inspiring
innovation
enriching
life

Spirent Communications plc
Annual Report 2010

SPIRENT®

Welcome to the Spirent Annual Report 2010

This interactive pdf allows you to access the information that you want, allowing you easily to print, search for a specific item or go directly to a page, section or website.

Use the document controls located at the top of each page to navigate through this report.

Use the contents to jump straight to the section you require.

Key

Search the entire document by keyword

Print a single page or whole sections

Return to the contents

Next Page
Previous Page

Links

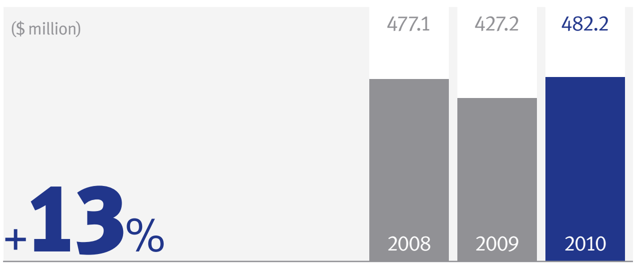
Throughout this report there are links to pages, other sections and web addresses for additional information.

Examples: This is an example of how the links appear within this document. They are recognisable by the green underline simply click to go to the relevant page or web URL www.spirent.com

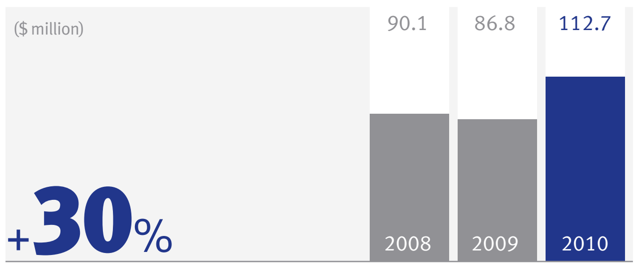
Spirent plays a significant role in shaping the way the world communicates. We inspire innovation across our customer base by testing tomorrow's networks and technologies today, including cloud computing, global positioning and high speed wireless data such as LTE. We thereby enhance the products, services and applications that drive the ever-evolving communications industry. As a leader in test and measurement, we truly enrich the lives of people around the world by enabling them to communicate faster and more effectively – anytime, anywhere.

“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.”

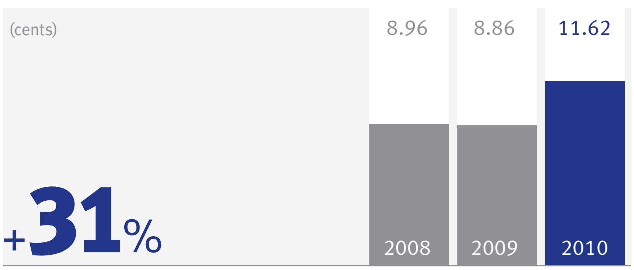
Group revenue



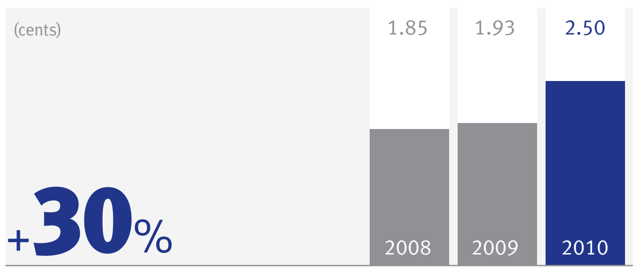
Group operating profit



Adjusted basic earnings per share[3]



Dividend per share[1]



Cautionary statement regarding forward-looking statements

This Annual Report 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 Annual Report, whether as a result of new information, future events or otherwise.

$ 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

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.

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 11 of Notes to the consolidated financial statements.
4 Restated due to the change in the Group's reporting currency.

Spirent is a global leader in communications test and measurement listed on the London Stock Exchange.

The Group is organised into three business segments: Performance Analysis, Service Assurance and Systems. Performance Analysis provides solutions that test current and next-generation communications technologies in the lab. Service Assurance provides network monitoring and field test solutions for live networks. Systems is a leading supplier of sophisticated electronic control systems for electrically powered vehicles in the medical mobility and industrial markets.

PERFORMANCE ANALYSIS

Spirent puts innovation to the test. With a concentration on Ethernet, data center (including cloud computing and virtualization), mobility and satellite positioning, as well as the applications that enrich these networks, Spirent's Performance Analysis division facilitates device and network testing, from the research and development stage to the launch of communications networks and services. We push the limits of these networks, their elements, mobile and satellite positioning devices and applications by allowing equipment makers and service providers to subject their offerings to lab-based functional, conformance and performance testing that simulates real-world conditions, before a commercial launch.

DIVISIONAL REVIEW

Revenue

$365.8M (2009 $316.8M)

DIVISIONAL FOCUS

Ethernet, data center, cloud computing, virtualization and applications
Wireless devices and network infrastructure
Satellite navigation and positioning technologies

HIGHLIGHTS 2010

Financial
- Revenue up 15% driven by expansion in worldwide data connectivity
- Profit up 25% due to high operating leverage on revenue growth

Customer wins
- Huawei for HSPA+
- Nokia Siemens Networks for evolved packet core
- NTT Communications for 100Gb Ethernet
- Verizon Wireless for LTE

New product introductions
- High performance 10G and 40/100G Hypermetrics modules
- Avalanche Virtual ("Best of Interop") award
- 8100 LTE device test solutions
- Wi-Fi positioning test solution

SERVICE ASSURANCE

Spirent's service assurance solutions allow service providers to diagnose, troubleshoot and determine how to resolve issues with networks and systems within the live network. Building on the expertise gained through testing technologies and systems in the lab, Spirent enables service providers to deploy and maintain efficient, cost effective and high performing networks, helping to reduce subscriber churn by providing better quality of experience. Spirent's solutions also allow service providers to reduce operational costs through better identification of potential network problems, from the core of the network to inside the subscriber's home, and use of the most appropriate resources to address those issues.

DIVISIONAL REVIEW

Revenue

$57.0M (2009 $52.6M)

DIVISIONAL FOCUS

Ethernet business services
Wireless backhaul
Triple play services

HIGHLIGHTS 2010

Financial
- Demand driven by need for increased data capacity across the industry
- Profit up 73% reflects revenue growth and beneficial product mix

Customer wins
- North American MSOs for in-home field testing
- North American wireless providers for wireless backhaul
- MSOs in Europe for IP video monitoring and triple play testing
- Ziggo (Europe) for carrier Ethernet performance monitoring

New product introductions
- Spirent TestCenter Live enhancements: business services, wireless backhaul, IP video
- Tech-X Flex: DOCSIS 3.0 and 1GHz cable TV testing

SYSTEMS

Systems comprises PG Drives Technology, a leading supplier of sophisticated electronic control systems for electrically powered vehicles in the medical mobility and industrial markets. These include vehicles such as powered wheelchairs and mobility scooters as well as industrial vehicles such as floor cleaning vehicles, fork-lift trucks, aerial access platforms and golf carts.

DIVISIONAL REVIEW

Revenue

$59.4M (2009 $57.8M)

DIVISIONAL FOCUS

Motorised wheelchair and mobility scooters
Commercial and industrial electric vehicles
Low speed electric vehicles

HIGHLIGHTS 2010

Financial
- Grew revenue in newly served commercial and industrial markets
- Profit improvement of 11% due to exchange rate losses in 2009 not repeated net of a one-off charge in 2010

Customer wins
- New commercial applications

New product introductions
- C3 AC pallet truck controller
- New VSI wheelchair controller

"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."

Alex Walker
Chairman

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.

"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."

Bill Burns
Chief Executive Officer

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.

Markets and strategy

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 1,300 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.

Outlook

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.

Our strategy

Our vision is to be the global leader in growing and emerging test and measurement markets.

The growth of communications networks continues to be driven by the demand for anytime, anywhere connectivity. At Spirent we make use of our deep understanding of communications trends and technologies, together with our close customer relationships, to identify growing and emerging market opportunities. Attracting and retaining the best and brightest people in the industry enables Spirent to develop the most innovative and complete test and measurement solutions to address these opportunities.

We maintain a high rate of investment in our solutions portfolio, enabling us to bring solutions to market at the point in technology and market cycles when our customers most need them. Our solutions are used to develop and deploy the best devices, networks and applications, helping enrich people's lives, whether they're consumers, employed by a business enterprise or work for a government entity. As a trusted partner to over 1,300 global customers, Spirent's global reach allows us to assist these organisations, wherever they are located, to transition from legacy to emerging and next-generation technologies. Spirent remains dedicated to retaining its position at the forefront of the ever-evolving communications industry, understanding that market leadership plays an important part in sustaining profitable growth.

STRATEGY

Focus on growing and emerging markets

Invest in our people

Innovation

Evolve our solutions portfolio

"Right Solution" at the "Right Time"

Global reach

DESCRIPTION	2010 ACHIEVEMENTS
Spirent closely monitors the ever-changing trends across the communications landscape, strategically reallocating resources to address growing and emerging markets.	We once again focused on telecommunications growth markets, including LTE networks and devices, cloud computing, global positioning and high speed Ethernet.
Spirent is its employees. Attracting and retaining highly qualified and skilled employees is central to enabling us to deliver on our strategy and to the success of our business. Appropriate career paths and internal recognition programmes are developed for both technical and non-technical staff.	The profitable growth that we achieved in 2010 enabled us to find ways to recognise and reward our employees for their hard work and for the success of Spirent. We continued to work hard to nurture an environment in which the innovation and collaboration critical to Spirent's success can thrive.
Remaining at the leading edge of technology is critical to our continued success. We apply our creativity to the development of tools and methodologies to meet our customers' complex needs for testing and assuring communications and IT equipment, networks and applications.	Building on our earlier Spirent TestCenter Virtual innovation, we released our Avalanche Virtual solution for testing the performance, availability, security and scalability of virtualized network appliances and cloud based applications. We also introduced innovative solutions for testing LTE mobile devices and Wi-Fi positioning.
We invest in development across our product and service portfolio at a level that enables us to bring the most advanced test solutions to market.	During 2010, we released over 50 new products and additions of new functionality in key technology areas including cloud computing, high speed Ethernet and LTE.
We enable our customers to bring new products and technologies to market in the shortest amount of time by making available the solutions they need, when they need them.	Staying close to our customers enabled us to bring to market high performance 40/100G test modules, at the appropriate time to meet the demands of the earliest 40G Ethernet technology developers.
We have built world-class sales and service organisations that enable Spirent to develop and maintain strong customer relationships around the globe.	We continued to expand our sales and service capabilities in growth markets, especially in Asia Pacific. We also grew our product development capacity in China.

What we test

Spirent provides hardware and software tools and test methodologies that enable testing of the performance of network equipment, devices and applications during the development phase. We apply the expertise gained through this testing to our service assurance solutions, which allow service providers to diagnose, troubleshoot and determine how to resolve issues within live networks.

Ethernet has become the *de facto* standard for service providers, as well as the enterprise, across all aspects of the network, from access to the edge to the core, due to its cost effectiveness, scale and ability to support a wide range of applications. Spirent's leadership in Ethernet testing allows us to benefit significantly from the sustained growth in Ethernet use across all communication and IT markets. We test network equipment which utilises Ethernet at ever-increasing scale, including switches, routers, evolved packet core network elements, firewalls, load balancers and intrusion detection/intrusion prevention.

For service provider networks (see diagram) we test all service layers of the network, including those that require high data capacity and those that deliver application scale or security. Spirent TestCenter is a single, converged performance test platform to test application experience and backhaul networks, as well as mobility, interoperability and 40/100G Ethernet in core networks. We also test the service quality, security and application performance of content delivery networks, cloud applications and the internet.

