SPIRENT

News Release

SPIRENT COMMUNICATIONS PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

London, UK – 1 March 2012: Spirent Communications plc ("Spirent", the "Company" or the "Group") (LSE: SPT), a leading communications technology company, today announces its preliminary results for the financial year ended 31 December 2011.

Financial highlights

- Group revenue up 10% to $528.2 million (2010: $482.2 million) reflecting growth across all regions, with a book to bill ratio of 102 (2010: 105).
- Performance Analysis, our major division, saw revenue up 14% with strong growth in wireless, positioning and data center technologies. Service Assurance and Systems saw slightly lower sales, down 5% and 3%, respectively.
- Adjusted Group operating profit up 10% to $125.9 million (2010: $114.5 million). Reported operating profit $122.0 million (2010: $112.7 million). Growth in Performance Analysis 18%.
- Basic earnings per share rose 20% to 14.18 cents (2010: 11.77 cents). Adjusted basic earnings per share up 17% to 13.92 cents (2010: 11.89 cents).
- The strong financial performance supports an increase of 17% in total dividend to 2.93 cents per share; final dividend proposed 1.67 cents per share (equivalent to 1.05 pence per share).
- Return on sales, based on adjusted operating profit, maintained at 24% after increasing investment in product development for future growth.
- Free cash flow of $76.1 million (2010: $82.6 million) reflected an increased investment in the business.

Operational highlights

- 2011 saw continuing growth in demand for Spirent's test solutions, driven by:
  - High density, next-generation data center technologies for cloud computing and mobile broadband;
  - Increased mobile internet traffic growth coupled with demand for 4G/LTE requiring higher Ethernet speeds, greater platform scale and new devices;
  - Service assurance needs for Ethernet in mobile backhaul and enterprise business services;
  - Growth in applications of global positioning technologies such as GPS/GLONASS.

- Spirent introduced further innovative new test solutions to address customer needs:
  - Completed convergence of our network performance test solutions onto the Spirent TestCenter™ platform;
  - New Spirent TestCenter HyperMetrics neXt modules, providing unprecedented performance, scale and realism;
  - Wireless test solutions for the rollout of LTE networks and devices and for higher 3G wireless network speeds;
  - New positioning test capabilities to serve the rapid growth in location based services and satellite navigation.

Outlook

Spirent operates in markets where customers have long term investment programmes for the development of data technologies worldwide, driven by mobile internet, cloud computing and global positioning. This supports continued growth even in times of macro-economic uncertainty. For parts of our business that are more exposed to prevailing consumer behaviour and government expenditure, such as Systems and Service Assurance, there may be some impact on near term growth rates.

Performance Analysis, our largest division, has identified more opportunities for expansion through organic investment to bring the right solutions to market at the right time. In addition, we will strengthen our global reach as we further invest to take advantage of economic growth in the Asia Pacific region. We are confident that these factors will enable Spirent as a whole to deliver further growth in 2012 and beyond.

Bill Burns, Chief Executive Officer, commented:

"2011 was an exciting year for Spirent. Whilst world markets suffered from a lack of confidence, Spirent delivered new enhanced capabilities to customers, undertook unprecedented large scale testing, won new customer accounts and further industry recognition. We grew revenue and profit in the year, invested in the business for future organic growth and our first acquisition for many years generated a positive return."

Results summary

$ million	**2011**	2010	Change (%)
Reported			
Revenue	**528.2**	482.2	10
Operating profit	**122.0**	112.7	8
Profit before tax	**123.3**	112.2	10
Basic earnings per share (cents)	**14.18**	11.77	20
Total dividend per share[1] (cents)	**2.93**	2.50	17
Free cash flow[2]	**76.1**	82.6	(8)
Adjusted			
Operating profit[3]	**125.9**	114.5	10
Adjusted basic earnings per share[4] (cents)	**13.92**	11.89	17

Notes
1 Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed. The final dividend proposed for 2011 of 1.67 cents per Ordinary Share is equivalent to 1.05 pence per Ordinary Share.
2 Operating cash flow after tax, net interest and net capital expenditure.
3 Adjusted operating profit is before charging share-based payment, acquired intangible asset amortisation and acquisition related costs.
4 Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of Notes to the preliminary consolidated financial statements.

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Enquiries

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The Company will host a results presentation today at 9.15am for 9.30am UK time at UBS Limited, 1 Finsbury Avenue, London EC2M 2PP. A simultaneous webcast of the presentation will be available in the Investors section of the Spirent Communications plc website www.spirent.com.

About Spirent Communications plc

Spirent Communications plc is a global leader in test and measurement inspiring innovation within development labs, communication networks and IT organisations. We enable today's communication ecosystem as well as tomorrow's emerging enterprises to deploy life enriching communications networks, devices, services and applications. The Systems group develops sophisticated power control systems for electrical vehicles in the medical mobility and industrial markets. Further information about Spirent Communications plc can be found at www.spirent.com.

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT). The Company operates a Level 1 American Depositary Receipt ("ADR") programme with each ADR representing four Spirent Communications plc Ordinary Shares. The ADRs trade in the US over-the-counter ("OTC") market under the symbol SPMYY and the CUSIP number is 84856M209. Spirent ADRs are quoted on the Pink OTC Markets electronic quotation service which can be found at www.pinksheets.com.

Cautionary statement regarding forward-looking statements

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

CHAIRMAN'S STATEMENT

We are pleased to report another year of strong financial results for Spirent. Revenue grew by 10 per cent to $528.2 million and profit before tax rose 10 per cent to $123.3 million, a significant achievement in this time of uncertain economic conditions. Spirent, a leader in global test and measurement solutions, serves the needs created by the rapidly evolving trends in data technology. Operating results have benefited from our broad portfolio of test solutions and geographically diverse customer base. The highlights for 2011 were the performance of wireless, positioning and data center test, plus our growing activities in Asia.

Return on sales was maintained at 24 per cent, amongst the best in the test and measurement industry. At the same time investment was increased in product development and in the sales channel in 2011 to support the long term growth of the business.

Basic earnings per share increased in 2011 by 20 per cent to 14.18 cents per share. Adjusted basic earnings per share grew by 17 per cent to 13.92 cents, this is before charging share-based payment, acquired intangible asset amortisation and acquisition related costs.

The Group's free cash flow was $76.1 million in 2011 compared with $82.6 million for 2010; this is a cash conversion ratio of 85 per cent (2010: 106 per cent) of reported earnings before non-cash prior year taxes. The lower free cash flow in 2011 is a consequence of the increased investment in the business, acquisition costs and higher tax payments. Cash balances were $236.5 million at 31 December 2011.

Spirent has been seeking growth through organic investment and also by acquisition. A first step was the acquisition of the Fanfare Group, Inc. for $14.5 million, announced and completed in February 2011. Fanfare has been fully integrated into Spirent's Performance Analysis division. We will continue to pursue acquisitions where the return on investment is attractive and in line with Spirent's long term strategy.

Dividend and share repurchase

The Board is recommending a final dividend of 1.67 cents per share compared with 1.40 cents per share in 2010. This brings the total dividend for 2011 to 2.93 cents per share compared with 2.50 cents for 2010. The increase in total dividend per share is 17 per cent and reflects the strong operational performance of the Group. In sterling terms this represents an increase in the distribution to our shareholders of 17 per cent.

During 2011 we have repurchased 17.6 million shares at a cost of $34.2 million some of which was part of the Company's ongoing policy to manage dilution attributable to its share incentive schemes.

Employees

Spirent's performance in 2011 has been achieved through the talent, dedication and commitment of all of our employees and management teams all over the world. Our appreciation goes out to all of them for their contribution to the continuing success of the Company.

