we sell to content providers make use of the functions and capabilities of the broadcast infrastructure.

We work with suppliers of other components of a broadcast platform, such as broadcast equipment, set-top box and residential gateway manufacturers. We integrate our technologies with the products manufactured by these suppliers to

provide a platform operator with the required functionality. A particular platform operator may purchase some components of their broadcast platform from our competitors.

Our customers consist of a limited number of large digital pay-television platform operators that are introducing, marketing and promoting products and services that utilize our technology. Our three largest customers are DIRECTV in the United States, BSkyB in the United Kingdom and SKY Italia in Italy. Together, these three customers contributed, directly and indirectly, approximately 65% of our revenue during the six-month period ended December 31, 2007. We expect that a limited number of customers will continue to contribute a significant portion of our revenue. During the six-month period ended December 31, 2007, we extended our contracts to supply conditional access services to DIRECTV and its Latin American subsidiaries through June 30, 2013.

We compete primarily with technologies such as NagraVision (developed by Kudelski SA), DigiCipher (developed by Motorola, Inc.), Power Key (developed by Scientific-Atlanta, Inc.), OpenTV (developed by OpenTV Corp., a company controlled by Kudelski SA) and Microsoft Mediaroom (developed by Microsoft Corporation) both to attract new customers and to retain our existing customers. In addition, some of the companies that currently operate in the software business, but that have not historically been active competitors of ours, may, through acquisitions or the development of their own resources, seek to enter and obtain significant market share in our current or planned business areas.

A significant portion of our revenue is dependent upon our customers' subscriber bases, the growth in their subscriber bases and the related quantities of set-top boxes deployed to their subscribers. Revenue can vary from period to period as our revenue reflects a small number of relatively large orders for our technology and services. These generally have long sales and order cycles, and delivery and acceptance of our products and services fluctuate over the course of these cycles. Our accounting policies often require us to defer revenue until after our technologies have been deployed by our customers or to recognize contract revenue over the term of any post-contract support period.

We consider that we operate and manage our business as a single segment. There are no separate divisions or profit centers. We assess the financial performance of our business by reviewing specific revenue streams in the aggregate and by customer. We assess our costs by considering individual cost centers and their aggregation into the general cost categories as described below.

Revenue

We derive revenue from:

1) *Fees from the sale of smart cards and the provision of security maintenance services.* These fees are typically based on the number of smart cards supplied and the number of subscribers and/or smart cards authorized for a particular platform. Our fees may be reduced if the security of the system is compromised. We refer to fees from the sales of smart cards and the provision of security maintenance services as "conditional access revenue."

2) *Fees for the supply of an initial system and subsequent additional functionality and maintenance services.* These fees are typically based on the amount of manpower required to customize, integrate and install the system components and subsequently to maintain those components. We refer to such fees as "integration, development and support revenue."

3) *Fees linked to the deployment and use of our technologies*. These fees are typically based on the number of set-top boxes or residential gateway devices manufactured or deployed that contain the relevant technologies. Other fees may be based on the extent to which the technologies are used by our customers' subscribers. For example, we may receive a share of incremental revenue generated by a platform operator or content provider from an application that incorporates our technologies. We refer to such fees as "license fees and royalties."

These different types of fees are presented as three separate revenue streams in our consolidated statement of operations because they are influenced by different external factors.

We distinguish between revenue from "established technologies" and revenue from "new technologies." We categorize as revenue from established technologies our revenue from conditional access, middleware and EPG technologies and fees from the customization and integration of those technologies into head-end systems and set-top boxes, together with associated support. Revenue from these technologies is allocated between the three different revenue streams identified above. We aggregate under our separate new technologies revenue stream all revenue that we derive from DVR technologies, advanced middleware technologies, technologies involving broadband and video content over broadband ("IPTV"), interactive infrastructure and applications, and games and gaming. As our business develops, we will consider whether these groupings of revenue remain appropriate.

Costs and Expenses

Our costs and expenses consist of physical and processing costs of smart cards; personnel, travel and facilities costs; royalties paid for the right to use and sub-license certain intellectual property rights owned by third parties; and the amortization of intangible assets, such as intellectual property rights that we have acquired for incorporation within our technologies.

The physical costs of smart cards include the costs of the integrated circuits manufactured by third-party suppliers, the micro-module that houses the computer chips and the plastic body of the smart cards. We do not manufacture smart cards, but our engineers design computer chips that are embedded into the smart cards. We arrange for the computer chips to be manufactured and assembled by third-party suppliers. Smart card costs are dependent upon the costs of raw materials, including the cost of computer chips, plastic and assembly, and the quantity of smart cards purchased and processed in any period.

Personnel and facilities costs are allocated into four categories: operations, research and development, sales and marketing, and general and administration. We have employees and facilities in the United Kingdom, the United States, Israel, India, France, Denmark, Hong Kong, South Korea, China and Australia.

We classify operations costs as part of cost of goods and services sold. Operations costs include the costs of personnel and related costs, including an allocation of facilities costs, associated with our customer support and with the integration and development activities undertaken under a customer contract. Operations costs include the costs of operating our two smart card processing plants, including the depreciation of our smart card processing equipment.

Research and development costs consist mainly of personnel and related costs, including an allocation of facilities costs, attributable to our technical employees who are developing our technology and adapting it for specific customer requirements. These costs also include consumables and the depreciation of equipment used in development and test activities and are stated net of the benefit of grants and other incentives.

Sales and marketing costs mainly consist of personnel and related costs, including an allocation of facilities costs, of our sales and marketing employees in the United Kingdom, Europe, the Middle East, the United States and the Asia-Pacific region. Marketing costs also include advertising, exhibitions, marketing communications and demonstration activities.

General and administration costs consist primarily of executive and other personnel, facilities, legal and administration costs.

Operating expenses include gains and losses recognized on cash holdings as a result of changes in foreign exchange rates.

