



# News Release

## SPIRENT COMMUNICATIONS PLC

### PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

**London, UK - 24 February 2009:** 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 2008.

#### Results summary – continuing operations

£ million	2008	2007	Change (%)	Underlying change at constant currency (%)
<b>Reported</b>				
Revenue	<b>257.9</b>	237.0	9	2
Profit before tax	<b>49.6</b>	17.8	179	
Basic earnings per share (pence)	<b>10.13</b>	2.97	241	
Total dividend per share (pence)	<b>1.1</b>	-		
<b>Adjusted</b>				
Operating profit <sup>1</sup>	<b>48.7</b>	25.5	91	80
Profit before tax <sup>1</sup>	<b>51.4</b>	32.2	60	
Adjusted earnings <sup>2</sup> per share (pence)	<b>6.24</b>	3.57	75	

Notes

1 Before exceptional items.

2 Adjusted earnings per share is based on adjusted earnings as set out in note 5, being before exceptional items and prior year tax credits.

#### Group highlights

- Adjusted earnings per share up 75% to 6.24p (2007: 3.57p) after charging 0.30p for share-based payment and amortisation of intangibles (2007: 0.38p)
- Adjusted operating profit up 91% to £48.7m (2007: £25.5m)
- Increase in operating return on sales to 18.9% (2007: 10.8%)
- Cash flows from operations up 22% to £53.4m (2007: £43.8m)
- Total order intake in January 2009 for the Group is level year-on-year in constant currency, with Performance Analysis being down by 10%
- Annualised cost reduction of £8.2m implemented in the first quarter of 2009

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Registered in England Number 470893 | Registered at the above office

**Edward Bramson, Chairman commented:**

“During 2008, Spirent introduced new, innovative products and lowered its cost base, resulting in a stronger financial position overall. These factors, with the benefit of current exchange rates and the substantially reduced number of shares in issue, will result in relative resilience in earnings and cash generation.

“Spirent enters this year well placed to face the uncertainties of the market.”

- ends -

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*The Company will host a results presentation today at 09.15 for 09.30 UK time at RBS, 250 Bishopsgate, London, EC2M 4AA. A simultaneous webcast of the presentation will be available in the Investors section of the Spirent Communications plc website at [www.spirent.com](http://www.spirent.com).*

**About Spirent Communications plc**

Spirent Communications plc is a leading communications technology company focused on delivering innovative systems and services to meet the needs of customers worldwide. We are a global provider of testing and service assurance solutions that enable the development and deployment of next-generation networking technologies such as Ethernet, Triple Play, wireless, satellite positioning, web applications and security. The Systems group develops power control systems for specialist electrical vehicles in the mobility and industrial markets. Further information about Spirent Communications plc can be found at [www.spirent.com](http://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](http://www.pinksheets.com).

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## **PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008**

### **CHAIRMAN'S STATEMENT**

Spirent's financial performance improved in each quarter throughout 2008 as a result of the programmes put in place to increase manufacturing efficiency and to deliver new innovative products. In addition, the Company benefited from favourable exchange rates and a reduced number of issued shares. These factors, with annualised cost reductions of a further £8.2 million implemented in the first quarter of 2009 and the strong financial position of the Company, mean that Spirent is well placed to face the challenges of an uncertain market in the coming year.

Group revenue increased by £20.9 million, some 9 per cent over that for 2007 and the resulting gross profit increased by £18.8 million, with the gross profit margin increasing by 2.2 percentage points year-on-year. Adjusted earnings per share increased by 75 per cent to 6.24 pence from 3.57 pence in 2007. This was after charging 0.30 pence for share-based payment and intangible amortisation, down from 0.38 pence in 2007. Cash generation was robust with free cash flow of £42.2 million in the year.

The Company paid its first dividend since the first half of 2002 and proposes a final dividend of 0.6 pence per share. This will result in a total dividend for the year of 1.1 pence per share. It is the Board's policy to maintain a high dividend cover and to pursue a sustainable distribution policy consistent with the development of earnings over time.

The cash generation of the Group allowed the funding of share repurchases through on-market repurchase and by way of a tender offer. £67.0 million was used to repurchase and cancel 125.8 million shares, some 16 per cent of the shares in issue. The total cash returned to shareholders since 1 January 2007 is £133.8 million. To ensure flexibility, further authority will be sought at the AGM for share repurchases of up to 15 per cent of issued share capital, depending on market conditions and other factors.

Total order intake in January 2009 for the Group is level with that for the same period in the prior year in constant currency terms, with Performance Analysis being down by 10 per cent. In sterling total order intake in January 2009 increased 27 per cent year-on-year. The restructuring of the business over the past two years has resulted in a material reduction in the break-even point for sales. At current exchange rates the Company will benefit both as an exporter of products and services from the UK and in the translation of the Group's substantial dollar earnings. These factors, combined with the reduction in the number of shares in issue, will result in a greater resilience to the impact of any reduction in sales levels on the earnings per share and the cash generation of the Group.

**Edward Bramson**  
**Chairman**

## **CHIEF EXECUTIVE OFFICER'S STATEMENT**

As we look back over the past year, customers in most segments of the telecommunications industry spent more cautiously as 2008 progressed. This was particularly true as the end of the fourth quarter approached. Network equipment manufacturers remained focused on profitability and growth as competition intensified. Restructuring across the telecommunications industry had an impact not only on major wireline network equipment manufacturers, but also mobile equipment suppliers and service providers. These factors are contributing to an uncertain outlook in 2009, although it is expected that research and development investments are unlikely to be reduced to the same levels as other areas of spending.

While network operator's wireless and Ethernet based broadband services experienced strong year-on-year growth, revenues for traditional wireline services declined. Service providers and network equipment manufacturers continue to invest in areas of growth aimed at ensuring their future. Test requirements in these growth areas have become even more critical as service providers are driven to deploy highly complex converged networks delivering differentiated voice, video, data and next-generation mobile networks, that include an array of GPS and location based services. The need for testing today's, as well as tomorrow's, equipment and networks is driven by the requirement to achieve uncompromised performance and scalability while delivering superior Quality of Service and Experience across the telecommunication infrastructure.