Board

The Board is mindful of the benefits of having a diverse range of members with a broad range of skills, backgrounds and experience. In pursuit of these aims we were delighted to announce the appointment of Sue Swenson to our Board as a non-executive director on 1 February 2012. Sue brings a wealth of experience in the telecommunications and technology sectors further strengthening the Board's experience of our industry.

Summary

The current economic climate is likely to remain with us for some time and we are therefore maintaining our thoughtful approach to the management of our business. Spirent is not immune to external factors and they may temper growth rates in parts of our business in the short term. We believe overall that long term growth opportunities for Spirent are very positive. The emphasis for the Company in 2012 will centre on investing in areas that matter most to our customers, bringing new solutions to the market, to deliver on the long term strategy of a growing business.

CHIEF EXECUTIVE OFFICER'S REVIEW

2011 was another successful year for Spirent, despite the ongoing economic uncertainty in many parts of the world. Our business drivers remain positive, as the telecom and IT industries continue to invest in order to meet the demand of consumers and enterprises for anytime, anywhere access to data, applications and services with excellent Quality of Experience.

Focused execution of our strategy enabled us to again deliver profitable growth, increasing sales by 10 per cent and adjusted basic earnings per share by 17 per cent, a financial performance which remains amongst the best in our industry. Growth was driven by our Performance Analysis division which saw strong demand for its wireless, data center, high speed Ethernet and positioning test products, especially in the Asia Pacific region. This was partially offset by some weakness in our Service Assurance division as a result of cautious carrier investment in wireline networks, as well as in our Systems division due to changes in US Medicare programs.

The rapid increase in mobile broadband subscribers and mobile internet traffic is forcing carriers to rethink their network architectures and business models, seeking new revenue streams through the monetisation of services. As carriers drive the convergence of networks and services using technologies such as IP and Ethernet, network equipment manufacturers are under pressure to accelerate delivery of converged wireline and wireless platforms with ever-increasing scale. A plethora of new mobile devices is also coming to market that allow subscribers to take advantage of the latest applications and services enabled by 4G/LTE. Our uniquely broad portfolio of solutions that test mobile networks, services and devices, as well as the positioning technologies that enable location based services, saw significant growth in 2011.

Another driver has been the ongoing investment in next-generation data centers, with virtualization enabling more efficient and manageable infrastructure. In 2011, we saw demand for next-generation data centers expand into the carrier space as operators invested in cloud IT services. Growing interest in "Big Data" analytics is also beginning to have implications for the data center. Cloud computing is becoming accepted as a scalable platform for consumption and delivery of services such as software as a service ("SaaS") and infrastructure as a service ("IaaS"). However, concerns persist over the performance, availability, security and scalability of cloud based services. We applied our innovation to a new generation of modules for our Spirent TestCenter platform in 2011 to maintain and expand our data center and cloud test leadership and our high speed Ethernet test capabilities. Our virtual solutions that provide unmatched visibility into data center infrastructure and cloud applications, also experienced strong growth. Frost & Sullivan recognised Spirent as the

Global Market Share Leader in Gigabit Ethernet Test Equipment and Cloud Infrastructure Testing, just two of the many industry accolades we received during 2011.

We successfully integrated our Fanfare acquisition during the year, building it into a solution set for infrastructure test optimization ("ITO"). ITO is an integrated offering of products, services, partnerships and standards that enable new levels of test efficiency, helping our customers bring their products to market faster and with better quality. This is just one example of how we help our customers address rapidly growing complexity and time to market pressures with the industry's most innovative solutions.

Outlook

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Performance Analysis, our largest division, has identified more opportunities for expansion through organic investment to bring the right solutions to market at the right time. In addition, we will strengthen our global reach as we further invest to take advantage of economic growth in the Asia Pacific region. We are confident that these factors will enable Spirent as a whole to deliver further growth in 2012 and beyond.

BUSINESS REVIEW

Performance Analysis

$ million	**2011**	2010	Change (%)
Revenue	**416.4**	365.8	14
Operating profit	**115.1**	97.9	18
Return on sales (%)	**27.6**	26.8	

Market conditions

The Performance Analysis division generated 14 per cent growth in 2011, with revenue of $416.4 million (2010: $365.8 million). Customers increased their investment in next-generation mobile networks, devices and services, in data centers which enable cloud computing and virtualization, and in global navigation satellite systems ("GNSS").

Testing across networks and applications experienced growth in several key areas, despite the unfavourable macro-economic conditions in many parts of the world. Ethernet technologies are rapidly migrating to higher speeds, requiring large scale data center switches and equipment to be developed and deployed to efficiently address mobile broadband traffic growth, while legacy applications such as voice and DSL decline. Although the majority of Ethernet deployment and test and measurement spending is focused on 1Gb and 10Gb, in 2011 we saw a significant ramp in spending on higher speed Ethernet, including 40Gb and 100Gb. Spirent is well positioned to respond to this trend and as a result was named the Global Market Share Leader in 1/10/40/100Gb Ethernet test equipment by industry analyst Frost & Sullivan.

Enterprises are taking advantage of the attractive economics and rapid application delivery capabilities of cloud computing. Spirent is a leader in virtualized solutions for testing the performance, availability, security and scalability ("PASS") of cloud computing networks; Frost & Sullivan also named Spirent as the Global Market Share Leader in cloud infrastructure testing. Demand for high density, next-generation data centers expanded into the carrier space with significant investments in cloud IT services. In addition, the requirement for security is now pervasive throughout the network, driving demand for high performance encrypted traffic, which must be thoroughly tested to ensure that business transactions and communication are not impacted.

The expanding need to simplify and add intelligence to mobile networks is forcing service providers and network equipment manufacturers to increase the convergence of services and the scale of platforms. Amongst Spirent's many engagements in this area during 2011 was the demonstration of 180Gb per second sustained throughput on Alcatel-Lucent's 7750 SR Mobile Gateway. During

2011, Spirent moved to address more testing needs of next-generation network architectures required for LTE, greatly simplifying and accelerating high scale mobility, core network, mobile backhaul, routing, access and application testing with major enhancements to the Spirent TestCenter platform's mobile network test capabilities.

The increased time to market pressures on our customers combined with the globalisation of R&D teams is driving the need for holistic and integrated infrastructure test strategies. The acquisition of Fanfare and its iTest® solution in February 2011 enables Spirent to benefit from this emerging infrastructure test optimization ("ITO") trend.

The markets for wireless test solutions once again experienced strong growth. As a leader in testing wireless devices and infrastructure, Spirent applies its innovations to meet the ever-evolving needs of wireless customers.

Smartphones have taken further market share, largely displacing feature phones in North America and other developed markets, and embedded modules are coming to market to support machine-to-machine ("M2M") communications. North America saw further 4G/LTE deployments by leading operators, as well as widespread data speed upgrades to 3G/UMTS networks. These trends also gained momentum in Asia and Europe.

The rapid growth in the popularity of mobile location based services ("LBS") seen in previous years was once again evident in 2011, driving evolution in the technologies that enable LBS support in smartphones and many other devices, such as tablets. LBS also proved to be a 'must have' capability in even the earliest LTE devices. Spirent is a global leader in testing the technologies that enable LBS, including the evolution to hybrid positioning techniques that can supply accurate subscriber location information anytime, anywhere.

There was high demand for our LTE and UMTS device test solutions. As the world moves toward a single global standard for fourth generation mobile communications, competition in the LTE testing space is understandably intense. However, Spirent is applying its innovation and expertise to differentiated device test capabilities in growth areas such as multi-mode (2G/3G/4G) mobility, LBS and operator acceptance testing.

