SPIRENT COMMUNICATIONS PLC
Full year results for the year ended 31 December 2023

Strategic and operational progress despite challenging conditions
Recommended cash offer for the Company from Viavi

$ million	2023	2022	Change (%)
Orderbook[1]	**293.7**	288.1	1.9
Order intake[2]	**477.0**	625.7	(23.8)
Revenue	**474.3**	607.5	(21.9)
Gross margin (%)	**72.4**	72.0	0.4pp
Adjusted operating profit[3]	**45.2**	129.5	(65.1)
Adjusted profit before tax[4]	**49.7**	131.4	(62.2)
Adjusted basic earnings per share[5] (cents)	**7.55**	18.86	(60.0)
Reported operating profit	**18.4**	112.7	(83.7)
Reported profit before tax	**22.9**	114.6	(80.0)
Basic earnings per share (cents)	**4.30**	16.46	(73.9)
Closing cash	**108.1**	209.6	(48.4)
Cash spent on share buyback ($ million)	**71.6**	-	-
Final dividend per share[6] (cents)	**-**	4.94	-
Special dividend per share[6] (pence)	**2.5**	-	-

Eric Updyke, Chief Executive Officer, commented:
“As we progressed through 2023, the market landscape became increasingly challenging. The elevated prevailing interest rates and inflationary pressures impacted customers, especially those in the telecommunications sector. These customers responded by taking significant action, particularly in the second half of 2023, to cut costs and by reducing their capital expenditure to preserve cash.

“To help navigate these more challenging conditions, we accelerated our focus on non-telco end markets, we undertook cost saving measures which will continue to deliver savings in 2024 whilst continuing to make important R&D investments to maintain our technology leadership.

“As a result of these measures, we saw strategic progress in a number of areas. We signed important new 5G and Open RAN contracts, secured an important win in Financial Services and saw good order intake in Positioning and among our hyperscaler customers.

“As we start 2024, we will continue to protect and invest in our leading technologies to be best placed to support our customers. We expect that the current challenges for the telecoms industry will continue and it is difficult to predict how long they will last. Whilst we continue to believe the mid to longer term drivers for our business remain intact, as announced separately today, the Board has concluded that the offer from Viavi should be recommended to shareholders given the value it places on our business.”

Spirent Communications plc
Origin One, 108 High Street, Crawley, West Sussex RH10 1BD, United Kingdom
Tel +44 (0)1293 767676 | Fax +44 (0)1293 767677 | www.spirent.com
Registered in England Number 470893 | Registered at the above address

Financial highlights

- Challenging market conditions impacted revenue which was $474.3 million (2022: $607.5 million).
- We have accelerated our focus on non-telco end markets, with good order growth for our Positioning business, positive progress with hyperscaler and enterprise customers, as well as the important financial services win.
- Robust pricing, supply chain management and product mix led to strong gross margin delivery at 72.4 per cent (2022: 72.0 per cent).
- Opex initiatives delivered considerable cost savings in 2023 and will continue in 2024.
- Retained our technical leadership with no change to R&D headcount.
- Adjusted operating profit at $45.2 million (2022: $129.5 million) was in line with revised market consensus, materially down on 2022 performance, due to the significant impact of negative operating leverage.
- Reported operating profit at $18.4 million (2022: $112.7 million).
- Robust orderbook of $293.7 million (2022: $288.1 million).
- Strong balance sheet maintained, $108.1 million cash (2022: $209.6 million) after dividend payments of $46.5 million and $71.6 million of share buybacks.

Operational highlights

- Secured over 500 5G-related new contracts from more than 150 customers despite macroeconomic headwinds in the telecommunication market.
- Secured a significant Financial Services win worth $15 million and acquired NetScout's Test Lab Automation business, successfully demonstrating our strategy to diversify outside of telecoms, and the broader applicability of our lab and test automation portfolio.
- Secured several important wins for Open Radio Access Networks (Open RAN) from market-leading customers positioning us well for this long-term growth opportunity.
- Continued to develop our world-leading Wi-Fi test solutions business and brought to market the most comprehensive test solution for the next-generation, Wi-Fi 7.

Lifecycle Service Assurance

- Despite 5G standalone (SA) delays towards commercial deployments during 2023, our industry-leading Landslide 5G Core test solution which is pivotal for 5G SA, was selected by over 30 operators.
- We expanded our live assurance offering with the launch of our Mobile Test Platform providing unique end-to-end visibility critical for our customers to monetise 5G and private networks.

Networks & Security

- We continued to demonstrate our leadership in 800G which will be critical for the evolution of data centres to underpin AI growth by supporting H3C to complete the industry's first large-scale 800G test, and won the industry's prestigious Interop Best of Show Award 2023 Special Prize.
- Our Positioning business delivered strong order growth benefiting from government spending and new opportunities in the emerging low earth orbit satellite market.
- We continued to expand our Positioning business into enterprise and automotive verticals, including a key managed services win with a leading provider of mining communications equipment.

Summary and outlook

2023 was a very challenging year as customers paused and re-prioritised their investments. We are making progress diversifying and expanding our customer base, whilst our telco end market key customers are managing their own macroeconomic challenges. We are maintaining a strong focus on cost management, whilst ensuring we protect our R&D investment and resulting technical leadership positions.

As we start 2024, we continue to see the telecoms industry challenged by the macro environment. We are positioned to deliver strategic and operational progress, in our non-telco end customer markets.

From 1 January 2024, we are merging our High-Speed Ethernet and Lifecycle Service Assurance businesses to drive R&D collaboration to support wider portfolio customer solutions, and an efficient cost structure. We estimate cost inflation will be more than offset with significant resulting cost savings. Overall, we expect prevailing headwinds to continue in our core end market.

Whilst we cannot predict the duration of the current market challenges (though we do expect this to remain through 2024 and potentially into 2025), our mid-term targets remain unchanged. Notwithstanding the uncertain outlook and limited visibility around the ability of the business to return to 2022 levels of revenue and profitability in the short to medium term, our mid and long term structural growth drivers for our business continue to be compelling, including:

- Evolution of global 5G infrastructure and further development of O-RAN, leveraging our market-leading solutions.
- Growth in next-generation cloud and AI data centre needs for hyperscalers will gather pace, driving growth for our 400G and 800G high-speed Ethernet test solutions.
- Heightened need for automated testing and assurance to help our customers benefit from both performance and cost efficacy.
- Demand for highly accurate location-based solutions for growing defence, aerospace and automotive applications.

As announced separately today, while the long term drivers for our business remain intact, the Board has concluded that the offer from Viavi should be recommended to shareholders given the value it places on our business.

Recommended cash offer for Spirent by Viavi

Spirent has separately announced that the Boards of Viavi and Spirent have reached agreement on the terms of a recommended cash offer for the entire issued and to be issued ordinary share capital of Spirent by Viavi. Spirent believes that combining with the Viavi Group will create a leading provider in test, measurement and assurance solutions better able to serve customer needs. The combined group will bring increased resources and combines a complementary product offering, which can be marketed globally. It will also create a business with increased capabilities to compete in what remains a challenging market environment.

Under the terms of the offer, each Spirent Shareholder shall be entitled to receive 175 pence for each Spirent ordinary share held. This comprises of 172.5 pence in cash for each Spirent ordinary share, and a special dividend of 2.5 pence (approximately equivalent to 3.15 cents at current prevailing FX rates) per Spirent s ordinary share, in lieu of any final dividend for the year ended 31 December 2023. After careful consideration of the value and deliverability of the offer, the Spirent Directors believe that the offer from the Viavi Group recognises the underlying value of Spirent, while offering shareholders a compelling opportunity to realise their investment, in cash, at a significant premium to the prevailing share price.

For more information, please see the announcement in relation to the offer, available at https://corporate.spirent.com/investors/results.

Notes
1. Orderbook is an alternative performance measure as defined in the appendix on page 35.
2. Order intake represents commitments from customers to purchase goods and/or services that will ultimately result in recognised revenue.
3. Adjusted operating profit is before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022: $16.8 million). See note 4.
4. Before items set out in note 4.
5. Adjusted basic earnings per share is based on adjusted earnings as set out in note 4.
6. Dividends (in respect of the interim and final for FY 2022, and interim for FY 2023) were determined in US Dollars and paid in Sterling at the exchange rate prevailing when the dividend was proposed. As part of the offer for Spirent by Viavi, a special dividend of 2.5 pence (approximately equivalent to 3.15 cents at current prevailing FX rates) per Spirent ordinary share is intended and expected to be declared prior to the offer becoming effective, in lieu of any final dividend for the financial year ended 31 December 2023. The special dividend will be conditional upon, and only be payable if, the scheme of arrangement to implement the offer becomes effective (or, if the offer is implemented by way of a takeover offer, the takeover offer is declared unconditional in all respects).