Our global reach and world-class sales and service organisations allow Spirent to partner closely with our customers, enabling research and development efficiencies through thought leadership in test methodologies and automation. Spirent's products and services serve a wide range of technologies, from wired to wireless, from development laboratories to live networks, from chip manufacturers to enterprise customers. Our strong customer relationships and broad solutions portfolio brings value to our customers and represent a distinct strategic advantage for Spirent.

The financial performance of the Company reflects operational improvements undertaken through outsourced manufacturing, design improvements and focus on driving efficiency throughout all aspects of our business. Our cash generation and profitability allows us to invest in the areas most critical to the success of our customers. At the same time, we have an agile business which is able to react quickly to developments in our markets. In addition, we have already taken action in the first quarter of 2009 to reduce Spirent's cost base by an annualised £8.2 million.

Major customers view 2009 as a year of decreased activity, with few seeing upside before 2010. Service providers and network equipment manufacturers will prioritise their overall spending but will

invest in key technology development areas to ensure their future success. This will drive demand for our test solutions despite the challenging economic environment.

Our role as leaders in test and measurement is to enable our customers to develop and validate their most successful products and services, not just from a technological perspective but also to ensure the greatest return on their investment. Spirent's financial strength and diversified solutions portfolio will be key to defending and expanding our market share as well as developing new opportunities. We remain realistic in facing the challenges resulting from the current worldwide economic downturn and we believe that Spirent enters this year well placed to face the market uncertainties ahead.

**Bill Burns**  
**Chief Executive Officer**

## BUSINESS REVIEW

### Business group development and performance

#### Communications

£ million	First half 2008	Second half 2008	Full year 2008	2007	Change (%)	Underlying change at constant currency (%)
Revenue						
Performance Analysis	<b>88.1</b>	<b>103.1</b>	<b>191.2</b>	169.3	13	5
Service Assurance	<b>15.8</b>	<b>17.7</b>	<b>33.5</b>	34.3	(2)	(9)
Communications group	<b>103.9</b>	<b>120.8</b>	<b>224.7</b>	203.6	10	3
Adjusted operating profit <sup>1</sup>						
Performance Analysis	<b>18.2</b>	<b>24.8</b>	<b>43.0</b>	22.3	93	83
Service Assurance	<b>2.3</b>	<b>2.3</b>	<b>4.6</b>	3.3	39	30
Communications group	<b>20.5</b>	<b>27.1</b>	<b>47.6</b>	25.6	86	76
Return on sales <sup>1</sup> (%)						
Performance Analysis	<b>20.7</b>	<b>24.1</b>	<b>22.5</b>	13.2		
Service Assurance	<b>14.6</b>	<b>13.0</b>	<b>13.7</b>	9.6		
Communications group	<b>19.7</b>	<b>22.4</b>	<b>21.2</b>	12.6		

Note

1 Before exceptional items in 2007.

### Performance Analysis

#### Market conditions

The market saw growth in the first half year in all major areas, while the second half was characterised by cautious spending, highlighted by reduced demand in the fourth quarter of 2008. The current economic climate is forcing network equipment manufactures and service providers to reprioritise the way they do business and has increased their focus on driving efficiency and operating even more cost-effectively. At the same time, they understand the need to invest in technologies and solutions that will allow them to compete in global markets.

The demand for next-generation networks and services continues. The pervasive nature of the internet on multiple devices: computers, mobile equipment, TV and others, offering content rich applications, is driving growth in traffic, demand for higher speed access and network complexity. For example, Ethernet is evolving to meet the demand for increased business connectivity and the migration of storage networks and service provider core networks which are moving from 10 GbE to 40/100 GbE in order to handle larger volumes of traffic.

Investment in next-generation technologies will continue to drive the need for test solutions. Furthermore, the current economic climate has led network equipment suppliers to focus on increasing efficiency in the use of research and development resources which drives the demand for more automated solutions, professional services and expertise to assist in automation projects, all of which are important sources of revenue for Spirent.

Mobile communication now demands a higher level of performance testing, which is not satisfied by existing conformance test standards and equipment. Emulation of real-world wireless testing in the laboratory has become a fundamental requirement as field testing is expensive and inconsistent. Demand is also increasing for smartphone testing, where greater numbers of integrated applications on a mobile device require a higher degree of testing. The open mobile device operating systems are leading to the proliferation of applications to take advantage of higher speed data and location based services. Further growth will come from streaming and broadcast video, as content becomes more attractive to users. Spirent delivers industry leading wireless test solutions to meet the ever evolving needs of wireless applications and services.

The market for test equipment in the positioning sector continues to grow as GPS services evolve and new investments are being made in satellite systems such as GLONASS and Galileo.

## **Revenue**

Performance Analysis revenues grew by 5 per cent in constant currencies year-on-year. The rate of growth in the second half year slowed following the 9 per cent growth in the first half of 2008.

Demand in the second half was softer in all areas of the business. New broadband products, including Spirent TestCenter<sup>TM</sup>, grew over the levels for the first half year but order intake slowed towards the end of the year. Wireless test solutions saw a peak in demand during the first half year and similarly demand softened towards the end of the year. Legacy products continued to decrease year-on-year, but the level of revenue decline flattened in the second half year.

Spirent continues to command technology leadership across its broadband solutions, winning head-to-head competitive opportunities based on technical comparisons against competitive products and solutions. Customers choose Spirent TestCenter for its performance, scalability and ability to replicate real-world conditions across a wide array of testing environments. Combined these characteristics maximise return on investment and reduce total cost of ownership for our customers.

Professional services are an increasingly important part of the business. The number of maintenance agreements and their renewal has increased, reflecting the value these services bring to our customers. Laboratory automation has stimulated demand for professional services. The



industry's first automation forum, the Test Automation Alliance, was launched by Spirent working with best-in-class providers of automation solutions.

Revenues for Spirent's Wireless UMTS test solutions increased during the year including significant wins with Tier 1 carriers in the US and network equipment manufactures worldwide for both mobile device performance test systems and RF channel emulators. Revenues for CDMA 1xEV-DO Rev A reached record levels. New customers adopted our solutions for LTE infrastructure testing in Europe and Asia. Wireless solutions now account for 36 per cent of Performance Analysis revenues (2007: 32 per cent).

Market adoption of location based solutions continue to drive revenue for our positioning products as these services are integrated into a wide range of devices such as smartphones. The adoption of location based services has opened up a new market for our positioning test solutions which served 172 new customers in 2008.