Spirent is also benefiting from the migration to over-the-air ("OTA") testing techniques, which take into account antenna performance. OTA methodologies are used to test the performance of complex air interface techniques such as multiple-input multiple-output ("MIMO") used in 4G/LTE devices. The performance of GPS technology in smartphones is also tested OTA.

The CDMA wireless test market held steady in 2011, due to the expansion in the number of multi-mode CDMA/LTE devices for the North American market and 3G CDMA subscriber growth in Asia.

Our positioning test solutions benefited from increased investment in GNSS test across all technology areas, particularly multi-GNSS test such as GPS/GLONASS. As in previous years, the growth of commercial markets was driven by increased demand for low cost, high availability consumer products and applications. Growth drivers include the new Chinese Compass/BeiDou regional GNSS system, the planned Indian regional systems IRNSS and further development of GPS modernisation, GLONASS and Galileo, as well as emerging hybrid positioning technologies.

Revenue

Revenue for Performance Analysis grew 14 per cent, mostly as a result of our success in areas such as mobile, cloud, data center technologies and positioning. Spirent TestCenter revenue growth resulted from our leadership position in Ethernet, data center and mobile internet testing. Legacy business continues to decline, as expected, and is now a much less significant percentage of overall portfolio revenue, representing 6 per cent of Performance Analysis revenue. Fanfare was integrated into the operational and sales structure of Spirent during the year.

Our market leading wireless test solutions for location technology in LTE, UMTS and CDMA devices experienced unprecedented revenue growth, as a result of the market trends identified earlier. There was also very high demand for our LTE test solutions within the North American operator ecosystem of top-tier device suppliers. We established our newest test solutions that target device vendor R&D labs, with several wins in top-tier accounts, particularly in the areas of location technology and LTE. Our physical layer radio frequency (“RF”) solutions had a record year, driven by the need for realistic testing of the complex multi-antenna transmission schemes used in LTE infrastructure and devices, including the use of OTA techniques.

Our high-end, multi-constellation satellite simulators experienced good sales growth, especially in the Asia Pacific region. Sales of mid-range GNSS simulators to the commercial market were up compared to 2010, with demand primarily being driven by the need to test combined GPS and GLONASS in consumer devices.

Our services revenue continued its healthy growth during the year, especially for annual support contracts within the wireless line of business. Several multi-year deals were won which will contribute to revenues into 2012 and beyond and consolidate our already strong customer relationships.

Profitability

Profits grew 18 per cent to $115.1 million on revenue growth. This was after investing an additional $8.5 million in product development. Return on sales increased to 27.6 per cent from 26.8 per cent in the prior year.

Product development

We reached a major milestone during 2011, completing the convergence of all networks and applications performance test solutions onto the Spirent TestCenter platform, with the innovation of new Spirent TestCenter HyperMetrics neXt modules. Twelve new module variants were released in 2011, more than double the number released in prior years. Spirent TestCenter HyperMetrics' elastic computing design with Cloud Core processing allows for broad market reach and first to market innovation in areas that include LAN switching and data center, gateway, customer edge, core routing and mobile backhaul, 40/100Gb Ethernet and application performance.

Performance of the Spirent Avalanche solution was greatly enhanced, with up to 80Gb per second line rate stateful traffic to test the evolution to terabit IPSec and firewall platforms. The performance and functional breadth of the Spirent Landslide solution continued to lead the market with innovation in testing 2G/3G/4G mobility, deep packet inspection, and Wi-Fi offload. The acquisition of Fanfare and its iTest family of products has enabled Spirent to address the shift in customer budgets towards optimizing testing in existing labs and to capture new budgets to build out new, highly automated test labs.

Wireless test solutions delivered in 2011 addressed our customers' 3G and 4G/LTE testing needs. Spirent grew its family of 8100 test solutions that validate the performance of LTE devices and their ability to move between LTE and legacy wireless networks. New functionality included LTE/UMTS mobility, simultaneous voice and LTE and innovative data performance test methodologies. We rolled out our CS8 family of solutions, targeted at LTE, UMTS and CDMA device R&D applications, from RF design to prototype testing. A new VR5 wireless channel emulation solution was brought to market, optimized for testing the advanced air interface techniques used in LTE and LTE-advanced base stations and mobile devices. We released new capabilities to test the performance of devices when utilising location based services, maintaining Spirent's leadership in this rapidly expanding area. In 2011 these included support for observed time difference of arrival techniques and for testing the location performance of LTE devices over-the-air.

Our positioning solutions expanded into emerging test areas by launching products capable of capturing and replaying live-sky GNSS signals, simulating new satellite constellations such as GLONASS, Galileo and Compass/BeiDou.

Service Assurance

$ million	**2011**	2010	Change (%)
Revenue	**54.1**	57.0	(5)
Operating profit	**7.0**	13.0	(46)
Return on sales (%)	**12.9**	22.8	

Market conditions

2011 saw challenging overall market conditions throughout the year, with service providers becoming increasingly cautious about their OpEx and CapEx spending. This reduction in spend was most pronounced for wireline networks, for both business and residential services. While competition among service providers helped drive the need for enterprise Ethernet-based service assurance solutions, buying decisions were delayed and the size of the deals were reduced as rollouts were scaled back.

In contrast, spend on mobile networks remained strong throughout the year, driven by competition and growing bandwidth needs as a result of the rapid growth in mobile data across 3G and 4G networks. Despite an increasingly challenging marketplace, we were able to drive additional wins in mobile backhaul with our Spirent TestCenter Live Ethernet test solution at three major North American mobile service providers. There was also a nationwide Spirent TestCenter Live deployment win for Ethernet business services at a Tier 1 cable multiple systems operator ("MSO"). Spirent TestCenter Live 7500 Series Ethernet Services Probes were recognised with a high rating by Broadband Technology Report's Diamond Technology Reviews in 2011 for providing the cable industry with a solution that is unique, innovative and contributes to profitability. The field test marketplace remained challenging, although we saw some increased activity for in-home testing by MSOs.

In 2012, service provider investments are expected to remain focused on 4G/LTE mobile network growth, higher bandwidth enterprise business services, as well as application monitoring and testing. These investments will be aimed at improving efficiencies through test automation and service level network monitoring by the operations, administration and maintenance organisations within service providers. In the field test market, the growth of bandwidth needed for in-home networks, as a result of new and innovative services, will drive new field test tool investment decisions by service providers.

Revenue

Service Assurance revenues decreased by 5 per cent in 2011 to $54.1 million compared with $57.0 million in 2010 as service providers reduced capital spend, primarily on wireline networks. The year was highlighted by the demand for Ethernet test solutions for mobile backhaul and enterprise business services although this was more than offset by the decline in revenue from legacy products and related maintenance contracts. There were important contract wins for our Spirent TestCenter Live Ethernet solution at major wireless service providers, as well as at a large North American cable MSO for Ethernet business services.

Profitability

In Service Assurance profit decreased by 46 per cent year-on-year to $7.0 million from $13.0 million in 2010. This was in part due to lower revenue, but primarily a result of an excess inventory provision charge of $2.9 million in 2011 and a one-time software contract for $2.8 million in 2010. During this same period, return on sales decreased from 22.8 per cent in 2010 to 12.9 per cent in 2011.

Product development

The focus remains on Ethernet Service Assurance and Field Test solutions for next-generation networks. For Spirent TestCenter Live Ethernet Service Assurance, we are expanding our flexible platform capabilities, which include our combined 1Gb and 10Gb Ethernet probes as well as development of 40Gb and 100Gb Ethernet solutions. In the Ethernet space, greater emphasis has been placed on mobile test and diagnostic and performance monitoring solutions. With the delivery of DOCSIS 3.0 and 1GHz RF test functionality, we continue to improve our field test product portfolio for the MSO service provider space.