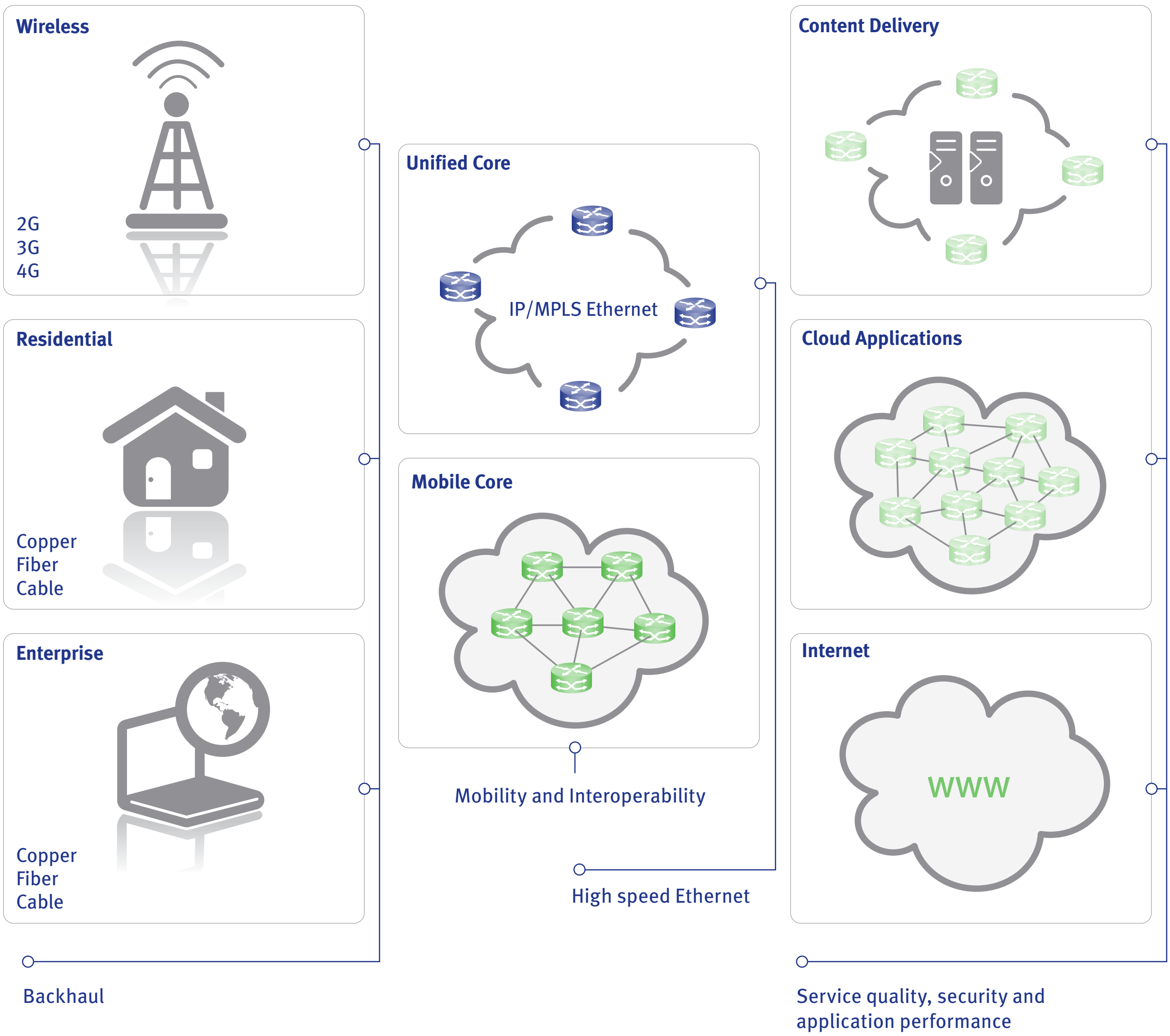
For the enterprise, Spirent is well positioned to benefit from the move of applications into public/private clouds and from the growth from Enterprise NEMs who are building next-generation cloud infrastructure and cloud service devices. The rapid convergence of data center technologies such as storage over Ethernet, high speed Ethernet and virtual servers running multiple applications in the cloud, is pushing the boundaries of testing. Spirent has released virtualized variants of its solutions to provide unsurpassed visibility into the entire data center infrastructure. These take advantage of Spirent's innovative PASS methodology to test the performance, availability, security and scalability of cloud computing networks.

New testing needs for wireless devices are driven by smartphone growth and the associated exponential growth in mobile data, which leads service providers to look to new technologies such as LTE and to the cost and efficiency advantages of all-IP networks. Spirent is a leader in functional, conformance and performance testing of 3G and 4G/LTE devices, including smartphones and data cards. Spirent also has a long track record as the leader in testing the performance of location technology that supports location based services on smartphones, including over-the-air testing.

Spirent is the worldwide leader in testing GNSS receiving devices. While GPS remains the most widely used system, others such as GLONASS, Galileo and COMPASS are gaining ground, with other positioning techniques such as use of Wi-Fi access points also growing in popularity. Spirent is able to test the performance of all of these technologies, as they become embedded in an ever-broader range of applications, from smartphones and vehicles to aerospace and government.

EXAMPLE:

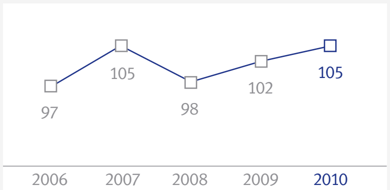
SERVICE PROVIDER NETWORKS



Spirent has identified the following key performance indicators ("KPIs") that it believes are useful in assessing how the Group is performing against its strategic aims.

KPI | **DESCRIPTION** | **COMMENTARY**

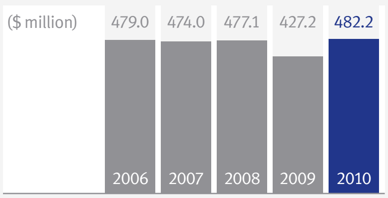
Book to bill ratio



Description: Ratio of orders booked to revenue billed which is a measure of the visibility of our future revenues at current levels of activity. The Group aims to maintain a book to bill ratio of 100 or higher.

Commentary: The ratio is 105 for 2010 up from 102 for 2009 and this reflects the improving demand levels experienced by the Group.

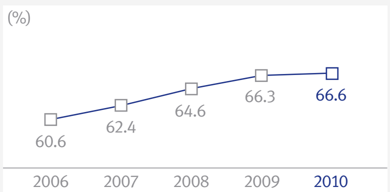
Revenue



Description: Growth in revenue is a measure of how we are growing our business. Our goal is to achieve year-on-year growth. In addition our focus has been on increasing our market share and growing our new product revenues which are some of the key components of our strategy.

Commentary: Revenue for the Group increased by 13 per cent. 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.

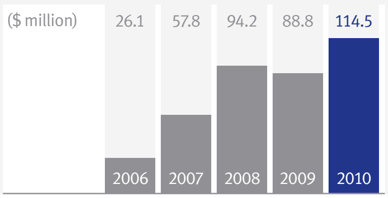
Gross profit margin



Description: Gross profit as a percentage of revenue is a measure of our profitability. We seek to maximise our gross margin through operational excellence in all aspects of our business.

Commentary: Gross profit margin was slightly higher at 66.6 per cent up from 66.3 per cent in 2009. There has been an improving trend 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.

Operating profit before share-based payment and acquired intangible asset amortisation



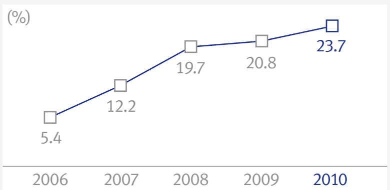
Description: Operating profit before share-based payment and acquired intangible asset amortisation is the measure used to evaluate the overall performance of the Group as well as each of our operating segments. Our goal is to achieve year-on-year growth.

Commentary: Operating profit increased by 29 per cent largely as a result of higher sales. We managed costs carefully throughout the year but we made further investment in product development in the fourth quarter in order to generate new solutions to meet future customer requirements.

Our strategy focuses on medium to long term growth and therefore its achievement cannot just be measured by looking at our performance in 2010 compared to the prior year, trends over a number of years must also be considered.

KPI

Return on sales before share-based payment and acquired intangible asset amortisation



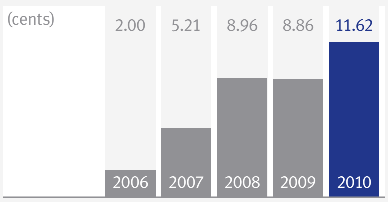
Description

Operating profit before share-based payment and acquired intangible asset amortisation as a percentage of revenue is a measure of our overall profitability. We strive to achieve best in class operating returns for our industry.

Commentary

Return on sales has improved from 20.8 per cent in 2009 to 23.7 per cent in 2010 driven by the high operating leverage in our business. Spirent's operating returns are among the best in our industry.

Adjusted basic earnings per share at a constant tax rate



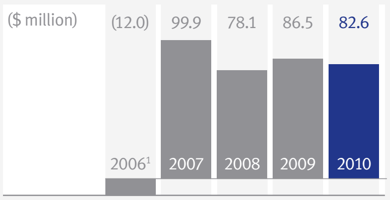
Description

Earnings per share ("EPS") is the amount of earnings attributable to each share in issue. Adjusted EPS excludes exceptional items and prior year tax which enables period-on-period comparisons to be made of our performance. We aim to achieve growth in adjusted EPS year-on-year. We are using a constant effective tax rate of 30.4 per cent, being the rate applicable for 2010, to evaluate EPS. The effective tax rate in 2009 was much lower at 14.8 per cent.

Commentary

Adjusted EPS at a constant effective tax rate was 11.62 cents for 2010, an improvement of 31 per cent on the prior year.

Free cash flow



1 Before one-time pension contribution.

Description

Free cash flow is operating cash flow after tax, net interest and net capital expenditure. We focus on cash generation as a measure of the quality of our earnings and our aim is to achieve a high conversion of earnings into cash each year.

Commentary

Free cash flow was strong at $82.6 million for 2010, which represents 104 per cent of reported earnings. In 2009 the conversion ratio was 124 per cent after adjusting for the non-cash deferred tax credit. The absolute reduction in free cash flow was due to a number of factors: more normal levels of tax payment, an increase in working capital due to higher trading activity and an increase in capital expenditure.

We conduct regular risk reviews to identify the major risks in the business which may affect our operating and financial performance and where possible put in place mechanisms to mitigate them.

The principal risks and uncertainties which the directors believe are currently faced by Spirent Communications plc are discussed below.

RISK AND POTENTIAL IMPACT	MITIGATION ACTIONS
Macro-economic and industry sector In common with most businesses Spirent is exposed to the current world economic conditions due to a number of factors largely outside of our control. We are particularly exposed to conditions in the telecommunications sector into which we sell many of our products and services and which has experienced significant downturns in the past.	Having the ability to adapt to changing market dynamics is key in order to minimise the effects of adverse economic or sector conditions. Our businesses closely monitor both market and geographic trends so that we are in a position to take timely actions to protect profitability where possible.
Technological change Spirent sells complex solutions in industries that are characterised by rapid technological changes and keeping at the forefront of these technologies is critical to our success and to ensure that we remain competitive in our markets. We must therefore ensure that our R&D is invested in the right areas enabling us to develop solutions that our customers need and that we do not fail to address opportunities in a timely manner. Bringing new solutions to market at the right time for our customers is also key to our success.	We continue to make significant investment in product development and in 2010 $80.2 million, representing 17 per cent of revenue, was invested. A Portfolio Planning Team is in place, responsible for reviewing and making investment decisions across Spirent's portfolio of investment opportunities. We work closely with customers and remain focused on their requirements and believe we are investing in areas that represent their future.
Reliance on contract manufacturers We use contract manufacturers for the manufacture of a substantial amount of our products. Disruption or financial problems of contract manufacturers or limitations in the manufacturing capacity at contract manufacturers could either limit supply or increase our costs.	We work closely with our contract manufacturers and maintain a regular on-site presence at our major contract manufacturer. To minimise the effect on supply that could be caused by disruption at contract manufacturers there are contingency plans in place to transfer manufacturing to other locations.

Significant risks are reviewed by the Board and the Audit Committee. It is not possible to identify every risk that could affect the business, and the actions described below to mitigate those risks cannot provide absolute assurance that the risk will not occur and/or adversely affect the operating or financial performance of the Group. These processes are more fully described in the Directors' statement on corporate governance.

RISK AND POTENTIAL IMPACT	MITIGATION ACTIONS
Business continuity risks Operational risks are present in the Group's businesses. These risks include the risk of failed internal and external processes and systems, human error and external events, such as a natural disaster. For example a significant portion of our communications operations are located in California which has in the past experienced natural disasters, including earthquakes and wildfires.	An important component of Spirent's corporate governance is its integrated risk management strategy and its regular self-assessment of risks encompassing all business units. Part of this process is to ensure that the risks of disruption to the business are identified, monitored and controlled wherever possible as well as arranging appropriate insurance cover.
Retention and recruitment of key staff Spirent is its employees. So attracting and retaining highly qualified and skilled employees is essential in enabling us to deliver on our strategy and to the success of our business.	We aim to find, keep and engage the highest calibre of employees and encourage their contribution and development. An environment that fosters innovation and collaboration is critical to Spirent's success. Appropriate career paths and internal recognition programmes are developed for both technical and non-technical staff.
Intellectual property Spirent's success is dependent in part on proprietary technology which may be infringed by others inadvertently or otherwise. Protecting our proprietary technology is important in enabling us to compete successfully in our industry. Companies in the telecommunications industry often aggressively protect and pursue their intellectual property rights and may assert infringement claims against Spirent. Such claims can result in significant defence costs, and may affect Spirent's ability to market its products.	We have active intellectual property protection programmes in place to obtain appropriate intellectual property protection in a cost effective manner. There are procedures in the development of new products that include consideration of intellectual property rights of third parties. We also consult internal and external legal counsel experienced in intellectual property matters.

Description of our business

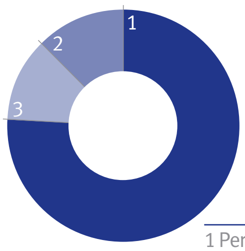
The Spirent Group is organised into three business segments: Performance Analysis, Service Assurance and Systems.

Performance Analysis provides solutions that test current and next-generation communications technologies in the lab. Service Assurance provides network monitoring and field test solutions for live networks. Systems is a leading supplier of sophisticated electronic control systems for electrically powered vehicles.

Spirent Communications provides solutions to enable the world to communicate faster, better, and more reliably. We develop innovative test solutions for the engineers working within the communications industry that allow them to evaluate the performance of the latest technologies, infrastructure and applications to be deployed worldwide.

OVERVIEW

Revenue by division



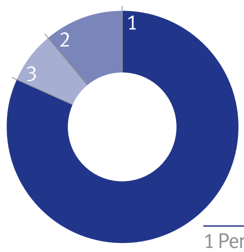
Group revenue

$482.2M

(2009 $427.2M)

	2010	2009
1 Performance Analysis	365.8	316.8
2 Service Assurance	57.0	52.6
3 Systems	59.4	57.8

Operating profit by division



Group operating profit

$114.5M

(2009 $88.8M)

	2010	2009
1 Performance Analysis	97.9	78.3
2 Service Assurance	13.0	7.5
3 Systems	8.8	7.9
Corporate costs	(5.2)	(4.9)

Before share-based payment and acquired intangible asset amortisation.

