News Release

SPIRENT COMMUNICATIONS PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

London, UK – 3 March 2011: 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 2010.

Financial highlights

- Order intake growth of 17%, resulting in a book to bill ratio of 105.
- Operating profit up 30% to $112.7 million on revenue up 13% to $482.2 million.
- Return on sales increased to 23% from 20%.
- Adjusted basic earnings per share up 31% to 11.62 cents after eliminating the impact of the change in the effective tax rate. Basic earnings per share down 14% to 11.77 cents.
- Final dividend increased by 40% to 1.40 cents per share (equivalent to 0.86 pence per share).
- Strong cash generation resulted in cash and cash equivalents of $223.9 million compared to $173.9 million in the previous year.
- Acquisition of The Fanfare Group, Inc. for $15.0 million completed on 16 February 2011.

Operational highlights

- During 2010 demand for Spirent's solutions increased as our customers invested in:
  - data center technologies to enable cloud computing and virtualization;
  - growth of Ethernet across telecom and datacom network infrastructures;
  - expansion in mobile internet driving exponential growth in data traffic;
  - new investment in global positioning technologies to modernise GPS and to upgrade other satellite navigation systems.
- Spirent introduced new test solutions to address increasing customer demand:
  - higher speed Ethernet data test solutions on Spirent TestCenter™ to validate network performance, availability, security and scalability of cloud computing using Spirent test methodology;
  - wireless test solutions for the rollout of LTE networks and for higher 3G wireless network speeds;
  - new positioning test capabilities to serve the rapid expansion of satellite navigation and location based services.

Outlook

We are confident that the market for test and measurement will show further growth in 2011 and future years. Ethernet, wireless device and positioning test markets all show positive signs for growth in 2011. We continue to invest in new test solutions and in enhancing our current capabilities in the areas that matter most to our customers as they look to improve time to market of their industry leading products and services.

Bill Burns, Chief Executive Officer, commented:

"This is an exciting time within the telecom and data communication industries with increasing investment in both proven and emerging technologies driving demand for our leading test solutions. 2010 was an excellent year for Spirent – one in which we delivered a strong performance through the execution of our strategy. Our broad test solution portfolio coupled with our global reach gives us the ability to pursue further profitable growth in 2011 and beyond."

Results summary

$ million	**2010**	2009 (restated)[4]	Change (%)
Reported			
Revenue	**482.2**	427.2	13
Operating profit	**112.7**	86.8	30
Profit before tax	**112.2**	84.9	32
Basic earnings per share (cents)	**11.77**	13.67	(14)
Total dividend per share[1] (cents)	**2.50**	1.93	30
Free cash flow[2]	**82.6**	86.5	(5)
Adjusted			
Adjusted basic earnings per share[3] (cents)	**11.62**	8.86	31

Notes
1 Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed. The final dividend proposed for 2010 of 1.40 cents per Ordinary share is equivalent to 0.86 pence per Ordinary share.
2 Operating cash flow after tax, net interest and net capital expenditure.
3 Adjusted basic earnings per share is based on an effective tax rate of 30.4%, being the rate applicable for 2010. See note 6 of Notes to the preliminary consolidated financial statements.
4 Restated due to the change in the Group's reporting currency.

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The Company will host a results presentation today at 9.00am for 9.15am 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 www.spirent.com.

About Spirent Communications plc

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

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

Cautionary statement regarding forward-looking statements

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010
CHAIRMAN'S STATEMENT

Spirent delivered a strong performance in 2010: reporting growth of 13 per cent in revenue to $482.2 million and growth of 30 per cent in operating profit to $112.7 million. The Company is consistently achieving a return on sales of over 20 per cent, with the return in 2010 being 23 per cent. The order book increased in the year, with a book to bill ratio of 105. Earnings per share was distorted compared to the prior year by the recognition of deferred tax assets in 2009. Eliminating this effect by taking a constant tax rate for both years shows that adjusted basic earnings per share increased by 31 per cent in 2010 to 11.62 cents, after charging 0.27 cents in respect of share-based payment and acquired intangible asset amortisation.

The financial performance of the Group reflects the improvement in operations achieved through the pursuit of excellence in all aspects of the business coupled with growth in the markets for Spirent's leading test solutions. This trend of improvement seen in the past several years is now combined with revenue growth driven by the innovation of our employees in developing world-class test solutions to serve the needs of a rapidly evolving communications industry. We plan to expand the Group's capabilities through additional investment for organic growth by the expansion of product development engineering and extension to our sales activities. In addition, we are pursuing growth through acquisition, when and where we can see that the return on investment is attractive. As the first step in this process we completed the acquisition of The Fanfare Group, Inc. in February 2011.

The Group's free cash generation was $82.6 million in 2010, representing a cash conversion to earnings ratio of 104. Cash balances were $223.9 million at 31 December 2010. Given the strong overall performance of the Group, the Board recommends a final dividend of 1.40 cents per share compared with 1.00 cents per share in 2009. The Company intends to maintain its policy to repurchase shares in order to counteract any dilutive effect from the exercise of share-based incentives.

Ed Bramson stood down as Chairman on 4 March 2010, and both he and Gerard Eastman retired as non-executive directors on 5 May 2010. We thank them for their outstanding achievements during their tenure.

The strong performance in 2010 was achieved through the hard work and commitment of our employees and management teams throughout the world. I wish to thank all of them for their contribution to making 2010 such a success for Spirent.

We are mindful of global macro-economic factors that are likely to create challenges in the coming year. However, Spirent's diversified customer base, market leading product offerings and promising market opportunities mean that we are well placed to deliver further growth through 2011.

CHIEF EXECUTIVE OFFICER'S REVIEW

This is an exciting time within the telecom and data communication industries with increasing investment in both proven and emerging technologies driving demand for our leading test solutions. 2010 was an excellent year for Spirent – one in which we delivered a strong performance through the execution of our strategy. Our broad test solution portfolio coupled with our global reach gives us the ability to pursue further profitable growth in 2011 and beyond.

The fundamental drivers for growth in our industry are strong, as consumers and businesses demand anytime, anywhere, always-on access to data, applications and services. As a result, Service Provider and Enterprise IT spending has returned, either to seek new revenue streams or to resolve challenges associated with network capacity and performance. Spirent's expertise is in delivering test solutions that capitalise on data center transformation, cloud computing, the concept of Ethernet everywhere, the proliferation of new wireless devices and infrastructure, and applications that enrich our lives.