Systems

$ million	**2011**	2010	Change (%)
Revenue	**57.7**	59.4	(3)
Operating profit	**9.0**	8.8	2
Return on sales (%)	**15.6**	14.8	

Market conditions

Sales of high volume commercial wheelchair control systems were severely impacted by the introduction of new US Medicare reimbursement rules in January 2011. Although there was significant growth in premium rehabilitation wheelchair systems and industrial systems during the year, this was still not enough to fully offset the decline in consumer wheelchair systems. The cost structure of the business was improved during the year through design improvements, supply chain management and the movement of more production offshore.

Revenue and profitability

Revenue declined 3 per cent from $59.4 million to $57.7 million. This fall was due to a change in US Medicare reimbursement rules that reduced volumes of consumer wheelchair controllers. Operating profit improved by 2 per cent compared to 2010 despite the lower volumes due to a reduction in costs.

Product development

During the year we launched an enhanced version of our C3 AC pallet truck controller to address stacker vehicles. This addresses a new market area for us and provides an opportunity for future growth. A totally new design of the S-Drive scooter controller was also launched, an innovative, low cost controller designed to replace one of the older product lines.

Group financial performance

Results

The following table shows the key performance indicators monitored by the Board to measure performance:

	2011	2010	Change (%)
Book to bill ratio[1]	**102**	105	
Revenue ($ million)	**528.2**	482.2	10
Gross profit margin (%)	**66.1**	66.6	
Operating profit[2] ($ million)	**125.9**	114.5	10
Return on sales[2] (%)	**23.8**	23.7	
Adjusted basic earnings per share[3] (cents)	**13.92**	11.89	17
Free cash flow[4] ($ million)	**76.1**	82.6	(8)

Notes
1 Ratio of orders booked to revenue billed.
2 Before share-based payment, acquired intangible asset amortisation and acquisition related costs.
3 Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of Notes to the preliminary consolidated financial statements.
4 Operating cash flow after tax, net interest and net capital expenditure.

Revenue

Revenue at $528.2 million (2010: $482.2 million) was up 10 per cent compared with 2010. The Performance Analysis division grew 14 per cent year-on-year but this was offset by some weakness in the Service Assurance and Systems divisions.

In Performance Analysis revenue increased compared with the prior year for all of the lines of business. The high demand for our wireless, positioning and data center test products continued throughout the year but this was accompanied by some caution and lengthier sales cycles exhibited by our wireline customers in the latter half of the year, tempering the overall increase for this division in 2011.

In Service Assurance revenue was down 5 per cent year-on-year, a result of delays and caution around spending particularly by the service providers.

Systems division has been affected by further changes in the US Medicare reimbursement process in 2011, with revenue down 3 per cent compared with 2010.

Geographically the United States accounts for 49 per cent (2010: 52 per cent) of revenue and remains our major market, it was up 4 per cent year-on-year. Europe accounts for 16 per cent (2010: 16 per cent) and was up by 9 per cent compared with 2010. Asia has been a very positive geographic market for Spirent in 2011 with revenue growing by 16 per cent compared with 2010. Asia now accounts for 30 per cent of revenue (2010: 28 per cent). The rest of the world represents the remaining 5 per cent (2010: 4 per cent) of revenue.

$ million	**2011**	**%**	2010	%
United States	**259.4**	**49**	248.5	52
Asia Pacific, Rest of World	**182.2**	**35**	154.2	32
Europe	**86.6**	**16**	79.5	16
	528.2	**100**	482.2	100

The book to bill ratio, which is a measure of the visibility of our future revenues, was 102 for the year compared with 105 for 2010.

Operating profit

Reported operating profit was $122.0 million compared with $112.7 million in 2010, an increase of 8 per cent. Operating profit before share-based payment, acquired intangible asset amortisation and acquisition related costs, (“adjusted operating profit”), which is the measure of profit used by the Group to evaluate performance, increased by 10 per cent to $125.9 million compared with $114.5 million in 2010.

Return on sales, based on adjusted operating profit was maintained at 24 per cent.

Cost of sales and operating expenses

Gross margin was slightly lower than the prior year at 66.1 per cent (2010: 66.6 per cent). There has been an improving trend in gross margin over a number of years achieved through design for lower cost of manufacture and outsourcing activities. However, gross margin was impacted in 2011 by a provision for excess inventory of $2.9 million in Service Assurance. This accounted for the 0.5 per cent decrease in gross margin.

In 2011, the focus has been on increasing our investment in product development to drive future profitable growth. Consequently product development rose by 10 per cent to $88.1 million in 2011, 17 per cent of revenue, from $80.2 million and 17 per cent of revenue in 2010. The majority of this, $74.4 million, was incurred within the Performance Analysis division (2010: $65.9 million). We expect to continue this pace of innovation in product development engineering into 2012, enabling us to further enhance our current capabilities and to address some of the many opportunities that exist in our markets.

Other operating expenses were higher at $138.8 million in 2011 compared with $128.2 million in 2010, 26 per cent of sales (2010: 27 per cent). The increase was due to variable sales and marketing expense required to achieve the higher revenue but also the expansion of our sales activities, overall selling costs rose by $9.1 million over 2010. Other operating expenses include $1.1 million for share-based payment up from $0.4 million for 2010, as a result of a modest number of new awards granted during the year. Acquired intangible asset amortisation was $1.6 million (2010: $1.4 million) and includes a charge of $1.2 million in relation to the acquisition of Fanfare. Also within operating expenses is a charge of $1.2 million of acquisition related costs for the Fanfare acquisition.

Corporate costs

Corporate costs are those expenses which cannot be attributed to the Group's operating segments and comprise the costs of the Board and other corporate activities. These costs were maintained at $5.2 million for the year.

Currency impact

Following the change to the Group's reporting currency to US dollars in 2010 the effect of fluctuating exchange rates is relatively minimal as the Group's revenue and profits are denominated predominantly in US dollars or US dollar-linked currencies.

Finance income and costs

Finance income for 2011 was $1.7 million compared with $0.8 million in 2010. In 2011 this comprises $0.7 million (2010: nil) in respect of defined benefit pension plan interest and income earned on surplus funds of $1.0 million (2010: $0.8 million). Surplus funds are held principally in the United Kingdom and United States and earn market rates of interest.

Finance costs were $0.4 million (2010: $1.3 million). In 2011 the interest charge relates to the discounting of leasehold provisions of $0.1 million (2010: $0.1 million) and other interest expense of $0.3 million (2010: nil). In 2010 finance costs also included a charge of $1.2 million in respect of the defined benefit pension plans.

For 2012 it is expected that interest on the defined benefit pension plans will be approximately the same as in 2011.

Profit before tax

Profit before tax was $123.3 million compared with $112.2 million for 2010 an increase of 10 per cent.

Tax

For 2011 the tax charge for the Group was $28.7 million, representing a current year effective tax rate of 27.7 per cent, excluding a prior year tax credit of $5.4 million, compared with 30.4 per cent for 2010. The current year effective tax rate is lower than previously anticipated due to the benefit of Research and Experimental tax credits in the United States. Taxable profits principally arise in the United States.

At 31 December 2011 deferred tax assets amounting to $29.4 million have been recognised on the balance sheet (31 December 2010: $31.3 million). At 31 December 2011 there are deferred tax assets amounting to a tax value of $22.0 million (31 December 2010: $27.5 million) which remain unrecognised in respect of unutilised non-trading loan relationship losses ($20.4 million) and temporary differences ($1.6 million).