The division's revenues are broad based by customer type and geography, with a low level of customer concentration. No single customer accounts for more than 10 per cent of revenues and the top twenty customers account for 43 per cent of the total.

### **Profitability**

Performance Analysis profits grew in constant currency for the year by 83 per cent over 2007 and the second half year grew by 24 per cent over the same period. Profitable growth in sales contributed to the improved returns, whilst improvement in the design of our products and the supply chain increased gross profit margin by 1.9 percentage points year-on-year. Indirect overheads were reduced in constant currency by £9.5 million, or some 9 per cent.

### **Product development**

Anticipating the needs of customers and bringing products to market at the right time is a key contributor to Spirent's success, as we continue to command the number one or two position in most markets we serve.

In 2008, Spirent launched multiple new solutions to support a variety of customer needs. New broadband application and security testing solutions were introduced along with 10 gigabit Ethernet application performance appliances. We delivered next-generation solutions to support integrated Layer 2-7 testing at line rate performance. For mobile packet core performance testing, we evolved our Landslide solutions to support next-generation wireless standards such as LTE and WiMax. Our Spirent TestCenter platform is now capable of handling the needs of the latest data centre technology such as Fiber Channel over Ethernet as well as evolving Metro Ethernet Standards. Our focus in

2009, is to continue to enhance our Ethernet solutions portfolio meeting the requirement for testing higher speeds such as 10/40/100 GbE. From a software perspective, we will enhance our capabilities to offer more testing and technology coverage under our flagship product, Spirent TestCenter.

Spirent offers unique solutions that allow makers of wireless equipment as well as operators of wireless networks to be successful. In 2008, Spirent launched Over-The-Air test solutions for location based services testing devices through the antenna for both UMTS and CDMA technologies. Call reliability testing was a market first in the measurement of the reliability of a device to complete and maintain a call under various adverse conditions including handover from one cell to another. We continue our leadership in CDMA testing by increasing protocol test coverage and the release of an EV-DO Rev A protocol test solution. With the release of the Video User Experience test solution we have assumed a leadership position in measuring the Quality of Experience in viewing video on a handset. Complex antenna configurations required for LTE are tested using the advanced Multiple Input Multiple Output channels models on the SR5500 platform, released in 2008. 2009 will see the need for LTE device performance test and the multimode combination of LTE and CDMA. We also expect further development in smartphones and 3G wireless deployments, particularly in China, combined with the need to evaluate mobile performance in real-world conditions. We continue to deliver testing solutions that address all emerging wireless technologies.

Undoubtedly the investment priorities in telecommunications will be reset during 2009. As a result of the increased efficiency, low cost production and investment in innovation, our Performance Analysis division is better positioned than most in our industry to respond to the challenges ahead. The longer term prospects resulting from the convergence of wired and wireless technologies in a world of increased connectivity with greater functionality remain good for test and measurement products, solutions and services.

## **Service Assurance**

### **Market conditions**

Market conditions remained challenging throughout 2008 for the Service Assurance division. However, there were signs that the adoption of next-generation network architectures has grown to a scale where Service Assurance solutions are required. Specifically, we saw increased demand for Metro Ethernet and Triple Play solutions for both centralised test and field test solutions. This included important wins in 2008 at several large service providers in North America.

Overall we see the service assurance market remaining sluggish during 2009 due to the economic climate and continued caution around capital spending. However, we believe that increased global competition and the transition to next-generation networks provides additional market opportunities

for the Service Assurance division within cable multiple system operators, wireline and wireless service providers.

### **Revenue**

Service Assurance revenues declined by 9 per cent in constant currency year-on-year as expected as service providers continued to reduce spend on legacy and DSL solutions. We received further orders for our Triple Play monitoring solutions. While we have seen increased demand for next-generation solutions, we do not anticipate spending for these solutions will reach levels to cover the decline in legacy solution spend until some time in 2010.

Professional services revenues for test automation and custom software remained an area of growth as service providers looked to increase the effectiveness of their existing service assurance solutions.

### **Profitability**

While the Service Assurance business saw a decline in revenue in 2008, the business was able to improve profitability by 30 per cent in constant currency driven by increased efficiency and continued tight cost control measures across the business.

### **Product development**

The division continues to focus on the development of service assurance and field test solutions for next-generation networks. In November 2008, we launched a new modular field test platform, Tech-X Flex, to the market for in-home Triple Play testing. We are in the process of adding additional modules in the first half of 2009 to extend test capabilities to 'outside the home' and to address opportunities in the European market. We are in trial with several major service providers in North America and will look to begin shipping in quantity during the first half of 2009. In addition, we continue to enhance our next-generation diagnostic and performance management Ethernet solutions.

## Systems

£ million	2008	2007	Change (%)	Underlying change at constant currency (%)
Revenue	<b>33.2</b>	33.4	(1)	(3)
Operating profit	<b>4.3</b>	3.8	13	9
Return on sales (%)	<b>13.0</b>	11.4		

The Systems group comprises PG Drives Technology, a leading supplier of control systems for electrically powered medical and small industrial vehicles. Revenue continued to be affected by changes in US government healthcare funding for powered wheelchairs, creating a shift from premium systems to lower cost solutions. This was, however, offset by solid growth in our industrial systems. The US dollar exchange rate did not materially impact revenue, but profit was impacted by a loss on exchange of £0.4 million. The weaker exchange rate for sterling to US dollars will benefit earnings in 2009 compared to 2008 by £1.0 million on hedge contracts in place at the year end. We continued to place more production into China to support our activities in the Asia Pacific Region and in order to gain product and logistical cost benefits.

During 2008 we introduced new products for scooters and wheelchairs to further strengthen our position in the medical mobility market. Good progress was made in opening new industrial market segments, such as fork-lift trucks.

### Non-segmental costs

Non-segmental costs before exceptional items reduced by £0.7 million to £3.2 million in 2008. These cost reductions were principally a result of the consolidation of reporting activities and other functions in the business units, enabling a reduction in staff levels.