– ends –

Enquiries

Eric Updyke, Chief Executive Officer	Spirent Communications plc	+44 (0)1293 767676 E: investor.relations@spirent.com
Paula Bell, Chief Financial & Operations Officer		
James Melville-Ross/ Humza Vanderman/Leah Dudley	Dentons Global Advisors	+44 (0)20 7038 7419 E: spirent@dentonsglobaladvisors.com

About Spirent Communications plc

Spirent Communications plc (LSE: SPT) is the leading global provider of automated test and assurance solutions for networks, cybersecurity, and positioning. The Company provides innovative products, services and managed solutions that address the test, assurance and automation challenges of a new generation of technologies, including 5G, SD-WAN, Cloud, autonomous vehicles and beyond. From the lab to the real world, Spirent helps companies deliver on their promise to their customers of a new generation of connected devices and technologies. Further information about Spirent Communications plc can be found at https://corporate.spirent.com/.

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT; LEI: 213800HKCUNWP1916L38). 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 https://www.otcmarkets.com/marketplaces/otc-pink.

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.

Chief Executive Officer's review

2023 was a challenging year for many of the markets we serve. Despite our customers experiencing the challenging economic environment resulting in delays to their technical programmes, Spirent continued to deliver value for our customers, innovate and diversify its end markets.

Market overview

We maintain confidence in our mid-term growth prospects supported by our key market drivers. While 5G rollouts experience delays, our Open RAN offerings align with evolving customer needs and the market landscape. As Wi-Fi 7 deployment unfolds, our standing as the global leader in Wi-Fi testing positions us for substantial benefits.

The evolution of data centres, the rise of artificial intelligence (AI)/machine learning, and the expanding presence of hyperscalers is a developing vector for our high-speed Ethernet business. With our leadership position in 800G, we are well-prepared for future spending in this domain. Simultaneously, our world-class Positioning portfolio is set to expand, catering to the increasing demand for location awareness, global navigation satellite system testing and the emergence of low earth orbit (LEO) satellites.

We cannot predict the timing of the recovery of telecom customer spending; however, we are well positioned to benefit as the recovery comes through and our strategic focus on diversification across end markets remains steadfast. Notably, Spirent's Positioning business delivered good progress, serving diverse sectors such as government, automotive, aerospace, defence and other verticals. and our recent win in financial services and advancements in our automation portfolio underscore our commitment to diversify and exploit new growth segments and core markets.

Strategy

To realise our ambition to be the global leader and trusted partner for innovative technology test and assurance solutions, our strategic pillars remained: Customer Centricity, Innovation for Growth, and Operational Excellence.

1) **Customer Centricity** – increasing our share with existing customers, driving solutions-selling and expanding our footprint into new areas.
2) **Innovation for Growth** – innovating to extend our thought leadership in key growth trends, growing recurring revenue streams.
3) **Operational Excellence** – providing a strong foundation, the right team in place to support our ambition and actively committing to sustainability.

Customer Centricity

As our customers faced tighter budgets, our commitment to collaboration deepened as we worked together to address their foremost business challenges through value-added services and solutions. We continue our shift from selling features to emphasising outcomes and value. This resulted in strengthened relationships with our customers. It solidified our significance in their accounts, especially during times of economic uncertainty and cautious spending on capital and operations.
Strategically, we are focused on broadening our customer base and venturing into new verticals. In 2023, we extended support to over 1,100 customers spanning more than 54 countries.

Innovation for Growth

To maintain and expand our technical leadership position, we continued to make smart investments, both organic and inorganic, to capture emerging market opportunities. We continued to invest in all key product road maps and in research and development in 2023. We brought several key new solutions and services to market, including our Wi-Fi 7 solution and an enhanced end-to-end Open RAN testing solution. We invested in key partnerships, including participating in the 5G Open Innovation lab.

To enhance our automation portfolio, we acquired the Test Lab Automation business from NetScout, which delivers physical layer switching capabilities, critical to configuration and connectivity in automated labs. As manual methods for testing enterprise networks are no longer viable, our automation solution enables customers to significantly accelerate delivery of new products, version upgrades, and services to their customers, while ensuring strict compliance and benefiting from major productivity gains and cost savings. This innovative offering appeals to multiple customer verticals, as showcased by our major win with a financial services customer this year.

In the high-speed Ethernet testing domain, our strategy focuses on broadening our customer base to include data centres and enterprises. This expansion aims to focus on every phase of next-generation network and cloud infrastructure evolution, ranging from pre-silicon verification to high-density, large-capacity systems. Our leadership in 800G high-speed Ethernet test is critical for data centre evolution to support AI. We supported H3C to complete the industry’s first large-scale 800G and won the industry’s prestigious Interop Best of Show Award 2023 Special Prize.

Our worldwide leadership in positioning, navigation and timing (PNT) testing, further establishes us as the go-to partner for professionals in PNT technology. Our extensive portfolio emphasises multi-sensor integration, ensuring clients in emerging sectors like LEO satellites, chipsets, and automotive tech can realise their PNT aspirations. Our Positioning division witnessed growth in orders, driven by government expenditures and fresh prospects in the burgeoning LEO satellite sector. We further broadened our Positioning operations in the enterprise and automotive sectors, securing a managed services win with a top-tier mining communications equipment provider.

Operational Excellence

In response to the unpredictable nature of the market, we implemented targeted cost-saving measures to ensure the sustainability of our operations. The focus was on preserving critical investments, while grappling with the inherent difficulties posed by the unpredictable business environment.

As the nature of our workplace continued to be mainly hybrid or remote, we continued the journey of consolidating our real estate footprint. This initiative required a delicate balance between optimising costs and providing a work environment that meets the evolving needs of our workforce.

We made some organisational changes to better align ourselves with the market dynamics. First and foremost, we have taken an approach to better enable solutions selling. We have been on a journey to be a more solutions-centric organisation for the last few years and have now integrated our Lifecycle Service Assurance and Cloud & IP business units from 1 January 2024. This change will align products into “value streams” to better package them into solutions that solve customer business problems. We expect it to drive more efficiency, including our R&D oversight, enabling functions to drive better prioritisation, common platforms, and consistent user interface/user experience across products. Our Positioning business, which has different end markets and customers, will be reported separately going forward.

Sustainability remains a key pillar of our operational excellence. In 2023, we successfully rolled out certified regional ISO 14001 Environmental Management Systems for North America and EMEA. We introduced sustainability clauses into our supplier contracts, and we have improved our carbon data quality.

Capital allocation approach

Our capital allocation policy remains unchanged. We invest in R&D to maintain and expand our leadership positions in the market, and in inorganic investments where we see attractive opportunities that support our strategic growth agenda, whilst maintaining a robust balance sheet. We maintain a progressive dividend policy and in the financial year we concluded a share buyback programme of 33.1 million shares.

Business review

Spirent operates in two strategic business segments: **Lifecycle Service Assurance** and **Networks & Security**. The Group meets the needs and expectations of our customers and capitalises on the business opportunities created as they:

- develop and validate innovative devices, applications, network equipment and networks; and
- deploy and operate those networks and services.

We improve network performance and end user experience in our connected world and help create our smarter future.

Lifecycle Service Assurance

$ million	**2023**	2022	Change (%)
Revenue	**199.1**	264.5	(24.7)
Adjusted operating profit[1]	**16.9**	51.0	(66.9)

Notes
1. Before other adjusting items of $6.1 million charged in 2023 (2022: $0.9 million).

Performance
Lifecycle Service Assurance revenue was $199.1 million and was impacted by current macroeconomic challenges, which saw our telecom customers increasingly delay spend as the year progressed as high interest rates and inflation affected their budgets. As a result, adjusted operating profit for the segment was $16.9 million (2022: $51.0 million).

The impact was primarily felt on our mobility (5G) test portfolio as service providers delayed 5G rollouts and standalone (SA) upgrades. Wi-Fi 6 and 6E infrastructure continues to be tested against evolving standards. In addition, Wi-Fi 7, the latest generation, is now transitioning from equipment manufacturers' labs towards commercial availability, creating substantial opportunities and broader demand for testing.

We also saw progress around our lab and test automation portfolio as we continued to expand capabilities, allowing us to move into adjacent enterprise markets with a substantial order from a financial services organisation demonstrating the broader applicability and market opportunity of our portfolio.

Networks & Security

$ million	**2023**	2022	Change (%)
Revenue	**275.2**	343.0	(19.8)
Adjusted operating profit[1]	**39.0**	86.8	(55.1)

Notes
1. Before other adjusting items of $7.3 million charged in 2023 (2022: $2.1 million).

Performance

Networks & Security revenue was $275.2 million as we managed a challenging year in the telecommunications sector impacted by macroeconomic uncertainty. We continue to focus on new growth markets including data centre networking needs to support artificial intelligence and earlier stages of the R&D lifecycle around pre-silicon testing. As a result, adjusted operating profit was $39.0 million (2022: $86.8 million).

We expected a recovery in 2023 in China for high-speed Ethernet demand, following an extended period of COVID-19 affecting our customers' ability to enter their lab facilities, progress their programmes and procure our solutions. However, the Chinese economy struggled in 2023 and expenditure plans were stalled.

Our Positioning business, which operates within diversified end markets, saw good order intake growth in 2023, building a robust orderbook as we enter 2024 due to continued solid spending in government and commercial markets, reinforcing our position as market leader. We also saw continued momentum with our business expansion into larger addressable markets in low earth orbit (LEO), aerospace and automotive.

