

## **SurfControl plc announces First Quarter results and achieves cash positive milestone**

SurfControl plc ("SurfControl")(London:SRF, Nasdaq Europe:SRFC), the Number One Internet Filtering company in the global security market, today announced results for the first quarter ending 30 September 2001 showing continued growth and its first quarter of positive cash generation.

### **Highlights:**

#### ***First quarter:***

- Positive cash generation of \$211,000
- Increase in filtering revenues by 91% to \$11.1m (2000 Q1: \$5.8m)
- Increased contribution from indirect sales channels to 31% of revenue (2000 Q1: 21%)
- Increase in deferred revenues by 76% to \$24.5m (2000 Q1: \$13.9m)
- Cash balances as at 30 September 2001 increased to \$23.0m
- Increase in contribution from non US revenues to 26% of total revenue at \$2.9m (2000 Q1: 18% at \$1.0m)
- EBITDA for the quarter (excluding the provision for tax on share options) was a loss of \$1.6m (2000 Q1: \$3.1m EBITDA loss).

***Steve Purdham, Chief Executive Officer, commented, "We are very pleased to report continued revenue growth and our first quarter of cash generation, two further quarters ahead of expectations, reflecting our continued strong performance and effective cost management.***

*This has been achieved in the context of a testing market environment both in terms of the expected seasonal influence on parts of our business and depressed macro-economic conditions globally.*

*Going forward, with the strength of the performance shown in this quarter and increased visibility, we are confident that we are on track to achieve our strategic objective of delivering predictable and sustainable profitability."*

#### **For more information, please contact:**

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## Results

We are very pleased to report impressive results in the face of difficult market conditions. As highlighted in our Q4 statement, these results reflect negative seasonal influences on our revenue stream.

Overall revenues for the quarter were \$11.1m, an increase of 91% in comparison with the same period last year (2000 Q1: \$5.8m). In addition, our control of discretionary spend has allowed us to surpass EBITDA expectations with a loss of \$1.6m for the quarter (2000 Q1: \$3.1m EBITDA loss). Of particular note is the spending on sales and marketing, which represented 69% of overall revenue in the quarter compared to 88% in Q1 of 2000.

SurfControl has also demonstrated increased financial stability having reached an important milestone in our development by being cash generative in the quarter with a net cash inflow of \$211,000. This cash generation reflects our continued growth and successful focus on efficient cost management and cash collection rates. Cash balances at the end of the quarter therefore increased to \$23.0m from \$22.8m at the end of the fourth quarter.

We also saw an improvement in our average corporate order value during the quarter, which increased to approximately \$5,100 in comparison with \$4,500 in the last quarter. This improvement is a reflection of our ability to sell to larger organizations, maintain and increase product pricing, and introduce additional products such as email filtering and neural network based technology.

Deferred revenues were \$24.5m (2000 Q1: \$13.9m), 24% of which represent revenues beyond 12 months thereby increasing long-term forward visibility.

Reflecting our overall globalisation strategy, we saw an increase in contribution from outside the US to \$2.9m, equivalent to 26% of global revenues (2000 Q1: 18% at \$1.0m).

During the quarter we maintained gross profit margins at 98%.

EBITDA for the quarter (excluding the provision for tax on share options) was a loss of \$1.6m (2000 Q1: \$3.1m EBITDA loss). This is significantly ahead of market expectations, as our continued focus on efficient cost management has allowed us to maintain revenue growth with a lower level of absolute costs in Q1 compared to Q4. Loss per share for the quarter was 72.60 cents (Q1 2000: 70.31 cents loss).

On the basis of this performance we are confident that we remain on track to achieve EBITDA break-even during Q4 of this financial year with profitability following shortly afterward.

## The market

SurfControl continues to maintain its leadership position in the corporate Internet filtering market, which is continuing to expand both rapidly and across the globe. This is driven by the need for all companies to achieve the optimal use of their resources in terms of both staff productivity and network infrastructure performance as well as to increase their overall security.