We also provide tools for service technicians and field test engineers to improve network quality and make troubleshooting of live networks efficient and effective.

Network equipment manufacturers and service providers face numerous challenges associated with bringing products and services from the lab to the commercial marketplace. Spirent's Performance Analysis division allows network equipment and mobile device manufacturers, service providers, enterprises and government entities to holistically test and benchmark the performance of their networks, network elements, mobile devices and services, thereby accelerating time to revenue.

Spirent provides the ability to conduct functional, conformance, performance, interoperability, scalability and quality of experience testing under real-world conditions inside and outside the lab. This capability, across the entire product lifecycle, from concept to commercial availability, helps to shorten the product development cycle, improve the quality of new services, while reducing associated cost and risk.

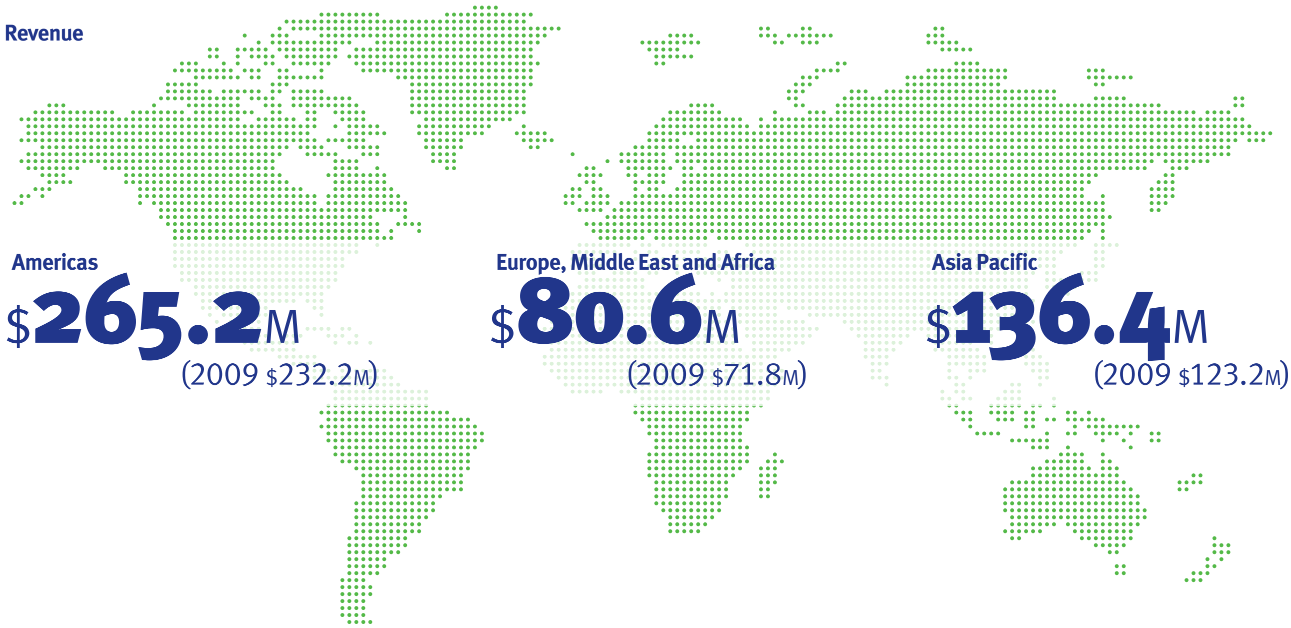
Spirent delivers solutions which address high speed Ethernet, data center, cloud computing, virtualization, IMS, IPTV, location based services, multi-GNSS satellite technologies, 3G and 4G/LTE wireless and other emerging technologies.

Spirent's service assurance solutions allow service providers to diagnose, troubleshoot and determine how to resolve issues with networks and systems within the live network all the way to the home. By leveraging the expertise gained by testing technologies and systems in the lab, Spirent enables service providers to deploy and maintain efficient, cost effective and high performing networks. As a result, network operators enjoy reduced churn by providing a higher quality of experience which ultimately increases subscriber retention. Our solutions also allow service providers to reduce operational costs through better identification of potential network problems and the use of the appropriate resources to address and correct those challenges.

Systems is a leading supplier of sophisticated electronic control systems for electrically powered vehicles in the medical mobility and industrial markets. These include vehicles such as powered wheelchairs and mobility scooters as well as industrial vehicles such as floor cleaning equipment, fork-lift trucks, aerial access platforms and golf carts.

Our global presence

We are a trusted test partner for more than 1,300 global customers.



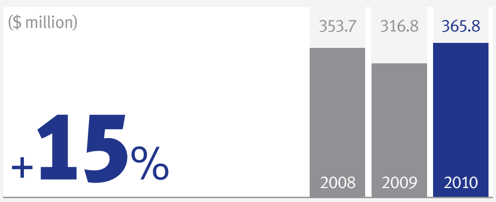
Spirent has global reach which results from its global sales and service organisations' industry leading capabilities. We serve over 1,300 customers globally across all segments, including network equipment manufacturers, mobile device manufacturers, service providers, enterprise and governments as we enable the development of communications and IT technologies from their inception to their deployment in live networks.

Performance Analysis

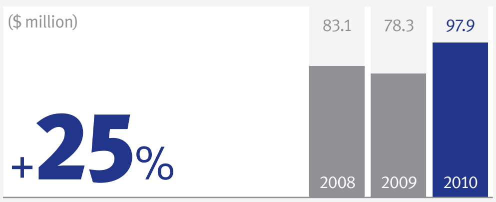
DIVISIONAL HIGHLIGHTS

- Revenue up 15% driven by expansion in worldwide data connectivity
- In wireless 2010 was a year of exceptional expansion in mobile internet
- Solid recovery in positioning test
- Profit up 25% due to high operating leverage on revenue growth

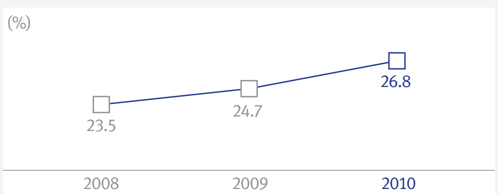
Divisional revenue



Divisional operating profit



Return on sales



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 benefiting 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 our 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.

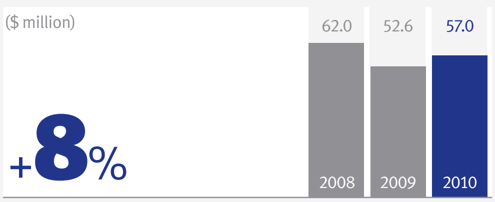
In the Positioning business, there was a focus on growing our tailored solutions, which develop or customise high end systems for individual customer requirements. During 2010, we also launched a new test solution that enables lab-based testing of hybrid Wi-Fi and satellite positioning technologies for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

Service Assurance

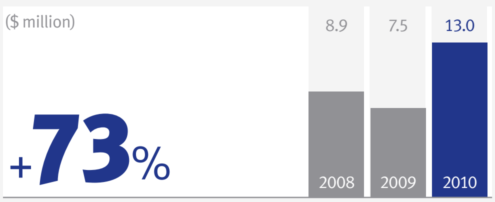
DIVISIONAL HIGHLIGHTS

- Demand driven by need for increased data capacity across the industry
- Key wins for our STC Live Ethernet solution
- Increased activity around triple play and in-home field testing
- Profit up 73% reflects revenue growth and beneficial product mix

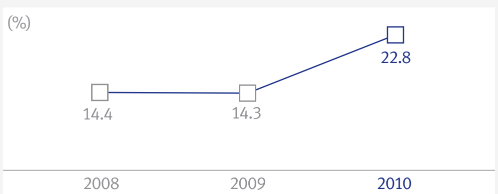
Divisional revenue



Divisional operating profit



Return on sales



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 for 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

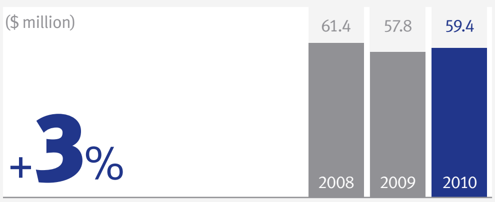
The focus remains on development of service assurance and field test solutions for next-generation networks. In 2010, this included enhancing our STC Live Ethernet test and performance monitoring offerings for business services and wireless backhaul, as well as adding IPTV support to our line of 1G and 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

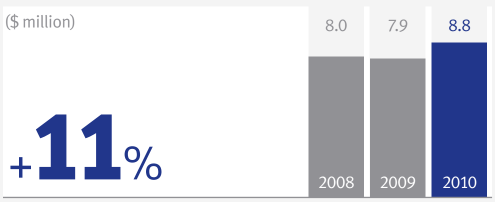
DIVISIONAL HIGHLIGHTS

- Grew revenue in newly served commercial and industrial markets
- Market recovery for industrial products
- Medical mobility market broadly flat
- Profit improvement of 11% due to exchange rate losses in 2009 not repeated net of a one-off charge in 2010

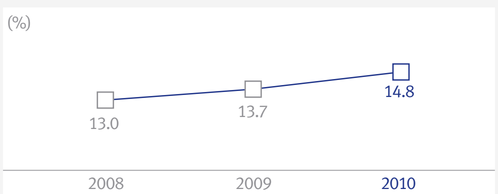
Divisional revenue



Divisional operating profit



Return on sales



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).

"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."

Eric Hutchinson
Chief Financial Officer

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 11 of Notes to the 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.

Financial risk management

The key objective of the Group's treasury department is to manage the financial risks of the business and to ensure that sufficient liquidity is available to the Group. All treasury activity operates within a formal control framework. The Board has approved treasury policies and guidelines and periodically reviews treasury activities. Additionally, it is the Group's policy that speculative treasury transactions are expressly forbidden.

Spirent's financial risk management objectives and policies and its exposure to risks are discussed in note 25 of Notes to the consolidated financial statements.

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 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.

Corporate responsibility is integral to the way Spirent conducts its business and we are committed to advancing our policies and systems across the Group to ensure that we address all aspects of corporate social responsibility ("CSR"). These include in particular our corporate practices in terms of ethical behaviour, how we motivate, support and reward our employees, how we care for the environment and our community involvement.

Spirent participates in the Second Harvest Food Bank.

The Board takes ultimate responsibility for CSR and is committed to developing and implementing appropriate policies while adhering to a fundamental commitment to create and sustain long term value for shareholders.

Ethics

Spirent expects that all of its business is conducted in compliance with high ethical standards of business practice. We apply these standards to all dealings with employees, customers, suppliers and other stakeholders. During 2010, Spirent's employees were again clearly reminded of the standards expected of them by the regular communication and explanation of Spirent's Vision, Mission and Values statements.

The Group's Ethics Policy, which has been approved by the Board, is available on our website at www.spirent.com. Our Ethics Policy has been developed to ensure that the Group's business is conducted in adherence with high ethical and legal principles and sets standards of professionalism and integrity for all employees and operations worldwide.

The following is a summary of the Ethics Policy:

- all employees have the right and responsibility to ensure that Spirent's business is conducted with high ethical and legal principles;
- our policy is to operate within applicable laws;
- discrimination or harassment of any kind will not be tolerated;
- as a matter of policy, we do not make political donations;
- no bribes shall be given or received;
- conflicts of interest must be avoided;
- we aim to be a responsible partner within our local communities; and
- employees are encouraged and supported to report, in confidence, any suspected wrongdoings ("whistleblowing").

Appropriate ethical behaviour is reviewed as part of the Group's internal control process.

Employees

Spirent is its employees. To sustain our competitive advantage, the Group is committed to creating and maintaining an environment where all employees can develop to their fullest potential, have the opportunity to give back to their communities, and advance their careers. Spirent employees come from a variety of diverse backgrounds and bring with them a broad range of skills and experiences from engineering to sales to supply chain as well as business functions such as finance, human resources, and information technology. By the end of 2010, we employed more than 1,400 people in over 25 locations in 12 countries.

To sustain our competitive advantage and bring together this culturally diverse group of employees, Spirent has built a global culture based on four values – being creative, competitive, customer focused and collaborative. These values form the foundation of Spirent's ability to inspire innovation and enrich the lives of millions of people around the world.

By encouraging and rewarding innovative thought and action by our employees across the globe, we inspire innovation within Spirent, our industry and our customers. To accomplish this, Spirent employees have a number of career paths and internal recognition programmes for both technical and non-technical staff. These development opportunities are structured to align with our organisational objectives and to help employees in furthering their career aspirations. For example, we recently implemented a technical career ladder across the global engineering organisation to build our technical expertise and provide future career opportunities. Internal transfers and job rotations, for example, greatly benefit the career development of our engineering team. As a result of these activities and others, more than 7 per cent of employees received a promotion in 2010.

Employees are provided with numerous learning and development opportunities to fulfill their potential. For example, our US employees enjoy a tax free tuition reimbursement benefit for classes taken towards college level degrees such as a master of business administration or master of science in electrical engineering. A wide variety of courses and training opportunities are also available to employees globally to enhance their skills. We recently implemented an engineering managers training course to drive stronger leadership in areas such as project management, performance management and employee development. Spirent receives training grants that allow employees to take on-site skill training or attend classes at a local community college in software and other applicable subjects. In China, we provided new manager training, English education and communication skills workshops.