Results of Operations

Commentary on the three- and six-month periods ended December 31, 2007 versus the three- and six-month periods ended December 31, 2006

Revenue

Revenue for the periods under review was as follows:

	For the three months ended December 31,			
(in thousands)	2007	2006	Change	% Change
Conditional access	$ 119,411	$ 98,184	$ 21,227	22%
Integration, development & support	12,844	12,683	161	1%
License fees & royalties	29,061	23,450	5,611	24%
New technologies	51,382	28,922	22,460	78%
Other	2,250	1,823	427	23%
Total revenue	$ 214,948	$ 165,062	$ 49,886	30%

(in thousands)	For the six months ended December 31, 2007	2006	Change	% Change
Conditional access	$ 240,994	$ 191,031	$ 49,963	26%
Integration, development & support	23,753	31,095	(7,342)	(24%)
License fees & royalties	58,005	47,800	10,205	21%
New technologies	93,840	56,421	37,419	66%
Other	3,232	2,877	355	12%
Total revenue	$ 419,824	$ 329,224	$ 90,600	28%

Revenue comparisons for the fiscal 2008 periods to the fiscal 2007 periods were affected by the relative weakness of the U.S. dollar over the periods. During the six-month period ended December 31, 2007, approximately 51% of our revenue was denominated in currencies other than the U.S. dollar, principally pounds sterling and euros. We estimate that the weaker U.S. dollar favorably impacted our total revenue for the six-month period ended December 31, 2007 by approximately $17 million, or 4%, compared to what would have been achieved had foreign exchange rates been consistent with those prevailing during the six-month period ended December 31, 2006. Similarly, for the three-month period ended December 31, 2007, we estimate that the weaker U.S. dollar favorably impacted revenue by approximately $9 million, or 4%.

Revenue from conditional access increased by 22% and 26% during the three- and six-month periods ended December 31, 2007, respectively, as compared to the three- and six-month periods ended December 31, 2006. The increases were principally due to recognition of a portion of security services revenue previously deferred as certain remaining revenue recognition criteria were satisfied during the three- and six-month periods ended December 31, 2007. Additionally, conditional access revenue rose due to increased security fees arising from the growth of the subscriber base of our customers, as well as an increase in customers and a higher volume of smart cards delivered to customers.

Authorized smart card activity in each period was as follows:

(in millions)	For the three months ended December 31, 2007	2006	For the six months ended December 31, 2007	2006
Number of authorized cards, beginning of period	78.6	66.6	75.4	65.0
Net additions	4.1	3.3	7.3	4.9
Number of authorized cards, end of period	82.7	69.9	82.7	69.9

The quantity of smart cards delivered in each period was as follows:

(in millions)	For the three months ended December 31, 2007	2006	For the six months ended December 31, 2007	2006
Number of smart cards delivered	8.9	6.3	16.3	13.0

The increase in the number of smart cards delivered in the three- and six-month periods ended December 31, 2007 as compared to the corresponding periods of the prior fiscal year principally reflects higher deliveries to existing customers and to new customers. The volume of smart cards supplied exceeded the increase in authorized smart cards in use due to a mixture of churn and the build-up of inventory by platform operators.

Integration, development and support revenue increased by 1% in the three-month period ended December 31, 2007 and decreased by 24% in the six-month period ended December 31, 2007 as compared to the three- and six-month periods ended December 31, 2006, respectively. The recognition of revenue from new customers and from the delivery of enhancements to several of our major customers is dependent on the timing of satisfaction of all revenue recognition criteria; therefore this component of revenue may fluctuate from period to period. The decline in integration, development and support revenue

during the six-month period ended December 31, 2007 was a consequence of the recognition and delivery in the prior year six-month period of conditional access, EPG and middleware technologies to TataSky, which commenced broadcasting in India in the first quarter of fiscal 2006.

License fee and royalty revenue increased by 24% and 21% in the three- and six-month periods ended December 31, 2007, respectively, as compared to the three- and six-month periods ended December 31, 2006, principally resulting from higher conditional access revenue, as noted above, and EPG royalties. In addition, middleware royalties increased due to an increase in the number of middleware clients deployed during the three- and six-month periods ended December 31, 2007 as compared to the corresponding periods of the prior fiscal year.

The table below sets forth the number of middleware clients deployed by our customers during the three- and six-month periods ended December 31, 2007 and 2006:

	For the three months ended December 31,		**For the six months ended December 31,**	
(in millions)	**2007**	**2006**	**2007**	**2006**
Number of middleware clients deployed, beginning of period	69.9	44.7	61.8	41.6
Net additions	6.5	5.5	14.6	8.6
Number of middleware clients deployed, end of period	76.4	50.2	76.4	50.2

The increase in revenue from new technologies of 78% and 66% in the three- and six-month periods ended December 31, 2007, respectively, compared to the three- and six-month periods ended December 31, 2006, was principally due to higher revenue from our DVR technologies and advanced middleware, IPTV, gaming applications and residential gateway devices. The higher revenue from our DVR technologies and advanced middleware was a result of an increase in the cumulative number of DVR clients deployed during the three- and six-month periods ended December 31, 2007 compared to the corresponding periods of the prior fiscal year.

The increase in the cumulative number of DVR clients deployed in each period was as follows:

	For the three months ended December 31,		**For the six months ended December 31,**	
(in millions)	**2007**	**2006**	**2007**	**2006**
Number of DVR clients deployed, beginning of period	8.8	4.2	7.3	3.5
Net additions	1.6	1.1	3.1	1.8
Number of DVR clients deployed, end of period	10.4	5.3	10.4	5.3

Cost of Goods and Services Sold and Gross Margin

Cost of goods and services sold and gross margin for the periods under review were as follows:

	For the three months ended December 31,			
(in thousands)	**2007**	**2006**	**Change**	**% Change**
Cost of goods and services sold	$ 81,486	$ 61,118	$ 20,368	33%
Gross margin	$ 133,462	$ 103,944	$ 29,518	28%
Gross margin as a percentage of revenue	62.1%	63.0%	(0.9%)	**

** Not meaningful.

(in thousands)	For the six months ended December 31, 2007	2006	Change	% Change
Cost of goods and services sold	$ 149,942	$ 123,353	$ 26,589	22%
Gross margin	$ 269,882	$ 205,871	$ 64,011	31%
Gross margin as a percentage of revenue	64.3%	62.5%	1.8%	**

** Not meaningful.

Gross margin, defined as revenue less costs and expenses associated with that revenue (*i.e.*, cost of goods and services sold), is a non-GAAP financial measure. We believe that gross margin is an important measure for our management and investors. We consider that it gives a measure of profitability that distinguishes between those costs that are broadly a function of direct revenue-earning activities and costs that are of a general nature or that are incurred in the expectation of being able to earn future revenue. Cost of goods and services sold excludes charges in respect of amortization of intellectual property rights and other finite-lived intangibles that we have acquired.