Financial review

Group overview

The geopolitical and inflationary pressures at the end of 2022 continued into 2023 resulting in rising costs and a slowdown in economic growth. This inevitably impacted Spirent's business environment, specifically within the telecommunications market, particularly evidenced by increasingly delayed expenditure and technology investments by our customers as they responded to higher interest rates. We did however see several areas of important progress within our non-telecommunications markets such as Positioning, and in November 2023 secured an important strategic automation and test solution for a brand new customer segment in Financial Services.

Against this challenging economic backdrop, revenue was $474.3 million, compared to $607.5 million for 2022. However, the orderbook closed at $293.7 million (2022: $288.1 million), providing a solid base as we enter the new financial year.

Effective supply chain management and robust customer pricing meant gross margin was maintained at 72 per cent.

To optimise our cost base whilst protecting our technology leadership, a number of key initiatives have been completed or are underway:

- Organisation restructure – from 1 January we are merging our High-Speed Ethernet business unit within our Lifecycle Service Assurance segment to better support how we sell to our customers increasing numbers of solutions, including more products from across our portfolio.
- We reduced our headcount by circa 8 per cent through the year, including as part of the organisation restructure mentioned above. We have taken a very targeted approach to ensure all key R&D product road maps remain intact.
- We are reducing our overall office footprint, reflecting a more flexible office working environment post COVID-19.

The initiatives, with a restructuring cost of $13.5 million have driven cost savings of $14 million during 2023 and are expected to deliver further savings of circa $17 million for 2024 which will more than mitigate cost inflation. The overall payback of the change initiatives is expected to be less than two years.

The revenue reduction in the year significantly impacted adjusted operating profit which reduced to $45.2 million from $129.5 million in 2022. Reported operating profit decreased from $112.7 million in 2022 to $18.4 million in 2023.

Other adjusting items were $14.2 million (2022: $3.6 million) which comprise restructuring and strategic evaluation costs of $13.5 million and acquisition costs of $0.7 million. The majority of the strategic costs relate to people exits, with the remainder being rationalisation and downsizing or exiting office space. Acquisition costs relate to the purchase of the Test Lab Automation business of NetScout Systems Inc., a small carve-out based in New Jersey, USA. Whilst the financial impact of this technology business is relatively small, it brings important intellectual property which will enable us to expand our test lab automation capabilities. Adjusting items are further detailed on page 15.

The effective tax rate reduced from 12.9 per cent to 10.8 per cent mainly driven by the mix of profit generation by region. Adjusted basic earnings per share decreased by 60.0 per cent, down from 18.86 cents last year to 7.55 cents for 2023.

On 3 April 2023, the Company commenced a Share Buyback Programme of $71.6 million (£56.0 million) which was successfully completed on 24 August 2023. These 33 million shares, representing circa 5.4 per cent of the Company's issued share capital, have been cancelled.

Cash closed at $108.1 million (2022: $209.6 million), following payment of the ordinary dividend of $46.5 million and repurchase of shares through the Share Buyback Programme of $71.6 million.

As part of the offer for Spirent by Viavi, a special dividend of 2.5 pence (approximately equivalent to 3.15 cents at current prevailing FX rates) per Spirent ordinary share is intended and expected to be declared prior to the offer becoming effective, in lieu of any final dividend for the year ended 31 December 2023. The special dividend will be conditional upon, and only be payable if, the scheme of arrangement to implement the offer becomes effective (or, if the offer is implemented by way of a takeover offer, the takeover offer is declared unconditional in all respects).

The following table shows summary financial performance for the Group:

$ million	**2023**	2022	Change (%)
Orderbook[1]	**293.7**	288.1	1.9
Order intake[2]	**477.0**	625.7	(23.8)
Revenue	**474.3**	607.5	(21.9)
Gross profit	**343.6**	437.1	(21.4)
Gross margin (%)	**72.4**	72.0	0.4pp
Adjusted operating costs[3]	**298.4**	307.6	(3.0)
Adjusted operating profit[3]	**45.2**	129.5	(65.1)
Reported operating profit	**18.4**	112.7	(83.7)
Reported profit before tax	**22.9**	114.6	(80.0)
Adjusted effective tax rate[4] (%)	**10.8**	12.9	(2.1pp)
Adjusted basic earnings per share[5] (cents)	**7.55**	18.86	(60.0)
Reported basic earnings per share (cents)	**4.30**	16.46	(73.9)
Closing cash	**108.1**	209.6	(48.4)

Notes
1. Orderbook is an alternative performance measure as defined in the appendix on page 35.
2. Order intake represents commitments from customers to purchase goods and/or services that will ultimately result in recognised revenue.
3. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022: $16.8 million).
4. Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax.
5. Adjusted basic earnings per share is based on adjusted earnings as set out in note 6.

Note on Alternative Performance Measures (APM)
The performance of the Group is assessed using a variety of performance measures, including APMs which are presented to provide users with additional financial information that is regularly reviewed by management. These APMs are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

The APMs adopted by the Group are defined in the appendix. The APMs which relate to adjusted income statement lines are presented and reconciled to GAAP measures using a columnar approach on the face of the income statement and can be identified by the prefix "adjusted" in the commentary. All APMs are clearly identified as such, with explanatory footnotes to the tables of financial information provided, and reconciled to reported GAAP measures in the Financial Review or Notes to the full year consolidated financial statements. The reported GAAP measures give the complete measure of financial performance.

Revenue

$ million	**2023**	**% of total**	2022	% of total
Revenue by segment				
Lifecycle Service Assurance	**199.1**	**42.0**	264.5	43.5
Networks & Security	**275.2**	**58.0**	343.0	56.5
	474.3	**100.0**	607.5	100.0
Revenue by geography				
Americas	**268.1**	**56.5**	336.3	55.3
Asia Pacific	**153.9**	**32.5**	205.8	33.9
Europe, Middle East and Africa	**52.3**	**11.0**	65.4	10.8
	474.3	**100.0**	607.5	100.0

Overall Group revenue declined by 22 per cent, with Lifecycle Service Assurance and Networks & Security down 25 per cent and 20 per cent respectively, compared to the prior year.

Revenue at Lifecycle Service Assurance was adversely impacted in 2023 due to customer spending delays. Nonetheless there were several contract wins within the developing technology of Open RAN including closing a significant deal with a world leading financial services organisation. This represents a new end market for the Group.

Total Group maintenance and support services revenue remained consistent at $184.0 million (2022: $185.4 million).

Geographical revenue as a percentage of total revenue in the regions was similar to last year.

Gross margin

$ million	**2023**	**%**	2022	%
Lifecycle Service Assurance	**147.8**	**74.2**	198.0	74.9
Networks & Security	**195.8**	**71.1**	239.1	69.7
	343.6	**72.4**	437.1	72.0

Gross margin remained robust at 72.4 per cent (2022: 72.0 per cent) driven by effective supply chain management, robust customer pricing and change in product mix.

Operating costs

$ million	**Adjusted[1] 2023**	**Reported 2023**	Adjusted 2022	Reported 2022
Product development	**102.4**	**102.4**	111.3	111.3
Selling and marketing	**133.9**	**133.9**	138.9	138.9
Administration[1]	**62.1**	**88.9**	57.4	74.2
Operating costs[1]	**298.4**	**325.2**	307.6	324.4
Lifecycle Service Assurance	**130.8**	**136.9**	147.0	147.9
Networks & Security	**156.9**	**164.2**	152.3	153.8
Corporate	**10.7**	**24.1**	8.3	22.7
Operating costs[1]	**298.4**	**325.2**	307.6	324.4

Note
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022: $16.8 million).

Total Group adjusted operating costs decreased given the continued focus on financial management of our cost base and a number of initiatives implemented during the year. Actual reported costs increased in 2023 due to the strategic restructuring initiatives as outlined in note 4.

The overall investment in product development decreased year-on-year from $111.3 million to $102.4 million, driven by cost-saving initiatives as we transferred activities to lower-cost regions whilst retaining the same R&D headcount.

Selling and marketing costs decreased by $5.0 million, from $138.9 million to $133.9 million, which includes lower incentivisation reward as order bookings fell. Administration costs reflect investment into our support functions and infrastructure to sustain our growth agenda, increasing compliance requirements, as well as inflationary increases.

We continue to invest in our world-class employees, supporting their professional development and wellness, which has contributed to an employee retention rate significantly higher than the industry average.

Operating profit

$ million	**2023**	**Adjusted operating margin[1, 2] %**	2022	Adjusted operating margin[1, 2] %
Lifecycle Service Assurance	**16.9**	**8.5**	51.0	19.3
Networks & Security	**39.0**	**14.2**	86.8	25.3
Corporate	**(10.7)**		(8.3)	
Adjusted operating profit[1]	**45.2**	**9.5**	129.5	21.3
Adjusting items:				
Acquired intangible asset amortisation	**(5.0)**		(4.7)	
Share-based payment	**(7.6)**		(8.5)	
Other adjusting items	**(14.2)**		(3.6)	
Reported operating profit	**18.4**		112.7	

Notes
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022: $16.8 million).
2. Adjusted operating profit as a percentage of revenue in the period.

Adjusted operating profit and reported profit was $45.2 million (2022: $129.5 million) and $18.4 million (2022: $112.7 million), respectively, impacted by the decline in revenue and negative operating leverage.