Executing on our strategy delivered profitable growth for Spirent and a strong overall financial performance in 2010 which enabled us to increase sales by 13 per cent and adjusted basic earnings per share by 31 per cent year-on-year. Spirent delivers best in class financial performance compared to its peers. Our pace of innovation leads the test and measurement market. The key elements of our strategy are to focus on growing and emerging technology markets, to invest in our people and to utilise innovation to deliver the 'right solutions' to the global market at the 'right time'. These strategic goals have been furthered through the hard work, dedication and enthusiasm of our people. It is key to Spirent's success and future that we continue to develop our employees, reward them and recognise their critical contribution.

Spirent's solutions span all major technologies and serve all major customer segments across the telecommunication industry. We have prioritised engineering development spending on areas that matter most to customers such as the evolution of wireless technologies to 4G/LTE, high speed Ethernet, next-generation data centers, wireless infrastructure and application performance. Our worldwide sales and service organisation has industry leading capability, serving over 1300 customers globally across all segments including network equipment manufacturers, mobile device manufacturers, service providers, enterprise and governments as we enable the development of technology from inception to deployment in live networks.

The outlook is promising with our customers making new investments to bring next-generation technologies to market, as a result we are confident that the market for test and measurement will show further growth in 2011 and future years. Ethernet, wireless device and positioning test markets all show positive signs for growth in 2011. We continue to invest in new test solutions and in enhancing our current capabilities in the areas that matter most to our customers as they look to improve time to market of their industry leading products and services. We enter the year with the industry's broadest and, we believe, most innovative test solution portfolio. Additional investment in product development to drive innovation coupled with a relentless focus on executing our strategy will enable Spirent to continue to prosper.

BUSINESS REVIEW

Performance Analysis

$ million	**2010**	2009	Change (%)
Revenue	**365.8**	316.8	15
Operating profit	**97.9**	78.3	25
Return on sales (%)	**26.8**	24.7	

Market conditions

The Performance Analysis division experienced significant growth in 2010, with revenue up 15 per cent over 2009 as customers increased their investment in next-generation data centers that make use of cloud computing and virtualization. We also saw investment growth in current and next-generation wireline and wireless networks and mobile devices, as well as in global navigation satellite systems ("GNSS").

For the Networks & Applications business (previously referred to as Broadband), anytime, anywhere, any device connectivity is driving rapid changes in service provider and enterprise networks. Converged IP/Ethernet solutions have become the default for service providers as well as the enterprise, due to their cost effectiveness, scale and ability to support a wide range of applications. As a leader in Ethernet testing, Spirent is benefitting significantly from this industry trend.

In service provider networks, the explosion in data demand by mobile subscribers is driving higher speed interfaces, from 1G to 10G, all the way to 100G Ethernet, to provide support for bandwidth-hungry applications such as video. Cost effectiveness is driving IP/Ethernet across all aspects of the network, from access to the edge to the core, but with this comes the need to ensure the quality of user experience. The growth of Ethernet in wireless radio access networks also brings with it new testing needs. While industry standards have evolved to enable the synchronisation required to backhaul wireless traffic over Ethernet, this has added a layer of complexity which requires additional testing.

Enterprises are building next-generation data centers and moving more applications to the cloud to take advantage of reductions in cost, complexity and management overhead. This allows businesses to focus on their core competencies instead of building a large IT organisation. Powerful new technologies such as virtualization and Local Area Network/Storage Area Network integration are powering the new data center, but they bring with them significant challenges including security, performance and availability. The speed of information requires data center infrastructure to be upgraded to 10G Ethernet switches and 40G Ethernet links in order to handle the increases in data traffic moving across the data center. Network equipment manufacturers are responding to these requirements by building a new generation of terabit switches and routers that can support these technologies at unprecedented scale and this is forcing a new wave of investment in test and measurement solutions.

Both service provider and enterprise networks share the common goal of minimising costs while providing the same or better quality of experience for the user. Achieving this requires fundamental changes in the way networks are built and services are delivered. Validation of network performance, availability, security and scalability ("PASS") is critical, which has led Spirent to develop its unique PASS testing methodology. This cloud computing test methodology provides the test framework and approach to ensure that new products or network upgrades deliver the intended benefits and behave as expected, even under the most demanding scenarios.

Spirent enables its customers to address the many challenges of testing both new products and services with Spirent TestCenter, our best in class solution that is specifically designed to work through the various stages of conformance, functional and performance testing. Spirent TestCenter enables validation of applications through realistic emulation and has the ability to scale at industry leading levels. When combined with Spirent's depth of expertise, Spirent TestCenter enables our customers to accelerate time to market of converged network equipment and applications.

For the wireless communication industry, 2010 was a year of exceptional expansion in mobile internet, resulting in exponential mobile data growth. This is necessitating major network capacity upgrades globally and accelerating the trend towards all-IP networks. Smartphones continued to grow market share, with their users downloading ever more applications, accessing the internet and using location based services. To meet this demand, investments are being made to increase CDMA and UMTS network speeds and the first LTE networks are now being deployed.

As a result we continue to see strong demand for our UMTS and LTE wireless communication test solutions, as well as for our physical layer solutions which are used to test wireless receivers in 3G and LTE base stations and devices. Although CDMA wireless technology showed some expected decline as investment shifted to UMTS and LTE, this was somewhat offset by investments by new CDMA device vendors who are entering into markets such as the US and China, where major networks continue to use CDMA technology. As a leader in testing wireless devices and infrastructure, Spirent continues to apply its innovations to meet the ever-evolving needs of wireless customers.

The market for test equipment in the positioning sector experienced a solid recovery through 2010. Investment in GPS test returned to pre-downturn levels, with growth also evident in

GLONASS, Galileo and multi-GNSS test. Opportunities for 2011 include GPS modernisation and upgrades to the Russian GLONASS system. The European Galileo system is also gaining momentum and is expected to be fully operational in 2015. The use of 'smart' technology in government applications continues to increase, enabling position awareness everywhere, all the time, under all conditions. In the commercial markets rapid growth continues, demanding low cost, high availability consumer based products and applications.

Revenue

Revenue in the Performance Analysis division grew 15 per cent, from $316.8 million to $365.8 million. Much of this growth came from the Networks & Applications business and our Spirent TestCenter solution, as well as the Avalanche solution for testing application security and application performance. Throughout 2010 there were many key wins around data center, virtualization and cloud computing and the new network elements that support them. Another important area of growth was in mobile backhaul and core network testing. Spirent's Landslide solution, used for testing mobile packet core networks, experienced another strong year.

Our 3G/UMTS test solutions saw solid growth during the year. Global positioning has become a 'must have' capability in smartphones and Spirent once again experienced strong growth in its market leading location based test solutions for UMTS and LTE devices. Our physical layer solutions used to test wireless receivers had a record year, driven by the need for realistic testing of the complex new multi-antenna transmission schemes used in LTE infrastructure and devices. We experienced success for our LTE solutions within the Verizon Wireless' ecosystem of top-tier device suppliers. Early in 2010 Verizon, a major US carrier, announced that it had selected Spirent as a supplier for its mobile LTE device testing. We also saw LTE sales success with other leading carriers planning LTE network deployments, as well as within R&D groups of major device manufacturers and technology providers.