Cost of goods and services sold increased by 33% and 22% during the three- and six-month periods ended December 31, 2007, respectively, as compared to the three- and six-month periods ended December 31, 2006, principally due to an increase in the number of our employees working on development, integration and support activities, as well as increased royalties paid to third parties for the use of their technologies and higher deliveries of smart cards during the periods. The increases were partially offset by lower smart card unit costs.

The increase in the total amount of employee costs allocated to cost of goods and services sold in the three-month period ended December 31, 2007 contributed to the decline of gross margin as a percentage of revenue by 0.9% to 62.1% from 63.0% for the three-month period ended December 31, 2006. Because revenue increased by more than cost of goods and services sold during the six-month period ended December 31, 2007, and in particular because elements of higher conditional access revenue and royalty revenue had no associated direct costs, gross margin as a percentage of revenue was 64.3% for the six-month period ended December 31, 2007 as compared to 62.5% for the corresponding period of the prior fiscal year.

Operating Expenses

Operating expenses for the periods under review were as follows:

(in thousands)	For the three months ended December 31, 2007	2006	Change	% Change
Research & development	$ 48,040	$ 43,309	$ 4,731	11%
Sales & marketing	14,042	9,314	4,728	51%
General & administration	18,538	11,411	7,127	62%
Amortization of intangibles	3,332	2,510	822	33%
Total operating expenses	$ 83,952	$ 66,544	$ 17,408	26%

(in thousands)	For the six months ended December 31, 2007	2006	Change	% Change
Research & development	$ 99,051	$ 77,975	$ 21,076	27%
Sales & marketing	23,662	17,291	6,371	37%
General & administration	32,758	23,688	9,070	38%
Amortization of intangibles	6,615	4,927	1,688	34%
Total operating expenses	$ 162,086	$ 123,881	$ 38,205	31%

Expense comparisons of the fiscal 2008 periods to the fiscal 2007 periods were affected by the relative weakness of the U.S. dollar over the periods. During the six-month period ended December 31, 2007, approximately 72% of our total expenses were denominated in currencies other than the U.S. dollar, principally pounds sterling, Israeli shekels, euros and Indian rupees. We estimate that the weaker U.S. dollar increased our total expenses in the six-month period ended December 31, 2007 by approximately $14 million, or 4%, compared to what would have been achieved had foreign exchange rates been consistent with those prevailing during the six-month period ended December 31, 2006. Similarly, for the three-month period ended December 31, 2007, we estimate that the weaker U.S. dollar adversely impacted expenses by approximately $8 million, or 5%. The increase in operating expenses was offset in part by foreign exchange gains of $2.3 million and $8.1 million recognized during the three- and six-month periods ended December 31, 2007 in the consolidated statement of operations as a result of holding cash in currencies other than the U.S. dollar. These amounts compare to $1.6 million and $0.9 million, respectively, in the corresponding periods of the previous fiscal year.

Our main operating expenses are employee costs (including the cost of equity-based awards), facilities costs, depreciation and travel costs. Our main operating expenses have increased primarily due to a higher number of employees, facilities expenses and legal costs. Employee costs were approximately 25% and 29% higher during the three- and six-month periods ended December 31, 2007, respectively, as compared to the corresponding periods of the prior fiscal year.

Our employee numbers (which include contractors) have increased over the period under review, as follows:

	For the three months ended December 31,		For the six months ended December 31,	
	2007	2006	2007	2006
Number of employees, beginning of period	3,665	3,089	3,572	2,989
Net additions	155	123[(1)]	248	223[(1)]
Number of employees, end of period	3,820	3,212[(1)]	3,820	3,212[(1)]
Average number of employees during period	3,742	3,148	3,672	3,095

[(1)] Excludes 136 employees of Jungo Limited ("Jungo"), which we acquired on December 31, 2006.

Research and development costs increased by 11% and 27% for the three- and six-month periods ended December 31, 2007, respectively, as compared to the three- and six-month periods ended December 31, 2006, principally as a result of higher employee headcount due to an increased number of projects. The increase in the employee costs in the six-month period ended December 31, 2007 was partially offset by a $6.7 million grant from the French government as a consequence of our being engaged in certain eligible research projects. In the six-month period ended December 31, 2006 we received a similar grant of $5.5 million.

Sales and marketing expenses increased by 51% and 37% in the three- and six-month periods ended December 31, 2007, respectively, as compared to the three- and six-month periods ended December 31, 2006, principally as a result of higher employee headcount and travel costs, increased attendance at trade shows and a higher level of corporate communications activities.

General and administrative expenses increased by 38% in the six-month period ended December 31, 2007 as compared to the six-month period ended December 31, 2006, largely due to higher legal expenses, equity compensation costs, business development costs and facilities and infrastructure costs. During the three-month period ended December 31, 2007, general

and administrative expenses increased by 62% as compared to the three-month period ended December 31, 2006, principally due to increased legal expenses, as well as equity compensation costs and facilities and infrastructure costs.

Amortization of finite-lived intangible assets increased by 33% and 34% in the three- and six-month periods ended December 31, 2007, respectively, as compared to the three- and six-month periods ended December 31, 2006, principally due to the acquisition of Jungo in December 2006.

Operating Income and Other Items

As a result of the factors outlined above, and, in particular, the increase in conditional access and new technologies revenue, operating income was $49.5 million, or 23.0% of revenue, for the three-month period ended December 31, 2007, compared to $37.4 million, or 22.7% of revenue, for the three-month period ended December 31, 2006. Operating income was $107.8 million, or 25.6% of revenue, for the six-month period ended December 31, 2007, compared to $82.0 million, or 24.9% of revenue, for the six-month period ended December 31, 2006. We estimate that the weaker U.S. dollar increased our operating income in the three- and six-month period ended December 31, 2007 by approximately $3 million and $11 million, respectively, compared to what would have been achieved had foreign exchange rates been consistent with those prevailing during the three- and six-month periods ended December 31, 2006.