The focus on productivity within the workplace is particularly acute during difficult market conditions. Companies are seeking to implement cost-effective solutions with a rapid return on

investment, which is one of the key attributes associated with the implementation of Internet filtering technology. In some cases, based on the average cost to an organisation of non-business Internet use, this can be achieved in a matter of hours.

The number of Internet users in the workplace continues to expand. According to a recent report by The Privacy Foundation, of the estimated worldwide workforce of 3 billion, 100 million now have Internet and/or email access at work and use it regularly. In the US, the online workforce as measured by Nielsen/NetRatings has grown by approximately 33% per year, with 40.7 million employees using the Internet in January 2001 against 30.6 million in January 2000. This represents 35% of the total estimated 140m US workforce. It is expected that this proportion will increase with this trend being mirrored throughout the rest of the global business community.

IDC is forecasting that the number of total Internet users worldwide is set to grow at a CAGR of 20% over the next 4 years reaching almost 1 billion by 2005.

As well as an increase in the proportion of the global workforce online, there has also been a dramatic increase in the level of high-bandwidth audio and video content accessed via the web.

It is for these reasons that industry analysts have forecast that the worldwide market for corporate Internet filtering will grow at a CAGR of 39% between 2000 and 2005.

Given this market opportunity and the increasingly complex nature of filtering technology, SurfControl has made significant investment over the last 12 months in developing products to address this demand. As a result, SurfControl is now the only company that addresses both the current and future demands of the market. This has been achieved by developing and launching products for all segments of the web filtering market, for email filtering and by incorporating artificial intelligence into its product offering, which will become an increasingly fundamental element of any total filtering solution.

It is this key differentiator that will ensure we are best positioned to take advantage of all the opportunities in the Internet filtering market.

## **Corporate development**

As stated at the year-end having completed the process of integration of all of our acquisitions, the Company is now focused on the globalisation of operations. On this basis, expansion in the quarter has been purely organic.

SurfControl continues to evaluate new opportunities as and when they arise and remains committed to a dual strategy of growth through acquisition as well as by organic means. The Company will only make further acquisitions that are fully in support of our stated cash generation and profitability goals.

## **New business development**

In line with our stated strategy we have continued to invest in both our direct and indirect sales operations, both of which have performed well in the quarter. We have continued to invest in direct sales and have further integrated the operations to ensure the most efficient conversion of initial leads into sales. To date, this has been a highly effective sales method and enabled our rapid growth in revenues since the launch of our Internet filtering products only a few years ago.

To complement the success in this area, we have seen a significant increase in indirect sales, which are generated via our strategic partners and resellers. The contribution from indirect sales channels increased to 31% of revenue in the quarter compared to 27% in Q4.

We are pleased to report that the existing relationships with companies such as IBM, CheckPoint and Microsoft are progressing well and provide the foundations on which to build an expanded indirect sales operation that will make significant contributions to revenues in the long term.

Since the period end, we have made continued progress within the ISP market with the launch of CyberPatrol for ISP and have agreed to provide the filtering technology behind VirgilioTin, a leading ISP in Italy and Freedom2Surf in the UK.

In terms of customer profile, we have seen a slight shift towards larger organisations and for this reason, the average invoice value increased to \$5,100 from \$4,500 the previous quarter. However, the majority of our customers fall within the SME company category where we continue to have the greatest market share.

The customer base continues to expand and in a number of cases, new accounts have been competitive replacements with our award winning products being chosen against other filtering solutions.

Additions in the quarter in the US included Washington Mutual, Loews Corporation, Illinois State Police, Accenture, Ameriquest Mortgage Company, Gtech, Remington Products Co, LLC, Sharp Electronics, Southwestern Bell Yellow Pages, State of Kansas and the United States Postal Service.