Leadership and management development programmes are regularly reviewed and updated as the competition for talent increases and the leadership needs of our business grow. Formal performance reviews are conducted annually and are linked to the goals of the organisation. An online performance management tool was introduced to all employees in early 2010 to align individual goals with Company strategies and objectives.

Spirent demonstrates that it values its employees through several reward and recognition programmes. One way we reward and recognise excellence is through our Global Recognition Programme, which provides spot awards and one-time cash incentives to recognise exemplary contributions that demonstrate one or more of our key values. Spirent provides project based incentives to recognise and reward employees for extraordinary work that results in significant overachievement of critical projects. In 2010, Spirent reinstituted its Patent Award programme, which rewards employees for being innovative, while protecting the Company's investment and intellectual rights and property. Because Spirent believes in sharing its success with its employees, all employees now participate in some form of variable compensation. For example the Growth Sharing Plan provides an annual incentive payment based on the achievement of corporate growth and profitability goals. Because our employees have regularly asked for the opportunity to participate in Spirent's growth as our investors do, starting in January 2011, US and UK employees may purchase Spirent's shares via monthly payroll deductions. We plan to expand this opportunity to other locations over time.

Along with career opportunities and competitive compensation, the importance of two-way communication is recognised particularly as it relates to the business and its performance. Our employees' opinions matter to us. In March 2010, employees were asked for their views on a wide range of issues relating to compensation and benefits, communication, employee engagement and commitment, innovation, manager quality and work environment. The survey invited employees to rate each area and provide written comments about improvements recommended in the organisation. More than 70 per cent of our employees globally responded, and we developed specific action plans based on the employee feedback that will increase the engagement of our employees and foster a stronger organisational culture. In addition, informal meetings between many of Spirent's executives and small groups of employees were, and continue to be, held on a regular basis, with the aim of sharing perspectives among a broad cross section of our team members. Other tools aimed at facilitating two-way communication include regular all employee meetings with our CEO and other executives at all locations, employee focus group meetings and the continued expansion of our employee intranet.

The Group is committed to providing equality of opportunity to all existing and prospective employees without unlawful discrimination on the basis of religion, disability, gender, age, marital status, sexual orientation, race, ethnicity or any other protected status. With regard to employees who become disabled, the policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment wherever practicable. We encourage diversity and opportunity, which is reinforced through the Group's Ethics Policy.

Health and safety

The Chief Financial Officer is the director appointed by the Board to have responsibility for the health and safety performance of the Group. No major health and safety issues were reported by the Chief Financial Officer to the Audit Committee and Board during the year.

The health and safety risk profile of the Group improved slightly again in 2010 as further Group manufacturing moved to an outsourcing model and this trend is expected to continue in 2011. The main risks of the Group continue to be based around final test and assembly of products and working environment issues such as ergonomics and Repetitive Strain Injury. The Group continued to have very low accident rates in 2010 and no incidents required any hospitalisation.

The Group Health and Safety Policy places responsibility for the management of health and safety on local management who are supported by local external advisers where necessary. It is the Group's intention that each business unit should have a senior individual designated as being responsible for ensuring the business unit conforms to local statutory health and safety regulations as well as the Group Policy. An annual questionnaire on health and safety performance is completed by all our business units and any issues are addressed and resolved. Independent external reviews of the Company's health and safety performance are conducted annually at selected business units. Regular designated health and safety awareness training programmes are also carried out.

Spirent recognises the importance that health and safety, as with other corporate responsibilities, is managed successfully throughout all levels of the organisation. Successful health and safety management contributes to Spirent's overall success by preserving and developing staff and physical resources, thereby reducing costs and liabilities and is an expression of its corporate responsibility.

Spirent is committed to continually improving its health and safety performance and is also committed to employee wellbeing by encouraging the adoption of healthier lifestyles by its staff members. Regulatory requirements and the outline of care form the basis upon which Spirent's commitment is achieved. By realistic planning, review and development, Spirent continues to achieve a successful health and safety management programme and appropriate resources are made available for this purpose.

Environmental

The Group's Environmental policy applies to the Company and all its subsidiaries worldwide. The Group is committed to the concepts of pollution prevention, minimising environmental impacts and eco-efficiency. The main aim of Spirent's Environmental Policy is to comply with all applicable environmental legislation in all jurisdictions in which we operate and to adopt responsible environmental practices. To achieve these goals the Group strives to integrate sound environmental management into its business strategies and continually improve environmental performance for the benefit of all its stakeholders.

The full policy can be found at www.spirent.com in the About Us section under Corporate Governance.

The Group's main environmental impact is due predominantly to the effects produced by offices housing employees, internal IT systems and travel. All business units continue to take positive steps to reduce energy consumption, such as better space utilisation, more efficient running of equipment and machinery, and sensor controlled equipment. During 2010 the Group reduced the square feet used by 9.4 per cent to 634,000 square feet (2009 700,000 square feet). We have also reduced the number of servers in our IT data centres by 20 per cent. We have invested in and are actively using video conferencing to reduce travel across the Group. Where possible, business units monitor energy consumption, water consumption and waste production. Environmental waste management in the Group continues to improve with most business units operating waste minimisation schemes mainly focusing on increased recycling. One of our UK businesses is ISO-14001 registered.

The vast majority of our products continue to be manufactured by outside contract manufacturers and we check the environmental policies of these suppliers through audits and surveys. Spirent's largest contract manufacturer, responsible for 60 per cent of our contract manufacturing services, is not only ISO-14001 certified, but also has an extensive CO_2 reduction programme. In 2009, the programme reduced the manufacturing site CO_2 output as measured by reduced base line electrical consumption by 10 per cent over 2008. This is a reduction in CO_2 emissions of approximately 2.1 million kilograms in 2009.

Improvements in Spirent's order fulfilment logistics have led to significant reductions in air freight and corresponding reductions in carbon emissions. Orders for customers in APAC and EMEA regions are directly fulfilled from our key contract manufacturer in Asia. This eliminates air freight to the US and then back to APAC and EMEA customers. 28 per cent of Performance Analysis' shipments, representing approximately 51,000 kilograms of freight, now ship direct from Spirent's Asia contract manufacturer.

Wherever possible our products are designed and manufactured to take account of the recycling and disposal of the product at the end of its lifecycle. Our products are also designed to reduce the amount of power consumed. Two examples of this are our 1Gb and 10Gb products where we have reduced the power consumption by port in 2010 by 42 per cent, and 70 per cent, respectively.

Our business units comply with both The Waste Electrical and Electronic Equipment Regulations and The Batteries Directive. New products are designed to meet the Restriction of Hazardous Substances Directive ("RoHS"), also known as Directive 2002/95/EC, even though Spirent Communications' hardware products are classified as Category Nine (Monitor and Control Equipment), and are therefore currently out of scope with the RoHS Directive. All Spirent Communications' hardware products will be in compliance with the RoHS Directive at such time they are brought in to scope. Under the UK's new mandatory carbon emission trading scheme (CRC Energy Efficiency Scheme), Spirent is only required to make an information disclosure.

Community

Spirent aims to build stronger and healthier global communities through education, charitable donations and support of non-profit agencies in the communities in which we operate. Working with established non-profit organisations maximises the impact of our community building initiatives.

Education

The Group has established links with certain public and private non-profit educational organisations to help students develop the skills needed to succeed in the global economy. Throughout 2010 we continued to support education by offering internships and work experience programmes. As part of Junior Achievement of the National Capital Area many of our Maryland office employees are involved in local activities that enabled volunteers to teach students financial literacy, work readiness and entrepreneurship. Volunteers served as role models providing both education and inspiration. In our New Jersey office, we partnered with a local high school to provide job shadowing opportunities to students interested in pursuing a career in engineering.

In the US, we hired 11 interns in multiple locations, ultimately hiring more than half as regular Spirent employees. In addition, 12 new engineering graduates were hired in our Honolulu, Calabasas and Sunnyvale offices during 2010. Spirent plans to expand both the new graduate and intern programs during 2011, building our relationships with local universities and colleges.

Spirent also periodically provides work experience opportunities for local students. In our Beijing office, we increased the number of on-site internship opportunities to more than 20 students from top universities in China, including University of Science and Technology Beijing, the Graduate School of Beijing Institute of Technology and Beihang University. These internships help students develop professional knowledge as well as enhance their competitiveness in society. Our engineering managers are routinely invited to speak at these universities about Spirent and career opportunities in the engineering field.

Local community support of non-profit agencies

We recognise the significance of our communities through our relationship with local non-profit agencies. Our employees help their communities by volunteering their time to various programmes and donating materials and equipment to local causes.

The Group has formed lasting partnerships with several local non-profit organisations to provide essential resources and services to those in need. During the winter holiday season in 2010, our employees in the US participated in a food drive for the Los Angeles Regional Food Bank and also for the Santa Clara County Second Harvest Food Bank.

Team Spirent London to Brighton Bike Ride 2010.

Charitable donation policy

Our businesses are encouraged to support the particular needs of their local community by contributing to local charities and participating in community initiatives. Support takes the form of employee time and skills, gifts in kind and cash donations. Spirent donated to the California Highway Patrol – CHIPS for KIDS and employees participated in the Angel Tree programme by working with the Salvation Army to purchase Christmas gifts for underprivileged children. In Ottawa and Beijing, employees provide school assistance to needy children. Following the earthquake in Qinghai, China, our employees delivered donations to the stricken area. In the UK Spirent sponsored employees who participated in charity fund raising events, such as the British Heart Foundation's London to Brighton Bike Ride and the Brighton Marathon.

In addition to these employee activities, Spirent made charitable cash donations of $81,000 in 2010 (2009 $143,000).


1.


2.


3.


4.


5.


6.

1. Alex Walker (64) [N]
Chairman
Alex Walker was appointed to the Board on 22 December 2006 and was appointed Chairman of the Company on 4 March 2010, having previously served as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee. He was chief executive of Yule Catto & Co. plc until 17 August 2006 and, until 23 April 2010 was a non-executive director, chairman of the remuneration committee and member of the audit and nomination committees of Rotork plc.

2. Bill Burns (43)
Chief Executive Officer
Bill Burns was appointed Chief Executive Officer on 6 November 2008, having previously led the Group's Communications division. He is responsible for overall leadership, strategy, investments, coordination of resources and leveraging Spirent's breadth and depth of technology across all of Spirent's business units.

3. Eric Hutchinson (55)
Chief Financial Officer
Eric Hutchinson was appointed Finance Director on 1 January 2000, having previously been responsible for all financial reporting and control within the Group. He is a Fellow of the Chartered Association of Certified Accountants, and a member of the Financial Reporting Review Panel.

4. Ian Brindle (67) [ANR]
Senior Independent Non-Executive Director
Ian Brindle was appointed to the Board on 22 December 2006 and is the Senior Independent Non-Executive Director and Chairman of the Audit Committee. He was previously UK chairman of PricewaterhouseCoopers and deputy chairman of the Financial Reporting Review Panel. He serves as non-executive chairman of Sherborne Investors (Guernsey) A Limited and as a non-executive director on the boards of F&C Asset Management plc, 4imprint Group plc and Elementis plc.

5. Duncan Lewis (59) [ANR]
Independent Non-Executive Director
Duncan Lewis was appointed to the Board on 1 July 2007. He was chief executive officer of Vislink plc until 31 March 2011, when he stepped down after completing its restructuring. Until October 2008 he was senior adviser to The Carlyle Group, assisting them in developing strategy and identifying investments in the telecommunications and media sectors worldwide.

6. Tom Maxwell (63) [ANR]
Independent Non-Executive Director
Tom Maxwell was appointed to the Board on 1 October 2007 and is Chairman of the Remuneration Committee. Until September 2007, he was investment director and head of the UK Growth & Income Product Group at Martin Currie Investment Management in Edinburgh. He is a Member of the Chartered Institute of Bankers in Scotland and a Member of the Society of Investment Professionals & CFA Institute.

Statements on the independence of Board members are given in the Directors' statement on corporate governance on page 41.

Further biographical details of the directors can be found on the Company's website at www.spirent.com.

[A] Member of Audit Committee
[N] Member of Nomination Committee
[R] Member of Remuneration Committee

The directors present their Annual Report to the shareholders together with the audited consolidated financial statements of the Group and the parent Company financial statements for the year to 31 December 2010.

Business review

The purpose of the Annual Report is to provide information to the shareholders of the Company.

Reviews of the Group's activities during the year, the position at the year-end and developments since that date are set out in the Chairman's statement, Chief Executive Officer's review, the Directors' statement on corporate governance and the Business Review.

The Business Review explains financial performance, key performance indicators, the position at the year end, any post balance sheet events, any likely future developments and a description of the principal risks and uncertainties facing the Group and how these are managed.

The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update those forward-looking statements.

Principal activities

The principal activities of the Group are set out on page 18 of this Annual Report.

Results and dividends

The consolidated income statement is on page 54. Profit for the financial year attributable to equity shareholders amounted to $79.1 million (2009 $91.2 million).

Following the change in reporting currency, dividends will be determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed. A final dividend of 1.40 cents (0.86 pence) per Ordinary Share is recommended by the Board for the year to 31 December 2010 (2009 1.00 cents (0.66 pence)) for which approval will be sought from shareholders at the Company's 2011 Annual General Meeting ("2011 AGM") on 4 May 2011, to be paid on 5 May 2011 (ADR holders on 12 May 2011) to those shareholders whose names are on the Register of Members on 11 March 2011.