Interest income earned on cash deposits was $7.6 million and $15.0 million in the three- and six-month periods ended December 31, 2007, respectively, as compared to $6.5 million and $12.5 million in the three- and six-month periods ended December 31, 2006, respectively. These increases were due to higher cash balances and higher average interest rates.

Our effective tax rate was 29% for the three- and six-month periods ended December 31, 2007 compared to 31% for the three- and six-month periods ended December 31, 2006. The decrease in the effective tax rate was due to higher benefits from research and development incentives and a higher portion of earnings being generated in jurisdictions with lower statutory tax rates. In July 2007, the U.K. government enacted legislation that reduced the standard U.K. corporate tax rate to 28%, effective April 1, 2008. The statutory tax rate on the Company's U.K. taxable profits will be 29.5% in the fiscal year ending June 30, 2008 and 28% thereafter.

As a consequence of all the factors described above, net income for the three-month period ended December 31, 2007 was $40.4 million, or $0.70 per share ($0.68 per share on a diluted basis), compared to $30.3 million, or $0.53 per share ($0.52 per share on a diluted basis), for the three-month period ended December 31, 2006. Net income for the six-month period ended December 31, 2007 was $86.7 million, or $1.50 per share ($1.48 per share on a diluted basis), compared to $65.4 million, or $1.15 per share ($1.13 per share on a diluted basis), for the six-month period ended December 31, 2006.

Liquidity and Capital Resources

Current Financial Condition

Our principal source of liquidity is internally generated funds; however, we also have access to the worldwide capital markets. As of December 31, 2007, we had an unused credit facility to borrow up to £30 million (equivalent to approximately $60 million) from a subsidiary of News Corporation. No amounts have been drawn under this facility.

As of December 31, 2007, we had cash and cash equivalents totaling $663.5 million. Our accumulated cash is being held with the intention of using it for the future development of the business and there are currently no plans to pay any dividends to shareholders. We believe that we have sufficient working capital resources for our present requirements. Our internally generated funds are dependent on the continued profitability of our business.

The principal uses of cash that affect the Company's liquidity position include purchases of smart cards, operational expenditures, capital expenditures, acquisitions and income tax payments.

We continue to invest in technical equipment for use in research and development and to support our customers. We have received payment from customers in advance of delivering the goods or services (deferred income) of approximately $217 million as of December 31, 2007 and we expect to utilize cash to meet our obligations under our arrangements with our customers. We have evaluated, and expect to continue to evaluate, possible acquisitions and dispositions of certain businesses. Such transactions may be material and may involve cash, our securities and/or the assumption of indebtedness.

Sources and Uses of Cash

We had a net inflow of cash and cash equivalents of $64.6 million in the six-month period ended December 31, 2007, compared to a net outflow of cash and cash equivalents (before purchases of short-term investments) of $26.1 million in the six-month period ended December 31, 2006, due to lower payments in respect of business acquisitions and an increase in net cash provided by operating activities.

Net cash provided by operating activities was as follows:

(in thousands)	For the six months ended December 31, 2007	2006
Net cash provided by operating activities	$ 75,069	$ 59,399

The increase in net cash provided by operating activities in the six-month period ended December 31, 2007 as compared to the corresponding period of the prior fiscal year reflects higher receipts from customers and higher interest receipts. These factors were offset in part by higher payments relating to the purchase of smart cards and higher payroll costs, travel expenses and rent and facilities costs, as a result of an increase in the number of employees, and higher income tax payments.

Net cash used in investing activities was as follows:

(in thousands)	For the six months ended December 31, 2007	2006
Capital expenditure	$ 6,700	$ 10,120
Business acquisitions, net of cash acquired	10,422	80,519
Deferred payments in respect of business acquisitions	115	1,937
Short-term investments, net	—	18,986
Net cash used in investing activities	$ 17,237	$ 111,562

In the six-month period ended December 31, 2007, we acquired CastUp Inc., a provider of solutions for the hosting, management and distribution of video over the Internet, for initial consideration of $10.4 million. In the six-month period ended December 31, 2006, we acquired Jungo for cash consideration and costs totaling $77.5 million, net of cash acquired. In the six-month period ended December 31, 2006, we also acquired Interactive Television Entertainment ApS for consideration of $3.0 million.

Capital expenditure was $6.7 million in the six-month period ended December 31, 2007 as compared to $10.1 million in the corresponding period of the previous fiscal year, primarily because payments for capital expenditure in the six-month period ended December 31, 2006 included investments in new facilities.

During the six-month period ended December 31, 2006, we invested $19.0 million in short-term investments (cash deposits with an initial term of more than six months). These cash deposits matured during the fiscal year ended June 30, 2007 and we did not reinvest such funds as longer-term deposits because the differential in interest rates between longer- and shorter-term deposits was negligible.

Net cash generated by financing activities was as follows:

(in thousands)	For the six months ended December 31, 2007	2006
Issuance of shares	$ 5,888	$ 5,245
Excess tax benefits realized on shares issued as a result of equity compensation awards	848	1,790
Net cash generated by financing activities	$ 6,736	$ 7,035

During the six-month period ended December 31, 2007, we issued 329,636 of our Series A ordinary shares, par value $0.01 per share ("Series A Ordinary Shares") to certain of our employees as a result of the exercise of stock options over Series A Ordinary Shares for cash. This compares to 326,078 Series A Ordinary Shares which we issued in the corresponding period of the previous fiscal year. Certain shares issued as a result of equity compensation awards result in a tax benefit higher than the amounts recorded in the consolidated statement of operations. Such excess tax benefits are shown as a financing cash flow to the extent that they are realized.

Commitments and Contractual Obligations

In connection with our acquisition of Jungo in December 2006, additional consideration of up to $17.0 million was payable in cash if Jungo achieved certain revenue and profitability targets during the year ended December 31, 2007. However, those revenue and profitability targets were not met during the year ended December 31, 2007. Therefore, we were not required to pay any additional consideration.

Other than disclosed elsewhere in this Quarterly Report, our commitments have not changed significantly from disclosures included in the our Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on August 29, 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to changes in foreign exchange rates. We operate in international markets and have an operational presence in several countries. Accordingly, our costs and revenue are primarily denominated in a mixture of U.S. dollars, Israeli shekels, pounds sterling and euros.