For the Positioning business, our high end (multi-constellation) satellite simulators experienced strong sales growth. One particularly notable win, into the second and final phase of the European Space Agency's Galileo programme, ensures Spirent's recognition as the reference supplier of GNSS test equipment to that programme. Sales of mid-range GNSS simulators to the commercial market were also up compared to 2009, with demand primarily being driven by the need to test combined GPS and GLONASS.

During 2010, we also strengthened our Services organisation through integration of our global team, enhancing our capacity to deliver support and professional services for our solutions in all of our key markets.

Profitability

Operating profit reported by Performance Analysis increased by 25 per cent to $97.9 million. This was due to a large extent to the growth in revenue. Gross profit margin reduced by one percentage point compared to full year 2009 as a result of large contract discounting and the product mix of sales including an increased proportion of revenue from third party products. Gross margins are well within the normal range for the business. Overheads increased at a much lower rate than revenue growth, rising by 8 per cent over the prior year. This operating leverage expanded return on sales to 26.8 per cent for 2010 compared to 24.7 per cent for 2009.

Product development

Our Networks & Applications business released several innovative, market leading solutions in 2010. For Spirent TestCenter, new capabilities included a high density HyperMetrics 40/100G Ethernet module, combining 100G and two 40G Ethernet test ports to enable the highest performance and scale for routing emulation and application traffic. We also released the industry's highest performing 10G Ethernet module for service provider multi-play testing and a HyperMetrics Fibre Channel module for end-to-end converged data center testing.

For LTE evolved packet core testing, we introduced a new Landslide appliance, a high performance solution to ensure next-generation wireless mobility performance. A new high performance version of the Avalanche appliance was also released, offering multi 10G Ethernet capacity and focusing on high performance true end-to-end applications and security testing. Another major Spirent innovation released in 2010 was Avalanche Virtual, the industry's first 'all-in-one' cloud testing solution designed to test and measure the PASS of virtualised network infrastructures and of applications deployed in the cloud. Spirent won a prestigious '2010 Best of Interop' award for this innovative solution.

Wireless test solutions delivered in 2010 addressed our customers' 3G and 4G/LTE testing needs. Spirent brought to market a family of test solutions that validate the performance of LTE devices and their ability to move between LTE and legacy wireless networks. We also introduced powerful, flexible network emulation and radio frequency ("RF") test solutions for LTE device development. We grew our UMTS business with the introduction of more Development Library test solutions, which provide developers with a highly configurable bench top UMTS wireless network to test their devices and applications.

The release of additional capabilities to test the performance of smartphones when utilising location based services maintained Spirent's leadership in this rapidly expanding area. Commercial availability of a new Spirent test solution to enable the capture of real-world wireless conditions in the field and to replay them in the lab made it possible for device and base station developers, as well as carriers, to reduce their need for costly and time consuming drive testing.

In the Positioning business, there was a focus on growing our tailored solutions, which develop or customise high end systems for individual customer requirements. During 2010, we also launched a new test solution that enables lab-based testing of hybrid Wi-Fi and satellite positioning technologies for mobile devices.

Service Assurance

$ million	**2010**	2009	Change (%)
Revenue	**57.0**	52.6	8
Operating profit	**13.0**	7.5	73
Return on sales (%)	**22.8**	14.3	

Market conditions

2010 saw market conditions begin to improve in both the service assurance and field test markets as the need grew for service providers to address increased bandwidth demands for business, residential triple play and mobility services. Increased investment by service providers was driven by competition, increased complexity in the access network, IP/Ethernet enablement and a focus on improving the efficiency of their field forces. These factors helped drive additional wins for our Spirent TestCenter Live ("STC Live") Ethernet solution at major wireline and wireless service providers in North America, as well as at a large European multiple system cable operator ("MSO"). In addition, we continue to see increased activity around triple play services and in-home field testing, as evidenced by five of the top eight US cable MSOs ramping up their purchases of our Tech-X Flex hand-held products.

Growth in capital spending from service providers worldwide is expected to continue, as improving economic conditions drive further demand for Ethernet services and higher bandwidth residential service offerings. Service provider investments are expected in business Ethernet offerings, IP video, 3G and LTE services. This growth will in turn drive investment in Ethernet service assurance solutions for wireless backhaul and triple play services by the operations, administration and maintenance organisations within the service providers. In the field test market, the transition from ADSL to VDSL2 based services and the growing sophistication of in-home IP networks over coax and wireless will drive new field test tool investment decisions by service providers.

Revenue

Service Assurance revenues increased by 8 per cent in 2010 to $57.0 million compared to $52.6 million in 2009 as service providers began to increase their capital spend. The year was highlighted by strong demand for test solutions for business services and to support the growing bandwidth needs in the wireless backhaul. There were key wins for our STC Live Ethernet solution at major wireline and wireless service providers in North America, as well as at a large European cable MSO. In addition, we continue to see increased activity in field test for triple play services and in-home testing.

Profitability

With the increase in revenue in 2010 and continued tight management control of expenses, the Service Assurance business improved profitability by 73 per cent year-on-year to $13.0 million from $7.5 million in 2009 reflecting the benefit of product mix including a major software contract. During this same period, return on sales increased from 14.3 per cent in 2009 to 22.8 per cent in 2010.

Product development

The focus remains on development of service assurance and field test solutions for next-generation networks. In 2010, this included enhancing our STC Live Ethernet test and performance monitoring offerings for business services and wireless backhaul, as well as adding IPTV support to our line of 1G and 10G Ethernet probes. In field test, we continued to add capabilities to our innovative Tech-X Flex platform including the release of an important new 1GHz RF and DOCSIS 3.0 testing module for the cable MSO market.

Systems

$ million	**2010**	2009	Change (%)
Revenue	**59.4**	57.8	3
Operating profit	**8.8**	7.9	11
Return on sales (%)	**14.8**	13.7	

Market conditions

During the year the market for our existing industrial products saw some recovery but more importantly we grew sales in newly served commercial and industrial markets.

Sales within the medical mobility market were broadly flat and under price pressure from changes in US Medicare funding. The pressure on margins that these changes create is being countered by product cost reduction and improvements in supply chain management.

Revenue and profitability

Revenue grew 3 per cent from $57.8 million to $59.4 million. Sales growth in 2010 has predominantly come from our industrial products which includes a mixture of improving commercial and industrial sales, coupled with growth in new markets. The profit improvement of 11 per cent over 2009 reflects the exchange rate hedging loss of $2.3 million last year, which did not repeat, partially offset by a non-recurring charge in 2010 of $1.1 million.