For 2012 it is expected that the effective tax rate will be in the region of 30.0 per cent.

Earnings per share

Basic earnings per share for the Group was 14.18 cents for 2011 compared with 11.77 cents for 2010.

Basic earnings per share as adjusted for share-based payment, acquired intangible asset amortisation, acquisition related costs and prior year tax rose to 13.92 cents from 11.89 cents for 2010, an increase of 17 per cent. There were 667.3 million weighted average Ordinary Shares in issue (2010: 672.2 million).

Business combinations

On 16 February 2011 the Group acquired 100 per cent of the share capital of the Fanfare Group, Inc. (“Fanfare”) for a total consideration of $14.5 million in cash. Fanfare is integrated into the Performance Analysis division and provides test automation solutions that help equipment manufacturers and service providers accelerate time to market and improve product quality in the face of rapidly growing complexity. At acquisition the fair values of the assets and liabilities acquired were determined in accordance with Accounting Standards and this gave rise to $6.6 million of intangible assets, which are being amortised over five years, and goodwill of $4.2 million. In addition, $1.2 million of acquisition related costs have been expensed in 2011. From the date of acquisition to 31 December 2011 Fanfare contributed $6.4 million of revenue and $0.8 million of profit before tax before acquisition costs and acquired intangible asset amortisation.

Financing and cash flow

Cash and cash equivalents increased to $236.5 million at 31 December 2011 compared with $223.9 million at 31 December 2010. Spirent continues to be debt free. The majority is held as cash on demand or in short term bank deposits and 79 per cent of the balance was denominated in US dollars. Currency translation has increased cash and cash equivalents by $1.1 million in 2011.

Operating activities generated $98.7 million of cash in the year compared with $99.4 million in 2010. Free cash flow is set out below:

$ million	**2011**	2010
Cash flow from operations	**120.5**	116.9
Tax paid	**(21.8)**	(17.5)
Cash inflow from operating activities	**98.7**	99.4
Interest received	**0.9**	0.8
Net capital expenditure	**(23.5)**	(17.6)
Free cash flow	**76.1**	82.6

Cash conversion was good with free cash flow of $76.1 million for 2011, which represents 85 per cent of reported earnings before non-cash prior year tax. The lower cash generation for the period compared to the prior year is due to a number of factors; an increase in working capital of $13.0 million (2010: $4.2 million increase) to fund higher trading activity; net capital expenditure was up at $23.5 million (2010: $17.6 million) and includes $3.7 million for LTE manufacturing rights; tax payments were also higher at $21.8 million (2010: $17.5 million), due to increased profitability.

Cash outflow on the acquisition of Fanfare was $14.5 million with $1.2 million of expenses incurred. In 2011 a final dividend for 2010 and an interim dividend for 2011 totalling $17.5 million (2010: $13.7 million) were paid. Share repurchases and the purchase of shares into trust resulted in a cash outflow of $33.4 million in the period (2010: $19.7 million).

Defined benefit pension plans

The Group operates two funded defined benefit pension plans which are in the United Kingdom. Both of these schemes were closed some time ago to new entrants and the main plan now has less than 25 active members.

The accounting valuation of these plans at the end of 2011 was a net deficit of $11.8 million compared with a surplus of $7.7 million at 31 December 2010 and was based on the latest triennial actuarial valuation at 1 April 2009. This is comprised of a deficit of $12.5 million in the main plan

(31 December 2010: surplus $7.1 million) and a surplus of $0.7 million in the smaller plan (31 December 2010: $0.6 million). The decrease is a result of a rise in the liabilities due to changes in the underlying assumptions, principally the discount rate which is based on high quality corporate bonds. The next triennial actuarial valuation is due at 1 April 2012.

The Group has also reported a liability of $0.6 million (31 December 2010: $0.6 million) in respect of United Kingdom unfunded plan liabilities.

Capital structure

During 2011 the Company repurchased 17.6 million shares at a cost of $34.2 million (2010: 10.4 million at a cost of $19.7 million) of which $0.8 million will be settled in cash in 2012.

Of the shares repurchased, 13.2 million (2010: 9.8 million) were cancelled and 4.4 million were placed in trust (2010: 0.6 million), to deliver to employees in relation to certain share incentives.

Shares were repurchased at an average share price of 122.5 pence per share in 2011. The Board intends to continue to repurchase shares to manage the dilution attributable to the Group's share incentive schemes and to repurchase further shares on a one-off basis as it deems appropriate.

Dividend

Spirent's policy is to maintain a sustainable progressive dividend with high dividend cover.

For 2011 the Board are therefore recommending the payment of a final dividend for 2011 of 1.67 cents (1.05 pence) per Ordinary Share which, with the interim dividend of 1.26 cents (0.77 pence) per Ordinary Share paid in September 2011, brings the full year dividend to 2.93 cents (1.82 pence) per Ordinary Share. The dividend is covered 4.8 times by adjusted earnings. This is an increase of 17 per cent over the full year dividend for 2010 of 2.50 cents and is in line with earnings growth.

Subject to approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 3 May 2012 to Ordinary shareholders on the register at 9 March 2012. Payment to ADR holders will be made on 10 May 2012.

Principal risks and uncertainties

Principal risks and uncertainties affecting the Spirent Communications Group will be detailed within the Annual Report for the year ended 31 December 2011, a copy of which will be made available on the Company's website at www.spirent.com.

Consolidated income statement

$ million	Notes	Year to 31 December 2011	2010
Revenue	3, 4	**528.2**	482.2
Cost of sales		**(179.3)**	(161.1)
Gross profit		**348.9**	321.1
Product development	3	**(88.1)**	(80.2)
Selling and distribution		**(97.0)**	(87.9)
Administration		**(41.8)**	(40.3)
Operating profit	3	**122.0**	112.7
Finance income		**1.7**	0.8
Finance costs		**(0.4)**	(1.3)
Profit before tax	3	**123.3**	112.2
Tax	5	**(28.7)**	(33.1)
Profit for the year attributable to owners of parent Company		**94.6**	79.1
Earnings per share (cents)	6		
Basic		**14.18**	11.77
Diluted		**14.06**	11.66

Consolidated statement of comprehensive income

$ million	Year to 31 December 2011	2010
Profit for the year attributable to owners of parent Company	**94.6**	79.1
Other comprehensive income		
Fair value movements on cash flow hedges	**-**	(0.6)
Exchange differences on retranslation of foreign operations	**0.3**	(3.3)
Actuarial (losses)/gains on defined benefit pension plans	**(25.5)**	8.6
Movement in irrecoverable element of defined benefit pension plan surplus	**2.2**	(1.9)
Deferred tax credit/(charge) on defined benefit pension plans	**4.0**	(0.9)
Other comprehensive income	**(19.0)**	1.9
Total comprehensive income for the year attributable to owners of parent Company	**75.6**	81.0

All activities relate to continuing operations.