Outside of the US, we added Caltex, BMG Australia, Air New Zealand, American Home Assurance, Queensland Public Service, Employees Credit union, Halifax, Scottish Amicable, Scottish Power, Cable & Wireless, British Sugar PLC, McDonalds Restaurants Ltd, Rhondda NHS Trust and Unipart.

## **Product development**

SurfControl sees the future of Internet Filtering as an integrated combination of web and email filtering complimented by artificial intelligence. Any offering lacking these three key elements will be at a competitive disadvantage.

Whilst a database approach to the provision of content filtering has offered significant protection from unacceptable online content, going forward, the key to providing effective filtering will be through complimentary use of artificial intelligence to automate the process of recognition and

categorisation of content. With our investment in new technologies such as neural networks and image recognition, we are able to deliver that solution today.

Our continued investment in product development has led to the recent launch of WebFilter 4.0 and Email filter 3.5, which now means that we are the only filtering company to offer the following features:

#### SuperScout WebFilter 4.0

- Threshold Rules to allow users more flexible access to Internet content that can be managed both by length of time or the total bandwidth used in a given day.
- Enhanced Reports that include new bandwidth analyses that illustrate how and when bandwidth is being consumed, and new report publishing capabilities in multiple formats including '.pdf' and '.html'.
- Customizable "Deny" Pages to communicate the company's Internet access rules to employees on a rule-by-rule basis.
- 40 categories, covering 130 subtopics. More than 2.5 million sites, containing over 700 million pages representing more than 30 languages from sites registered in approximately 200 Internet enabled countries.
- Virtual Control Agent (VCA) enabling neural network based categorisation of content for domains not included within our control lists.
- Pass-by technology enabling the monitoring of Internet traffic without degrading network performance.

#### SuperScout Email Filter 3.5

- RiskFilter™, the only pre-categorized database of content that automatically protects the organization from nuisance emails as well as GIF's, JPEG's, MPEG's containing offensive material that have spread through email and the Internet.
- LexiMatch™, a comprehensive context analysis tool, which uses advanced Boolean and enhanced content dictionaries, to perform highly accurate and highly customizable filtering.
- Secure Remote Management, which allows authorized personnel to securely administer the product including multiple server installations, reports, dictionaries, authentication rights, and actions such as releasing emails from isolation.
- Internal Email Filtering, which allows companies with Microsoft Exchange 5.5 to manage both internal and external email communications.
- Virtual Image Agent™ Option, which allows administrators to recognize explicit adult image files in email through the use of F4i technology.

It is this technological leadership that means we are well positioned to be the main beneficiary of the forecast growth in demand for Internet filtering solutions as companies implement the most effective and advanced filtering technology. SurfControl is therefore, not only providing the best solution for current market requirements, but is also leading the way in the future direction of filtering.

## **Outlook**

We are very pleased to report continued revenue growth and our first quarter of cash generation, two further quarters ahead of expectations, reflecting our continued strong performance and effective cost management.

This has been achieved in the context of a testing market environment both in terms of the expected seasonal influence on parts of our business and depressed macro-economic conditions globally.

Going forward, with the strength of the performance shown in this quarter and increased visibility, we are confident that we are on track to achieve our strategic objective of delivering predictable and sustainable profitability.

**Steve Purdham, Chief Executive Officer**  
**6 November 2001**

### **About SurfControl – The Internet Filtering Company**

SurfControl plc (London:SRF/Nasdaq Europe:SRFC), is the Number One Internet Filtering company in the global security market. The SurfControl family of products employs expert filtering, Pass-Through, and Pass-By technologies to create a productive Internet environment in the workplace and a child safe environment on the Internet at home and at school.

This comprehensive line of Internet monitoring and policy management solutions includes SuperScout Web Filter- the market leader in Internet productivity in the corporation; SuperScout Email Filter – managing content security; Cyber Patrol – the market leader in responsible Internet usage in the home and at school; and the SurfControl Content Filtering SDK – the proven filtering solution for ISPs, Search Engines, Internet Appliances and ASPs.