Product development

During the year we launched our new C3 AC pallet truck controller. This addresses a new market area for us and provides an opportunity for future growth. We also launched the new VSI wheelchair controller, an innovative, low cost controller designed to replace one of our older product lines.

Corporate costs

Corporate costs are those expenses which cannot be attributed to the Group's operating segments and comprise the costs of the Board and other corporate activities. The costs were maintained at a similar level to 2009 at $5.2 million (2009: $4.9 million).

Group financial performance

Results

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

	First half 2010	**Second half 2010**	**Full year 2010**	2009	Change (%)
Book to bill ratio[1]	**104**	**107**	**105**	102	
Revenue ($ million)	**227.2**	**255.0**	**482.2**	427.2	13
Gross profit margin (%)	**65.5**	**67.6**	**66.6**	66.3	
Operating profit[2] ($ million)	**49.9**	**64.6**	**114.5**	88.8	29
Return on sales[2] (%)	**22.0**	**25.3**	**23.7**	20.8	
Adjusted basic earnings per share[3] (cents)	**4.92**	**6.70**	**11.62**	8.86	31
Free cash flow[4] ($ million)	**33.4**	**49.2**	**82.6**	86.5	(5)

Notes
1 Ratio of orders booked to revenue billed.
2 Before share-based payment and acquired intangible asset amortisation.
3 Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of Notes to the preliminary consolidated financial statements and is at a constant tax rate of 30.4%.
4 Operating cash flow after tax, net interest and net capital expenditure.

Change to reporting currency

In May 2010 Spirent announced a change to the Group's reporting currency during 2010 from sterling to US dollars. The decision to change the Group's reporting currency was made in order to give a clearer understanding of Spirent's performance, more closely reflecting the profile of the Group's revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

Since the change has been applied retrospectively all comparative numbers in the consolidated financial statements have been restated into US dollars.

Revenue

Revenue was up 13 per cent compared with 2009 with all operating segments achieving revenue growth. In 2010 there has been recovery in the markets we serve together with increasing demand for our test solutions driven by the expansion in worldwide data connectivity and the shift within enterprises to virtualization and cloud computing. Our strategy of focusing on growing and emerging technology markets is delivering growth.

In 2010 the geographic profile of revenue did not change significantly. The US, which grew

17 per cent in 2010 over 2009, remained our major market and represented 52 per cent of revenue. There was progress in Asia and Europe, up 12 per cent and 15 per cent, respectively, compared with the prior year.

$ million	**2010**	**%**	2009	%
Europe	**79.5**	**16**	69.2	16
United States	**248.5**	**52**	212.4	50
Asia Pacific, Rest of Americas, Africa	**154.2**	**32**	145.6	34
	482.2	**100**	427.2	100

The book to bill ratio, which is a measure of the visibility of our future revenues, grew to 105 for the year compared with 102 for 2009. Order intake for the Group grew by 17 per cent over that for 2009. The rate of growth in order intake was lower in the second half of 2010 at 12 per cent, as the Group had seen recovery in the fourth quarter of 2009.

Operating profit

Operating profit was $112.7 million compared with $86.8 million in 2009, an increase of 30 per cent. Operating profit before share-based payment and acquired intangible asset amortisation, which is the measure of profit used by the Group to evaluate performance, increased by 29 per cent to $114.5 million compared with $88.8 million in 2009.

Return on sales increased to 23.7 per cent in 2010 from 20.8 per cent in 2009, largely as a result of the benefit of operational gearing on higher sales. Costs were managed carefully throughout the year but further investment was made in product development in the fourth quarter in order to generate new solutions to meet future customer requirements. Spirent’s returns continue to be among the best in our industry.

Currency impact

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

Cost of sales and operating expenses

Gross margin was slightly higher than the prior year at 66.6 per cent (2009: 66.3 per cent). There has been an improving trend in gross margin over a number of years achieved through design for lower cost of manufacture and outsourcing activities. However, improvements were partially offset in 2010 by large contract discounting and product mix, including an increased proportion of revenue from third party products which carry a lower margin.

The development of new innovative test solutions is critical to the success of our business hence product development forms a substantial proportion of our overall operating expenses. We work closely with our customers, focusing on their requirements for test solutions and invest in key areas that represent their future success. Product development expense in 2010 increased from $74.6 million in 2009 to $80.2 million, but was down as a percentage of sales to 16.6 per cent from 17.5 per cent in 2009. The majority of this spend, $65.9 million (2009: $60.7 million), was incurred in our Performance Analysis segment.

Other operating expenses were higher at $128.2 million in 2010 compared with $122.0 million in 2009, but as a percentage of sales this was also lower at 26.6 per cent compared with 28.6 per cent in 2009. The absolute increase is principally a result of the increase in variable sales and marketing expense required to achieve higher revenue. In addition, an expense for foreign exchange hedging losses of $5.0 million in 2009 was not repeated.

Share-based payment of $0.4 million (2009: $0.6 million) and acquired intangible asset amortisation of $1.4 million (2009: $1.4 million) are included in other operating expenses. It is anticipated that the share-based payment charge will rise to $1.2 million in 2011.

Finance income and costs

Strong cash generation has increased funds available for investment. Funds are held in short term bank deposits in the UK and US and earn market rates of interest. Interest rates remained low and some of our cash deposits were switched from sterling to US dollars, which attract a lower interest rate, as a consequence of the change in reporting currency and a reassessment of business requirements. Overall finance income was up slightly at $0.8 million for 2010 compared with $0.6 million for 2009.

Finance costs were $1.3 million (2009: $2.5 million). These included $1.2 million in respect of the defined benefit pension plans (2009: $1.7 million), being the expected return on pension plan assets less the interest charge on the unwinding of the liabilities over time. It is expected that the charge for the pension plans will be approximately the same for 2011. The remainder of the interest charge relates to the discounting of leasehold provisions of $0.1 million (2009: $0.3 million). In 2009 finance costs also included bank fees of $0.5 million.

Profit before tax

Profit before tax was $112.2 million compared with $84.9 million for 2009 an increase of 32 per cent.

Tax

The Group has in recent years reported a low effective tax rate due to the use of tax losses brought forward. In 2009 the Group recognised the benefit of these losses in accordance with accounting standards and having recognised these losses the future tax rate was expected to rise.

For 2010 the tax charge for the Group was $33.1 million, representing a current year effective tax rate of 30.4 per cent, an increase as expected from 14.8 per cent for 2009. The tax rate has not increased in 2010 as much as anticipated at the time of the half-year announcement as we benefited in the second half-year from the renewal of the Research & Experimental tax credits in the US.