Together with the interim dividend of 1.10 cents (0.69 pence) per Ordinary Share (2009 0.93 cents (0.55 pence)) which was paid to shareholders on 16 September 2010, this amounts to a total dividend for 2010 of 2.50 cents (1.55 pence) per Ordinary Share (2009 1.93 cents (1.21 pence)).

Share capital and control

The Company has a single class of share which is divided into Ordinary Shares of $3^1/_3$ pence each. Each Ordinary Share carries one vote and all of the Ordinary Shares rank *pari passu*. There are no special control rights relating to the Ordinary Shares.

At the date of this Report, 675.3 million Ordinary Shares of $3^1/_3$ pence each had been issued which are fully paid up and are listed on the London Stock Exchange. The Company also operates a Level 1 American Depositary Receipt ("ADR") programme with each ADR representing four Ordinary Shares. The ADRs trade on the US over-the-counter market and The Bank of New York Mellon is the authorised depositary bank for the programme. Further details on share capital are set out in note 27 to the consolidated financial statements and note 16 to the parent Company financial statements.

The rights, including those relating to voting, obligations and any restrictions on transfer relating to the Company's Ordinary Shares, as well as the powers of the Company's directors, are set out in the Company's Articles of Association, a copy of which can be found on our website at www.spirent.com or can be obtained from Companies House or by writing to the Company Secretary. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. Changes to the Articles of Association were approved at the 2010 AGM and became effective at the close of the meeting on 5 May 2010.

There are no restrictions on the transfer of Ordinary Shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law, for example, insider trading law. In accordance with the Listing Rules of the Financial Services Authority, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

During the year to 31 December 2010, options and rights exercised pursuant to the Company's share incentive plans resulted in the allotment of 6.6 million new Ordinary Shares.

A further 0.4 million new Ordinary Shares have been allotted under the share incentive plans between the end of the financial year and the date of this Report.

At each annual general meeting, the directors seek authority to allot shares for cash and to dis-apply pre-emption rights within prescribed limits. At the 2011 AGM, authority will be sought to allot new ordinary shares up to a nominal value of £7,505,723, which is equal to 33.3 per cent of the Company's issued share capital as at 10 March 2011.

The Company has established two employee benefit trusts in connection with the operation of the Company's share incentive plans: the Spirent Employee Share Ownership Trust ("ESOT") and the Spirent Sharesave Trust ("SST"). The trustees of both trusts have waived their right to receive dividends on any Ordinary Shares held by them except for a nominal amount of 0.01 pence other than for those Ordinary Shares held in the ESOT which are the beneficial property of an employee/shareholder. For further details on the employee benefit trusts see "Investment in own Ordinary Shares" in note 27 to the consolidated financial statements and note 16 to the parent Company financial statements. Trustees of both trusts do not vote their Ordinary Shares, except for those Ordinary Shares held in the ESOT which are the beneficial property of an employee/shareholder which the trustees will vote in accordance with the instructions received from the beneficial owner.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share incentive plans may cause outstanding unvested options and awards granted to employees under such plans to vest on a takeover as follows:

Share incentive plan	Change of control provisions in the rules	Effect on vesting	Performance condition
2005 Employee Incentive Plan	Yes	Pro-rated	Still applies
Spirent Stock Incentive Plan	No	None	n/a

Significant agreements

A Group company has a significant agreement with a contract manufacturer which the Company considers is essential to its business and which it intends to keep in place until at least April 2013.

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

Return of capital

The Company was authorised at the 2006 AGM to repurchase up to 14.99 per cent of its own issued Ordinary Shares, within certain limits and as permitted by the Company's Articles of Association. This authority has been renewed at each AGM since 2006, reducing to 9.99 per cent at the 2010 AGM. Since the Company began returning capital to shareholders in May 2006, a total of £188.6 million has been returned, through the repurchase of 329.9 million Ordinary Shares.

During 2010 a total of 9.8 million Ordinary Shares, each with a nominal value of $3^1/_3$ pence were repurchased for an aggregate consideration of £12.3 million and cancelled immediately following repurchase. This represents 1.5 per cent of the Company's issued Ordinary Share capital at the beginning of 2010. The Company has not repurchased any further Ordinary Shares between the end of the financial year and the date of this Report.

The Company will seek authority to repurchase up to 9.99 per cent of its own Ordinary Shares at the 2011 AGM to facilitate any further return of capital if the Board concludes that it is in the best interests of shareholders.

Substantial shareholdings

At the date of this Report, the Company had been notified of the following significant interests in its Ordinary Shares under the Disclosure and Transparency Rules of the Financial Services Authority:

	Shareholding made up of			
	Ordinary Shares	Contracts for Difference	Total holding	% of Company's total voting rights
BlackRock Inc	83,096,790	35,705,552	118,802,342	17.59
Prudential plc	67,614,431	–	67,614,431	10.01
Ameriprise Financial, Inc	38,520,235	–	38,520,235	5.70
AXA Group of companies	37,856,516	–	37,856,516	5.61
Artemis Investment Management Limited	32,940,888	–	32,940,888	4.88
Standard Life Investments Ltd	32,370,026	–	32,370,026	4.79
Aviva plc	30,826,697	–	30,826,697	4.57
Legal & General Group plc	26,423,720	–	26,423,720	3.91
Sun Life Assurance Company of Canada (UK) Ltd	23,382,347	–	23,382,347	3.46
Hermes Equity Ownership Services Limited	22,116,033	–	22,116,033	3.28
Deutsche Bank AG	21,740,213	–	21,740,213	3.22
Total of significant holdings	416,887,896	35,705,552	452,593,448	67.02
Others			222,709,205	32.98
Total number of Ordinary Shares in issue			675,302,653	100.00

Board of directors

The names and brief biographical details of the current directors are shown on page 35.

Election and re-election of directors

The Company's Articles of Association require that directors offer themselves for re-election every three years and that new directors appointed by the Board offer themselves for election at the next annual general meeting following their appointment. However, in accordance with the new UK Corporate Governance Code, which replaces the existing Combined Code on Corporate Governance for accounting periods beginning on or after 29 June 2010, the Board has agreed that all directors will stand for re-election at the 2011 AGM.

The Board recognises that some shareholders have expressed concern that annual re-election of directors could encourage them to take a short term view. The Board is confident, however, that, as more fully explained in the Report on directors' remuneration on pages 45 to 52, the Company's remuneration policies encourage a performance based culture which reinforces behaviour which will lead to the continued long term development of the business and align executive directors' interests with those of shareholders.

Directors' interests

The directors' interests (including any connected persons) in the issued Ordinary Share capital of the Company are set out in the Report on directors' remuneration on pages 45 to 52.

Directors' indemnity arrangements

The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

In addition to the indemnity provision contained in the Company's Articles of Association, the Company has provided a deed of indemnity for the benefit of each of the directors of the Company in respect of the costs of defending claims against them and any third party liabilities.

Other than these arrangements, at no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings except for the service contracts between executive directors and the Company.

Corporate social responsibility

The Group's Corporate social responsibility statement appears on pages 30 to 33. This statement gives details of the Group's policies on ethics, the environment, health and safety, charitable donations and involvement in the community.

Charitable donations of $81,000 were made in the year (2009 $143,000). This amount excludes operating units' support for and participation in local community activities. In accordance with the Group's Ethics Policy, no political donations were made in the year (2009 nil). The Group employs approximately 1,470 people (2009 1,450) around the world and is proud of its history of being regarded as a responsible and respected employer. The Corporate social responsibility statement provides details of the Group's policies on employment, training and development.

Research and development

Product development and innovation are considered key strategies to maintain and improve the Group's competitive position and therefore continue to receive high priority. This commitment is highlighted by the $80.2 million research and development spend during the year, equivalent to 16.6 per cent of revenue (2009 $74.6 million and 17.5 per cent). The Group will continue to commit resources as appropriate to research and development.

Policy on payment of suppliers

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted and it is Group policy to comply with those terms and to make suppliers aware of them.

At 31 December 2010, the Company had an average of 46 days purchases outstanding in trade creditors (2009 59 days).

Corporate governance

The Directors' statement on corporate governance is set out on pages 41 to 44. The Statement of directors' responsibilities in respect of the financial statements appears on page 40.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on pages 8 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 26 to 29. In addition, note 25 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Disclosure of information to auditors

Each of the directors of the Company at the date of this report confirms that:

- so far as the director is aware, there is no information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditors

Resolutions to re-appoint Ernst & Young LLP as auditors and to authorise the directors to determine their remuneration will be proposed at the 2011 AGM.

Annual General Meeting

The 2011 AGM will be held at 10.30am on Wednesday 4 May 2011 at UBS, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom.

By Order of the Board

Rachel Whiting

Rachel Whiting
Company Secretary
3 March 2011

The directors are responsible for preparing the Annual Report, the consolidated financial statements of the Group and financial statements of the parent Company.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the consolidated financial statements of the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the parent Company financial statements in accordance with UK Generally Accepted Accounting Principles and applicable law.

The consolidated financial statements of the Group are required by law and IFRS to present fairly for each financial period the financial position and performance of the Group; the Companies Act 2006 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view, are references to their achieving a fair presentation.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the parent Company.

In preparing each of the consolidated financial statements of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state for the audited consolidated financial statements of the Group whether they have been prepared in accordance with IFRS as adopted by the EU;
- state for the parent Company financial statements whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Group and the parent Company will continue in operational business for the foreseeable future.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, for the Group, Article 4 of the International Accounting Standards Regulation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, a directors' remuneration report and a statement on corporate governance that comply with the law and those regulations. They are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This Annual Report complies with the Disclosure and Transparency Rules ("DTR") of the Financial Services Authority in respect of the requirement to produce an annual financial report.

The Annual Report and consolidated financial statements are the responsibility of, and have been approved by, the directors.

Each of the directors confirms that, to the best of his knowledge:

- the consolidated financial statements of the Group and parent Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

E G Hutchinson

Eric Hutchinson
Chief Financial Officer
3 March 2011

Compliance

The Board is committed to the highest standards of corporate governance and fully supports the principles laid down in the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (the "Code") and in the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (the "New Code"). The Board is accountable to the Company's shareholders for good governance and this Statement, together with the Report on directors' remuneration on pages 45 to 52, describes how the principles of the Code were applied during the year under review and reports on the Company's compliance with its provisions. Disclosures relating to significant shareholdings, voting rights, election and re-election of directors, amendment of the Company's Articles of Association and the directors' power to issue or buy back shares are included in the Report of the directors on pages 36 to 39. It is the Board's view that the Company was fully compliant with the provisions of the Code throughout the period under review and with certain aspects of the New Code to the date of this Report.

The Board

As at 31 December 2010, the Board comprised a chairman, three independent non-executive directors and two executive directors. The Board operates within a framework of controls including a formal schedule of matters specifically reserved for its decision. There is a clear division of responsibility at the head of the Company: the Chairman (Alex Walker) being responsible for running the Board and the Chief Executive Officer (Bill Burns) being responsible for implementing strategy.

The Chairman and the non-executive directors contribute external expertise and experience in areas of importance to the Company such as strategic investments, corporate finance, general finance and corporate governance. They also contribute independent challenge and rigour to the Board's deliberations, and assist in the development of the Company's strategy, scrutiny of the performance of management in meeting agreed goals and targets and satisfying themselves of the integrity of the Company's internal controls and risk management systems. The Board believes that all of the Directors devote sufficient time and attention as is necessary in order to perform their duties.

The independence of each director is reviewed on appointment and at least annually. The Board determined that the non-executive directors are each independent in character and judgement and within the definition of the Code. No individual or group of individuals dominates the Board's decision making and the requirement of the Code that at least half of the Board (excluding the Chairman) should comprise independent non-executive directors is satisfied.

In October 2008, the Company adopted new Articles of Association permitting the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may potentially conflict, with the interests of the Company ("Situational Conflicts"). The Board has a formal system in place for directors to declare Situational Conflicts and for these to be considered for authorisation by those directors who have no connection with the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted directors are required to act in the way they consider most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation, or subsequently, if they think this is appropriate. The Board considers the procedure to have continued to operate effectively during the year.

Details of other professional commitments of the Chairman and non-executive directors are provided in their biographies on page 35.

Ian Brindle became Senior Independent Non-Executive Director on 4 March 2010 following Alex Walker's appointment as Chairman of the Company. The Senior Independent Non-Executive Director acts as a sounding board for the Chairman and an intermediary for the non-executive directors, if needed. Mr Brindle is available to meet shareholders upon request if they have concerns which contact through the normal channels of the Chairman or an executive director has failed to resolve, or for which such contact would be inappropriate.

It is Company policy to hold at least four Board meetings a year. During 2010, there were six Board meetings. The agenda is settled by the Chairman in advance of the meeting and papers are circulated to Board members ahead of the meeting. Minutes of meetings are circulated to all Board members and, subject to their agreement, approved at the following Board meeting.

The attendance of individual directors at Board meetings was as follows:

	Number of meetings held	Number of meetings attended
Alex Walker (Chairman)	6	6
Edward Bramson[1] (retired 5 May 2010)	2	0
Bill Burns	6	6
Eric Hutchinson	6	6
Ian Brindle	6	6
Gerard Eastman[1] (retired 5 May 2010)	2	0
Duncan Lewis	6	6
Tom Maxwell[2]	6	5

1 Both Mr Bramson and Mr Eastman were unable to attend the meetings held on 3 March 2010 and 5 May 2010 due to unavoidable diary conflicts.
2 Mr Maxwell was unable to attend the meeting held on 3 March 2010 due to an unavoidable diary conflict.