Consolidated balance sheet

$ million	At 31 December 2011	2010
Assets		
Non-current assets		
Intangible assets	**123.2**	112.0
Property, plant and equipment	**35.5**	29.1
Trade and other receivables	**3.2**	3.6
Cash on deposit	**0.7**	1.1
Defined benefit pension plan surplus	**0.7**	7.7
Deferred tax	**29.4**	31.3
	192.7	184.8
Current assets		
Inventories	**43.6**	37.6
Trade and other receivables	**106.1**	98.2
Cash and cash equivalents	**236.5**	223.9
	386.2	359.7
Total assets	**578.9**	544.5
Liabilities		
Current liabilities		
Trade and other payables	**(119.3)**	(108.5)
Current tax	**(9.5)**	(13.0)
Derivative financial instruments	**-**	(0.2)
Provisions and other liabilities	**(3.3)**	(5.1)
	(132.1)	(126.8)
Non-current liabilities		
Trade and other payables	**(10.3)**	(7.5)
Defined benefit pension plan deficit	**(13.1)**	(0.6)
Provisions and other liabilities	**(1.2)**	(2.5)
	(24.6)	(10.6)
Total liabilities	**(156.7)**	(137.4)
Net assets	**422.2**	407.1
Capital and reserves		
Share capital	**34.3**	35.3
Share premium account	**31.3**	31.4
Capital redemption reserve	**17.7**	17.3
Other reserves	**2.7**	1.6
Translation reserve	**19.6**	19.3
Retained earnings	**316.6**	302.2
Total equity attributable to owners of parent Company	**422.2**	407.1

Consolidated cash flow statement

$ million	Notes	Year to 31 December 2011	2010
Cash flows from operating activities			
Cash flow from operations	8	**120.5**	116.9
Tax paid		**(21.8)**	(17.5)
Net cash inflow from operating activities		**98.7**	99.4
Cash flows from investing activities			
Interest received		**0.9**	0.8
Transfer from long term deposit		**0.4**	0.6
Purchase of intangible assets		**(3.7)**	(0.1)
Purchase of property, plant and equipment		**(20.8)**	(18.1)
Proceeds from the sale of property, plant and equipment		**1.0**	0.6
Acquisition of subsidiaries and businesses	9	**(14.5)**	-
Net cash used in investing activities		**(36.7)**	(16.2)
Cash flows from financing activities			
Dividend paid		**(17.5)**	(13.7)
Proceeds from the issue of share capital and employee share ownership trust		**0.4**	4.7
Share repurchase		**(33.4)**	(19.7)
Net cash used in financing activities		**(50.5)**	(28.7)
Net increase in cash and cash equivalents		**11.5**	54.5
Cash and cash equivalents at the beginning of the year		**223.9**	173.9
Effect of foreign exchange rate changes		**1.1**	(4.5)
Cash and cash equivalents at the end of the year		**236.5**	223.9

Consolidated statement of changes in equity

$ million	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Other reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
At 1 January 2010	36.4	29.5	17.1	1.6	(0.6)	22.6	0.6	244.6	351.8
Profit for the year	-	-	-	-	-	-	-	79.1	79.1
Other comprehensive income	-	-	-	-	-	(3.3)	(0.6)	5.8	1.9
Total comprehensive income	-	-	-	-	-	(3.3)	(0.6)	84.9	81.0
Share-based payment	-	-	-	-	-	-	-	0.4	0.4
Deferred tax on share incentives	-	-	-	-	-	-	-	2.6	2.6
New shares issued	0.3	2.7	-	(0.2)	-	-	-	-	2.8
Share cancellation	(0.5)	-	0.5	-	-	-	-	-	-
Employee share ownership trust	-	-	-	-	-	-	-	1.9	1.9
Share repurchase	-	-	-	-	-	-	-	(19.7)	(19.7)
Equity dividends	-	-	-	-	-	-	-	(13.7)	(13.7)
Other movements	-	-	-	(1.2)	-	-	-	1.2	-
Exchange adjustment	(0.9)	(0.8)	(0.3)	(0.2)	2.2	-	-	-	-
At 1 January 2011	**35.3**	**31.4**	**17.3**	**-**	**1.6**	**19.3**	**-**	**302.2**	**407.1**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**94.6**	**94.6**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**0.3**	**-**	**(19.3)**	**(19.0)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**0.3**	**-**	**75.3**	**75.6**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.1**	**1.1**
Deferred tax on share incentives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.5)**	**(2.5)**
New shares issued	**0.1**	**0.3**	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**
Share cancellation	**(0.7)**	**-**	**0.7**	**-**	**-**	**-**	**-**	**-**	**-**
Share repurchase	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(34.2)**	**(34.2)**
Share buyback obligation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7.8)**	**(7.8)**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17.5)**	**(17.5)**
Exchange adjustment	**(0.4)**	**(0.4)**	**(0.3)**	**-**	**1.1**	**-**	**-**	**-**	**-**
At 31 December 2011	**34.3**	**31.3**	**17.7**	**-**	**2.7**	**19.6**	**-**	**316.6**	**422.2**

<u>Notes to the preliminary consolidated financial statements</u>

1 Financial information presented

The financial information contained in this document does not constitute the Group's statutory accounts for the year ended 31 December 2011.

As required by the European Union's IAS Regulation and the Companies Act 2006 the Group has prepared its consolidated financial statements for the year to 31 December 2011 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and issued by the International Accounting Standards Board. The comparative financial information is based on the statutory accounts to 31 December 2010 which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498 of the Companies Act 2006.

The preliminary announcement was approved by the Board of Directors on 1 March 2012.

The financial information for the year to 31 December 2011 has been extracted from the statutory accounts on which an unqualified audit report, which did not contain a statement under Section 498 of the Companies Act 2006, has been issued. These accounts are yet to be delivered to the Registrar of Companies.

2 Accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2010.

Adoption of new and current standards

The following new standards, amendments to standards and interpretations are mandatory for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position.

International Accounting Standards ("IAS/IFRS")

IAS 24 (revised)	Related Party Disclosures
IAS 32	Amendment to IAS 32 – Classification of Rights Issues
IFRIC 14	Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (May 2010)	

Going concern

At 31 December 2011 the Group had cash balances of $236.5 million and no debt.

Having reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance, the directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly the going concern basis continues to be used in the preparation of the financial statements.

3 Operating segments

The Group's organisational structure is based on differences in the products and services offered by each segment and information regularly reviewed by the Group's Chief Executive Officer, its chief operating decision maker, is presented on this basis. The Group's operating segments follow this structure, however, where operating segments exhibit similar economic characteristics and are similar in nature then they are aggregated into a single reportable segment.

The Group's reportable operating segments are Performance Analysis, Service Assurance and Systems. The Group evaluates segment operating profit before share-based payment, acquired intangible asset amortisation, acquisition related costs and exceptional items, although there were no exceptional items in 2010 or 2011. Finance income and finance costs are not allocated to the reportable segments. Corporate is not an operating segment and costs are separately reported and not allocated to the reportable segments.

$ million					**2011**
	Performance Analysis	**Service Assurance**	**Systems**	**Corporate**	**Total**
Revenue					
External revenue	**416.4**	**54.1**	**57.7**	**-**	**528.2**
There were no inter-segment sales					
Profit before tax					
Total reportable segment profit/(loss)	**115.1**	**7.0**	**9.0**	**(5.2)**	**125.9**
Unallocated amounts					
Acquired intangible asset amortisation					**(1.6)**
Share-based payment					**(1.1)**
Acquisition related costs					**(1.2)**
Operating profit					**122.0**
Finance income					**1.7**
Finance costs					**(0.4)**
Profit before tax					**123.3**
Other information					
Product development	**74.4**	**8.9**	**4.8**	**-**	**88.1**
Intangible asset amortisation – other	**1.3**	**-**	**-**	**-**	**1.3**
Expenditure on property, plant and equipment	**19.2**	**0.9**	**0.7**	**-**	**20.8**
Expenditure on intangibles	**14.5**	**-**	**-**	**-**	**14.5**
Depreciation	**11.2**	**1.3**	**0.5**	**0.2**	**13.2**
Segment assets	**298.4**	**13.3**	**19.8**	**247.4**	**578.9**
Segment cash flows					
Operating activities	**116.4**	**5.1**	**7.5**	**(30.3)**	**98.7**
Investing activities	**(36.4)**	**(0.9)**	**(0.7)**	**1.3**	**(36.7)**
Financing activities	**-**	**-**	**-**	**(50.5)**	**(50.5)**
	80.0	**4.2**	**6.8**	**(79.5)**	**11.5**