SurfControl works with a variety of industry partners such as AT&T (NYSE:T), Check Point Software (NASDAQ:CHKP), Cisco Systems (NASDAQ:CSCO), Hewlett Packard (NYSE:HWP), IBM (NYSE:IBM), Intel (NASDAQ: INTC), and Microsoft Corp.'s Web TV (NASDAQ: MSFT).

SurfControl employs over 350 people worldwide and has 8 offices in the USA in California and Massachusetts; in the UK in Manchester and London; in Rotterdam, Holland; Vienna, Austria; Frankfurt, Germany and Sydney, Australia.

For further information and news on SurfControl, please visit <http://www.surfcontrol.com>

**SurfControl plc**  
**Unaudited Group profit and loss account**  
**for the three months ended 30 September 2001**

	<b>Notes</b>	<b>30 September</b>	<b>31 August</b>	<b>Audited</b>
		<b>2001</b>	<b>2000</b>	<b>30 June</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>2001</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Turnover</b>	2	<b>11,132</b>	6,715	42,204
Cost of sales		<b>(206)</b>	(111)	(654)
<b>Gross profit</b>		<b>10,926</b>	6,604	41,550
<b>Selling and distribution costs</b>		<b>(7,707)</b>	(5,924)	(34,565)
Research and development		<b>(1,463)</b>	(952)	(6,149)
Other administrative expenses		<b>(3,392)</b>	(2,774)	(14,724)
<b>Total administrative expenses</b>		<b>(4,855)</b>	(3,726)	(20,873)
<b>Operating expenses</b>		<b>(12,562)</b>	(9,650)	(55,438)
<b>Loss before amortisation of goodwill, depreciation and share option provision</b>		<b>(1,636)</b>	(3,046)	(13,888)
Amortisation of goodwill and depreciation	4,10	<b>(20,531)</b>	(13,793)	(81,106)
Share option provision	8	<b>35</b>	(2,889)	1,343
<b>Operating loss</b>		<b>(22,132)</b>	(19,728)	(93,651)
Net interest receivable		<b>199</b>	364	1,266
<b>Loss on ordinary activities before taxation</b>		<b>(21,933)</b>	(19,364)	(92,385)
<b>Taxation</b>		<b>-</b>	-	(224)
<b>Loss on ordinary activities after taxation</b>		<b>(21,933)</b>	(19,364)	(92,609)
Loss per ordinary share (cents)	3	<b>(72.60)</b>	(70.30)	(315.00)

**Unaudited Group balance sheet  
As at 30 September 2001**

	Notes	30 September 2001 \$'000	31 August 2000 \$'000	Audited 30 June 2001 \$'000
<b>Fixed assets</b>				
Intangible assets	4	51,295	132,846	71,452
Tangible assets		3,163	2,382	3,181
		<b>54,458</b>	135,228	74,633
<b>Investments</b>				
		3	63	3
		<b>54,461</b>	135,291	74,636
<b>Current assets</b>				
Stocks		124	59	100
Debtors	5	10,153	9,909	12,301
Cash at bank and in hand		22,963	26,112	22,752
		<b>33,240</b>	36,080	35,153
<b>Creditors: amounts falling due within on year</b>	6	<b>(24,599)</b>	(17,932)	(25,852)
<b>Net current assets</b>		<b>8,641</b>	18,148	9,301
<b>Total assets less current liabilities</b>		<b>63,102</b>	153,439	83,937
<b>Creditors: amount falling due after more than one year</b>	7	<b>(5,950)</b>	(2,604)	(4,993)
<b>Provisions for liabilities and charges</b>	8	<b>(49)</b>	(4,487)	(80)
		<b>57,103</b>	146,348	78,864
<b>Capital and reserves</b>				
Equity share capital		4,889	4,771	4,885
Non-equity share capital		882	882	882
Called up share capital	9	5,771	5,653	5,767
Share premium account	9	63,360	61,302	63,207
Deferred equity consideration		-	592	-
Merger reserve	9	130,407	126,026	130,407
Profit and loss account	9	(142,435)	(47,225)	(120,517)
<b>Shareholders' funds</b>		<b>57,103</b>	146,348	78,864
<b>Shareholders' funds comprise:</b>				
Equity shareholders' funds		56,221	145,466	77,982
Non-equity shareholders' funds		882	882	882
		<b>57,103</b>	146,348	78,864