Total adjusting items of $26.8 million in 2023 increased from $16.8 million in 2022, mainly due to the rationalisation and strategic review of the Group’s operating model which commenced at the end of 2022.

Acquired intangible asset amortisation and share-based payment

The acquired intangible asset amortisation charge increased slightly over the prior year to $5.0 million (2022: $4.7 million) due to the amortisation of the intangible assets recognised on the acquisition of the NetScout business carve-out in September 2023, generating a charge of $0.3 million in 2023.

Share-based payment decreased to $7.7 million in 2023 (2022: $8.9 million), of which $7.6 million (2022: $8.5 million) have been treated as an adjusting item.

Other adjusting items

$ million	**2023**	2022
Restructuring	**13.5**	2.8
Acquisition related transactions	**0.7**	0.8
	14.2	3.6

Restructuring

$ million	**2023**	2022
R&D engineering plan	**0.7**	1.5
Finance transformation	**1.1**	-
Organisational restructure	**8.8**	1.3
Facilities downsize	**2.9**	-
	13.5	2.8

The initiatives, with a restructuring cost of $13.5 million have driven cost savings of $14 million during 2023 and are expected to deliver further savings of circa $17 million for 2024 which will more than mitigate cost inflation. The overall payback of the change initiatives is expected to be less than two years.

We embarked on a strategic evaluation of our operating model, taking into account the need to serve our customers with solutions involving a combination of our portfolio offerings, as well as the need to drive cost efficiency during a challenging trading environment.

We concluded our R&D engineering site plan to relocate activities from North America to lower cost regions for our High-Speed Ethernet business. This incurred severance and retention costs of $0.7 million (2022: $1.5 million) and delivered material cost savings.

In order to embed standardised global finance processes, we moved certain accounting activities from North America to the UK, incurring $1.1 million of costs including $0.5 million consultancy.

We reduced headcount by 8 per cent and incurred $8.3 million of costs mainly relating to severance and exit costs of people. At the end of 2023, we also incurred an additional $0.5 million of restructure costs in relation to the organisational change to merge the High-Speed Ethernet businesses into the Lifecycle Service Assurance segment to better serve our customers' requirements for portfolio solutions.

Our facilities and office sites were reviewed and we exited and downsized three of our North American facilities, which gave rise to a non-cash $2.9 million impairment of assets, therefore reducing the cost of our office space going forward.

Acquisition related transactions
On 8 September 2023, the Group completed the asset purchase of a small test lab automation business carve-out from NetScout Inc. Direct acquisition transaction costs of $0.4 million and integration costs of $0.3 million were incurred during 2023.

Prior year acquisition costs reflect the Group acquisition of octoScope in 2021 which relate to direct acquisition costs of $0.6 million, acquisition related performance credit adjustment of $0.1 million and integration costs of $0.3 million.

The tax effect of other adjusting items is a credit of $2.5 million (2022: $0.9 million). There will be a total net cash outflow of $11.3 million in respect of other adjusting items charged in 2023, $10.3 million of which was in 2023 (2022: $3.6 million outflow with $1.7 million paid in 2022). The cash outflow in 2023 in respect of other adjusting items charged in 2022 was $1.9 million (2022: $0.9 million).

The total cash outflow in respect of other adjusting items is reported within cash flows from operating activities in the consolidated cash flow statement.

Currency impact
The Group's revenue and costs are primarily denominated in US Dollars or US Dollar-linked currencies. Currency exposures arise from trading transactions undertaken by the Group in foreign currencies and on the retranslation of the operating results and net assets of overseas subsidiaries.

The Group's income statement includes a foreign exchange loss, included in administration costs, of $0.9 million (2022: $0.2 million gain) arising from transacting in foreign currencies, primarily US Dollars, in the United Kingdom, and the translation of foreign currency cash balances.

Forward foreign currency exchange contracts are entered into to manage the exposure arising from transacting in currencies other than US Dollars.

Although the most significant currency exposure arises in relation to movements in Pound Sterling against the US Dollar, there are other less significant currency exposures, notably the Euro and Chinese Yuan.

Finance income and costs
Interest income of $4.8 million was earned from bank interest (2022: $2.1 million) and $0.6 million (2022: $0.8 million) of interest income was recognised in relation to the UK defined benefit pension plans. The growth in bank interest received year-on-year reflects the increase in US Dollar and Sterling interest rates. Surplus funds are held principally in the United Kingdom on short-term or overnight deposits and earn market rates of interest.

Finance costs in 2023 were $0.9 million (2022: $1.0 million), relating to interest on lease liabilities.

Tax
The adjusted effective tax rate, being the adjusted tax charge expressed as a percentage of adjusted profit before tax shown on the face of the consolidated income statement, was 10.8 per cent in 2023, compared with 12.9 per cent in 2022.

Spirent's effective tax rate continues to benefit from the United Kingdom Patent Box Scheme, the United States R&D Tax Credit, and the US foreign-derived intangible income deduction.

Going forward it is anticipated that Spirent's effective tax rate will rise slightly over time, due to the geographical mix of profits, but 2024 will likely be similar to 2023 at 11 per cent if statutory tax rates do not materially change. As a large proportion of the Group's profit is generated in the United States, the effective tax rate is exposed to changes in US tax legislation. Between currently proposed US tax law changes and the fact that 2024 is an election year, we will be closely monitoring all proposed corporate tax rates and other tax legislative changes for their impact on the Group's effective tax rate.

Earnings per share
Adjusted basic earnings per share was down 60.0 per cent to 7.55 cents (2022: 18.86 cents). Basic earnings per share was 4.30 cents (2022: 16.46 cents). There were 586.7 million (2022: 607.0 million) weighted average Ordinary Shares in issue. See note 6 on page 30 for the calculation of earnings per share.

Acquisition
On 8 September 2023, Spirent completed the asset purchase of a small test lab automation business carve-out from NetScout Inc. for a total cash consideration of $7.8 million. The acquisition was funded from the Group's cash resources.

The business carve-out from NetScout is a US-based technology business that develops and manufactures Layer-1 switches and control software which will further accelerate opportunities within our lab automation solutions and services. This business was incorporated into our Lifecycle Service Assurance operating segment.

The acquisition gave rise to goodwill of $3.9 million, and acquired intangible assets of $4.3 million with an estimated useful life of six years. Details on the net assets acquired and performance of the business acquired are detailed separately in note 10.

Financing and cash flow
Cash flow from operations were $45.8 million in 2023 (2022: $140.6 million) driven by the reduction in adjusted operating profit. Cash flow from operations is detailed in note 9. An explanation on free cash flow as an alternative performance measure can be found on page 36.

Free cash flow conversion represented 54 per cent of adjusted earnings (2022: 91 per cent).

Free cash flow is set out below:

$ million	**2023**	2022
Cash flow from operations	**45.8**	140.6
Tax paid	**(13.9)**	(22.8)
Net cash inflow from operating activities	**31.9**	117.8
Interest received	**5.4**	1.5
Net capital expenditure	**(6.1)**	(8.2)
Payment of lease liabilities, principal and interest	**(8.8)**	(9.6)
Lease payments received from finance leases	**0.6**	0.6
Acquisition related other adjusting items (*note 4*):		
– Direct acquisition transaction costs	**0.4**	0.6
– Acquisition related performance payments	**-**	(0.1)
– Acquisition integration costs	**0.3**	0.3
One-off employer contribution to UK pension scheme	**-**	0.9
Free cash flow	**23.7**	103.8

Net capital expenditure of $6.1 million was lower than over the same period last year (2022: $8.2 million) and was predominantly related to demonstration and test equipment.

In 2023, the final dividend for 2022 and an interim dividend for 2023, totalling $46.5 million was paid (2022: $39.9 million). No shares were purchased or placed into the Employee Share Ownership Trust (ESOT) (2022: 7.1 million shares at a cost of $22.9 million).

On 3 April 2023, the Company commenced a Share Buyback Programme which completed on 24 August 2023, resulting in a cash outflow of $71.6 million and the cancellation of 33 million issued shares.

Following these payments, cash closed at $108.1 million at year end, compared with $209.6 million in the previous year. There continues to be no bank debt.

Defined benefit pension plans

The Group operates two funded defined benefit pension plans in the United Kingdom which are closed to new entrants.

In order to protect the balance sheet from further risk of market movements affecting the valuation of pension liabilities, in October 2022, the Trustees, with the Company's support, purchased a bulk annuity insurance policy from specialist UK insurer Pension Insurance Corporation (PIC), in respect of the largest plan, the Staff Plan. The premium was met from the plan's assets and sufficient assets remain to meet the plan's ongoing costs. This pension buy-in secures an insurance asset from PIC that matches the remaining pension liabilities of the Staff Plan, such that the Company no longer bears any investment, inflation, longevity or other demographic risks.

Following the purchase of the bulk annuity insurance policy, the Group does not expect to make any further cash contributions to this plan.

The accounting valuation of the funded defined benefit pension plans at 31 December 2023 was a net surplus of $6.7 million (31 December 2022: net surplus of $8.0 million). Note 8 page 32.

There is also a liability for an unfunded plan in the UK of $0.5 million (31 December 2022: $0.5 million).