## Group financial performance

### Results - continuing operations

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

	First half 2008	Second half 2008	Full year 2008	2007	Change (%)	Underlying change at constant currency (%)
Book to bill ratio <sup>1</sup>	<b>0.98</b>	<b>0.97</b>	<b>0.98</b>	1.05		
Revenue (£ million)	<b>120.5</b>	<b>137.4</b>	<b>257.9</b>	237.0	9	2
Gross profit margin <sup>2</sup> (%)	<b>63.5</b>	<b>65.6</b>	<b>64.6</b>	62.4		
Operating profit <sup>2</sup> (£ million)	<b>21.0</b>	<b>27.7</b>	<b>48.7</b>	25.5	91	80
Return on sales <sup>2</sup> (%)	<b>17.4</b>	<b>20.2</b>	<b>18.9</b>	10.8		
Adjusted earnings per share <sup>3</sup> (pence)	<b>2.67</b>	<b>3.57</b>	<b>6.24</b>	3.57	75	
Free cash flow <sup>4</sup> (£ million)	<b>17.8</b>	<b>24.4</b>	<b>42.2</b>	50.2	(16)	

The Group's financial performance is reported in accordance with International Financial Reporting Standards ("IFRS").

All comments below refer to continuing activities only unless otherwise stated.

The Group is reporting an underlying change in revenue and adjusted operating profit given the effect the strength of the US dollar has had on operating results this year compared with the previous year. Underlying change is the change at constant currencies and eliminates the effects of fluctuating exchange rates on the translation of operating results.

#### Notes

1 Ratio of orders booked to revenue billed.

2 Before exceptional items in 2007.

3 Adjusted earnings per share is based on adjusted earnings as set out in note 5.

4 Operating cash flow after tax, net interest and net capital expenditure.

## Revenue

Reported revenue in sterling was up 9 per cent compared with 2007. The underlying change was an increase of 2 per cent due to the improvement seen in Performance Analysis.

A significant amount of Spirent's revenues are denominated in US dollars and with sterling weakening against the US dollar particularly in the last quarter of 2008, translation has had a positive effect increasing reported revenue by £16.0 million compared with 2007.

The geographic profile by market of reported revenues did not change significantly with revenue in sterling terms up in all markets.

£ million	2008	%	2007	%
Europe	<b>47.8</b>	<b>19</b>	43.7	18
North America	<b>139.5</b>	<b>54</b>	132.2	56
Asia and Rest of the World	<b>70.6</b>	<b>27</b>	61.1	26
	<b>257.9</b>		237.0	

The book to bill ratio was lower at 0.98 for the year compared with 1.05 for 2007. This reflects both the changing profile of the Spirent Group as technology continues to migrate from older platforms to new and a weakening of demand levels seen towards the end of the fourth quarter of the year. The Group continues to maintain a healthy order book.

### **Operating profit**

Operating profit improved by 91 per cent to £48.7 million compared with an operating profit before exceptional items of £25.5 million in 2007, 11 percentage points of the improvement was due to exchange rates. Other factors include higher revenue, improved gross profit margin and reductions in overhead cost resulting from the actions commenced in 2007.

The resulting operating return on sales increased to 18.9 per cent for 2008 compared to 10.8 per cent in 2007. Return on sales was 20.2 per cent for the second half of 2008.

### **Currency impact**

As previously mentioned there was a significant weakening of sterling in the latter part of the year against all the major currencies. Spirent is most exposed to the sterling to US dollar exchange rate and this rate has changed from \$1.99:£1 at 31 December 2007 to \$1.44:£1 at 31 December 2008. Although there was a marked change to the closing exchange rate, as this happened in the latter part of 2008 its effect on the average rate used to translate Spirent's results was positive but less material; the average US dollar to sterling exchange rate was \$1.85:£1 in 2008 compared with \$2.00:£1 in 2007.

Given that a significant amount of Spirent's revenue arises in North America even this degree of change in the average exchange rate positively affected the translation of our revenue and profits, increasing reported revenue as noted above. The impact on operating profit was an increase of £2.6 million due to translation.

Our UK based businesses are exposed to transactional currency risk, but had hedged most of the 2008 US dollar exposures by the end of 2007 at an average forward rate of \$2.03:£1. For 2009 transaction exposures have been hedged in 2008 at a forward average rate of 1.76, this will result in a £3.0 million benefit in 2009 compared to the hedge rate in 2008.

Foreign exchange will be a continuing theme in 2009, and if exchange rates remain at current levels this will have a significant positive effect on Spirent's reported revenue and earnings due to translation period-on-period. At an average exchange rate of \$1.45:£1 and based on 2008 revenue and operating profit, revenue would increase by approximately £48 million and operating profit by £12 million compared to that reported.

### **Cost of sales and operating expenses**

Gross profit margin increased by just over two percentage points to 64.6 per cent of revenue from 62.4 per cent in 2007. Much of this increase reflects the further improvements achieved through the restructuring and outsourcing initiatives undertaken in the Communications businesses in 2007.

As the development of new innovative test products is critical to the success of Performance Analysis, product development continues to be a significant cost for the Group. Product development expense increased from £44.5 million in 2007 to £45.3 million in 2008, but was lower in US dollar terms and dropping to 17.6 per cent from 18.8 per cent of sales in 2007.

This reduction reflects benefits achieved through increased efficiencies, reduction in facilities and lower development spending on older technology products.

Other operating expenses, excluding exceptional items reduced from £77.8 million in 2007 to £72.6 million in 2008, being 32.8 per cent of sales and 28.2 per cent of sales respectively. The annual reduction includes the lower expense for share-based payment of £1.5 million in 2008 compared with £2.5 million in 2007 and the lower cost base achieved through restructuring.

### **Exceptional items**

No exceptional operating items have been charged in 2008. In 2007 £14.4 million was expensed for restructuring costs, including severance costs, asset write-downs and provisions for vacant leasehold space.

In 2008 £0.8 million of exceptional finance income has been reported in relation to interest received on tax refunds for prior periods. An exceptional interest expense of £2.6 million has been charged for interest paid on the agreement of prior year tax positions with the relevant tax authorities.

There is an exceptional tax credit of £25.6 million which relates to the agreement of an overseas tax position.

### **Intangible amortisation**

Operating expense for continuing businesses includes a charge of £0.7 million for the amortisation of intangibles in 2008, compared to £0.9 million in 2007.