Approximately 51% of our revenue was denominated in currencies other than the U.S. dollar, principally pounds sterling and euros, during the six-month period ended December 31, 2007. We estimate that the weaker U.S. dollar favorably impacted our total revenue for the six-month period ended December 31, 2007 by approximately $17 million, or 4%, compared to what would have been achieved had foreign exchange rates been consistent with those prevailing during the six-month period ended December 31, 2006. For the three-month period ended December 31, 2007, we estimate that the weaker U.S. dollar favorably impacted revenue by approximately $9 million, or 4%.

Approximately 72% of our total expenses was denominated in currencies other than the U.S. dollar, principally pounds sterling, Israeli shekels, euros and Indian rupees, during the six-month period ended December 31, 2007. We estimate that the weaker U.S. dollar increased our total expenses in the six-month period ended December 31, 2007 by approximately $14 million, or 4%, compared to what would have been achieved had foreign exchange rates been consistent with those prevailing during the six-month period ended December 31, 2006. For the three-month period ended December 31, 2007, we estimate that the weaker U.S. dollar adversely impacted expenses by approximately $8 million, or 5%.

As a result of fluctuations in foreign exchange rates, we experienced net gains on cash holdings of $6.2 million in the six-month period ended December 31, 2007, of which a gain of approximately $8.1 million was recorded within operating expenses, and a loss of approximately $1.9 million was recorded within other comprehensive income.

We estimate that the weaker U.S. dollar increased our operating income in the three- and six-month period ended December 31, 2007 by approximately $4 million and $11 million, respectively, compared to what would have been achieved had foreign exchange rates been consistent with those prevailing during the three- and six-month periods ended December 31, 2006.

As of December 31, 2007, approximately 73% of our cash was held in U.S. dollars, 13% in pounds sterling and 4% in Israeli shekels, with most of the remaining balance held in euros. Our policy is to hold cash in U.S. dollar bank deposits and to hold cash in other currencies to the extent that our cash flow projections indicate that we have need for those other currencies. Where we require other currencies or identify a surplus of non-U.S. dollar cash balances, we may make purchases or sales on the spot market. Historically, we have not entered into free-standing derivative contracts to hedge foreign exchange exposure arising from operating activities. We expect to review this policy from time to time as circumstances change. We had no derivative instruments outstanding as of December 31, 2007. Part of our cash holdings in currencies other than the U.S. dollar serves to limit the impact on changes in exchange rates on our forecast operating

income and net income, but, as a consequence, introduces an element of exposure to movements in foreign exchange rates in respect of cash balances.

Our cash holdings are in excess of our immediate operating requirements; therefore, we are exposed to changes in market interest rates on cash deposits. We estimate that a decline in market interest rates available for cash deposits of one percentage point would decrease our annual interest income by approximately $6.6 million.

Item 4. Controls and Procedures

a) Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chairman and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, the Company's Chairman and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chairman and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

b) Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the Company's second quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

See Note 8a to the accompanying unaudited consolidated financial statements, which is incorporated herein by reference.

Item 1A. Risk Factors

Prospective investors should consider carefully the risk factors set out below before making an investment in the Company's securities.

Our business will suffer if we do not respond to commercial and technological changes affecting the broadcasting industry.

Our business and the market in which we operate are characterized by rapid commercial and technological change, evolving industry standards and frequent product enhancements. Many digital broadcasters are seeking more sophisticated software that will afford them greater flexibility in delivering content such as news, films and sports. They are also seeking to offer additional services, such as middleware, EPGs, games, gaming and other interactive applications, DVR functionality, home networking and other services.

Our continued success will depend, in part, upon our ability to develop and market products and services that respond to technological changes and evolving industry standards in a timely and cost-effective manner. If the market in which we operate develops more slowly than we anticipate, or if we should fail to develop and introduce products and services that are compatible with industry standards, satisfy customer requirements and compete effectively with products and services offered by our competitors, our business, operating results and financial condition could be materially adversely affected.

Our business may suffer if we and our customers do not respond to commercial and technological changes affecting the business of delivering information and entertainment, especially the threat of the Internet and broadband and IPTV technologies.

Our customers are mainly pay-television platform operators. As technologies develop, other means of delivering information and entertainment to consumers' televisions are evolving. In particular, telecommunication companies and Internet service providers are competing with traditional television companies. Cable television and mobile telephone companies are now also marketing packages that combine television, telephone and high-speed Internet access to consumers. As a result, our largest customers are facing increased competition that could affect their ability to attract and retain subscribers. If we and our customers do not address these commercial and technological changes, our business, operating results and financial condition could be materially adversely affected.

Our operating results and growth could decline if our customers' subscriber bases do not continue to increase.

A significant portion of our revenue is derived from the sale of smart cards to our customers and ongoing fees paid by our customers on a monthly basis based on the number of active subscribers or authorized smart cards. We also receive royalties based on each set-top box manufactured or deployed that incorporates our technologies. Therefore, a significant portion of our revenue is dependent upon our customers' subscriber numbers, the growth in subscriber and set-top box numbers, the degree to which set-top boxes are replaced with enhanced models and the number of set-top boxes in each subscriber's home. If our customers' subscriber numbers do not continue to increase, we may be unable to generate substantial revenue growth or sustain our current revenue levels and, as a consequence, our business, operating results and financial condition could be materially adversely affected.

Our business could be harmed if the security provided by our conditional access systems and products is compromised.

We face risks relating to the failure of our conditional access systems to protect platform operators and content providers from signal theft. An important component of our conditional access systems is the smart cards we provide for the platform operators' individual subscribers. Unauthorized viewing and use of content may be accomplished by counterfeiting the smart card or otherwise thwarting its security features. Any significant increase in the incidence of signal theft could require the replacement of a platform operator's smart cards sooner than otherwise planned. In those cases where we have accepted

specific responsibilities for maintaining the security of a platform operator's conditional access system, significant costs could be imposed on us if a security breach requires an accelerated replacement of smart cards. To the extent that signal theft may result in the cessation of all, or some portion of, the per-subscriber fees paid to us by a broadcaster while the security breach is being remedied or, in the event of termination by the broadcaster of our agreement if the breach is not satisfactorily remedied, the resultant loss of revenue could have a material adverse effect on our business, operating results and financial condition. A significant increase in the level of signal theft, whether or not resulting from a failure of our conditional access systems, could also injure the reputation of our conditional access systems among our customers and potential customers and as a consequence, our business, operating results and financial condition could be materially adversely affected.