The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information. They receive regular updates on business performance and receive presentations from the executive directors and other senior managers at Board meetings. In addition, regular site visits are arranged for non-executive directors during which briefings are arranged and the directors are free to discuss aspects of the business with employees at all levels. Under the direction of the Chairman, the Company Secretary ensures good and timely information flows between the Board and its Committees and makes sure that Board procedures are complied with. The Company Secretary also updates and advises the Board on all regulatory and governance matters.

There is a policy whereby the non-executive directors and the Board Committees may take independent professional advice at the Company's expense in order to fulfil their duties. All directors also have access to the advice and services of the Company Secretary, whose removal may only be effected with the approval of the Board.

Board appointments and induction

The Board has in place a procedure for the appointment of new directors to the Board which complies with the Code. On appointment to the Board and its Committees all directors receive an induction tailored to their individual requirements. New directors are briefed on their legal and other duties and obligations as directors of a UK listed company. Visits to different facilities and meetings with senior management are organised, as appropriate, to assist the new director in developing an understanding of how the Group operates and the key issues that it faces.

The Company's Articles of Association require all directors to seek election by shareholders at the first annual general meeting following their appointment and that all directors retire and seek re-election at least every three years. However, in accordance with the New Code, which replaces the existing Code for accounting periods beginning on or after 29 June 2010, the Board has agreed that all directors will stand for re-election at the 2011 AGM.

The Board recognises that some shareholders have expressed concern that annual re-election of directors could encourage them to take a short term view. The Board is confident, however, that, as more fully explained in the Report on directors' remuneration on pages 45 to 52, the Company's remuneration policies encourage a performance based culture which reinforces behaviour that will lead to the continued long term development of the business and align executive directors' interests with those of shareholders.

Performance evaluation

Performance evaluation of the Board and its Committees was carried out during the year by each director completing questionnaires and the results being collated and analysed by the Company Secretary who prepared a report for Board discussion. The Board discussion concluded that the Board and its Committees operated well and were effective.

The Chairman communicates regularly with the non-executive directors and this contact provides an ongoing opportunity to assess performance and to discuss the performance of the executive directors or any other matters. The Chairman has concluded that during the year under review the commitment and application of the continuing non-executive directors was of a high standard including each having sufficient time to attend all Board and appropriate Committee meetings and to discharge their responsibilities effectively.

The Senior Independent Non-Executive Director met with the independent non-executive directors on 3 November 2010, in the absence of the Chairman, to assess the Chairman's effectiveness. The independent non-executive directors were of the opinion that Mr Walker gave sufficient time to his role as Chairman of the Company and was effective in that role during the year under review.

The Board is actively considering the provisions under the New Code relating to the use of external facilitators in the performance evaluation process and how best to develop the review process.

Board Committees

Certain of the matters specifically reserved for the Board's decision have been delegated to three Committees with clearly defined terms of reference which, together with the composition of each Committee, are reviewed annually. The terms of reference for the Audit, Nomination and Remuneration Committees can be found on the Company's website at www.spirent.com.

Audit Committee

The Audit Committee comprises Ian Brindle (Chairman), Duncan Lewis and Tom Maxwell. Mr Lewis joined the Committee on 4 March 2010 following Alex Walker's appointment as Chairman of the Company. All of the Committee members are independent non-executive directors, making the composition of the Committee compliant with the Code. The Code also requires that the Audit Committee includes at least one member who has recent, significant and relevant financial experience. The Board considers that both Ian Brindle and Tom Maxwell provide such experience.

The attendance of individual directors at Audit Committee meetings was as follows:

	Number of meetings held	Number of meetings attended
Ian Brindle (Committee chairman)	3	3
Duncan Lewis	2	2
Tom Maxwell[1]	3	2
Alex Walker (until appointment as Chairman)	1	1

1 Mr Maxwell was unable to attend the meeting held on 3 March 2010 due to an unavoidable diary conflict.

The Board has overall responsibility for the system of internal controls, including risk management, and has delegated certain of these responsibilities to the Audit Committee.

At each meeting the Company's external auditors, the Chief Executive Officer, the Chief Financial Officer, the Group Vice President Finance, the Head of Financial Reporting and the Company Secretary, who is Secretary to the Committee, were in attendance. The Chairman also attends by invitation from the Committee Chairman. In addition, the Committee meets with the Company's external auditors without management being present. The minutes of Committee meetings are available to all directors.

During the year the Committee has monitored and reviewed risk management and internal control, reviewed the interim and full year financial statements, key accounting policies, the auditors' report on the interim review and year end audit and management's responses to the issues raised. The internal audit programme and the external audit strategy and scope for 2010 were also agreed and approved. Further details of internal control and process are set out on page 44. Regular reports on tax, treasury and health and safety are presented. Further details of the Group's Ethics Policy and health and safety performance are contained in the Corporate social responsibility statement on pages 30 to 33. The Chairman of the Committee reports any significant findings or identified weaknesses to the Board.

The Audit Committee has adopted a policy in relation to the provision of non-audit services by the external auditor to ensure that the provision of such services does not impair the external auditors' independence or objectivity. Under this policy, certain non-audit services are precluded. The policy is reviewed and financial limits for non-audit services are set on an annual basis. The Committee considers that notwithstanding the non-audit services provided during the year, Ernst & Young's objectivity as external auditors was not impaired. Prior to recommending their reappointment as external auditors, the Committee considered Ernst & Young's performance, resource, quality control procedures, policy on rotating its audit partners (audit partners rotate every five years), independence and objectivity. The Committee also considered the risk of Ernst & Young withdrawing from the audit market. There are no contractual obligations that restrict the Company's current choice of external auditor.

Remuneration Committee

The Remuneration Committee comprises Tom Maxwell (Chairman), Ian Brindle and Duncan Lewis. Mr Maxwell joined the Committee as Chairman on 4 March 2010 following Alex Walker's appointment as Chairman of the Company. All members of the Committee are independent non-executive directors, making it compliant with the Code in terms of independent non-executive directors.

Further details about the Remuneration Committee are included in the Report on directors' remuneration on pages 45 to 52.

Nomination Committee

The Nomination Committee comprises Alex Walker (Chairman), Ian Brindle, Duncan Lewis and Tom Maxwell and meets at least once each year. The Company Secretary is Secretary to the Committee.

The attendance of individual directors at Nomination Committee meetings was as follows:

	Number of meetings held	Number of meetings attended
Alex Walker (Committee chairman)	1	1
Edward Bramson[1] (retired 5 May 2010)	1	0
Ian Brindle	1	1
Gerard Eastman[1] (retired 5 May 2010)	1	0
Duncan Lewis	1	1
Tom Maxwell[1]	1	0

1 Mr Bramson, Mr Eastman and Mr Maxwell were unable to attend the meeting held on 3 March 2010 due to unavoidable diary conflicts.

The Nomination Committee is responsible for reviewing the composition and structure of the Board and for identifying and recommending candidates for executive and non-executive positions, based on the required role and capabilities which have been specified for the appointment. Executive search consultants are used by the Nomination Committee to assist this process as appropriate. As all of the Committee members are independent non-executive directors, the composition of the Committee is compliant with the terms of the Code.

Relations with shareholders

The Board supports the use of the Annual General Meeting as a means of communicating with both private and institutional investors and encourages their participation. The Company is ready, where practicable, to enter into a dialogue with shareholders, through analyst briefings and investor presentations, all of which are made available on the Company's website at www.spirent.com. Senior executives meet regularly with institutional and major shareholders to facilitate stakeholders' understanding of the Company and its objectives and to receive feedback which is then reported to the Board.

In November 2010 the Company held an investor day which was attended by institutional investors, potential investors and analysts at which there was an opportunity to meet members of the Board and senior management.

The Chairman of the Remuneration Committee, Tom Maxwell, consulted with the 20 largest shareholders in December 2010 concerning remuneration policy. Feedback from shareholders obtained during these meetings was then shared with the Remuneration Committee and given due consideration.

All of the Company's communications with shareholders are conducted in line with our environmental approach. We hold the majority of our events via webcast and conference calls and we encourage all of our investors to receive communications electronically where possible.

Pensions governance

The Group's principal pension and retirement schemes are in the UK and the US. Scheme funds are held separately from those of the Group and are administered by trustees (which include employees and independent bodies). The schemes do not lend money or lease any assets to the Group.

Internal control

The Board has overall responsibility for the Group's system of internal control. The Board, assisted by the Audit Committee, has reviewed the effectiveness of this system and this review did not reveal any significant issues or weaknesses. The Board confirms that this process was in place throughout the year under review and up to the date of approval of these financial statements. The primary aim is to operate a system which is appropriate to the business and which can, over time, increase shareholder value whilst safeguarding the Group's assets. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Process

Day to day responsibility for effective internal control and risk monitoring rests with senior management at business unit level. The Board and the Audit Committee continue to agree that currently there is no need for a dedicated internal control department. Responsibility for internal control rests with the Group Vice President Finance and the North America Vice President Finance. Both of these senior finance managers are independent of any business unit and play a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems throughout the Group. The Group consists of a limited number of entities which can comfortably be covered by the two senior finance managers. As stated above, the Group Vice President Finance attends all Audit Committee meetings to give an update on any internal control issues arising and any outstanding remedial actions.

The Group's system of risk management comprises an integrated risk management strategy of regular self-assessment of all business units. Significant risks are regularly reviewed by the Audit Committee and by the Board.

Management and specialists within the finance department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.

In addition to this process, the following key elements are critical to the overall internal control environment:

- an organisational structure with clear operating procedures, defined lines of responsibility and delegated levels of authority;
- an ethics policy (which has been approved by the Board), which sets standards of professionalism and integrity for all employees and operations. The Ethics Policy also includes "whistleblowing" procedures whereby employees may report, in confidence, suspected wrongdoings;
- a comprehensive strategic planning, financial control and budgeting system which is properly documented and regularly reviewed; and
- a disciplined acquisitions and divestments due diligence process and post acquisition integration programme.

This Report on directors' remuneration has been prepared by the Remuneration Committee on behalf of the Board for approval by shareholders at the Annual General Meeting to be held on 4 May 2011 ("2011 AGM"). The Report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles and complied with the provisions of the 2008 Combined Code on Corporate Governance relating to directors' remuneration. Part A of the Report, which is not subject to audit, sets out the Company's remuneration policy. Part B, which has been audited, provides details of the remuneration, pensions and share incentives of the directors for the period under review.

Part A Unaudited information

Remuneration Committee

The Remuneration Committee (the "Committee") comprises Tom Maxwell (Chairman), Ian Brindle and Duncan Lewis. Mr Maxwell joined the Committee as Chairman on 4 March 2010 following Alex Walker's appointment as Chairman of the Company. All members of the Committee are independent non-executive directors. The Company Secretary is Secretary to the Committee.

The attendance of individual directors at Remuneration Committee meetings was as follows:

	Number of meetings held	Number of meetings attended
Alex Walker (until appointment as Chairman)	1	1
Tom Maxwell (Committee Chairman)	3	3
Ian Brindle	4	4
Duncan Lewis	4	4

The Committee is responsible for determining, on behalf of the Board, all elements of the remuneration of the chairman, executive directors and senior managers, reviewing remuneration policy and overseeing the operation of the Company's share incentive plans. The Committee's terms of reference can be found on the Company's website at www.spirent.com.

Remuneration policy

The remuneration policy set by the Committee aims to encourage a performance based culture which reinforces behaviour that will lead to the continued long term development of the business, attract and retain high calibre executive directors and senior managers and align their interests with shareholders. The aims of the policy are achieved by ensuring their remuneration is competitive when compared with companies of similar size, type and complexity within the countries in which they are based. It is structured so that a substantial element of their total remuneration package is weighted towards performance based pay.

Advisers to the Committee

When the Committee considers it appropriate, it takes advice on remuneration matters from:

- Aon Hewitt Consulting Inc – Radford executive remuneration data;
- Ernst & Young LLP – independent verification of earnings per share ("EPS") to determine the vesting of share incentives (they are also the Company's auditors);
- Kepler Associates Limited – measurement of total shareholder return ("TSR") to determine the vesting of share incentives;
- Linklaters LLP – advice on share incentive plans (they are also one of the Company's general legal advisers); and
- PricewaterhouseCoopers LLP – advice on share incentive plans, executive remuneration data and policy review.

During the year the Committee also consulted with the Company's Chairman, Chief Executive Officer, Chief Financial Officer, Vice President, Human Resources and the Company Secretary but not on matters relating directly to their own remuneration.

Executive directors' remuneration

The remuneration of executive directors comprises the following elements:

- base salary, benefits and pension contributions or cash allowance in lieu of pension;
- quarterly and annual performance cash incentive; and
- long term share incentive awards.

Base salary, fees and benefits

Base salaries and benefits of executive directors are determined by the Committee and are normally reviewed annually. Bill Burns' base salary and benefits were set on his appointment on 6 November 2008 and reviewed on 1 January 2011 when the Committee determined that there should be no change. Eric Hutchinson's base salary and benefits were last reviewed on 1 January 2011 and the Committee determined that there should be no change. The base salary and benefits of the executive directors will next be reviewed on 1 January 2012.

When conducting such reviews, the Committee takes into account a range of factors including the Company's performance, economic conditions, the prevailing market rates for similar positions in a comparable group of companies, the responsibilities, individual performance and experience of each executive director. Consideration is also given to pay and employment conditions of employees within the Group and the Committee particularly takes into account pay increases throughout the Group when determining salary increases for executive directors. As noted above, neither Bill Burns nor Eric Hutchinson received an increase in base salary in the period under review.