### **Share-based payment**

The charge for share-based payment for 2008 was £1.5 million compared to £2.5 million for 2007. Minimal share-based incentives were awarded in 2008 and it is expected that this charge will fall further in 2009 to approximately £0.4 million.

### Net finance income

Net finance income was £2.7 million compared with £6.7 million for 2007 excluding exceptional interest referred to above. This reflects the significant reduction in returns particularly in the last quarter of 2008, as central banks lowered base rates in response to the economic uncertainties. Surplus funds are held in short term bank deposits and earn market rates of interest, since these returns have reduced considerably this will result in substantially reduced interest income in 2009.

Net finance income includes £0.1 million of income in respect of the expected return on pension plan assets less the interest charge on the unwinding of liabilities. This has reduced from £0.9 million in 2007, a result of reduced asset values compared with the prior year. For 2009 the expected interest for the pension plan will be a cost in the region of £1.2 million, affected by the reduced returns on assets as well as lower asset values.

### Profit before tax for continuing operations

Reported profit before tax for continuing operations was £49.6 million compared with £17.8 million for 2007.

Adjusted profit before tax is set out below:

£ million	2008	2007
Reported profit before tax	<b>49.6</b>	17.8
Exceptional operating items	-	14.4
Exceptional interest (net)	<b>1.8</b>	-
Adjusted profit before tax	<b>51.4</b>	32.2

### Tax

In 2008 there was a net tax credit of £25.2 million (2007: £7.7 million credit). This includes the release of a £30.5 million provision resulting from the agreement of prior year tax positions with the relevant tax authorities. Of this £25.6 million has been classed as exceptional due to its significance and unusual nature. As discussed above, net interest of £1.8 million has been incurred as a result of these agreements. Excluding prior period adjustments the current year tax charge was £5.3 million giving an effective tax rate of 10.3 per cent.

In 2007 there was a prior year tax credit of £5.3 million and a tax credit on exceptional items of £3.9 million. The current year charge for 2007 was £1.5 million giving an effective tax rate for 2007 of 4.7 per cent including the recognition of deferred tax assets.



At 31 December 2008 a deferred tax asset of £12.2 million (2007: £10.5 million) has been recognised. Deferred tax assets on temporary differences of £29.1 million (2007: £56.2 million) arising principally in the United States, Canada and the United Kingdom have not been recognised. In addition, the Group has tax losses arising in the United Kingdom of £80.3 million (2007: £68.9 million in the United Kingdom and £28.6 million in the United States) that are available for offset against future taxable profits.

In total deferred tax assets amounting to a tax value of £34.0 million (2007: £50.1 million) have not been recognised on unutilised losses and temporary differences. Although the directors ultimately expect to realise these assets, there is currently insufficient evidence under IAS 12 "Income Taxes" to recognise them.

As the Group utilises the benefit of tax losses brought forward the future tax rate will increase progressively, this effect is expected to result in an increase in the effective rate for 2009 to about 15 per cent.

### **Discontinued operations**

In 2007 discontinued operations relate to the loss making SwissQual business. The disposal was completed on 5 July 2007 for cash proceeds of \$3.0 million (£1.5 million). A loss on disposal of £4.2 million was recorded. There were no discontinued operations in 2008.

### **Earnings per share**

Basic earnings per share for the Group was 10.13 pence for 2008 compared with 2.05 pence for 2007.

Adjusted earnings per share for continuing operations, being before exceptional items, net of any related tax and prior year tax, was 6.24 pence compared with 3.57 pence for 2007, an improvement of 75 per cent year-on-year.

Weighted average Ordinary share capital was 738.5 million shares compared with 859.8 million for 2007, significantly reduced by the on-market share repurchase programme and tender offer made to shareholders in 2008. At the year end the shares in issue ranking for dividend were 664.0 million.

### **Financing and cash flow**

Cash and cash equivalents were £59.7 million at 31 December 2008 compared with £79.0 million at 31 December 2007, and this was after an outflow of £67.2 million for the share repurchase programme and tender offer in 2008. The Group continues to be debt free, although a £25 million three-year working capital facility, which is currently undrawn, was put in place in the second half

year. The majority of the cash is held in the United Kingdom and United States. Currency translation has increased cash and equivalents by £5.8 million.

Operating activities generated £47.7 million cash in the year compared with £49.8 million in 2007. Free cash flow is set out below:

£ million	2008	2007
Cash flow from operations	<b>53.4</b>	43.8
Tax (paid)/received	<b>(5.7)</b>	6.0
Cash flow from operating activities	<b>47.7</b>	49.8
Net interest income	<b>1.4</b>	5.6
Net capital expenditure	<b>(6.9)</b>	(5.2)
Free cash flow	<b>42.2</b>	50.2

In 2008 there was a net tax payment of £5.7 million compared with a net tax refund in 2007 of £6.0 million. In 2007 brought forward tax losses were available for set-off of taxable profits and tax refunds were due for prior years. In 2008 profitability has improved and the losses available for set-off have also reduced resulting in a return to tax payments at more normal levels.

Net interest received is considerably lower at £1.4 million compared with £5.6 million in 2007 affected by the reduction in returns on bank deposits and includes £1.8 million of net interest due on the prior year tax settlements.

Net capital expenditure for the Group has increased to £6.9 million of cash outflow in 2008 (2007: £5.2 million). This was well below the depreciation charge of £8.8 million. With most manufacturing now outsourced, the Group's capital investment requirements continue to be low.

Net proceeds of £0.6 million were received from the sale of SwissQual in 2007 and a tax payment of £6.8 million was made in respect of a prior year disposal.

In 2008 the Group paid an interim dividend of 0.5 pence per share giving a net outflow of £3.7 million (2007: nil).

### **Pension fund**

The accounting valuation of the UK defined benefit pension plans at the end of 2008 was based on the results of the triennial valuation of the plans at 1 April 2006. The next valuation is due at 1 April 2009.

The Group has adopted IFRIC 14 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" and this has required a restatement of the opening surplus to

£6.1 million, having previously been restricted to £3.0 million at 31 December 2007 under IAS 19 “Employee Benefits”.

The surplus in the plans reduced from £6.1 million at 31 December 2007 to £2.6 million at 31 December 2008. This reduction is due to falling equity markets and returns on other assets, compensated for by a change in the assumptions underlying the calculation of the liabilities, principally the rate of return on corporate bonds. The asset allocation strategy of the main plan has progressively been reduced from an equity weighting of 37.5 per cent at 1 January 2008 to 25 per cent at 31 December 2008, and this has mitigated the impact of falling equity markets during 2008.