**Unaudited Group statement of cashflows  
For the three months ended 30 September 2001**

	<b>Notes</b>	<b>30 September 2001 \$'000</b>	<b>31 August 2000 \$'000</b>	<b>Audited 30 June 2001 \$'000</b>
<b>Cash outflow from operating activities</b>	10	(9)	(2,547)	(3,747)
<b>Returns on investments and servicing of finance</b>	11	186	424	1,178
<b>Taxation</b>			-	(97)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(318)	(592)	(2,425)
Sale of tangible fixed assets		15	-	66
Sale of intangible fixed asset investments		-	-	59
<b>Capital expenditure and financial investment</b>		<b>(303)</b>	<b>(592)</b>	<b>(2,300)</b>
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertakings		-	(3,137)	(5,027)
Settlement of deferred consideration		-	-	-
Cash acquired with subsidiary undertakings		-	318	415
<b>Acquisitions and disposals</b>		<b>-</b>	<b>(2,819)</b>	<b>(4,612)</b>
<b>Net cash outflow before management of liquid resources And financing</b>		<b>(126)</b>	<b>(5,534)</b>	<b>(9,578)</b>
<b>Management of liquid resources</b>	12	<b>2,099</b>	6,006	13,476
<b>Financing</b>				
Proceeds from share issue	9	107	60	2,058
Issue costs recovered	9	50	-	-
Repayment of acquired commercial loan	12	-	-	(729)
Repayment of capital element of finance lease and hire purchase contracts	12	(90)	(16)	(76)
<b>Financing</b>		<b>67</b>	44	1,253
<b>Increase in cash in the period</b>		<b>2,040</b>	516	5,151

## Reconciliation of net cash flow to movement in net funds

		Audited at	
	<b>30 September</b>	31 August	30 June
	<b>2001</b>	2000	2001
	<b>\$'000</b>	\$'000	\$'000
<b>Increase in cash in the period</b>	<b>2,040</b>	516	5,151
Cash outflow from decrease in debt and lease financing	12 <b>90</b>	16	76
Net transfers from liquid resources	12 <b>(2,099)</b>	(6,006)	(13,476)
<b>Change in net funds resulting from cash flows</b>	12 <b>31</b>	(5,474)	(8,249)
New finance leases	12      -	-	(68)
Net loans acquired with subsidiary	12      -	(773)	(31)
Difference on translation	12 <b>261</b>	(78)	(595)
Non cash movements	12      -	-	42
<b>Movement in net funds in the period</b>	<b>292</b>	(6,325)	(8,901)
<b>Net funds at the beginning of the period</b>	12 <b>22,525</b>	31,426	31,426
<b>Net funds at the end of the period</b>	12 <b>22,817</b>	25,101	22,525

**Notes to the unaudited financial statements  
for the three months ended 30 September 2001**

**1. Basis of preparation**

The financial statements have been prepared on the basis of accounting policies set out in the Group's financial statements for the year ended 30 June 2001.

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the three months ended 30 September 2001 are unaudited. The results for the year ended 30 June 2001 are audited.