The Group operates an unfunded deferred compensation plan for employees in the United States. At 31 December 2023, the deficit on this deferred compensation plan amounted to $9.2 million (31 December 2022: $6.9 million).

Balance sheet
The consolidated balance sheet is set out on page 22.

Overall, net assets decreased by $89.4 million to $375.8 million at 31 December 2023, from $465.2 million at 31 December 2022.

Cash decreased by $101.5 million within current assets to $108.1 million (2022: $209.6 million) as a result of the reduction in operating profit, the payment of dividends amounting to $46.5 million (2022: $39.9 million) and the repurchase of shares through the Share Buyback Programme of $71.6 million (2022: nil).

Overall, liabilities of $208.0 million fell at 31 December 2023 (2022: $240.1 million) reflecting the decrease in trading performance, and therefore, a reduction in trade payables of $14.3 million and accrued employee bonuses of $11.6 million.

Liquidity and dividend policy
The Board's intention is to maintain a cash positive balance sheet over the medium to long term. This should allow the Company to maintain a strong capital position in the face of business risks, trading fluctuations and working capital demands.

The cash generation of the Group allows continued investment into R&D to maintain our market-leading positions and inorganic investments where opportunities support growth plans. If and when it is considered appropriate, the Company may take on modest gearing to fund inorganic investments.

The Board will regularly review the Company's balance sheet in light of current and expected trading performance and cash generation, working capital requirements and expected organic and inorganic investments. To the extent the Company has excess cash, it will consider returning such cash to shareholders. The Board will consider from time to time the appropriate mechanism for returning surplus cash to shareholders. The Board has implemented a progressive dividend policy.

Dividend
As part of the offer for Spirent by Viavi announced today, both companies have agreed to the declaration and payment of a special dividend of 2.5 pence (approximately equivalent to 3.15 cents at current prevailing FX rates) per Spirent share, in lieu of any final dividend for the year ended 31 December 2023. This special dividend is intended and expected to be declared by the Spirent Board prior to the effective date of the offer and will be conditional upon, and only be payable if, the scheme of arrangement to implement the offer becomes effective (or, if the offer is implemented by way of a takeover offer, the takeover offer is declared unconditional in all respects). The special dividend will

be payable to Spirent shareholders on the register of members at the scheme record time (or, if the offer is implemented by way of a takeover offer, on the register of members on the date on which the takeover offer is declared unconditional in all respects). The special dividend will be paid not more than 14 days after the offer effective date and in the manner to be specified in the scheme document. For more information, please see our announcement in relation to the offer available at https://corporate.spirent.com/investors/results.

The special dividend of 2.5 pence (approximately equivalent to 3.15 cents at current prevailing FX rates), if taken together with the interim dividend of 2.76 cents (2.63 pence) per share paid in September 2023, implies a full year dividend of 5.91 cents (4.64 pence) per share, which represents an approximate dividend cover of 1.3 times adjusted earnings.

Consolidated income statement

$ million	Notes	**Year ended 31 December 2023** Adjusted	Adjusting items[1]	Reported	Year ended 31 December 2022 Adjusted	Adjusting items[1]	Reported
Revenue	3	**474.3**	**-**	**474.3**	607.5	-	607.5
Cost of sales		**(130.7)**	**-**	**(130.7)**	(170.4)	-	(170.4)
Gross profit		**343.6**	**-**	**343.6**	437.1	-	437.1
Product development	3	**(102.4)**	**-**	**(102.4)**	(111.3)	-	(111.3)
Selling and marketing		**(133.9)**	**-**	**(133.9)**	(138.9)	-	(138.9)
Administration		**(62.1)**	**(26.8)**	**(88.9)**	(57.4)	(16.8)	(74.2)
Operating profit		**45.2**	**(26.8)**	**18.4**	129.5	(16.8)	112.7
Adjusting items:							
Acquired intangible asset amortisation		**-**	**(5.0)**	**(5.0)**	-	(4.7)	(4.7)
Share-based payment		**-**	**(7.6)**	**(7.6)**	-	(8.5)	(8.5)
Other adjusting items	4	**-**	**(14.2)**	**(14.2)**	-	(3.6)	(3.6)
			(26.8)	**(26.8)**	-	(16.8)	(16.8)
Finance income		**5.4**	**-**	**5.4**	2.9	-	2.9
Finance costs		**(0.9)**	**-**	**(0.9)**	(1.0)	-	(1.0)
Profit before tax		**49.7**	**(26.8)**	**22.9**	131.4	(16.8)	114.6
Tax (charge)/credit	5	**(5.4)**	**7.7**	**2.3**	(16.9)	2.2	(14.7)
Profit for the year attributable to owners of the parent Company		**44.3**	**(19.1)**	**25.2**	114.5	(14.6)	99.9
Earnings per share (cents)	6						
Basic		**7.55**		**4.30**	18.86		16.46
Diluted		**7.50**		**4.26**	18.75		16.36

Note
1. Adjusting items comprise amortisation of acquired intangible assets, share-based payment, other adjusting items, tax on adjusting items and any over/under provision in respect of prior year tax.

The performance of the Group is assessed using a variety of non-GAAP alternative performance measures which are presented to provide additional financial information that is regularly reviewed by management. Adjusting items are identified and excluded by virtue of their size, nature or incidence as they do not reflect management's evaluation of the underlying trading performance of the Group. The alternative performance measures are presented in the appendix. The reported GAAP measures give the complete measure of financial performance.

Consolidated statement of comprehensive income

$ million	Note	Year ended 31 December **2023**	2022
Profit for the year attributable to owners of the parent Company		**25.2**	99.9
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit or loss:			
– Exchange differences on retranslation on foreign operations		**2.8**	(8.2)
Items that will not subsequently be reclassified to profit or loss:			
– Re-measurement of the net defined benefit pension asset	8	**(4.1)**	(29.0)
– Income tax effect of re-measurement of the net defined benefit pension asset		**(0.1)**	9.4
– Re-measurement of the deferred compensation liability	8	**(0.6)**	-
		(4.8)	(19.6)
Other comprehensive loss		**(2.0)**	(27.8)
Total comprehensive income for the year attributable to owners of the parent Company		**23.2**	72.1

Consolidated balance sheet

$ million	Notes	At 31 December 2023	2022
Assets			
Non-current assets			
Intangible assets		**206.6**	202.0
Property, plant and equipment		**15.8**	20.6
Right-of-use assets		**17.2**	19.5
Trade and other receivables		**5.0**	6.7
Assets recognised from costs to obtain a contract		**0.3**	0.5
Defined benefit pension plan surplus	8	**8.4**	9.7
Deferred tax asset		**43.2**	32.8
		296.5	291.8
Current assets			
Inventories		**43.5**	39.8
Trade and other receivables		**133.7**	160.8
Assets recognised from costs to obtain a contract		**1.0**	0.9
Current tax asset		**1.0**	2.4
Cash and cash equivalents		**108.1**	209.6
		287.3	413.5
Total assets		**583.8**	705.3
Liabilities			
Current liabilities			
Trade and other payables		**(65.9)**	(94.8)
Contract liabilities		**(66.6)**	(75.5)
Lease liabilities		**(10.7)**	(7.1)
Other financial liabilities		**-**	(0.1)
Current tax liability		**(0.8)**	(7.2)
Provisions		**(5.0)**	(5.7)
		(149.0)	(190.4)
Non-current liabilities			
Trade and other payables		**(0.2)**	(0.2)
Contract liabilities		**(33.7)**	(22.7)
Lease liabilities		**(10.7)**	(15.0)
Defined benefit pension plan deficit	8	**(11.4)**	(9.1)
Provisions		**(3.0)**	(2.7)
		(59.0)	(49.7)
Total liabilities		**(208.0)**	(240.1)
Net assets		**375.8**	465.2
Capital and reserves			
Share capital		**24.6**	24.7
Share premium account		**25.7**	24.4
Capital redemption reserve		**18.2**	16.0
Other reserves		**17.5**	20.9
Translation reserve		**5.5**	2.6
Retained earnings		**284.3**	376.6
Total equity attributable to owners of the parent Company		**375.8**	465.2

Consolidated statement of changes in equity

$ million	Notes	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
		Attributable to the equity holders of the parent Company						
At 1 January 2022 (audited)		27.5	27.2	17.8	13.5	10.8	350.7	447.5
Profit for the year		-	-	-	-	-	99.9	99.9
Other comprehensive income[1]		-	-	-	-	(8.2)	(19.6)	(27.8)
Total comprehensive income		-	-	-	-	(8.2)	80.3	72.1
Share-based payment		-	-	-	-	-	8.5	8.5
Tax credit on share incentives		-	-	-	-	-	(0.1)	(0.1)
Equity dividends	7	-	-	-	-	-	(39.9)	(39.9)
Employee Share Ownership Trust	11	-	-	-	-	-	(22.9)	(22.9)
Exchange adjustment		(2.8)	(2.8)	(1.8)	7.4	-	-	-
At 1 January 2023		**24.7**	**24.4**	**16.0**	**20.9**	**2.6**	**376.6**	**465.2**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**25.2**	**25.2**
Other comprehensive income/(loss)[2]		**-**	**-**	**-**	**-**	**2.8**	**(4.8)**	**(2.0)**
Total comprehensive income		**-**	**-**	**-**	**-**	**2.8**	**20.4**	**23.2**
Share-based payment		**-**	**-**	**-**	**-**	**-**	**6.8**	**6.8**
Tax charge on share incentives		**-**	**-**	**-**	**-**	**-**	**(1.7)**	**(1.7)**
Equity dividends	7	**-**	**-**	**-**	**-**	**-**	**(46.5)**	**(46.5)**
Share repurchase		**(1.4)**	**-**	**1.4**	**-**	**-**	**(71.6)**	**(71.6)**
Exchange adjustment		**1.3**	**1.3**	**0.8**	**(3.4)**	**0.1**	**0.3**	**0.4**
At 31 December 2023		**24.6**	**25.7**	**18.2**	**17.5**	**5.5**	**284.3**	**375.8**