The Group has also reported a liability of £0.6 million (2007: £0.7 million) in respect of the UK unfunded plan.

### **Capital structure**

In 2008 £67.0 million (2007: £66.8 million) of cash was returned to shareholders via on-market share repurchases and a tender offer, this represents 125.8 million Ordinary Shares (2007: 103.4 million).

As a result of the tender offer in November 2008 the Company repurchased 52.9 million shares at a strike price of 46 pence per Ordinary Share. Shares repurchased on-market amounted to 72.9 million and these were repurchased at an average price of 57 pence per share.

At 31 December 2008 there were no shares held in treasury, all shares repurchased have been cancelled and at 31 December 2008 there were 664.0 million Ordinary Shares in issue ranking for dividend.

### **Dividend**

Following a period of improved profitability and more stable cash generation the Board was pleased to announce at the interim stage a dividend of 0.5 pence per share. This was paid to shareholders in October 2008 and amounted to £3.7 million.

The Board are now recommending the payment of a final dividend for 2008 of 0.6 pence per share bringing the full year dividend to 1.1 pence per share and being covered 5.7 times by adjusted earnings. This is the first full year dividend payment since that for 2001. Subject to approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 8 May 2009 to shareholders on the register at 6 March 2009. Payment to ADR holders will be made on 18 May 2009.

**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 2008, a copy of which will be made available on the Company's website at [www.spirent.com](http://www.spirent.com).

## Consolidated income statement

Year to 31 December	Notes	2008 £ million			2007 £ million		
		Before exceptional items	Exceptional items <sup>note 4</sup>	Total	Before exceptional items	Exceptional items <sup>note 4</sup>	Total
<b><u>Continuing operations</u></b>							
<b>Revenue</b>	2	<b>257.9</b>	-	<b>257.9</b>	237.0	-	237.0
Cost of sales		<b>(91.3)</b>	-	<b>(91.3)</b>	(89.2)	(2.4)	(91.6)
<b>Gross profit</b>		<b>166.6</b>	-	<b>166.6</b>	147.8	(2.4)	145.4
Product development		<b>(45.3)</b>	-	<b>(45.3)</b>	(44.5)	-	(44.5)
Selling and distribution		<b>(46.7)</b>	-	<b>(46.7)</b>	(47.1)	-	(47.1)
Administration		<b>(25.9)</b>	-	<b>(25.9)</b>	(30.7)	(12.0)	(42.7)
<b>Operating profit</b>	2	<b>48.7</b>	-	<b>48.7</b>	25.5	(14.4)	11.1
Finance income		<b>3.2</b>	<b>0.8</b>	<b>4.0</b>	7.0	-	7.0
Finance costs		<b>(0.5)</b>	<b>(2.6)</b>	<b>(3.1)</b>	(0.3)	-	(0.3)
<b>Profit before tax</b>		<b>51.4</b>	<b>(1.8)</b>	<b>49.6</b>	32.2	(14.4)	17.8
Tax		<b>(0.4)</b>	<b>25.6</b>	<b>25.2</b>	3.8	3.9	7.7
<b>Profit for the year from continuing operations after tax</b>	2	<b>51.0</b>	<b>23.8</b>	<b>74.8</b>	36.0	(10.5)	25.5
<b><u>Discontinued operations</u></b>	3						
Loss for the year from discontinued operations		-	-	-	(3.7)	(4.2)	(7.9)
<b>Profit for the year attributable to equity shareholders of parent Company</b>		<b>51.0</b>	<b>23.8</b>	<b>74.8</b>	32.3	(14.7)	17.6
<b>Earnings per share (pence)</b>	5						
Basic				<b>10.13</b>			2.05
Basic from continuing operations				<b>10.13</b>			2.97
Diluted				<b>10.06</b>			2.03
Diluted from continuing operations				<b>10.06</b>			2.94
<b>Dividend per share</b>	6						
Proposed final dividend (£ million)				<b>4.0</b>			-
Interim dividend paid (£ million)				<b>3.7</b>			-
Proposed final dividend (pence per share)				<b>0.6</b>			-
Interim dividend paid (pence per share)				<b>0.5</b>			-

**Consolidated statement of recognised income and expense**

£ million	Year to 31 December	
	2008	2007 <sup>1</sup> (restated)
<b>Income and expense recognised directly in equity</b>		
Losses on cash flow hedges taken to equity	(5.6)	(0.5)
Exchange differences on retranslation of foreign operations	29.3	(0.6)
Actuarial (losses)/gains on defined benefit pension plans	(5.1)	4.1
Irrecoverable element of pension plan surplus	1.4	(1.6)
Deferred tax credit/(charge) on pension plans	0.3	(0.8)
	<b>20.3</b>	0.6
<b>Transfers to income statement</b>		
Losses on cash flow hedges reclassified	1.4	-
<b>Net income recognised directly in equity</b>	<b>21.7</b>	0.6
<b>Profit for the year</b>	<b>74.8</b>	17.6
<b>Total recognised income and expense for the year attributable to equity shareholders of parent Company</b>	<b>96.5</b>	18.2