**2. Turnover analysis**

**Turnover by product group**

	<b>3 months ended 30 September 2001</b>	3 months ended 31 August 2000	Audited year ended 30 June 2001
	<b>\$'000</b>	\$'000	\$'000
Filtering product group	11,132	5,831	39,442
MultiView product group	-	884	2,762
	<b>11,132</b>	6,715	42,204

**Turnover by geographical destination  
for Filtering product group**

	<b>3 months ended 30 September 2001</b>	3 months ended 31 August 2000	Audited year ended 30 June 2001 (including MultiView)
	<b>\$'000</b>	\$'000	\$'000
United Kingdom	1,797	738	6,527
North America	8,265	4,807	32,034
Mainland Europe	625	238	2,792
Rest of the World	445	48	851
	<b>11,132</b>	5,831	42,204

**Turnover by market segment  
for Filtering product group  
(by quarter)**

	<b>3 months ended 30 September 2001</b>	3 months ended 31 August 2000	Unaudited 30 June 2001
	<b>\$'000</b>	\$'000	\$'000
Corporate	8,961	5,267	33,697
Education	1,905	300	4,210
Home	266	264	1,535
	<b>11,132</b>	5,831	39,442

### 3. Loss per share

The loss per share is based on a loss for the period of \$21,933,000 (3 months to August 2000:\$19,364,000; Final-2001:\$92,611,000) and average ordinary shares in issue of 30,226,180 (3 months to August 2000:27,534,205; Final-2001: 29,399,554).

In addition to the London Stock Exchange listing, the Company's shares are traded on EASDAQ in the form of American Depositary Shares ("ADS").

The loss per ADS for the three month period is as follows:

	<b>30 September 2001</b>	31 August 2000	30 June 2001 Audited
Loss per ADS (cents)	<b>(218.00)</b>	(211.00)	(945.00)

The loss per ADS is based upon average ADS in issue of 10,075,393 ( 3 months to August 2000:9,178,068 Final-2001:9,799,851).

### 4. Intangible assets

	<b>Goodwill \$'000</b>
Cost:	<b>165,950</b>
Amortisation:	
At 1 July 2001	<b>(94,498)</b>
Provided in the period	<b>(20,157)</b>
At 30 September 2001	<b>(114,655)</b>
Net book value at 30 September 2001	<b>51,295</b>
Net book value at 31 August 2000	132,846
Audited net book value at 30 June 2001	71,452

## 5. Debtors

	<b>30 September</b>	31 August	Audited at
	<b>2001</b>	2000	30 June
	<b>\$'000</b>	\$'000	2001
			\$'000
Trade debtors	<b>7,515</b>	7,266	9,419
Other debtors	<b>171</b>	190	145
Interest receivable	<b>24</b>	141	38
Prepayment and accrued income	<b>2,443</b>	2,312	2,699
	<b>10,153</b>	9,909	12,301

## 6. Creditors: amounts falling due within one year:

	<b>30 September</b>	31 August	Audited at
	<b>2001</b>	2000	30 June
	<b>\$'000</b>	\$'000	2001
			\$'000
Bank loans	<b>33</b>	-	31
Trade creditors	<b>429</b>	1,978	2,649
Corporation tax	<b>-</b>	2	-
Taxes & social security costs	<b>505</b>	388	808
Accruals	<b>4,996</b>	3,207	4,335
Deferred revenue	<b>18,619</b>	12,290	17,953
Obligations under finance leases and hire purchase contracts	<b>17</b>	67	76
	<b>24,599</b>	17,932	25,852

## 7. Creditors: amounts falling due after more than one year:

	<b>30 September</b>	31 August	Audited at
	<b>2001</b>	2000	30 June
	<b>\$'000</b>	\$'000	2001
			\$'000
Bank loans	<b>-</b>	773	-
Deferred revenue	<b>5,854</b>	1,648	4,873
Accruals	<b>-</b>	12	-
Obligations under finance leases & hire purchase contracts	<b>96</b>	171	120
	<b>5,950</b>	2,604	4,993