Bill Burns has a service agreement with Spirent Communications Inc. ("SCI"), and, being a US resident, receives a remuneration package which is in line with US employment practice. In addition to his base salary, he participates in SCI's medical, dental and vision plans, 401(k) Pension Plan, a non-qualified deferred compensation plan and receives disability coverage benefit, life insurance cover of four times base salary and a car allowance.

The SCI 401(k) Pension Plan is a defined contribution plan approved under Section 401(k) of the US Internal Revenue Code ("US IR Code"). SCI make matching contributions of up to 4 per cent of the maximum compensation permitted for these purposes under the US IR Code, which for 2010 was $245,000.

The SCI Deferred Compensation Plan is a non-qualified plan offered as a benefit to senior management in the US. This plan allows participants to defer up to 50 per cent of their base salary and up to 100 per cent of any cash incentive until they reach retirement age or leave the Group's employment. Under this plan, contributions are met solely by Mr Burns and SCI makes no matching contributions.

Eric Hutchinson has a service agreement with Spirent Communications plc, and, being a UK resident, receives a remuneration package which is in line with UK employment practice. In addition to base salary he receives private medical insurance, life insurance cover of four times base salary and a car allowance. During the year under review, Eric Hutchinson received an annual cash allowance in lieu of pension of 20 per cent of base salary, totalling £58,970.

Quarterly and annual performance cash incentives

The Committee regularly reviews performance incentive targets and performance conditions to incentivise executive directors to meet the short term strategic objectives of the Spirent Group.

During 2010, the executive directors participated in a performance cash incentive arrangement with two thirds of the incentive target being earned quarterly and one third annually. This cash incentive arrangement was structured so that performance was measured against a combination of growth targets in the Company's EPS, other financial targets and personal objectives. Achievement against the EPS growth target and other financial measures determined the maximum bonus which could be earned in a given performance period with performance against personal objectives determing the actual bonus earned. For 2010, the maximum cash incentive available for Bill Burns was 150 per cent of base salary and for Eric Hutchinson was 60 per cent of base salary. The Committee reviewed Mr Burns' and Mr Hutchinson's performance against the targets set and, having exceeded the EPS and other financial targets and met all personal objectives, the Committee approved a total cash incentive payment for the year of $900,000 for Mr Burns equivalent to 150 per cent of his base salary and £176,900 for Mr Hutchinson ($272,400 at an average exchange rate of $1.54 : £1), equivalent to 60 per cent of base salary. For 2011, the maximum cash incentive available for Bill Burns will continue to be 150 per cent of base salary and for Eric Hutchinson will be 75 per cent of base salary.

Long term share incentive awards

The Company operates a number of share incentive plans. Currently, the principal share incentive plan utilised for executive directors is the 2005 Employee Incentive Plan ("EIP") which is a discretionary share plan.

Executive directors are also able to participate in all employee share plans if offered in the country within which they are resident. The applicable all employee plans in the UK are the 2005 Sharesave Scheme and the UK Employee Share Purchase Plan and in the US is the US Employee Stock Purchase Plan. In November 2010, the Board made an invitation to all UK employees to participate in the UK Employee Share Purchase Plan and to all US employees to participate in the US Employee Stock Purchase Plan.

During 2010, historical awards of share incentives held by executive directors under the Spirent Stock Incentive Plan ("SSIP"), 1995 Executive Share Option Scheme ("ESOS") and the UK Savings Related Share Option Scheme ("SRSOS") remained outstanding. The SSIP was the principal share incentive plan used to deliver awards to Communications group employees and Bill Burns participated in this plan in his former positions within the Communications group. All the grants made to Mr Burns under the SSIP had performance conditions attached and further details are given below. The SSIP, ESOS and SRSOS are all now closed.

Further details of the Company's all employee and discretionary share plans are provided in note 28 to the consolidated financial statements and note 16 to the parent Company financial statements.

2005 Employee Incentive Plan

Under the EIP, the Company is able to grant options and share-settled stock appreciation rights ("SARs"), the vesting of which is subject to meeting an EPS growth target. Performance shares may also be granted with the vesting of historical awards being subject to meeting a TSR performance target. The vesting of future awards of Performance shares will be subject to more than one performance condition with vesting for 50 per cent of the award being based on the Company's relative TSR rating against a comparator group of companies and vesting for the remaining 50 per cent of the award being based on the rate of growth in the Company's EPS over the performance period.

Any awards made to executive directors are subject to prior satisfactory performance of the individual and award levels vary in accordance with the individual's potential to add value to the business over the medium to long term.

In normal circumstances, the maximum value of an award of Performance shares under the EIP is limited to 125 per cent of base salary with awards of options or SARs limited to a maximum value of 250 per cent of base salary. For combined awards, the maximum value is limited to 250 per cent of base salary with one Performance share being equivalent to two options/SARs. Awards are valued at the closing price for a Spirent Ordinary Share on the business day immediately preceding the date of award.

All awards are tested once on or shortly following the third anniversary of grant. Any part of an award which does not vest will lapse and there is no retesting.

The Committee historically considered that real EPS growth was the most appropriate measure of the Company's performance in determining the vesting of SARs and options granted under the EIP. The vesting of future awards of SARs and options will be based on the rate of growth in the Company's EPS over the performance period. The performance condition for SARs and options currently outstanding is based on the rate of growth in the Company's EPS over a three year performance period excluding any increase in the Retail Prices Index ("RPI"). Details of vesting are set out in the following table.

Annual rate of growth in EPS in excess of growth in RPI over the performance period (%)	Percentage of SARs/options vesting (%)
Below 6	0
6	25
Above 6 and below 15	On a straight line basis between 25 and 100
15 or above	100

Historically the Committee considered that a relative TSR growth target was the most appropriate measure of the Company's performance in determining the vesting of Performance shares granted under the EIP and the performance condition for Performance shares was therefore based on the Company's relative TSR rating against a comparator group of companies over a three year performance period as set out in the table below. As noted above, the vesting of future awards of Performance shares will be subject to more than one performance condition.

TSR ranking	Proportion of Performance shares vesting (%)
Below median	0
Between median and upper quartile	On a straight line basis between 30 and 100
At or above upper quartile	100

For awards made prior to 2009, the comparator group consisted of the 30 largest companies by market capitalisation in the FTSE TechMARK 100 Index, excluding those companies who were also constituents of the FTSE 100 Index at the commencement of the performance period. For the award made on 30 November 2009, three non UK listed direct competitors were added to the comparator group. The Committee considers the selected comparator group provides a suitable benchmark for the Company's TSR rating. In determining the TSR for the Company and its comparator group in respect of the award made on 30 November 2009, share prices are averaged over the 90 day period immediately prior to, and at the end of, the performance period. For previous awards, there was no averaging period.

Spirent Stock Incentive Plan

Grants made to Bill Burns in 2005 and 2006 under the SSIP were subject to a performance condition as set out below which was approved by shareholders in 2004. A 25 per cent tranche of each grant of SARs vested and became exercisable, subject to the attainment of a performance condition, on each of the first, second, third and fourth anniversaries of the date of grant. The performance condition was measured against a fixed base year determined at the date of grant. Any tranche which did not meet the performance condition before the fourth anniversary of the date of grant was subject to a final testing on that fourth anniversary. The performance condition for this final testing was measured from the base year and the performance condition was increased in proportion to the four year performance period. Any tranche which did not vest after the fourth anniversary of the date of grant lapsed. The grants made to Mr Burns in 2005 and 2006 have now vested in full, having attained the relevant performance conditions.

Spirent Stock Incentive Plan — performance condition schedule

Percentage of total grant tested (%)	Rate of growth in EPS in excess of growth in RPI over the performance period (%)	Percentage of SARs vesting (%)	Performance period
25	Below 6	0	Year 1
(1st SAR tranche)	6	25	
	Between 6 and 15	On a straight line basis between 25 and 100	
	15 or above	100	
25	Below 12	0	Years 1 and 2
(2nd SAR tranche)	12	25	
	Between 12 and 30	On a straight line basis between 25 and 100	
	30 or above	100	
25	Below 18	0	Years 1, 2 and 3
(3rd SAR tranche)	18	25	
	Between 18 and 45	On a straight line basis between 25 and 100	
	45 or above	100	
25 (4th SAR tranche) plus any unvested tranches of 1st, 2nd and 3rd SAR tranches	Below 24	0	Years 1, 2, 3 and 4
	24	25	
	Between 24 and 60	On a straight line basis between 25 and 100	
	60 or above	100	

Shareholder dilution

The Committee is mindful of the need to manage shareholder dilution in a responsible manner. No share incentive awards have been made under the EIP since November 2009.

Overall shareholder dilution resulting from the Company's share incentive plans (on a rolling 10 year basis) has fallen by 1.3 per cent when comparing the positions at 31 December 2010 (10.1 per cent) and 31 December 2009 (11.4 per cent). The overall number of share incentives outstanding has fallen by 12.8 million during the year to 15.5 million at 31 December 2010 (2009 28.3 million).

Shareholder approval was given in 2005 to operate the EIP until 2015, subject to further shareholder approval being required on the use of new issue shares and any material changes to the plan. No material changes to the EIP are proposed and therefore no specific shareholder approval is required at the 2011 AGM to continue to operate this plan.

Service contracts

It is the Company's policy that service contracts for the executive directors have no fixed term and are capable of termination on no more than 12 months' notice from either the Company or the executive director.

The contract dates and notice periods for each executive director are as follows:

	Date of contract	Notice period by company month(s)	Notice period by director month(s)
Bill Burns	6 November 2008	1	1
Eric Hutchinson	13 December 1999	12	12

Both contracts contain provisions for the employer to make payment in lieu of notice and for removal of the director for poor performance or material misconduct without compensation. In the case of Eric Hutchinson, the Company will seek to apply practical mitigation measures to any payment of compensation on termination, taking into account all relevant circumstances.

In the case of Bill Burns, mitigation provisions are contained in his service contract. As noted above, Mr Burns' service contract is with SCI and governed by the laws of the State of California, its termination provisions therefore reflect US practice. Either the employer or Mr Burns may terminate employment upon 30 days' notice and, in addition to one month's base salary (or payment in lieu) he would be entitled to accrued base salary, cash incentives, and vacation pay. Mr Burns would also be entitled to 11 months' base salary subject to a set-off for any base salary earned from alternative employment during the 12 month period following termination ("severance period") and monthly COBRA premium payments for the duration of the severance period subject to a set-off for health insurance provided by an alternative employer during the severance period.

Both service contracts contain appropriate provisions to protect the legitimate interests of the Company with respect to preventing any terminated director from working in a business which competes against the Company. Service contracts do not contain any compensation rights which could be increased on a change of control in the Company.

External appointments

The Company recognises that its executive directors may be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Company. The director would then retain any related fees. At the date of this Report, neither Bill Burns nor Eric Hutchinson hold any such external positions.

Non-executive directors' fees and letters of appointment

The Company's remuneration policy with regard to non-executive directors is to pay fees which are in line with market practice. Fees are normally reviewed once every three years and were last reviewed on 1 January 2011 when it was determined that fees would not be increased. Fees will next be reviewed on 1 January 2012. It is considered that non-executive director fees are at the median level for comparable companies. The basic annual fee for non-executive directors with effect from 1 January 2011 is £36,000. The Chairmen of the Audit and Remuneration Committees each receive additional fees of £11,000 and £9,000 respectively.

All non-executive directors have a letter of appointment with the Company for a period of not more than three years, subject to the Company's Articles of Association. Each letter provides for retirement every three years. However, in accordance with the new UK Corporate Governance Code (the "New Code"), which replaces the existing Combined Code on Corporate Governance for accounting periods beginning on or after 29 June 2010, the Board has agreed that all directors will stand for re-election at the 2011 AGM.

Details of individual appointments are as follows:

Director	First appointed a director	Current appointment due to expire
Ian Brindle[1]	22 December 2006	2012 AGM
Duncan Lewis	1 July 2007	2011 AGM
Tom Maxwell	1 October 2007	2011 AGM
Alex Walker[1]	22 December 2006	2012 AGM

1 As explained above, all directors will stand for re-election at the 2011 AGM.

The letters of appointment are available for inspection on request and will be available for inspection before and during the 2011 AGM. An example of a letter of appointment for a non-executive director is available on the Company's website at www.spirent.com.

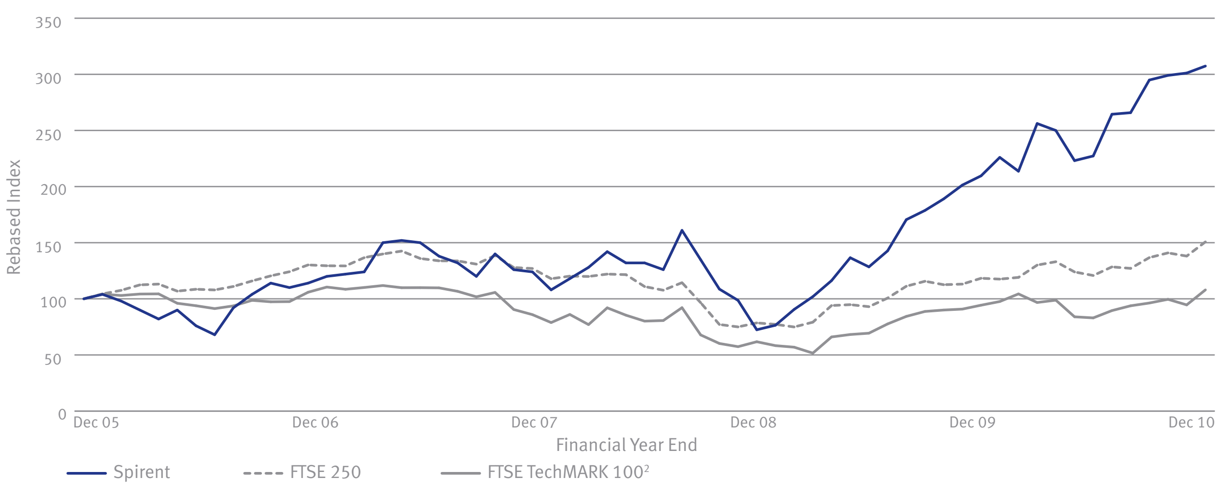
Non-executive directors are not eligible to participate in cash incentive or share incentive arrangements and their service does not qualify for a pension or other benefits. No element of their fee is performance related.