Note

1 Restated for the implementation of IFRIC 14 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

## **Consolidated balance sheet**

£ million	At 31 December	
	2008	2007 <sup>1</sup> (restated)
<b><u>Assets</u></b>		
<b>Non-current assets</b>		
Intangible assets	77.6	58.6
Property, plant and equipment	18.6	16.2
Trade and other receivables	2.5	1.4
Cash on deposit	2.5	3.7
Defined benefit pension plan surplus	2.6	6.1
Deferred tax	12.2	10.5
	<b>116.0</b>	<b>96.5</b>
<b>Current assets</b>		
Inventories	24.2	17.8
Trade and other receivables	62.4	50.2
Cash and cash equivalents	59.7	79.0
	<b>146.3</b>	<b>147.0</b>
<b>Total assets</b>	<b>262.3</b>	<b>243.5</b>
<b><u>Liabilities</u></b>		
<b>Current liabilities</b>		
Trade and other payables	(63.5)	(54.6)
Current tax	(4.6)	(32.7)
Derivative financial instruments	(5.6)	(0.5)
Provisions and other liabilities	(3.7)	(5.1)
	<b>(77.4)</b>	<b>(92.9)</b>
<b>Non-current liabilities</b>		
Trade and other payables	(5.1)	(1.1)
Defined benefit pension plan deficit	(0.6)	(0.7)
Provisions and other liabilities	(8.2)	(7.6)
	<b>(13.9)</b>	<b>(9.4)</b>
<b>Total liabilities</b>	<b>(91.3)</b>	<b>(102.3)</b>
<b>Net assets</b>	<b>171.0</b>	<b>141.2</b>
<b><u>Capital and reserves</u></b>		
Share capital	22.4	28.0
Share premium account	17.2	15.5
Capital redemption reserve	10.6	4.8
Capital reserve	1.4	3.6
Translation reserve	22.6	(6.7)
Unrealised gains and losses	(4.7)	(0.5)
Retained earnings	101.5	96.5
<b>Total equity attributable to equity shareholders of parent Company</b>	<b>171.0</b>	<b>141.2</b>

Note

1 Restated for the implementation of IFRIC 14 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

### **Consolidated cash flow statement**

£ million	Note	Year to 31 December	
		2008	2007
<b>Cash flows from operating activities</b>			
Cash flows from operations	7	53.4	43.8
Tax (paid)/received		(5.7)	6.0
<b>Net cash inflow from operating activities</b>		<b>47.7</b>	49.8
<b>Cash flows from investing activities</b>			
Interest received		4.1	5.7
Transfer from long term deposit		1.2	4.8
Disposal of operations		-	0.6
Tax paid on the disposal of operations		-	(6.8)
Purchase of intangible assets		-	(0.3)
Purchase of property, plant and equipment		(7.4)	(5.1)
Proceeds from the sale of property, plant and equipment		0.5	0.2
Acquisition of subsidiaries		-	(5.5)
<b>Net cash used in investing activities</b>		<b>(1.6)</b>	(6.4)
<b>Cash flows from financing activities</b>			
Interest paid		(2.7)	(0.1)
Dividend paid		(3.7)	-
Proceeds from the issue of share capital and employee share ownership trust		2.4	4.4
Share repurchase		(67.2)	(66.3)
<b>Net cash used in financing activities</b>		<b>(71.2)</b>	(62.0)
Net decrease in cash and cash equivalents		(25.1)	(18.6)
Cash and cash equivalents at the beginning of the year		79.0	97.6
Effect of foreign exchange rate changes		5.8	-
<b>Cash and cash equivalents at the end of the year</b>		<b>59.7</b>	79.0



## Notes

### **1 Financial information presented**

The financial information contained in this document does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

As required by the European Union's IAS Regulation and the Companies Act 1985 the Group has prepared its consolidated financial statements for the year to 31 December 2008 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The comparative financial information is based on the statutory accounts to 31 December 2007 apart from as stated below. These accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The preliminary announcement was approved by the Board of Directors on 24 February 2009.

The financial information for the year to 31 December 2008 has been extracted from the statutory accounts on which an unqualified audit report has been issued. These accounts are yet to be delivered to the Registrar of Companies.

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2007 except in relation to the implementation of IFRIC 14 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

IAS 19 "Employee Benefits" limits the measurement of a defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan plus unrecognised gains and losses. IFRIC 14 clarifies what effect the existence of a minimum funding requirement has on this limit and provides guidance as to when the employer has an unconditional right to a refund from the plan.

At 1 January 2007 the full amount of the defined benefit plan surplus had been recognised, but the surplus was restricted at 31 December 2007 to the present value of economic benefits available as a reduction in future contributions. However, as clarified by IFRIC 14 an unconditional right of refund to the employer exists in the Spirent plans and therefore the full amount of the surplus should be recognised on the balance sheet at 31 December 2007. IFRIC 14 requires provision to be made for any part of the surplus that would not be recoverable. Any surplus on the plans that may ultimately be repaid to the Company would currently be subject to a 35 per cent tax charge prior to repayment. IFRIC 14 requires that this liability be recognised at the balance sheet date. The Comparatives have been restated accordingly. There is no effect on the income statement for the year to 31 December 2007 nor on earnings per share.

The effect of the implementation of IFRIC 14 on the consolidated balance sheet for 31 December 2007 is as follows:

£ million	Defined benefit pension plan surplus	Retained earnings
As previously reported	3.0	93.4
Implementation of IFRIC 14	3.1	3.1
31 December 2007 (restated)	6.1	96.5

The effect of the implementation of IFRIC 14 on the consolidated statement of recognised income and expense for the year to 31 December 2007 is as follows:

£ million	Actuarial gains and losses	Irrecoverable element of pension plan surplus
As previously reported	(0.6)	-
Implementation of IFRIC 14	4.7	(1.6)
31 December 2007 (restated)	4.1	(1.6)

## 2 Segmental analysis

### Business segments

£ million	2008	2007
<b>Revenue – continuing operations</b>		
Performance Analysis	<b>191.2</b>	169.3
Service Assurance	<b>33.5</b>	34.3
Communications	<b>224.7</b>	203.6
Systems	<b>33.2</b>	33.4
Continuing operations	<b>257.9</b>	237.0

## 2 Segmental analysis continued

### Business segments

£ million	2008	2007
<b>Profit/(loss) – continuing operations</b>		
Operating profit before exceptional items		
Performance Analysis	43.0	22.3
Service Assurance	4.6	3.3
Communications	47.6	25.6
Systems	4.3	3.8
Non-segmental	(3.2)	(3.9)
Operating profit before exceptional items	48.7	25.5
Exceptional operating items		
Performance Analysis	-	(10.0)
Service Assurance	-	(2.6)
Non-segmental	-	(1.8)
Exceptional operating items <i>note 4</i>	-	(14.4)
Operating profit/(loss)		
Performance Analysis	43.0	12.3
Service Assurance	4.6	0.7
Communications	47.6	13.0
Systems	4.3	3.8
Non-segmental	(3.2)	(5.7)
<b>Operating profit from continuing operations</b>	<b>48.7</b>	<b>11.1</b>
Finance income	4.0	7.0
Finance costs	(3.1)	(0.3)
<b>Profit before tax</b>	<b>49.6</b>	<b>17.8</b>
Tax	25.2	7.7
<b>Profit from continuing operations after tax</b>	<b>74.8</b>	<b>25.5</b>
<b>Other information – continuing operations</b>		
Depreciation	8.8	9.3
Expenditure on property, plant and equipment	7.4	5.0
Share-based payment	1.5	2.5
Intangible amortisation	0.7	0.9