Notes

1. The amount included in other comprehensive income/(loss) for 2022 of $19.6 million represents re-measurement gains on the net defined benefit pension asset of $29.0 million, net of a tax credit of $9.4 million. The amount included in the translation reserve of $8.2 million represents other comprehensive losses related to the translation of foreign operations.
2. The amount included in other comprehensive income/(loss) for 2023 of $4.8 million represents re-measurement losses on the net defined benefit pension asset of $4.1 million, a tax charge of $0.1 million and re-measurement losses on the deferred compensation liability of $0.6 million. The amount included in the translation reserve of $2.8 million represents other comprehensive gain related to the translation of foreign operations

Consolidated cash flow statement

$ million	Notes	Year ended 31 December 2023	2022
Cash flows from operating activities			
Cash flow from operations	9	**45.8**	140.6
Tax paid		**(13.9)**	(22.8)
Net cash inflow from operating activities		**31.9**	117.8
Cash flows from investing activities			
Interest received		**5.4**	1.5
Purchase of property, plant and equipment		**(6.5)**	(8.4)
Proceeds from the sale of property, plant and equipment		**0.4**	0.2
Lease payments received from finance leases		**0.6**	0.6
Acquisition of subsidiary, net of cash acquired	10	**(7.8)**	-
Net cash used in investing activities		**(7.9)**	(6.1)
Cash flows from financing activities			
Lease liability principal repayments		**(7.9)**	(8.6)
Lease liability interest paid		**(0.9)**	(1.0)
Dividend paid	7	**(46.5)**	(39.9)
Share purchase into Employee Share Ownership Trust	12	**-**	(22.9)
Share repurchase		**(71.6)**	-
Net cash used in financing activities		**(126.9)**	(72.4)
Net (decrease)/increase in cash and cash equivalents		**(102.9)**	39.3
Cash and cash equivalents at the beginning of the year		**209.6**	174.8
Effect of foreign exchange rate changes		**1.4**	(4.5)
Cash and cash equivalents at the end of the year		**108.1**	209.6

Notes to the full year consolidated financial statements

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 2023. Statutory accounts for the year ended 31 December 2023 will be delivered to the registrar in due course.

The Group financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Accounting Standards. The comparative financial information is based on the statutory accounts for the year ended 31 December 2022 which have been delivered to the Registrar of Companies. The report of the auditors on the 2022 and 2023 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 full year announcement was approved by the Board of Directors on 5 March 2024.

2 Accounting policies

The accounting policies adopted and methods of computation used are consistent with those applied in the consolidated financial statements for the year ended 31 December 2022.

New accounting standards
There have been no applicable new standards, amendments to standards and interpretations effective from 1 January 2023 that have been applied by the Group which have resulted in a significant impact on its consolidated results or financial position.

Going concern
In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the Group's principal risks and uncertainties.

The Directors have also considered sensitivities in respect of potential downside scenarios, including stress testing the latest cash flow projections that cover a period of 12 months from the date of approval of these consolidated financial statements. In these scenarios, the Group has more than sufficient headroom in its available resources.

At 31 December 2023, the Group had cash balances of $108.1 million and external debt only in relation to its lease liabilities.

The Directors have reviewed the detailed financial projections for the period ending 31 December 2024, as well as the business plan and cash flows for the three months ending 31 March 2025. The Directors have also considered the period to the end of 2026 which forms part of the Group's longer term viability assessment. In addition, they have considered the principal risks faced by the Group, the sensitivity analysis and the Group's significant financial headroom and are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approval of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the consolidated 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.

The Group's reportable operating segments are Lifecycle Service Assurance and Networks & Security. The Group evaluates adjusted operating profit before acquired intangible asset amortisation, share-based payment and other adjusting items. 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. Information on segment assets and segment liabilities is not regularly provided to the Group's Chief Executive Officer and is therefore not disclosed below. There is no aggregation of operating segments.

The Group disaggregates revenue from contracts with customers by nature of products and services and primary geographical markets as this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

$ million	Lifecycle Service Assurance	Networks & Security	Corporate	Total
2023				
Revenue				
Nature of products and services				
Sale of hardware and software	**86.7**	**203.6**	**-**	**290.3**
Maintenance and support services	**112.4**	**71.6**	**-**	**184.0**
	199.1	**275.2**	**-**	**474.3**
Primary geographical markets				
Americas	**133.1**	**135.0**	**-**	**268.1**
Asia Pacific	**49.3**	**104.6**	**-**	**153.9**
Europe, Middle East and Africa	**16.7**	**35.6**	**-**	**52.3**
	199.1	**275.2**	**-**	**474.3**
Profit before tax				
Adjusted operating (loss)/profit	**16.9**	**39.0**	**(10.7)**	**45.2**
Other adjusting items *note 4*	**(6.1)**	**(7.3)**	**(0.8)**	**(14.2)**
Total reportable segment (loss)/profit	**10.8**	**31.7**	**(11.5)**	**31.0**
Unallocated amounts:				
– Acquired intangible asset amortisation				**(5.0)**
– Share-based payment				**(7.6)**
Operating profit				**18.4**
Finance income				**5.4**
Finance costs				**(0.9)**
Profit before tax				**22.9**
Other information				
Product development	**52.0**	**50.4**	**-**	**102.4**
Intangible asset amortisation – other	**0.1**	**-**	**-**	**0.1**
Depreciation of property, plant and equipment	**4.4**	**6.0**	**0.1**	**10.5**
Depreciation of right-of-use assets	**3.2**	**3.4**	**0.3**	**6.9**

3 Operating segments *continued*

$ million	Lifecycle Service Assurance	Networks & Security	Corporate	Total
2022				
Revenue				
Nature of products and services				
Sale of hardware and software	146.0	276.1	-	422.1
Maintenance and support services	118.5	66.9	-	185.4
	264.5	343.0	-	607.5
Primary geographical markets				
Americas	179.7	156.6	-	336.3
Asia Pacific	61.8	144.0	-	205.8
Europe, Middle East and Africa	23.0	42.4	-	65.4
	264.5	343.0	-	607.5
Profit before tax				
Adjusted operating profit/(loss)	51.0	86.8	(8.3)	129.5
Other adjusting items *note 4*	(0.9)	(2.1)	(0.6)	(3.6)
Total reportable segment profit/(loss)	50.1	84.7	(8.9)	125.9
Unallocated amounts:				
– Acquired intangible asset amortisation				(4.7)
– Share-based payment				(8.5)
Operating profit				112.7
Finance income				2.9
Finance costs				(1.0)
Profit before tax				114.6
Other information				
Product development	56.6	54.7	-	111.3
Intangible asset amortisation – other	0.6	-	-	0.6
Depreciation of property, plant and equipment	4.7	6.2	0.1	11.0
Depreciation of right-of-use assets	3.4	3.6	0.3	7.3

3 Operating segments *continued*

Inter-segment revenue is eliminated in the above periods. All of the Group's revenue arose from contracts with customers.

Generally, revenue from the sale of hardware and software is recognised at a point in time and revenue from maintenance and support services is recognised over time.

Europe, Middle East and Africa includes United Kingdom revenue of $9.1 million (2022: $14.1 million).

Americas includes United States revenue of $250.4 million (2022: $317.3 million).

Asia Pacific includes China revenue of $76.3 million (2022: $110.9 million).

Revenues are attributed to regions and countries based on customer location.

No one customer accounted for 10 per cent or more of total Group revenue in either 2023 or 2022.

4 Other adjusting items

$ million	**2023**	2022
Strategic restructuring initiatives	**13.5**	2.8
Acquisition related transactions	**0.7**	0.8
Total charge in the income statement	**14.2**	3.6

Restructuring

$ million	**2023**	2022
R&D engineering plan	**0.7**	1.5
Finance transformation	**1.1**	-
Organisational restructure	**8.8**	1.3
Facilities downsize	**2.9**	-
	13.5	2.8

The initiatives, with a restructuring cost of $13.5 million have driven cost savings of $14 million during 2023 and are expected to deliver further savings of circa $17 million for 2024 which will more than mitigate cost inflation. The overall payback of the change initiatives is expected to be less than two years.

We embarked on a strategic evaluation of our operating model taking into account the need to serve our customers with solutions involving a combination of our portfolio offerings and the need to drive cost efficiency during a challenging trading environment.