A substantial part of our expected future revenue and income growth is based on our aim to sell advanced technologies and services to our existing customers and to sell end-to-end systems to new customers.

We expect over the next several years to sell advanced technology solutions for the television market, including DVR functionality, games, gaming and other interactive applications, home networks services and other services. The market for advanced television technology solutions is still new and evolving. Historically, we have derived only a relatively small percentage of our total revenue from these offerings. We cannot be certain that the demand for or the market acceptance of these technologies will develop as we anticipate, and even if they do, we cannot be certain that we will be able to market these solutions effectively and successfully respond to changes in consumer preferences. In addition, our ability to market those solutions will be affected to a large degree by platform operators. If platform operators determine that our solutions do not meet their business or operational expectations, they may choose not to offer our applications to their customers. To the extent that platform operators and content providers fail to renew or enter into new or expanded contracts with us for provision of advanced technologies, we will be unable to maintain or increase the associated revenue from those offerings. Moreover, due to global economic conditions, platform operators may slow the pace of their deployment of these advanced services and such action would negatively impact our revenue. Accordingly, our ability to generate substantial revenue from our advanced technology solutions offerings is uncertain.

Our business could be harmed if a defect in our software or technology interferes with, or causes any failure in, our customers' systems.

Our software and technology are integrated into the broadcast infrastructure of our customers. As a result, any defect, error or performance problem with our software or technology could interfere with a critical component of one or more of our customers' systems, or potentially cause a critical component of one or more of our customers' systems to fail for a period of time. This could result in claims for substantial damages against us, regardless of whether we are responsible for such failure. Any claim brought against us could be expensive to defend and require the expenditure of a significant amount of resources, regardless of whether we prevail. Although we have not experienced any such material interference or failure in the past, any future problem could cause severe customer service and public relations problems for our customers and as a consequence, our business, operating results and financial condition could be materially adversely affected.

We depend upon key personnel, including our senior executives and technical and engineering staff, to operate our business effectively, and we may be unable to attract or retain such personnel.

Our future success depends largely upon the continued service of our senior executive officers and other key management and technical personnel. If certain of our senior executives were to leave the Company, we may be placed at a competitive disadvantage. In addition, we may also need to increase the number of our technical, consulting and support employees to support new customers and the expanding needs of our existing customers. We have, in the past, experienced difficulty in recruiting sufficient numbers of qualified personnel. If we are not successful in these recruiting efforts, our business may be adversely affected.

Intense competition could reduce our market share and harm our financial performance.

We compete with numerous companies both to attract new customers and to retain our existing customers. Such competition may cause us to lose market share and may result in reduced profit margins. It may also hinder our ability to develop our business in areas such as DVRs, middleware, interactive television services and broadband and IPTV. In addition, some of the companies that currently operate in the software business, but that have not historically been active competitors of ours may, in the future, through acquisitions or the development of their own resources, seek to enter and obtain significant market share in our current or planned business areas. Increased competition from existing or new

competitors could result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business, operating results and financial condition.

We derive a significant portion of our revenue from a limited number of large customers. Our revenue could decline significantly if any of these customers significantly reduces its purchases of our technology or services or terminates its relationship with us.

Our growth has depended historically on large digital satellite broadcasters introducing, marketing and promoting products and services that utilize our technology. We currently derive, and we expect to continue to derive, a significant portion of our revenue from a limited number of large customers. Our three largest customers are DIRECTV, BSkyB and SKY Italia. During the six-month period ended December 31, 2007, these three customers accounted directly and indirectly for approximately 65% of our total revenue. News Corporation, which holds approximately 72% holder of our total and issued outstanding share capital, currently owns approximately 41%, 39% and 100% of DIRECTV, BSkyB and SKY Italia, respectively. In December 2006, News Corporation announced that it entered into an agreement with Liberty Media Corporation, which, if consummated, would result in News Corporation no longer owning its shares in DIRECTV. The agreement received the requisite approval by the stockholders of News Corporation in April 2007 but remains subject to regulatory approval. News Corporation has announced that it expects the transaction to be completed in the first quarter of the 2008 calendar year. We have a number of contracts with DIRECTV, its subsidiaries and affiliates, covering the supply of conditional access, middleware and DVR technologies, which expire at various dates through 2013 and which contain various terms covering renewal and termination. We expect to continue to be dependent upon a limited number of customers for a significant portion of our revenue, although the particular customers may vary from period to period. If a large customer purchases significantly less of our products or services, defers or cancels orders, or fails to renew or terminates its relationship with us or renews with us on less favorable terms, our revenue could decline significantly and as a result, our business, operating results and financial condition could be materially adversely affected.

The nature of our business is such that our operating results may fluctuate from period to period.

Our operating results have varied in the past from quarter to quarter and from year to year and are likely to vary from period to period in the future. Historically, our revenue has reflected a small number of relatively large orders for our technology and services, which generally have long sales and order cycles. Additionally, our customers may replace their subscribers' smart cards from time to time to maintain the security of their conditional access systems and this significantly affects our revenue in periods when we supply such replacement smart cards. As a result, we believe that period-to-period comparisons of our operating results may not be a good indication of our future performance. Our actual results may differ from expectations, which could adversely affect the price of our securities.

Changes to current accounting policies or in how such policies are interpreted or applied to our business could have a significant effect on our financial results.

New accounting pronouncements, or a change in how U.S. generally accepted accounting principles ("GAAP") are interpreted or applied to our business, could have a significant effect on our financial results. Our accounting policies that recently have been or may in the future be affected by changes in the accounting rules include revenue recognition, accounting for income taxes and accounting for goodwill and other intangible assets.

Our revenue recognition policy, in particular, is a key component of our results of operations and is based on complex rules that require us to make judgments and estimates. In applying our revenue recognition policy, we must determine what portions of our revenue are recognized currently and which portions must be deferred. Because different contracts may require different accounting treatment, it may be difficult for investors to properly assess our financial condition or operating results unless they carefully review all of our financial information, including our consolidated financial statements and notes thereto.