The net tax credit of $6.3 million in 2009 includes the benefit of $21.7 million for a change in estimate in respect of the recovery of deferred tax assets.

At 31 December 2010 deferred tax assets amounting to $31.3 million have been recognised on the balance sheet (31 December 2009: $42.5 million). At 31 December 2010 there are deferred tax assets amounting to a tax value of $27.5 million which remain unrecognised in respect of unutilised non-trading loan relationship losses ($25.6 million) and temporary differences ($1.9 million) (31 December 2009: $30.8 million).

For 2011 it is expected that the effective tax rate will be in the region of 31.5 per cent.

Earnings per share

Basic earnings per share for the Group was 11.77 cents for 2010 compared with 13.67 cents for 2009, with 2009 benefiting from the tax effects described above, a low effective tax rate and a deferred tax credit of $21.7 million to recognise deferred tax assets.

In order to provide a measure to enable period-on-period comparisons to be made of its performance, and considering the large increase in the effective tax rate in 2010, the Group is reporting adjusted basic earnings per share calculated at a constant tax rate of 30.4 per cent.

Adjusted basic earnings per share at a constant tax rate, before prior year tax, and also excluding the benefit of the deferred tax credit of $21.7 million in 2009 referred to above, was 11.62 cents compared with 8.86 cents for 2009. This is an improvement of 31 per cent year-on-year.

Weighted average Ordinary share capital was 672.2 million shares compared with 667.0 million for 2009. At the year end the shares in issue ranking for dividend were 670.5 million.

Financing and cash flow

Cash and cash equivalents increased to $223.9 million at 31 December 2010 compared with $173.9 million at 31 December 2009. The Group continues to be debt free. The majority of the cash is held in bank deposits in the UK and US and 37 per cent of the balance is denominated in sterling. Currency translation has decreased cash and cash equivalents by $4.5 million in 2010.

Operating activities generated $99.4 million of cash in the year compared with $96.1 million in 2009. Free cash flow is set out below:

$ million	**2010**	2009
Cash flow from operations	**116.9**	106.3
Tax paid	**(17.5)**	(10.2)
Cash inflow from operating activities	**99.4**	96.1
Interest received	**0.8**	0.6
Net capital expenditure	**(17.6)**	(10.2)
Free cash flow	**82.6**	86.5

Cash conversion continued to be strong with free cash flow of $82.6 million for 2010, which represents 104 per cent of reported earnings. For 2009, after adjusting for the one-time deferred tax credit of $21.7 million, which was a non-cash item, the conversion ratio was 124 per cent.

The reduction in free cash flow in 2010, despite an improvement in earnings, is due to a number of factors: more normal levels of tax payment, $17.5 million in 2010 compared with $10.2 million in 2009, as brought forward tax losses in the US had been utilised in previous years; an increase in working capital of $4.2 million, due to higher trading activity in 2010 (2009: reduction of $10.8 million); and an increase in net capital expenditure to $17.6 million (2009: $10.2 million).

Net interest received was slightly higher at $0.8 million compared with $0.6 million in 2009 due to increased funds available for investment.

Cash outflow for on-market share repurchases amounted to $19.7 million in 2010 (2009: $1.1 million). Cash of $4.7 million was received from the exercise of employee share incentives (2009: $3.8 million).

In 2010 the Group settled the final dividend of 1.00 cents for the year ended 31 December 2009 and paid an interim dividend of 1.10 cents per share, in total a net cash outflow of $13.7 million (2009: $12.1 million) for dividends to shareholders.

A transfer of $0.6 million (2009: $2.2 million) was made from the long term cash deposit, set up as a consequence of a capital reorganisation in 2004, as we settled lease obligations to allow release of funds.

Net increase in cash and cash equivalents for 2010 in total was $54.5 million compared with $79.3 million for 2009.

Defined benefit pension plans

The Group operates two funded defined benefit pension plans which are in the UK. The accounting valuation of these plans at the end of 2010 was a surplus of $7.7 million compared with a net surplus of $0.5 million at 31 December 2009. This is comprised of a surplus of $7.1 million in the main plan (31 December 2009: deficit $0.5 million) and a surplus of $0.6 million in the other plan (31 December 2009: $1.0 million). The improvement in funding in the main plan is due to an increase in the value of assets as markets recovered net of a rise in the liabilities as a result of changes in the assumptions.

The actuarial valuations at 1 April 2009 of the plans were completed during 2010. Such a valuation involves a complete review of all the assumptions including longevity and funding. There was a deficit on the main UK plan arising from the valuation. The Company has agreed with the trustees of this plan to pay additional contributions of £1.6 million ($2.4 million) per annum to fund the deficit and these contributions are being paid in monthly instalments which commenced in June 2010.

The Group has also reported a liability of $0.6 million (2009: $0.6 million) in respect of UK unfunded plan liabilities.

Capital structure

The Company repurchased 10.4 million shares in 2010 at a cost of $19.7 million (2009: 0.6 million at a cost of $0.9 million). Of the shares repurchased 9.8 million were cancelled and 0.6 million were placed in trust to deliver to employees in relation to certain share incentives.

Shares were repurchased as part of the Company's policy to manage dilution attributable to its share incentive schemes.

Dividend

Following the change to the Group's reporting currency, dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed. For prior years the dividend was determined in sterling.

Due to the strong performance in 2010 the Board are recommending the payment of a final dividend for 2010 of 1.40 cents (0.86 pence) per share which, with the interim dividend of 1.10 cents (0.69 pence) per share paid in September 2010, brings the full year dividend to 2.50 cents (1.55 pence) per share and is covered 4.6 times by adjusted earnings. This is an increase of 30 per cent over the full year dividend for 2009 of 1.93 cents (1.21 pence).

Subject to approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 5 May 2011 to Ordinary shareholders on the register at 11 March 2011. Payment to ADR holders will be made on 12 May 2011.

Post balance sheet events

Spirent announced on 15 February 2011 the acquisition of The Fanfare Group, Inc. for a cash consideration of $15.0 million. The transaction was completed on 16 February 2011.

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 2010, a copy of which will be made available on the Company's website at www.spirent.com.