We concluded our R&D engineering site plan to relocate activities from North America to lower cost regions for our High-Speed Ethernet business. This incurred severance and retention costs of $0.7 million (2022: $1.5 million) and delivered material cost savings.

In order to embed standardised global finance processes, we moved certain accounting activities from North America to the UK incurring $1.1 million of costs including $0.5 million consultancy.

We reduced headcount by 8 per cent and incurred $8.3 million of costs mainly relating to severance and exit costs of people. At the end of 2023, we also incurred an additional $0.5 million of restructure costs in relation to the organisational change to merge the High-Speed Ethernet businesses into the Lifecycle Service assurance segment to better serve our customers' requirements for portfolio solutions.

4 Other adjusting items *continued*

Our facilities and office sites were reviewed and we exited and downsized three of our North American facilities which gave rise to a non-cash $2.9 million impairment of assets, therefore reducing the cost of our office space going forward.

The above strategic restructuring initiatives are expected to be ongoing for a period of one to two years.

Acquisition related transactions
On 8 September 2023, the Group completed the asset purchase of a small test lab automation business carve-out from NetScout Inc. Direct acquisition transaction costs of $0.4 million and integration costs of $0.3 million were incurred during 2023.

Prior year acquisition costs reflect the Group acquisition of octoScope in 2021 which relate to direct acquisition costs of $0.6 million, acquisition related performance credit adjustment of $0.1 million and integration costs of $0.3 million.

The tax effect of other adjusting items is a credit of $2.5 million (2022: $0.9 million). There will be a total net cash outflow of $11.3 million in respect of other adjusting items charged in 2023, $10.3 million of which was in 2023 (2022: $3.6 million outflow with $1.7 million paid in 2022). The cash outflow in 2023 in respect of other adjusting items charged in 2022 was $1.9 million (2022: $0.9 million).

The total cash outflow in respect of other adjusting items is reported within cash flows from operating activities in the consolidated cash flow statement.

5 Tax

$ million	**2023**	2022
Current income tax		
UK tax	**3.9**	2.5
Foreign tax	**6.4**	23.9
Amounts underprovided in prior years	**(0.8)**	1.7
Total current income tax charge	**9.5**	28.1
Deferred tax		
Recognition of deferred tax assets	**(0.2)**	(1.0)
Reversal of temporary differences	**(10.8)**	(12.4)
Adjustments in respect of prior years	**(0.8)**	-
Total deferred tax credit	**(11.8)**	(13.4)
Tax (credit)/charge in the income statement	**(2.3)**	14.7

The current tax charge is impacted by the US R&D capitalisation rules which came into effect in 2022. The impact is an increase to our current tax charge with an offsetting deferred tax credit for the future tax benefit of the amortisation deduction.

The tax credit for the year ended 31 December 2023 was $2.3 million (2022: $14.7 million charge). This was after a prior year tax credit of $0.8 million and a tax credit on the adjusting items of $6.1 million (2022: prior year charge of $1.7 million and tax credit on adjusting items of $3.9 million). Excluding the prior year charge and tax credit on adjusting items, the effective tax rate was 10.8 per cent (2022: 12.9 per cent).

6 Earnings per share

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

Diluted
Diluted earnings per share is calculated by dividing the profit for the year attributable to owners of the parent Company by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all dilutive potential Ordinary Shares into Ordinary Shares.

$ million	**2023**	2022
Profit for the year attributable to owners of the parent Company	**25.2**	99.9

Number million		
Weighted average number of Ordinary Shares in issue – basic	**586.7**	607.0
Dilutive potential of employee share incentives	**4.1**	3.7
Weighted average number of Ordinary Shares in issue – diluted	**590.8**	610.7

Cents		
Earnings per share		
Basic	**4.30**	16.46
Diluted	**4.26**	16.36

Adjusted
The Group is disclosing adjusted earnings per share attributable to owners of the 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:

- acquired intangible asset amortisation;
- share-based payment;
- other adjusting items; and
- tax effect on the above items.

A reconciliation is provided below:

	2023		2022	
	$ million	**EPS cents**	$ million	EPS cents
Profit for the year attributable to owners of the parent Company	**25.2**	**4.30**	99.9	16.46
Acquired intangible asset amortisation	**5.0**		4.7	
Share-based payment	**7.6**		8.5	
Other adjusting items costs *note 4*	**14.2**		3.6	
Tax effect on the above items	**(6.1)**		(3.9)	
Prior year tax (credit)/charge	**(1.6)**		1.7	
Adjusted basic	**44.3**	**7.55**	114.5	18.86
Adjusted diluted		**7.50**		18.75

There were no Ordinary Share transactions that occurred after 31 December that would have significantly changed the number of Ordinary Shares or potential Ordinary Shares outstanding at the period end if those transactions had occurred before the end of the reporting period in either year.

7 Dividends paid and proposed

$ million	2023	2022
Declared and paid in the year		
Equity dividend on Ordinary Shares		
Final dividend 2022 of 4.94 cents (4.12 pence) per Ordinary Share (2021: 4.37 cents (3.34 pence))	**31.1**	25.0
Interim dividend 2023 of 2.76 cents (2.14 pence) per Ordinary Share (2022: 2.63 cents (2.16 pence))	**15.4**	14.9
	46.5	39.9
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Equity dividend on Ordinary Shares		
Final dividend 2022 of 4.94 cents per Ordinary Share (4.12 pence)	**-**	29.8
Intended and expected to be declared by the Spirent Board (not recognised as a liability at 31 December)		
Special dividend (in lieu of a final dividend in respect of 2023) of 2.50 pence (approximately equivalent to 3.15 cents at current prevailing FX rates) per Ordinary Share	**18.4**	-

As part of the offer for Spirent by Viavi, a special dividend of 2.5 pence (approximately equivalent to 3.15 cents at current prevailing FX rates) per Spirent share is intended and expected to be declared, in lieu of any final dividend for the year ended 31 December 2023. This is expected to absorb an estimated $18.4 million of shareholders' funds.

This special dividend is intended and expected to be declared by the Spirent Board prior to the effective date of the offer and will be conditional upon, and only be payable if, the scheme of arrangement to implement the offer becomes effective (or, if the offer is implemented by way of a takeover offer, the takeover offer is declared unconditional in all respects). The special dividend will be payable to Spirent shareholders on the register of members at the scheme record time (or, if the offer is implemented by way of a takeover offer, on the register of members on the date on which the takeover offer is declared unconditional in all respects). The special dividend will be paid not more than 14 days after the offer effective date and in the manner to be specified in the scheme document. For more information, please see our announcement in relation to the offer available at https://corporate.spirent.com/investors/results.

The exchange rate used to determine the approximate equivalent amount of the special dividend referred to above was $1.26: £1.

8 Defined benefit pension plans

The Group operates two funded defined benefit pension plans in the United Kingdom which are closed to new entrants.

In order to protect the balance sheet from further risk of market movements affecting the valuation of pension liabilities, in October 2022, the Trustees with the Company's support, purchased a bulk annuity insurance policy from specialist UK insurer Pension Insurance Corporation (PIC), in respect of the largest plan, the Staff Plan. The premium was met from the plan's assets and sufficient assets remain to meet the plan's ongoing costs. This pension buy-in secures an insurance asset from PIC that matches the remaining pension liabilities of the Staff Plan, such that the Company no longer bears any investment, inflation, longevity or other demographic risks.

Following the purchase of the bulk annuity insurance policy, the Group does not expect to make any further cash contributions to this plan.

8 Defined benefit pension plans *continued*

There is also a liability for an unfunded plan in the United Kingdom and a deferred compensation plan in the United States.

The assets and liabilities on the balance sheet are as follows:

$ million	2023	2022
Schemes in net asset position		
UK defined benefit pension plan – Staff Plan	**12.9**	14.9
Withholding tax payable	**(4.5)**	(5.2)
	8.4	9.7
Schemes in net liability position		
UK defined benefit pension plan – Cash Plan	**(1.7)**	(1.7)
UK unfunded plan	**(0.5)**	(0.5)
US deferred compensation plan	**(9.2)**	(6.9)
	(11.4)	(9.1)
Net pension plan (deficit)/surplus on the balance sheet	**(3.0)**	0.6

The assets and liabilities in the funded defined benefit pension plans were as follows:

$ million	2023	2022
Fair value of defined benefit pension plans' assets	**197.0**	190.0
Present value of defined benefit pension plans' obligations	**(185.8)**	(176.8)
Surplus in the plans	**11.2**	13.2
Withholding tax payable	**(4.5)**	(5.2)
Net UK funded defined benefit pension plan surplus on the balance sheet	**6.7**	8.0

The key financial assumptions in respect of the funded plans are as follows:

%	2023	2022
Inflation – RPI	**3.1**	3.3
Inflation – CPI (pre-2030)	**RPI less 1.0% pa**	RPI less 1.0% pa
Inflation – CPI (post-2030)	**RPI less 0.1% pa**	RPI less 0.1% pa
Rate of increase in pensionable salaries	**CPI**	CPI
Rate of increase for pensions in payment:		
– Pre-2001 service	**3.6**	3.7
– 2001 to 5 April 2005 service	**3.0**	3.1
– Post-5 April 2005 service	**2.1**	2.1
Rate of increase in deferred pensions	**CPI**	CPI
Rate used to discount plan liabilities	**4.5**	4.8

There was no charge to operating costs (2022: $0.1 million) and finance income of $0.6 million (2022: $0.8 million) has been recognised. As at 31 December 2023 there are $1.6 million of fees relating to the Staff Plan defined benefit pension that are expected to be re-imbursed to the Group in the first quarter of 2023.