Failure to protect the intellectual property rights upon which we depend could harm our business.

We rely primarily on a combination of patent, trademark and copyright laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights and the obligations we have to third parties from whom we license intellectual property rights. However, we may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights and this could have a material adverse effect on our business, operating results and financial condition.

Defending against intellectual property infringement claims could harm our business.

We may be subject to an increased risk of infringement claims as the number of products and competitors grows and the functionality of products in different industry segments overlaps. It may be alleged that products that we have developed or technology that we have licensed from third parties infringes the rights of others. Intellectual property claims could be time consuming to defend, result in costly litigation, divert management's attention and resources and cause product shipment delays. Such claims could also require us to seek to enter into royalty or license agreements, redesign our products or potentially cease using aspects of technology, which could have a material adverse effect on our business, operating results and financial condition.

We grant certain indemnification rights to our customers when we license our software technologies. We may, therefore, become subject to third-party infringement claims through those commercial arrangements. In addition, the damages to which we are subject may be increased by the use of our technologies in our customers' products.

Many of our agreements with customers contain an indemnification obligation, which could be triggered in the event that a customer is named in an infringement suit involving their products or involving the customer's products or services that incorporate or use our products. If it is determined that our products infringe as alleged in any of the asserted claims in such a suit, we may be prevented from distributing certain of our products and we may incur significant indemnification liabilities, which may adversely affect our business, operating results and financial condition.

In addition, while damage claims in respect of an alleged infringement may, in many cases, be based upon a presumed royalty rate to which the patent holder would have otherwise been entitled, it is possible that our liability may increase as a result of the incorporation of our technology with our customer's products. In some cases, potential damages payable by us could be based on the profits derived by our customers from a product that infringes through the use of our software even though we receive a relatively moderate economic benefit from the licensing arrangement.

Any significant disruption in our processing of smart cards could adversely affect our business.

We process all of our smart cards at two facilities, one located in the United Kingdom and the other in the United States. A significant disruption in the processing of smart cards at either facility could result in delays in the delivery of smart cards to our customers. The sale of smart cards that we have processed is a material portion of our business. Although our smart card processing facilities are designed to provide sufficient capacity to meet expected demand if one facility becomes inoperable for a limited period of time, any significant disruption to our smart card processing facilities could result in the loss of revenue, customers and future sales.

We may be unable to process sufficient quantities of smart cards because we obtain certain components from, and depend upon, a limited number of suppliers.

We currently obtain the computer chips used in our smart cards from a limited number of suppliers. In the event of a disruption of supply, including a shortage of manufacturing capacity, we may be unable to develop an alternative source in a timely manner or at favorable prices. Such failure could harm our ability to deliver smart cards to our customers or could negatively affect our operating margins. This could have a material adverse effect on our business, operating results and financial condition.

Political, regulatory and economic risks associated with our international customers could harm our business.

Our customers are located throughout the world. Inherent risks of doing business in international markets include changes in legal and regulatory requirements, export restrictions, exchange controls, tariffs and other trade barriers, longer payment cycles, political disruption, wars, acts of terrorism and civil unrest. We may incur substantial expense as a result of the imposition of new restrictions or changes in the existing legal and regulatory environments in the territories where we conduct our business or due to political and economic instability in these territories.

The telecommunications, media, broadcast, cable television and gaming and gambling industries are subject to extensive regulation by governmental agencies. These governmental agencies continue to oversee and adopt legislation and regulation over these industries, particularly in the areas of user privacy, consumer protection, online content distribution and the characteristics and quality of online products and services, which may affect our business, the development of our products, the decisions by market participants to adopt our products and services or the acceptance of interactive television by the marketplace in general. In particular, governmental laws or regulations restricting or burdening the exchange of personally identifiable information could delay the implementation of interactive services or create liability for us or any other

manufacturer of software that facilitates information exchange. These governmental agencies may also seek to regulate interactive television directly. Future developments relating to any of these regulatory matters may adversely affect our business.

A portion of our business involves the licensing of software used to conduct betting and gaming applications. The regulation of the gambling industry is complex, intensive and constantly changing. The adoption or modification of laws or regulations relating to Internet gambling in various jurisdictions could adversely affect the manner in which we currently conduct this portion of our business.

Fluctuations in foreign exchange rates could harm our financial condition.

A risk inherent in our international operations is the exposure to fluctuations in currency exchange rates. In the six-month period ended December 31, 2007, approximately 51% of our revenue and approximately 72% of our total expenses were denominated in currencies other than the U.S. dollar. Additionally, as of December 31, 2007, approximately 27% of our cash balances were denominated in currencies other than the U.S. dollar. As a result, we are exposed to fluctuations in foreign exchange rates that may have a material adverse effect on our business, operating results and financial condition.

Additionally, although most of our contracts with customers in Latin America, India and the Asia-Pacific region are denominated in U.S. dollars, those customers are affected by fluctuations in their local currencies and by exchange control regulations that may restrict their ability to remit payments to us.

We are subject to certain risks relating to our operations in Israel.

We have research and development facilities in Israel and we have customers in Israel. Therefore, we are directly influenced by the political, economic and security conditions affecting Israel. Any major hostilities involving Israel, or the interruption or curtailment of trade or the movement of people within Israel or between Israel and other countries, could significantly harm our business, operating results and financial condition. Additionally, certain of our employees are currently required to perform annual reserve duty in the Israeli Defense Force, and are subject to being called for active military duty at any time. We have, in the past, operated effectively under these requirements. We cannot predict the effect of these obligations on us in the future.

We are controlled by, and are dependent upon our relationship with, News Corporation.

We are controlled by News Corporation. As of December 31, 2007, News Corporation beneficially owned approximately 72% of our total issued and outstanding share capital. Because News Corporation beneficially owns 100% of our Series B ordinary shares, par value $0.01 per share ("Series B Ordinary Shares"), which have ten votes per share (as opposed to our Series A Ordinary Shares, which have one vote per share), it controls approximately 96% of our voting power. By reason of such ownership, News Corporation is able to control the composition of our entire Board of Directors and to control the votes on all other matters submitted to a vote of our shareholders. Four of our seven current Directors have been appointed by News Corporation, including Dr. Abe Peled, our Chairman and Chief Executive Officer, who from time to time is involved in matters pertaining to News Corporation's wider business interests.