## 8. Provisions for liabilities and charges

	<b>30 September 2001 \$'000</b>
Provision for option charges as at 1 July 2001	<b>80</b>
Released in the period	<b>(35)</b>
Paid in the period	<b>-</b>
Exchange difference arising in the period	<b>3</b>
Provision for option charges at 30 September 2001	<b>48</b>
Provision for option charges at 31 August 2000	4,487
Provision for option charges at 30 June 2001-audited	80

The tax option charge for UK Employer's National Insurance, US Medicare and other tax obligations relates to amounts payable on the potential profit arising from the future exercise of unapproved options granted to directors and employees (for UK personnel on options granted after 6 April 1999). The provision is charged to profit and loss account on a straight-line basis over the relevant vesting period of the outstanding options and is based upon the Company's closing share price on techMARK as at 30 September 2001 of £3.125 (\$4.59). The above charge may vary as it is dependent upon prevailing tax law, future share price movements and the number of options in issue.

## 9. Reserves

	<b>Share capital \$'000</b>	<b>Share premium account \$'000</b>	<b>Deferred equity consideration \$'000</b>	<b>Merger reserve \$'000</b>	<b>Profit and loss account \$'000</b>	<b>Total \$'000</b>
As at 1 July 2001	5,767	63,207	-	130,407	(120,517)	78,864
Proceeds from exercise of options in the period	4	103	-	-	-	107
Credit against costs of issue on 4 November 1999	-	50	-	-	-	50
Retained loss for the year	-	-	-	-	(21,933)	(21,933)
Exchange difference on re- translation	-	-	-	-	15	15
As at 30 September 2001	<b>5,771</b>	<b>63,360</b>	<b>0</b>	<b>130,407</b>	<b>(142,435)</b>	<b>57,103</b>
As at 31 August 2000	5,653	61,302	592	126,026	(47,225)	146,348
As at 30 June 2001	5,767	63,207	-	130,407	(120,517)	78,864

## 10. Reconciliation of operating cashflows

	<b>30 September 2001 \$'000</b>	31 August 2000 \$'000	Audited 30 June 2001 \$'000
Operating loss	(22,132)	(19,728)	(93,651)
Depreciation	374	154	986
Amortisation of purchased goodwill	20,157	13,639	80,120
Loss on sale of investments	-	-	1
Loss on sale of tangible fixed assets	12	-	166
(Increase)/decrease in stocks	(20)	37	(7)
Decrease/(increase) in debtors	2,385	(1,196)	(3,339)
(Decrease)/Increase in creditors	(754)	1,658	13,639
(Decrease)/Increase in provisions for liabilities and charges	(31)	2,889	(1,662)
Net cash outflow from operating activities	<u>(9)</u>	<u>(2,547)</u>	<u>(3,747)</u>

	<b>30 September 2001 \$'000</b>	31 August 2000 \$'000	Audited 30 June 2001 \$'000
Finance lease and hire purchase interest paid	(7)	(5)	(17)
Bank interest paid	-	-	(152)
Bank interest received	193	429	1,347
	<u>186</u>	<u>424</u>	<u>1,178</u>

## 12. Analysis of net funds

	<b>At 1 July 2001 \$'000</b>	<b>Cash flow \$'000</b>	<b>Foreign exchange differences \$'000</b>	<b>At 30 September 2001 \$'000</b>	<b>At 31 August 2000 \$'000</b>	<b>Audited at 30 June 2001 \$'000</b>
Overnight cash balances and cash in hand	8,095	2,040	108	10,243	3,575	8,095
Term deposits	14,657	(2,099)	162	12,720	22,537	14,657
Cash at bank and in hand	22,752	(59)	270	22,963	26,112	22,752
Bank loans	(31)	-	(2)	(33)	(773)	(31)
Finance leases	(196)	90	(7)	(113)	(238)	(196)
Total	<u>22,525</u>	<u>31</u>	<u>261</u>	<u>22,817</u>	<u>25,101</u>	<u>22,525</u>