8 Defined benefit pension plans *continued*

The Group also operates a deferred compensation plan for employees in the United States. The plan has elements of a defined benefit pension retirement obligation and therefore is required to be valued in accordance with IAS 19 'Employee Benefits'. At 31 December 2023, the deferred compensation deficit amounted to $9.2 million (31 December 2022: $6.9 million). During the year, there was a re-measurement loss of $0.6 million recognised directly in the statement of other comprehensive income (2022: nil).

9 Reconciliation of profit before tax to cash generated from operations

$ million	2023	2022
Profit before tax	**22.9**	114.6
Adjustments for:		
Finance income	**(5.4)**	(2.9)
Finance costs	**0.9**	1.0
Intangible asset amortisation	**5.1**	5.3
Depreciation of property, plant and equipment	**10.5**	11.0
Depreciation of right-of-use assets	**6.9**	7.3
Impairment of property, plant and equipment	**0.4**	-
Impairment of right-of-use assets	**2.5**	-
Share-based payment	**7.7**	8.9
Changes in working capital:		
Increase in inventories	**(2.0)**	(14.4)
Decrease in receivables	**27.7**	3.2
(Decrease)/increase in payables	**(29.9)**	8.1
(Decrease)/increase in contract liabilities	**(0.7)**	0.2
(Decrease)/increase in provisions	**(0.4)**	0.7
Defined benefit pension plan employer contributions net of plan administration expenses paid by the plan	**(1.7)**	(2.0)
Deferred compensation plan	**1.9**	0.2
Non-cash movements	**(0.6)**	(0.6)
Cash flow from operations	**45.8**	140.6

10 Business combinations

On 8 September 2023, the Group completed the asset purchase of a small test lab automation business carve-out from NetScout Inc. for a final cash consideration of $7.8 million. The transaction was funded by surplus cash in the Group. The business carve-out from NetScout acquired by Spirent is a US-based technology business that develops and manufactures Layer-1 switches and control software.

10 Business combinations *continued*

$ million			2023
	Book value	**Fair value adjustment**	**Fair value**
Intangible assets	**-**	**4.3**	**4.3**
Property, plant and equipment	**0.2**	**-**	**0.2**
Inventories	**1.4**	**-**	**1.4**
Contract liabilities	**(2.0)**	**-**	**(2.0)**
Total identifiable net assets	**(0.4)**	**4.3**	**3.9**
Goodwill acquired on acquisition			**3.9**
Total consideration			**7.8**
Satisfied by			
Cash consideration			**7.8**
Cash flows			
Cash consideration			**7.8**

The fair values of the identifiable net assets acquired are set out in the table above. The fair value adjustments arose in relation to the recognition of acquired intangible assets. The intangible assets acquired represent current technology and customer relationships. These intangible assets have been assigned a useful life of six years. The goodwill arising of $3.9 million consists largely of the synergies and commercial opportunities expected from the combination, together with intangible assets not qualifying for separate recognition, such as workforce in place. Direct acquisition related costs of $0.4 million and $0.3 million of integration costs have been expensed to other adjusting items within the income statement in 2023 (note 4). From the date of acquisition to 31 December 2023, NetScout acquired business contributed $4.1 million of revenue and $2.1 million of profit before tax to the results of the Group before charging $0.4 million of direct acquisition related costs, $0.3 million of integration costs and $0.2 million of acquired intangible asset amortisation.

There were no business combinations in 2022.

11 Fair value

The Directors consider that the carrying amounts of the financial instruments included within trade and other receivables, trade and other payables and contractual provisions approximates their fair value.

12 Employee Share Ownership Trust

During the year, no shares were purchased and placed into the Employee Share Ownership Trust (2022: 7.1 million shares purchased and placed at a cost of $22.9 million). 2.7 million shares were transferred from the Employee Share Ownership Trust in the year to satisfy options exercised under the Spirent employee share plans (2022: 2.7 million shares transferred).

Appendix
Alternative Performance Measures

The performance of the Group is assessed using a variety of alternative performance measures (APMs) which are presented to provide users with additional financial information that is regularly reviewed by management. The APMs presented are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

In management's view, the APMs reflect the underlying performance of the Group and provide an alternative basis for evaluating how the Group is managed and measured on a day-to-day basis. Such APMs are non-GAAP measures and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The APMs and key performance indicators are aligned to the Group's strategy and collectively are used to measure the performance of the Group and form the basis of the metrics for Director and management remuneration. The Group's key performance indicators are presented within the Strategic Report of its 2023 Annual Report.

Order intake
Order intake represents commitments from customers to purchase goods and/or services from Spirent that will ultimately result in recognised revenue. Where there can reasonably be changes to the scope or duration of an order, the Group exercises judgement on the amount of the order that is booked.

Order intake is a measure of operating performance used by management to assess whether future activity levels are increasing or slowing and therefore how effective we have been in the execution of our strategy. Order intake is a key performance indicator used to measure Group, operating segment and regional performance for internal reporting purposes.

Orderbook
Orderbook comprises the value of all unsatisfied orders from customers and provides an indication of the amount of revenue that has been secured and will be recognised in future periods. Orderbook represents the transaction price allocated to wholly and partially unsatisfied performance obligations, including amounts held in contract liabilities at the period end. There is no comparable IFRS measure.

Adjusted operating profit
Adjusted operating profit is reported operating profit excluding amortisation of acquired intangible assets, share-based payment and other adjusting items, including restructuring. Management uses adjusted operating profit, in conjunction with other GAAP and non-GAAP financial measures, to evaluate the overall operating performance of the Group as well as each of the operating segments and believes that this measure is relevant to understanding the Group's financial performance, as specific items (adjusting items) are identified and excluded by virtue of their size, nature or incidence, as they are not considered part of the Group's normal ongoing operations and therefore can lead to period-on-period fluctuations that can make it difficult to assess financial performance.

Specifically, items are excluded from adjusted operating profit if they are acquisition related in nature, including acquired intangible asset amortisation which is dependent on being able to identify intangible assets and assessing their useful economic lives, or if their exclusion allows for more meaningful comparisons with peer companies such as share-based payment which can fluctuate from period to period. The exclusion of adjusting items from adjusted operating profit is consistent from period to period.

Adjusted operating profit is also used in setting Director and management remuneration targets and in discussions with the investment analyst community.

Adjusted operating margin
Adjusted operating margin is adjusted operating profit as a percentage of revenue. It is a measure of the Group's overall profitability and how successful we are in executing on our overall strategy, and demonstrates our ability to improve margin through efficient operations and cost management, whilst being mindful of the need to invest for the future.

Effective tax rate
Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax. The adjusted tax charge is the reported tax charge excluding the tax effect on adjusting items and adjustments made to provisions in respect of prior year tax.

Adjusted basic earnings per share
Adjusted basic earnings per share (EPS) is adjusted earnings attributable to owners of the parent Company divided by the weighted average number of Ordinary Shares outstanding during the year. Adjusted earnings is reported profit before tax excluding amortisation of acquired intangible assets, share-based payment, other adjusting items, tax on adjusting items and over/under provisions in respect of prior year tax.

Adjusted basic EPS is a measure of how successful we are in executing on our strategy and ultimately delivering increased value for shareholders. Adjusted basic EPS is also used in setting Director and management remuneration targets and in discussions with the investment analyst community. The Group sets out the calculation of adjusted basic EPS in note 6 of Notes to the consolidated financial statements.

Product development spend as a percentage of revenue
Product development as a percentage of revenue in the year. It is a measure of how much the Group is investing to support further organic growth initiatives in line with the strategic objectives, whilst driving improved productivity and effectiveness.

Free cash flow
Free cash flow is cash flow generated from operations, less tax and net capital expenditure, lease liability principal repayments and lease liability interest paid, add interest received and lease payments received from finance leases, excluding acquisition related other adjusting items and one-off employer contributions to the UK pension scheme.

Free cash flow is a measure of the quality of the Group's earnings and reflects the ability to convert profits into cash and ultimately to generate funds for future investment. It gives us financial strength and flexibility and the ability to pay sustainable dividends to our shareholders. Free cash flow is an important indicator of overall operating performance as it reflects the cash generated from operations after capital expenditure, financing and tax which are significant ongoing cash flows associated with investing in the business and financing operations.

Free cash flow excludes corporate level cash flows that are independent of ongoing trading operations such as dividends, acquisitions and disposals and share repurchases and therefore is not a measure of the funds that are available for distribution to shareholders.

A reconciliation of cash generated from operations, the closest equivalent GAAP measure, to free cash flow is provided within the Financial review on page 18.

Free cash flow conversion
Free cash flow conversion is the ratio of free cash flow to adjusted earnings, presented as a percentage.

Free cash flow conversion is a measure used in conjunction with free cash flow to assess the Group's ability to convert profit into cash and ultimately to generate funds for future investment.