3 Operating segments continued

$ million					2010
	Performance Analysis	Service Assurance	Systems	Corporate	Total
Revenue					
External revenue	365.8	57.0	59.4	-	482.2
There were no inter-segment sales					
Profit before tax					
Total reportable segment profit/(loss)	97.9	13.0	8.8	(5.2)	114.5
Unallocated amounts					
Acquired intangible asset amortisation					(1.4)
Share-based payment					(0.4)
Operating profit					112.7
Finance income					0.8
Finance costs					(1.3)
Profit before tax					112.2
Other information					
Product development	65.9	9.9	4.4	-	80.2
Intangible asset amortisation – other	0.2	-	-	-	0.2
Expenditure on property, plant and equipment	16.3	1.2	0.6	-	18.1
Expenditure on intangibles	0.1	-	-	-	0.1
Depreciation	10.0	1.3	0.5	0.1	11.9
Segment assets	264.1	17.7	22.7	240.0	544.5
Segment cash flows					
Operating activities	98.4	17.5	7.7	(24.2)	99.4
Investing activities	(15.8)	(1.2)	(0.6)	1.4	(16.2)
Financing activities	-	-	-	(28.7)	(28.7)
	82.6	16.3	7.1	(51.5)	54.5

4 Geographical information

$ million	**2011**	2010
Revenue by market		
United States	**259.4**	248.5
Asia Pacific, Rest of World	**182.2**	154.2
Europe	**86.6**	79.5
	528.2	482.2

Europe includes United Kingdom revenue of $15.0 million (2010: $14.7 million).

Revenues are attributed to countries based on customer location.

5 Tax

$ million	**2011**	2010
Current income tax		
Current income tax charge – foreign tax	**23.8**	21.3
Amounts overprovided in previous years	**(5.4)**	(1.0)
Total current income tax charge	**18.4**	20.3
Deferred tax		
Recognition of deferred tax assets	**(2.2)**	(0.3)
Reversal of temporary differences	**12.5**	13.1
Total deferred tax charge	**10.3**	12.8
Tax charge in the income statement	**28.7**	33.1

In arriving at the effective tax rate, the rate of UK corporation tax of 25 per cent, which is enacted, was taken into account. In accordance with IAS 12 "Income Taxes" the effective rate does not take into account the impact in 2011 of the proposed progressive reductions in the UK corporation tax rate from 25 per cent to 23 per cent, these changes will be reflected when the relevant legislation is substantively enacted. The impact of the reduction in the rate on the effective tax rate for the full year is not significant.

6 Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to owners of parent Company by the weighted average number of Ordinary Shares outstanding during the year.

$ million	**2011**	2010
Profit for the year attributable to owners of parent Company	**94.6**	79.1

Number million		
Weighted average number of shares in issue – basic	**667.3**	672.2
Dilutive potential of employee share incentives	**5.4**	6.2
Weighted average number of shares in issue – diluted	**672.7**	678.4

Cents		
Earnings per share		
Basic	**14.18**	11.77
Diluted	**14.06**	11.66

The Group is disclosing adjusted earnings per share attributable to owners of parent Company in order to provide a measure to enable period-on-period comparisons to be made of its performance. The following items are excluded from adjusted earnings:

- Exceptional items
- Share-based payment
- Acquired intangible asset amortisation
- Acquisition related costs
- Tax effect on the above items
- Prior year tax

6 **Earnings per share** continued

A reconciliation is provided below:

	2011		2010	
	$ million	**EPS cents**	$ million	EPS cents
Profit for the year attributable to owners of parent Company	**94.6**	**14.18**	79.1	11.77
Acquired intangible asset amortisation	**1.6**		1.4	
Share-based payment	**1.1**		0.4	
Acquisition related costs	**1.2**		-	
Tax effect on the above items	**(0.2)**		-	
Prior year tax credit	**(5.4)**		(1.0)	
Adjusted basic	**92.9**	**13.92**	79.9	11.89
Adjusted diluted		**13.81**		11.78

7 **Dividends paid and proposed**

$ million	**2011**	2010
Declared and paid in the year		
Equity dividend on Ordinary Shares		
Final dividend paid for the year ended 31 December 2010 of 1.40 cents per Ordinary Share (31 December 2009: 1.00 cents)	**9.4**	6.4
Interim dividend 2011 1.26 cents per Ordinary Share (2010: 1.10 cents)	**8.1**	7.3
	17.5	13.7
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Equity dividend on Ordinary Shares		
Final dividend 2011 1.67 cents per Ordinary Share (2010: 1.40 cents)	**10.9**	9.4

The directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 1.67 cents per share (2010: 1.40 cents), which will absorb an estimated $10.9 million of shareholders' funds (2010: $9.4 million). It will be paid on 3 May 2012 to Ordinary shareholders who are on the Register of Members at close of business on 9 March 2012. Payment will be made to ADR holders on 10 May 2012. No liability is recorded in the financial statements in respect of this final dividend.

Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed. The exchange rate used for determining the amount of the final dividend to be paid was $1.59:£1.

8 Reconciliation of profit before tax to cash generated from operations

$ million	**2011**	2010
Profit before tax	**123.3**	112.2
Adjustments for:		
Finance income	**(1.7)**	(0.8)
Finance costs	**0.4**	1.3
Intangible asset amortisation	**2.9**	1.6
Depreciation of property, plant and equipment	**13.2**	11.9
Loss on the disposal of property, plant and equipment	**0.1**	-
Share-based payment	**1.1**	0.4
Changes in working capital:		
Deferred income received	**1.6**	10.2
Increase in receivables	**(7.5)**	(16.5)
Increase in inventories	**(6.2)**	(9.6)
(Decrease)/increase in payables	**(0.9)**	11.7
Decrease in provisions	**(3.2)**	(4.0)
Defined benefit pension plan	**(2.6)**	(1.5)
Cash flow from operations	**120.5**	116.9

9 Business combinations
The Fanfare Group, Inc.

On 16 February 2011 the Group acquired 100 per cent of the share capital of the Fanfare Group, Inc. (“Fanfare”) for a total consideration of $14.5 million in cash.

Fanfare provides test automation solutions that help equipment manufacturers and service providers accelerate time to market and improve product quality in the face of rapidly growing complexity. Convergence, in multiple forms, is driving growth in the complexity and scale required for successful testing of IP and Ethernet devices, networks and services, creating a clear need to streamline the product and services development process. An integrated and collaborative test automation approach is becoming an increasingly important business requirement to innovate in this market. Combining the two companies’ products and services results in a common automated test experience and a common platform that brings together engineers, technologies and processes.

From the date of acquisition to 31 December 2011, Fanfare contributed $6.4 million of revenue and $0.8 million of profit before tax to the results of the Group before charging $1.2 million of acquisition related costs and $1.2 million of acquired intangible asset amortisation. If the combination had occurred at the beginning of the financial year additional revenue of $1.4 million and a loss before tax of $0.4 million would have been included in the Group result before bonus payments made by the vendor prior to the sale of the business of $1.2 million.

9 Business combinations continued

The goodwill arising of $4.2 million consists largely of the synergies and economies of scale expected from the combination of the entities together with intangible assets not qualifying for separate recognition such as workforce in place.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Fanfare and the assets and liabilities acquired at the acquisition date.