Consolidated income statement

$ million	Notes	Year to 31 December 2010	Year to 31 December 2009 (restated)[1]
Revenue	3, 4	**482.2**	427.2
Cost of sales		**(161.1)**	(143.8)
Gross profit		**321.1**	283.4
Product development	3	**(80.2)**	(74.6)
Selling and distribution		**(87.9)**	(78.0)
Administration		**(40.3)**	(44.0)
Operating profit	3	**112.7**	86.8
Finance income		**0.8**	0.6
Finance costs		**(1.3)**	(2.5)
Profit before tax	3	**112.2**	84.9
Tax	5	**(33.1)**	6.3
Profit for the year attributable to equity shareholders of parent Company		**79.1**	91.2
Earnings per share (cents)	6		
Basic		**11.77**	13.67
Diluted		**11.66**	13.60

Consolidated statement of comprehensive income

$ million	Year to 31 December 2010	Year to 31 December 2009 (restated)[1]
Profit for the year attributable to equity shareholders of parent Company	**79.1**	91.2
Other comprehensive income		
Fair value movements on cash flow hedges	**(0.6)**	8.0
Exchange differences on retranslation of foreign operations	**(3.3)**	14.1
Actuarial gains/(losses) on defined benefit pension plans	**8.6**	(2.2)
Irrecoverable element of defined benefit pension plan surplus	**(1.9)**	-
Deferred tax (charge)/credit on defined benefit pension plans	**(0.9)**	0.9
Other comprehensive income	**1.9**	20.8
Total comprehensive income for the year attributable to equity shareholders of parent Company	**81.0**	112.0

Note
1 Restated due to the change in the Group's reporting currency.

All activities relate to continuing operations.

Consolidated balance sheet

$ million	At 31 December 2010	2009 (restated)[1]	2008 (restated)[1]
Assets			
Non-current assets			
Intangible assets	**112.0**	112.4	111.7
Property, plant and equipment	**29.1**	23.6	26.8
Trade and other receivables	**3.6**	3.7	3.6
Cash on deposit	**1.1**	1.8	3.6
Defined benefit pension plan surplus	**7.7**	1.0	3.7
Deferred tax	**31.3**	42.5	17.5
	184.8	185.0	166.9
Current assets			
Inventories	**37.6**	28.1	34.8
Trade and other receivables	**98.2**	81.3	89.9
Derivative financial instruments	**-**	1.0	-
Cash and cash equivalents	**223.9**	173.9	86.0
	359.7	284.3	210.7
Total assets	**544.5**	469.3	377.6
Liabilities			
Current liabilities			
Trade and other payables	**(108.5)**	(86.6)	(91.4)
Current tax	**(13.0)**	(10.3)	(6.6)
Derivative financial instruments	**(0.2)**	(0.2)	(8.1)
Provisions and other liabilities	**(5.1)**	(6.1)	(5.3)
	(126.8)	(103.2)	(111.4)
Non-current liabilities			
Trade and other payables	**(7.5)**	(7.9)	(7.3)
Defined benefit pension plan deficit	**(0.6)**	(1.1)	(0.9)
Provisions and other liabilities	**(2.5)**	(5.3)	(11.8)
	(10.6)	(14.3)	(20.0)
Total liabilities	**(137.4)**	(117.5)	(131.4)
Net assets	**407.1**	351.8	246.2
Capital and reserves			
Share capital	**35.3**	36.4	32.2
Share premium account	**31.4**	29.5	24.8
Capital redemption reserve	**17.3**	17.1	15.3
Capital reserve	**-**	1.6	2.0
Other reserves	**1.6**	(0.6)	7.6
Translation reserve	**19.3**	22.6	8.5
Cash flow hedge reserve	**-**	0.6	(6.8)
Retained earnings	**302.2**	244.6	162.6
Total equity attributable to equity shareholders of parent Company	**407.1**	351.8	246.2

Note
1 Restated due to the change in the Group's reporting currency.

Consolidated cash flow statement

$ million	Note	Year to 31 December 2010	2009 (restated)[1]
Cash flows from operating activities			
Cash flow from operations	8	**116.9**	106.3
Tax paid		**(17.5)**	(10.2)
Net cash inflow from operating activities		**99.4**	96.1
Cash flows from investing activities			
Interest received		**0.8**	0.6
Transfer from long term deposit		**0.6**	2.2
Purchase of intangible assets		**(0.1)**	(0.3)
Purchase of property, plant and equipment		**(18.1)**	(10.1)
Proceeds from the sale of property, plant and equipment		**0.6**	0.2
Net cash used in investing activities		**(16.2)**	(7.4)
Cash flows from financing activities			
Dividend paid		**(13.7)**	(12.1)
Proceeds from the issue of share capital and employee share ownership trust		**4.7**	3.8
Share repurchase		**(19.7)**	(1.1)
Net cash used in financing activities		**(28.7)**	(9.4)
Net increase in cash and cash equivalents		**54.5**	79.3
Cash and cash equivalents at the beginning of the year		**173.9**	86.0
Effect of foreign exchange rate changes		**(4.5)**	8.6
Cash and cash equivalents at the end of the year		**223.9**	173.9

Note
1 Restated due to the change in the Group's reporting currency.

Consolidated statement of changes in equity

$ million	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Other reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
At 1 January 2009 (restated)[1]	32.2	24.8	15.3	2.0	7.6	8.5	(6.8)	162.6	246.2
Total comprehensive income	-	-	-	-	-	14.1	8.0	89.9	112.0
Share-based payment	-	-	-	-	-	-	-	0.6	0.6
Deferred tax credit on share incentives	-	-	-	-	-	-	-	1.7	1.7
Current tax on share incentives	-	-	-	-	-	-	-	0.5	0.5
New shares issued	0.3	1.8	-	-	-	-	-	-	2.1
Employee share ownership trust	-	-	-	-	-	-	-	1.7	1.7
Share repurchase	-	-	-	-	-	-	-	(0.9)	(0.9)
Equity dividends	-	-	-	-	-	-	-	(12.1)	(12.1)
Other movements	-	-	-	(0.6)	-	-	-	0.6	-
Exchange adjustment	3.9	2.9	1.8	0.2	(8.2)	-	(0.6)	-	-
At 1 January 2010 (restated)[1]	**36.4**	**29.5**	**17.1**	**1.6**	**(0.6)**	**22.6**	**0.6**	**244.6**	**351.8**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(3.3)**	**(0.6)**	**84.9**	**81.0**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Deferred tax credit on share incentives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.6**	**2.6**
New shares issued	**0.3**	**2.7**	**-**	**(0.2)**	**-**	**-**	**-**	**-**	**2.8**
Share cancellation	**(0.5)**	**-**	**0.5**	**-**	**-**	**-**	**-**	**-**	**-**
Employee share ownership trust	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.9**	**1.9**
Share repurchase	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19.7)**	**(19.7)**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13.7)**	**(13.7)**
Other movements	**-**	**-**	**-**	**(1.2)**	**-**	**-**	**-**	**1.2**	**-**
Exchange adjustment	**(0.9)**	**(0.8)**	**(0.3)**	**(0.2)**	**2.2**	**-**	**-**	**-**	**-**
At 31 December 2010	**35.3**	**31.4**	**17.3**	**-**	**1.6**	**19.3**	**-**	**302.2**	**407.1**

Note
1 Restated due to the change in the Group's reporting currency.