## Geographical segments

£ million	2008	2007
<b>Revenue by market – continuing operations</b>		
Europe	47.8	43.7
North America	139.5	132.2
Asia Pacific, Rest of Americas, Africa	70.6	61.1
Continuing operations	257.9	237.0
<b>Average exchange rates</b>		
US dollar	1.85	2.00
Euro	1.26	1.46

## 3 Discontinued operations

£ million	2007
Revenue	3.6
Operating loss	(3.4)
Loss on the disposal of operations	(4.2)
Loss before tax	(7.6)
Tax	(0.3)
<b>Loss for the year</b>	<b>(7.9)</b>

The discontinued operation in 2007 relates to SwissQual, which was sold on 5 July 2007. There were no discontinued operations in 2008.

## 4 Exceptional items

### Operating items

£ million	2008	2007
Inventory provisions	-	2.4
Restructuring costs	-	12.8
Curtailed gains on defined benefit pension plan	-	(0.8)
	-	14.4

Tax on exceptional operating items in 2007 was a credit of £3.9 million.

### Exceptional finance income and costs

Exceptional finance income of £0.8 million and an exceptional finance expense of £2.6 million have been reported in 2008 (2007: nil). These items are a result of interest receivable and payable on the agreement of prior period tax positions.

### Exceptional tax credit

There is an exceptional tax credit of £25.6 million in 2008 (2007: nil) which is in relation to the agreement of an overseas tax position.

## 5 Earnings per share

Earnings per share is calculated by reference to the profit/(loss) for the year and the number of Ordinary Shares in issue during the year.

£ million	2008	2007
Profit/(loss) for the year attributable to equity shareholders of parent Company		
- continuing operations	<b>74.8</b>	25.5
- discontinued operations	-	(7.9)
	<b>74.8</b>	17.6
<hr/>		
Number million		
<b>Weighted average number of shares in issue – basic</b>	<b>738.5</b>	859.8
Dilutive potential of employee share options	<b>5.3</b>	8.8
<b>Weighted average number of shares in issue – diluted</b>	<b>743.8</b>	868.6
<hr/>		
Pence		
<b>Earnings per share</b>		
Basic – total operations	<b>10.13</b>	2.05
Basic – continuing	<b>10.13</b>	2.97
Diluted – total operations	<b>10.06</b>	2.03
Diluted – continuing	<b>10.06</b>	2.94

The Group discloses adjusted earnings per share attributable to equity shareholders for continuing operations in order to provide a measure to enable period-on-period comparisons to be made of its performance. A reconciliation is provided below:

	2008		2007	
	Continuing operations £ million	EPS Pence	Continuing operations £ million	EPS Pence
<b>Profit for the year attributable to equity shareholders of parent Company</b>	<b>74.8</b>	<b>10.13</b>	25.5	2.97
Exceptional operating items	-		14.4	
Exceptional finance income	(0.8)		-	
Exceptional finance expense	2.6		-	
Tax on exceptional items	-		(3.9)	
Exceptional tax credit	(25.6)		-	
Prior year tax credit	(4.9)		(5.3)	
<b>Adjusted basic</b>	<b>46.1</b>	<b>6.24</b>	30.7	3.57
Adjusted diluted		<b>6.20</b>		3.54

## 6 Dividends paid and proposed

£ million	2008	2007
<b>Declared and paid in the year</b>		
Equity dividend on Ordinary Shares		
Interim dividend 2008: 0.5 pence (2007: nil)	3.7	-
<b>Proposed for approval at AGM (not recognised as a liability at 31 December)</b>		
Equity dividend on Ordinary Shares		
Final dividend 2008: 0.6 pence (2007: nil)	4.0	-

The directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 0.6 pence per share (2007: nil), which will absorb an estimated £4.0 million of shareholders' funds. It will be paid on 8 May 2009 to shareholders who are on the Register of Members at close of business on 6 March 2009. Payment will be made to ADR holders on 18 May 2009.

No liability is recorded in the financial statements in respect of this final dividend.

## 7 Reconciliation of profit/(loss) before tax to cash generated from operations

£ million	2008	2007
<b><u>Continuing operations</u></b>		
<b>Profit before tax</b>	<b>49.6</b>	17.8
Adjustments for:		
Finance income	<b>(4.0)</b>	(7.0)
Finance costs	<b>3.1</b>	0.3
Intangible asset amortisation	<b>0.7</b>	0.9
Depreciation of property, plant and equipment	<b>8.8</b>	9.3
Loss on the disposal of property, plant and equipment	<b>0.3</b>	0.8
Impairment of property, plant and equipment	<b>-</b>	3.1
Share-based payment	<b>1.5</b>	2.5
Curtailed gains on pension plan	<b>-</b>	(0.8)
Changes in working capital:		
Deferred income released	<b>(1.3)</b>	(0.4)
Decrease in receivables	<b>2.4</b>	7.7
(Increase)/decrease in inventories	<b>(1.6)</b>	6.1
(Decrease)/increase in payables	<b>(2.1)</b>	4.9
Decrease in provisions	<b>(3.9)</b>	(0.9)
Defined benefit pension plan	<b>(0.1)</b>	0.5
<b>Cash flows from continuing operations</b>	<b>53.4</b>	44.8
<b><u>Discontinued operations</u></b>		
<b>Loss before tax</b>	<b>-</b>	(7.6)
Adjustments for:		
Loss on the sale of discontinued operations	<b>-</b>	4.2
Intangible asset amortisation	<b>-</b>	0.6
Depreciation of property, plant and equipment	<b>-</b>	0.2
Changes in working capital:		
Decrease in receivables	<b>-</b>	3.0
Increase in inventories	<b>-</b>	(0.2)
Decrease in payables	<b>-</b>	(1.2)
<b>Cash flows from discontinued operations</b>	<b>-</b>	(1.0)
<b>Cash flows from operations</b>	<b>53.4</b>	43.8