Businesses in which News Corporation has an interest currently account for, and are expected to continue to account for, a significant portion of our revenue. During the six-month period ended December 31, 2007, approximately 73% of our total revenue were derived directly from businesses in which News Corporation has an interest. Those businesses include our three largest customers. Although we believe the terms of our contracts with such related parties are no less favorable to us than those that we could obtain from unrelated third parties, we cannot assure you that this is the case.

In addition, because a number of major broadcasters around the world are owned or controlled by entities that compete with News Corporation or entities in which News Corporation has an interest, our ability to attract customers in which News Corporation does not have an interest may be affected by their perception of our relationship with News Corporation.

Because we are controlled by News Corporation, we are exempt from certain listing requirements of The NASDAQ Stock Market relating to corporate governance matters.

Over the past several years, the National Association of Securities Dealers has adopted certain listing requirements for companies listed on The NASDAQ Stock Market. As a result of News Corporation's beneficial ownership of our Series B Ordinary Shares, we are deemed to be a "controlled company" and accordingly are not subject to some of these

requirements, including the requirement that a majority of our Board of Directors be "independent" under the guidelines established by the National Association of Securities Dealers and certain requirements regarding the determination of our Chairman and Chief Executive Officer's compensation and our director nominees. While we do not believe that our exemption from those requirements affects the manner and method by which we manage and operate the Company, investors should be aware that we are not subject to those provisions and may have no obligation to comply with those requirements in the future unless our ownership profile changes.

Since we are a public limited company organized under the laws of England and Wales, your rights as a shareholder differ from the rights of shareholders under U.S. law.

NDS Group plc is a public limited company organized under the laws of England and Wales. The rights of holders of our ordinary shares and, indirectly, many of the rights of holders of our American Depositary Shares ("ADSs") are governed by English law and by our Memorandum and Articles of Association. These rights differ from the rights of shareholders in U.S. companies. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law generally, only the Company can be the proper plaintiff in proceedings in respect of wrongful acts committed against us. In addition, it may be difficult for you to enforce liabilities predicated upon U.S. securities laws.

Our share price could be affected by our ordinary shares becoming available for sale in the future or by the dilutive effect of the issue of new shares.

If investors or News Corporation sell substantial amounts of our ADSs or ordinary shares in the public market, the market price of our ADSs could fall. The negative effect of such sales on the market price of our ADSs could be more pronounced given the relatively small number of our ordinary shares in ADS form relative to the total number of shares outstanding. In addition, such sales could create the public perception of difficulties or problems with our technologies and services. These sales may also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate if we require additional financing.

Interests of existing shareholders may also be diluted due to the existence of stock options granted to certain employees and any equity awards that we may grant to our Directors, executive officers and employees in the future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual General Meeting of Shareholders (the "Annual Meeting") on October 26, 2007. A brief description of the matters voted upon at the Annual Meeting and the results of the voting on such matters is set forth below:

Proposal 1

A proposal to approve the Company's U.K. Annual Report and Financial Statements for the year ended June 30, 2007 was voted upon as follows:

For: 432,601,532
Against: 3,392,355
Abstain: 2,221

Proposal 2

A proposal to approve the Directors' Remuneration Report for the year ended June 30, 2007 was voted upon as follows:

For: 432,588,035
Against: 3,403,773
Abstain: 4,310

Proposal 3

A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2008 and to authorize the Audit Committee of the Company's Board of Directors to determine remuneration in respect of such period was voted upon as follows:

For: 435,984,198
Against: 5,920
Abstain: 6,000

Proposal 4

A proposal to re-appoint Peter J. Powers as a Director was voted upon as follows:

For:.. 432,592,143
Withhold Authority: 3,403,975

Item 5. Other Information

Not applicable.

Item 6. Exhibits

12. Computation of Ratio of Earnings to Fixed Charges

31.1 Chairman and Chief Executive Officer Certification required by Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")

31.2 Chief Financial Officer Certification required by Rules 13a-14(a) and 15d-14(a) of the Exchange Act

32 Certification of Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NDS GROUP PLC
(Registrant)

By: /s/ Alexander Gersh
Alexander Gersh
Chief Financial Officer

Date: January 29, 2008

Exhibit 12

NDS Group plc

Computation of Ratio of Earnings to Fixed Charges

(in thousands, except ratio)	For the six months ended December 31, 2007	2006
	(unaudited)	
Consolidated pretax income from continuing operations	$ 122,752	$ 94,502
Interest portion of rental expense	3,622	3,003
Earnings	$ 126,374	$ 97,505
Fixed charges, being interest portion of rental expense	$ 3,622	$ 3,003
Ratio of earnings to fixed charges	34.9	32.5

Exhibit 31.1

Chairman and Chief Executive Officer Certification

Required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended

I, Abraham Peled, Chairman and Chief Executive Officer of NDS Group plc ("NDS" or the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of NDS;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for the external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   (d) Disclosed in this quarterly report any change in the Company's internal control over financial reporting that occurred during the Company's second quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's independent registered public accounting firm and the Audit Committee of the Company's Board of Directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

January 29, 2008 By: /s/ Abraham Peled
Abraham Peled
Chairman and Chief Executive Officer

Exhibit 31.2

Chief Financial Officer Certification

Required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended

I, Alexander Gersh, Chief Financial Officer of NDS Group plc (“NDS” or the “Company”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of NDS;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for the external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   (d) Disclosed in this quarterly report any change in the Company’s internal control over financial reporting that occurred during the Company’s second quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s independent registered public accounting firm and the Audit Committee of the Company’s Board of Directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

January 29, 2008 By: /s/ Alexander Gersh
Alexander Gersh
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NDS Group plc on Form 10-Q for the fiscal quarter ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of NDS Group plc, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of NDS Group plc.

January 29, 2008

By: /s/ Abraham Peled
Abraham Peled
Chairman and Chief Executive Officer

By: /s/ Alexander Gersh
Alexander Gersh
Chief Financial Officer