$ million	**Fair value**
Net assets acquired:	
Intangible fixed assets	**6.6**
Deferred tax asset	**8.1**
Trade and other receivables	**0.5**
Trade and other payables	**(4.1)**
Deferred tax liability	**(0.8)**
Total identifiable net assets	**10.3**
Goodwill	**4.2**
Total consideration	**14.5**
Satisfied by:	
Cash	**14.5**

The intangible assets acquired represent customer relationships and computer software and these have been assigned a life of five years.

Acquisition related costs were $1.2 million and these have been expensed and are included in administration costs.

Glossary

2G (Second Generation)	Second generation remains the most common type of wireless cellular communication in use globally. Although its primary focus has been voice service and short message service ("SMS"), it has also been enhanced to allow low rate data communication.
3G (Third Generation)	Third generation of mobile communications that promises data rates of hundreds of kilobits per second to tens of megabits per second.
4G (Fourth Generation)	Fourth generation of mobile communications that promises data rates of tens to hundreds of megabits per second. Future 4G technologies promise data rates in excess of one gigabit per second.
Backhaul	The portion of a network that comprises the intermediate links between the core network, or backbone, and the sub-networks at the "edge" of the entire hierarchical network.
Broadband	Generic term for bit rates greater than approximately 1.5 to 2 megabits per second.
CDMA (Code Division Multiple Access)	A digital cellular technology standard which allows numerous signals to occupy a single transmission channel, thus increasing network capacity; used in 2G and 3G radio communications.
Cloud Computing	The delivery of computing as a service rather than a product, whereby shared resources, software, and information are provided to computers and other devices as a metered service over a network (typically the internet).
Compass (also known as BeiDou 2)	China's second generation global satellite navigation system, which is under construction but eventually planned to consist of 35 satellites. Service was launched in China during 2011, with plans to extend it to the Asia Pacific region by 2012 and to provide service globally by 2020.
Core Router	A router that is part of backbone, forwarding packets to computer hosts within a network (but not between networks).
Customer Edge	A router at the customer's premises that provides an Ethernet interface between the customer's local area network and one or more provider edge routers in the provider's core network.
Data Center	A centralised location where computing resources critical to an organisation are maintained in a highly controlled environment.
DOCSIS 3.0 (Data Over Cable Service Interface Specification 3.0)	The most recent release of a communications standard that adds high speed data transfer to an existing cable TV system, employed by cable operators to provide internet access over existing hybrid fibre-coaxial infrastructure. A European variant has also been released, named EuroDOCSIS.
DSL (Digital Subscriber Line)	Technology that uses existing telephone/copper lines to transport higher bandwidth data such as multimedia and video to service subscribers.
Ethernet	A family of networking technologies originally developed for local area networks, which migrated to metro area networks and eventually became the dominant standard in wireline networks worldwide.
Galileo	A global navigation satellite system being built by the European Union and European Space Agency that will offer users anywhere in the world "metre-class" geographic positioning when it becomes operational between 2014 and 2019.
Gateway	An internetworking system capable of joining together two networks that use different base protocols.
GbE (Gigabit Ethernet)	A transmission technology based on the Ethernet frame format and protocol used in local area networks that provides a data rate of 1 billion bits per second (one gigabit) and which is used as the backbone in many enterprise networks.
GLONASS (Global Navigation Satellite System)	A global navigation satellite system operated by the Russian Federation. Deployment began in 1976 and, although the system fell into disrepair in the 1990s, full global service was restored in 2011.

GNSS (Global Navigation Satellite Systems)	The standard generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage. GNSS allows users' receivers to determine their location to within a few metres by employing a triangulation technique that uses information from multiple satellites.
GPS (Global Positioning System)	A global navigation satellite system operated by the United States government for determining a user's location and height at any point on the earth's surface. A receiver uses minute differences in measured time signals from clocks on satellites to calculate these positions and altitudes.
IaaS (Infrastructure as a Service)	Cloud infrastructure services that deliver computer infrastructure – typically a platform virtualization environment – as a service, along with raw storage and networking. Clients buy servers, software, data center space or network equipment as a fully outsourced service rather than purchasing them outright.
IP (Internet Protocol)	A network protocol used on the internet and other networks devices to facilitate and control the flow of data. Each computer (known as a host) has at least one IP address that uniquely identifies it from all other computers.
IPSec (Internet Protocol Security)	A collection of protocols designed to secure IP communications. IPSec supports encryption and authentication and is most commonly used in so-called "tunnel mode" with a Virtual Private Network ("VPN"). However, IPSec also supports a "transport mode" for direct connection between two computers.
IRNSS (Indian Regional Navigational Satellite System)	An autonomous regional satellite navigation system being developed by the Indian government to reduce dependence on GPS. The full constellation of seven satellites (three geo-stationary and four geo-synchronous) is planned to be operational by 2015.
ITO (Infrastructure Test Optimization)	The practices required to ensure that infrastructures meet a defined quality of service and quality of experience necessary to meet strategic business objectives. Primary practice areas are: emulation and analysis, automation, quality management, development testing and lifecycle virtualization.
LAN (Local Area Network)	A short distance data communications network used to link computers and peripheral devices, such as printers or modems. Ethernet is by far the most commonly used LAN technology.
Location Based Services	The delivery of location specific information, mapping, business and public data over a wireless network. These services require the ability to locate a user's mobile device by means of direct satellite or cellular assisted satellite signals.
LTE (Long Term Evolution)	An advanced wireless data communications technology standard (sometimes called "4G") which is an evolution of 3G UMTS standards. In addition to a new wireless interface specification, LTE uses a simplified flat IP-based network architecture.
M2M (Machine-to-Machine)	Technologies that allow automatic communications between wireless (and wired) devices without human intervention. M2M typically uses a device to capture an event, which is relayed through a network to an application that translates the captured event into meaningful information.
MIMO (Multiple-Input Multiple-Output)	A wireless technology that employs multiple radio antennas on both the transmitter and receiver to improve the data transmission speeds and capacity of wireless networks.
MSO (Multiple System Operator)	A company that owns more than one cable system, often in different locations. Most commonly used to refer only to companies that own a large number of cable systems.
Observed Time Difference of Arrival	A method used to determine the position of a mobile device by performing timing measurements on the signals received at the device from two or more cellular base stations.
OTA (Over-the-Air)	Any kind of event, transfer, or transaction that takes place wirelessly using the cellular network, as opposed to using a cable or other local connection. Testing of mobile device performance is commonly carried out using OTA techniques that take into account antenna design and implementation.

RF (Radio Frequency)	A technology used for wireless broadcasting and/or communications that uses radio waves within the range over which they may be transmitted, from about 3 kilohertz to about 300,000 megahertz.
SaaS (Software as a Service)	Cloud application services that deliver software as a service over the internet, eliminating the need to install and run the application on the customer's own computers and simplifying maintenance and support.
Simultaneous Voice and LTE	A technique for providing voice service over a CDMA network and data service over an LTE network simultaneously, using two radios in a mobile device.
UMTS (Universal Mobile Telecommunications System)	The most common 3G wireless technology globally, which uses WCDMA on its underlying air interface and offers support for data transfer rates from hundreds of kilobits per second to tens of megabits per second.
Virtualization	Technologies designed to provide a layer of abstraction from the physical characteristics of computing resources to simplify the way in which other systems, applications, or end users interact with those resources.
WCDMA (Wideband CDMA)	An International Telecommunication Union standard derived from CDMA which is used globally in 3G mobile communications.
Wi-Fi	A mechanism that enables devices such as personal computers, video game consoles, smartphones or digital audio players to exchange data wirelessly over a computer network and connect to network resources, such as the internet. Coverage ranges from a few rooms to several square miles, depending on the number of access points used.