Notes to the preliminary 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 2010.

As required by the European Union's IAS Regulation and the Companies Act 2006 the Group has prepared its consolidated financial statements for the year to 31 December 2010 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and issued by the International Accounting Standards Board. The comparative financial information is based on the statutory accounts to 31 December 2009 which have been delivered to the Registrar of Companies as restated for the change in reporting currency referred to below. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498 of the Companies Act 2006.

The preliminary announcement was approved by the Board of Directors on 3 March 2011.

The financial information for the year to 31 December 2010 has been extracted from the statutory accounts on which an unqualified audit report, which did not contain a statement under Section 498 of the Companies Act 2006, has been issued. These accounts are yet to be delivered to the Registrar of Companies.

2 Accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2009 although the comparative financial information has been restated for the change in reporting currency referred to below.

Adoption of new and current standards

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

International Accounting Standards ("IAS/IFRS")	
IAS 27 (revised)	Consolidated and Separate Financial Statements
IAS 39	Amendment to IAS 39 – Eligible Hedged Items
IFRS 2	Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions
IFRS 3 (revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners
Improvements to IFRSs (April 2009)	

Going concern

At 31 December 2010 the Group had cash balances of $223.9 million and no debt.

The directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly the going concern basis continues to be used in the preparation of the financial statements.

Change in reporting currency

The consolidated financial statements are presented in US dollars following a decision to change the reporting currency from sterling during the year. The change was made in order to give a clearer understanding of Spirent's performance, more closely reflecting the profile of the Group's revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

2 Accounting policies continued

The currency translation reserve was set to zero at 1 January 2003 on transition to IFRS and has been re-presented on the basis that the Group has reported in US dollars since that date. Share capital, share premium account, capital redemption reserve, capital reserve and cash flow hedge reserve are translated into US dollars at the rates of exchange at the balance sheet date and the resultant exchange differences are included in other reserves.

The reporting currency of the parent Company remains as sterling, as it is located in the United Kingdom and its functional currency is sterling. It will retain its share capital denominated in sterling.

Since the change in reporting currency has been applied retrospectively all comparative numbers in these preliminary consolidated financial statements have been restated into US dollars. Comparatives for one year have been presented for the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated cash flow statement and Consolidated statement of changes in equity. Comparatives for two years have been presented for the Consolidated balance sheet.

3 Operating segments

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

The Group's reportable operating segments are Performance Analysis, Service Assurance and Systems. The Group evaluates segment operating profit before share-based payment, acquired intangible asset amortisation and exceptional items, although there were no exceptional operating items in 2009 or 2010. Finance income and finance costs are not allocated to the reportable segments. Corporate is not an operating segment and costs are separately reported and not allocated to the reportable segments.

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

3 Operating segments continued

$ million					2009 (restated)
	Performance Analysis	Service Assurance	Systems	Corporate	Total
Revenue					
External revenue	316.8	52.6	57.8	-	427.2
There were no inter-segment sales					
Profit before tax					
Total reportable segment profit/(loss)	78.3	7.5	7.9	(4.9)	88.8
Unallocated amounts					
Acquired intangible asset amortisation					(1.4)
Share-based payment					(0.6)
Operating profit					86.8
Finance income					0.6
Finance costs					(2.5)
Profit before tax					84.9
Other information					
Product development	60.7	10.0	3.9	-	74.6
Intangible asset amortisation – other	0.5	-	-	-	0.5
Expenditure on property, plant and equipment	9.0	0.8	0.3	-	10.1
Depreciation	11.8	1.1	0.6	-	13.5
Segment assets	242.2	13.0	21.4	192.7	469.3
Segment cash flows					
Operating activities	92.4	10.4	10.4	(17.1)	96.1
Investing activities	(9.1)	(0.8)	(0.3)	2.8	(7.4)
Financing activities	-	-	-	(9.4)	(9.4)
	83.3	9.6	10.1	(23.7)	79.3

4 Geographical information

$ million	**2010**	2009 (restated)
Revenue by market		
Europe	**79.5**	69.2
United States	**248.5**	212.4
Asia Pacific, Rest of Americas, Africa	**154.2**	145.6
	482.2	427.2

Europe includes United Kingdom revenue of $14.7 million (2009: $14.0 million).

Revenues are attributed to countries based on customer location.

5 Tax

$ million	2010	2009 (restated)
Current income tax		
Current income tax charge – foreign tax	**21.3**	11.8
Amounts (overprovided)/underprovided in previous years	**(1.0)**	2.8
Total current income tax charge	**20.3**	14.6
Deferred tax		
Recognition of deferred tax assets	**(0.3)**	(31.1)
Reversal of temporary differences	**13.1**	10.2
Total deferred tax charge/(credit)	**12.8**	(20.9)
Tax charge/(credit) in the income statement	**33.1**	(6.3)

Of the deferred tax credit arising in 2009, $21.7 million is as a result of a change in estimate in respect of the recovery of tax losses and timing differences.

6 Earnings per share

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

$ million	2010	2009 (restated)
Profit for the year attributable to equity shareholders of parent Company	**79.1**	91.2

Number million		
Weighted average number of shares in issue – basic	**672.2**	667.0
Dilutive potential of employee share incentives	**6.2**	3.4
Weighted average number of shares in issue – diluted	**678.4**	670.4

Cents		
Earnings per share		
Basic	**11.77**	13.67
Diluted	**11.66**	13.60

In 2010 the Group has disclosed adjusted earnings per share attributable to equity shareholders at a constant tax rate of 30.4 per cent, being the rate applicable for 2010, in order to provide a measure to enable period-on-period comparisons to be made of its performance. A reconciliation is provided below:

		2010		2009 (restated)
	$ million	**EPS Cents**	$ million	EPS Cents
Profit for the year attributable to equity shareholders of parent Company	**79.1**	**11.77**	91.2	13.67
Restate tax to a constant effective rate of 30.4%	**-**		(13.2)	
Deferred tax assets – change in estimate	**-**		(21.7)	
Prior year tax (credit)/charge	**(1.0)**		2.8	
Adjusted basic	**78.1**	**11.62**	59.1	8.86
Adjusted diluted		**11.51**		8.82

7 Dividends paid and proposed

$ million	**2010**	2009 (restated)
Declared and paid in the year		
Equity dividend on Ordinary Shares		
Final dividend paid for the year ended 31 December 2009 of 1.00 cents per Ordinary Share (31 December 2008: 0.87 cents)	**6.4**	6.2
Interim dividend 2010 1.10 cents per Ordinary Share (2009: 0.93 cents)	**7.3**	5.9
	13.7	12.1
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Equity dividend on Ordinary Shares		
Final dividend 2010 1.40 cents per Ordinary Share (2009: 1.00 cents)	**9.4**	6.4

The directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 1.40 cents per share (2009: 1.00 cents), which will absorb an estimated $9.4 million of shareholders' funds (2009: $6.4 million). It will be paid on 5 May 2011 to Ordinary shareholders who are on the Register of Members at close of business on 11 March 2011. Payment will be made to ADR holders on 12 May 2011. No liability is recorded in the financial statements in respect of this final dividend.

Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed. The exchange rate used for determining the amount of the final dividend to be paid was $1.63:£1.

8 Reconciliation of profit before tax to cash generated from operations

$ million	**2010**	2009 (restated)
Profit before tax	**112.2**	84.9
Adjustments for:		
Finance income	**(0.8)**	(0.6)
Finance costs	**1.3**	2.5
Intangible asset amortisation	**1.6**	1.9
Depreciation of property, plant and equipment	**11.9**	13.5
Loss on the disposal of property, plant and equipment	**-**	0.1
Share-based payment	**0.4**	0.6
Changes in working capital:		
Deferred income received	**10.2**	6.4
(Increase)/decrease in receivables	**(16.5)**	7.2
(Increase)/decrease in inventories	**(9.6)**	8.0
Increase/(decrease) in payables	**11.7**	(10.8)
Decrease in provisions	**(4.0)**	(6.8)
Defined benefit pension plan	**(1.5)**	(0.6)
Cash flow from operations	**116.9**	106.3

9 Post balance sheet events

On 15 February 2011 the Group announced that it had entered into an agreement to acquire The Fanfare Group, Inc. for a cash consideration of $15.0 million. The acquisition was completed on 16 February 2011.

Glossary

3G (Third Generation)	Third generation of mobile communications following first generation (analogue) and second generation (digital) that promises megabits per second.
4G (Fourth Generation)	Future generation of mobile communications following 3G that promises hundreds of megabits per second.
ADSL (Asymmetric Digital Subscriber Line)	The most common of the DSL technologies. ADSL is designed to deliver more bandwidth downstream than upstream, for example from a central office to a customer site.
Backhaul	A communications channel is backhauling when it takes traffic beyond its destination and back. There are many reasons it might do this for example it may be cheaper to go that route instead of going directly.
Broadband	Generic term for devices with a bandwidth greater than one megabit per second.
CDMA (Code Division Multiple Access)	A digital cellular standard technology allowing communications circuits to carry multiple conversations simultaneously, thus increasing capacity; used in radio communications.
Cloud Computing	A way of computing, via the internet, that broadly shares computer resources instead of having local servers handle specific applications.
COMPASS	A Chinese project to develop and deploy an independent global navigation satellite system.
Content Delivery	On the internet, content delivery is a service that entails copying pages from a website to geographically dispersed servers and, when a page is requested, dynamically identifying and serving the page from the closest server to the user, enabling faster delivery.
Data Center	A centralised location where computing resources critical to an organisation are maintained in a highly controlled environment.
DOCSIS (Data Over Cable Service Interface Specification)	An international telecommunications standard that permits the addition of high speed data transfer to an existing Cable TV system. It is employed by many cable television operators to provide internet access over their existing hybrid fiber coaxial infrastructure.
Ethernet	A family of networking technologies developed for local area networks, migrating to metro area networks and becoming a dominant standard in wireline networks.
Galileo	The informal name for the European Global Navigation Satellite System, a system that will offer users anywhere in the world 'near pinpoint' geographic positioning when it becomes fully operational.
GbE (Gigabit Ethernet)	A term describing various technologies for transmitting Ethernet frames at a rate of a gigabit per second. GbE uses the same framing as Ethernet and Fast Ethernet, but has a much higher clock speed (one billion bits per second).
GNSS (Global Navigation Satellite Systems)	The standard generic term for satellite navigation systems ("sat nav") that provide autonomous geo-spatial positioning with global coverage. GNSS allows small electronic receivers to determine their location to within a few metres using time signals transmitted along a line-of-sight by radio from satellites. Receivers calculate the precise time as well as position.
GPS (Global Positioning System)	A system for determining location and height at any point on the earth's surface. A receiver uses minute differences in measured time signals from clocks on satellites to calculate these positions and altitudes.
GLONASS (Global Navigation Satellite System)	Global navigation satellite system operated by the Russian Federation Ministry of Defence.
HSPA (High Speed Packet Access)	A collection of mobile telephone protocols that extend and improve the performance of existing UMTS protocols for high speed data transmission.
IMS (Internet Protocol Multimedia Subsystem)	A standardised next-generation architecture for telecoms operators who want to provide mobile and fixed multimedia services.

IP (Internet Protocol)	Data protocol used by many networking devices to facilitate and control the flow of data.
IPTV (Internet Protocol Television)	The delivery of programming by video stream encoded as a series of IP packets.
LAN (Local Area Network)	A short distance data communications network used to link computers and peripheral devices, such as printers or modems, under some form of standard control.
Location Based Services	The delivery of information, mapping and locally available business and public data over the wireless network dependent upon the ability to locate mobile devices by means of direct satellite or cellular assisted satellite signals.
LTE (Long Term Evolution)	A standard to enhance existing 3G wireless to add 4G mobile communications technology on an IP network air interface, to create a wireless broadband internet system.
MSO (Multiple System Operator)	A company that operates more than one cable TV system, often in different places.
Over-the-Air	Mobile network radio cellular tower signal or satellite signal transmitted over-the-air to a mobile device antenna and processed by the mobile device communicating with the mobile network.
RF (Radio Frequency)	A technology used for wireless broadcasting and/or communications.
SAN (Storage Area Network)	A special purpose high speed network designed to transport database-intensive applications, such as those used for inventory, billing, receivables, customer relationship management and supply chain.
Triple Play	Voice, video and data transmitted over a single transport medium.
UMTS (Universal Mobile Telecommunications System)	One of the 3G wireless technologies. The most common form of UMTS uses WCDMA on its underlying air interface and offers support for high speed data transfer.
VDSL2 (Second Generation Very-high-data-rate Digital Subscriber Line)	Designed to support simultaneous bandwidth-intensive and tenancy-sensitive voice, video, data TV over IP and interactive gaming.
Virtualization	A term that refers to the abstraction of computer resources. Virtualization puts a number of computing and networking facilities together in such a way that it looks like a virtual computer to a user or a customer.
WCDMA (Wideband CDMA)	A global standard for mobile 3G.
Wi-Fi	Enables devices such as personal computers, video game consoles, smartphones or digital audio players to connect to the internet when within range of a wireless network connected to the internet. The coverage of one or more access points generally comprises an area the size of a few rooms but may be expanded to cover many square miles, depending on the number of access points with overlapping coverage.