During 2010, Messrs Bramson and Eastman, who both retired from the Board at the conclusion of the 2010 AGM on 5 May 2010, elected to have their fees paid to Sherborne Investors.

Total Shareholder Return performance

The graph below shows the TSR performance for the last five financial years of Spirent Communications plc against the FTSE 250 Index and the FTSE TechMARK 100 Index, excluding those companies who were also constituents of the FTSE 100 Index at the commencement of the period. The Committee believes that these provide broad equity market indices against which the performance of the Company can be fairly compared, and that the FTSE TechMARK 100 Index provides a particularly representative collection of comparator companies.

5-year TSR[1] performance – Spirent vs FTSE TechMARK 100[2] and FTSE 250



1 TSR is the growth in the value of a share or index, assuming dividends and other distributions are reinvested.
2 Excluding FTSE100 companies

Part B Audited information

Directors' remuneration

Individual and total remuneration for the year to 31 December 2010:

	Base salary and fees $000	Taxable benefits $000	Performance related incentive paid in cash $000	Cash in lieu of pension $000	Total 2010[2] $000	Total 2009[2] $000
Executive directors						
Bill Burns	600.0	26.4	900.0	–	1,526.4	1,470.9
Eric Hutchinson[1]	454.9	25.3	272.4	90.8	843.4	851.3
Non-executive directors						
Edward Bramson[2]	63.0	–	–	–	63.0	235.5
Ian Brindle	72.4	–	–	–	72.4	73.8
Gerard Eastman[2]	19.1	–	–	–	19.1	56.5
Duncan Lewis	55.4	–	–	–	55.4	56.5
Tom Maxwell	65.8	–	–	–	65.8	56.5
Alex Walker	190.6	–	–	–	190.6	70.7
2010	1,521.2	51.7	1,172.4	90.8	2,836.1	
2009	1,613.2	51.7	1,114.2	92.6		2,871.7

Notes
1 Eric Hutchinson earned a fee of $800 in respect of his services to the Board and its Committees.
2 These figures relate to the period of each director's Board membership.

Summary of directors' remuneration

	2010 $000	2009 $000
Total emoluments for all directors	2,836.1	2,871.7
Gains made on the exercise of share incentives[1]	2,936.3	222.8
Contributions to 401(k) Pension Plan[2]	9.8	9.8
	5,782.2	3,104.3

Notes

1 2010: On 16 March, Eric Hutchinson exercised 1,128,000 ESOS share options granted on 5 August 2004 at an exercise price of 55.5 pence, selling the resulting shares at a fair market value of 120.1268 pence per share equating to a total gain of £728,990 ($1,122,645). On the same date, Mr Hutchinson also exercised 638,700 EIP stock appreciation rights granted at a base price of 53 pence on 25 August 2005 and 544,650 EIP stock appreciation rights granted at a base price of 47.5 pence on 5 May 2006; the applicable fair market value was 122.80 pence per Ordinary Share and the exercises resulted in a total gain of £855,934 ($1,318,138).
On 9 September, Bill Burns exercised 250,000 SSIP stock appreciation rights granted at a base price of 69.75 pence on 10 March 2005 and 200,000 SSIP stock appreciation rights granted at a base price of 53 pence on 25 August 2005; the applicable fair market value was 133.80 pence per Ordinary Share and the exercises resulted in a total gain of £321,725 ($495,457).
2009: On 5 May 91,875 Performance shares vested and were allotted to Bill Burns. Mr Burns sold 36,922 Ordinary Shares to cover the tax liability arising on the deemed gain of £54,666 ($85,826) which was realised based on a market price of 59.5 pence per Ordinary Share and retained the remaining 54,953 Ordinary Shares. On 5 May 146,650 Performance shares vested and were allotted to Eric Hutchinson. The shares were retained by Mr Hutchinson and a deemed gain of £87,257 ($136,993) was realised based on a market price of 59.5 pence per share.

2 A contribution of $9,800 was made to the 401(k) Pension Plan relating to Bill Burns, (2009 $9,800).

Directors' interests in shares

The beneficial interests of the directors and their connected persons in the shares of the Company are set out below:

	At 31 December 2010 Ordinary Shares[1]	At 31 December 2009 Ordinary Shares[1]
Executive directors		
Bill Burns	54,953	54,953
Eric Hutchinson	1,205,581	1,205,581
Non-executive directors		
Edward Bramson[2]	220,000	220,000
Ian Brindle	4,525	4,525
Gerard Eastman[2]	40,000	40,000
Duncan Lewis	–	–
Tom Maxwell	26,955	26,955
Alex Walker	50,000	30,000

Notes

1 Directors' beneficial holdings do not form part of the remuneration provided by the Company.

2 Holdings shown were at date of retirement from the Board.

	Plan type[1]	At 31 December 2010	Lapsed during the period	Exercised during the period	Granted during the period	At 1 January 2010	Date of grant	Exercise price per share pence	Market price on date of grant pence	Date first exercisable	Expiry date
Bill Burns											
	SSIP	–	–	250,000	–	250,000	10 Mar 05	70	70	15 Nov 05	10 Mar 12
	SSIP	62,500	–	200,000	–	262,500	25 Aug 05	53	53	25 Aug 08	25 Aug 12
	SSIP	170,625	–	–	–	170,625	05 May 06	48	48	05 May 07	05 May 13
	EIP	374,000	–	–	–	374,000	07 Nov 08	51	51	07 Nov 11	07 Nov 18
	EIP	374,000	–	–	–	374,000	07 Nov 08	nil[2]	51	07 Nov 11	07 Nov 11
	EIP	377,953	–	–	–	377,953	30 Nov 09	nil[2]	98	30 Nov 12	30 Nov 12
Eric Hutchinson											
	ESOS	234,000	–	–	–	234,000	02 Apr 02	134	134	02 Apr 06	02 Apr 12
	ESOS	387,000	–	–	–	387,000	02 May 02	113	113	02 May 06	02 May 12
	SRSOS	24,721	–	–	–	24,721	26 Sep 03	38	38	01 Jan 11	01 Jul 11
	ESOS	–	–	1,128,000	–	1,128,000	05 Aug 04	56	56	05 Aug 08	05 Aug 14
	EIP	56,600	–	638,700	–	695,300	25 Aug 05	53	53	25 Aug 08	25 Aug 15
	EIP	–	–	544,650	–	544,650	05 May 06	48	48	05 May 09	05 May 16
	EIP	151,829	–	–	–	151,829	30 Nov 09	nil[2]	98	30 Nov 12	30 Nov 12

Notes

An explanation of each share plan and its operation is given in note 28 to the audited consolidated financial statements of the Group and note 16 to the parent Company financial statements.

1 Key to share plan:
EIP – 2005 Employee Incentive Plan.
ESOS – 1995 Executive Share Option Scheme.
SRSOS – UK Savings Related Share Option Scheme.
SSIP – Spirent Stock Incentive Plan.

2 This relates to an award of Performance shares under the EIP. There is no exercise price payable for a Performance share upon vesting. Further details on Performance shares are provided above.

Events since 31 December 2010

On 1 January 2011 Eric Hutchinson received 24,721 Spirent Savings Related Share Option Scheme options at an exercise price of 38 pence per share, having elected to do so on 21 October 2010.

On 24 January 2011, Bill Burns acquired 96 Ordinary Shares under the US Employee Stock Purchase Plan and Eric Hutchinson acquired 184 Ordinary Shares under the UK Employee Share Purchase Plan, both at a price of 134.6 pence per share.

On 24 February 2011, Bill Burns acquired 248 Ordinary Shares under the US Employee Stock Purchase Plan and Eric Hutchinson acquired 166 Ordinary Shares under the UK Employee Share Purchase Plan, both at a price of 150.3 pence per share.

At the date of this Report, Mr Burns has a beneficial interest in the Company of 55,297 Ordinary Shares and holds 1,359,078 share incentive awards and Mr Hutchinson has a beneficial interest in the Company of 1,230,652 Ordinary Shares and holds 829,429 share incentive awards.

The middle market price of an Ordinary Share at the close of business on 4 January 2010 (being the first day the London Stock Exchange was open for trading in 2010) and 31 December 2010 was 104.0 pence and 147.8 pence, respectively, and during that period ranged between a high of 160.3 pence and a low of 102.8 pence.

Signed on behalf of the Board

Tom Maxwell
Chairman of the Remuneration Committee
3 March 2011

We have audited the Group financial statements of Spirent Communications plc for the year ended 31 December 2010 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement and the Consolidated statement of changes in equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of directors' responsibilities set out on page 40, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the Group financial statements:

– Give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
– Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
– Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

– The information given in the Report of the directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– Certain disclosures of directors' remuneration specified by law are not made; or
– We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

– The directors' statement, set out on page 38, in relation to going concern; and
– The part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
– Certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter
We have reported separately on the parent Company financial statements of Spirent Communications plc for the year ended 31 December 2010 and on the information in the Report on directors' remuneration that is described as having been audited.

Richard Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2011

The maintenance and integrity of the Spirent Communications plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Year to 31 December	Notes	2010 $ million	2009 (restated)[1] $ million
Revenue	3, 4	482.2	427.2
Cost of sales		(161.1)	(143.8)
Gross profit		321.1	283.4
Product development	4	(80.2)	(74.6)
Selling and distribution		(87.9)	(78.0)
Administration		(40.3)	(44.0)
Operating profit	4	112.7	86.8
Finance income	6	0.8	0.6
Finance costs	7	(1.3)	(2.5)
Profit before tax	4, 5	112.2	84.9
Tax	10	(33.1)	6.3
Profit for the year attributable to equity shareholders of parent Company		79.1	91.2
Earnings per share (cents)	11		
Basic		11.77	13.67
Diluted		11.66	13.60

1 Restated due to the change in the Group's reporting currency, as set out in note 2. Refer to note 32 for details.

All activities relate to continuing operations.

The notes on pages 59 to 102 and page 121 form part of these financial statements.

Year to 31 December	Notes	2010 $ million	2009 (restated)[1] $ million
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	24	(0.6)	8.0
Exchange differences on retranslation of foreign operations		(3.3)	14.1
Actuarial gains/(losses) on defined benefit pension plans	9	8.6	(2.2)
Irrecoverable element of defined benefit pension plan surplus	9	(1.9)	–
Deferred tax (charge)/credit on defined benefit pension plans	10	(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

1 Restated due to the change in the Group's reporting currency, as set out in note 2. Refer to note 32 for details.

The notes on pages 59 to 102 and page 121 form part of these financial statements.

At 31 December	Notes	2010 $ million	2009 (restated)[1] $ million	2008 (restated)[1] $ million
Assets				
Non-current assets				
Intangible assets	13	112.0	112.4	111.7
Property, plant and equipment	14	29.1	23.6	26.8
Trade and other receivables	18	3.6	3.7	3.6
Cash on deposit	19	1.1	1.8	3.6
Defined benefit pension plan surplus	9	7.7	1.0	3.7
Deferred tax	21	31.3	42.5	17.5
		184.8	185.0	166.9
Current assets				
Inventories	17	37.6	28.1	34.8
Trade and other receivables	18	98.2	81.3	89.9
Derivative financial instruments	24	–	1.0	–
Cash and cash equivalents	19	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	20	(108.5)	(86.6)	(91.4)
Current tax		(13.0)	(10.3)	(6.6)
Derivative financial instruments	24	(0.2)	(0.2)	(8.1)
Provisions and other liabilities	23	(5.1)	(6.1)	(5.3)
		(126.8)	(103.2)	(111.4)
Non-current liabilities				
Trade and other payables	22	(7.5)	(7.9)	(7.3)
Defined benefit pension plan deficit	9	(0.6)	(1.1)	(0.9)
Provisions and other liabilities	23	(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	27			
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

1 Restated due to the change in the Group's reporting currency, as set out in note 2. Refer to note 32 for details.

The notes on pages 59 to 102 and page 121 form part of these financial statements.

Signed on behalf of the Board

Eric Hutchinson
Director
3 March 2011

Year to 31 December	Notes	2010 $ million	2009 (restated)[1] $ million
Cash flows from operating activities			
Cash flow from operations	30	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	19	223.9	173.9

1 Restated due to the change in the Group's reporting currency, as set out in note 2. Refer to note 32 for details.

The notes on pages 59 to 102 and page 121 form part of these financial statements.

$ 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 (a)	–	–	–	–	–	14.1	8.0	89.9	112.0
Share-based payment note 29	–	–	–	–	–	–	–	0.6	0.6
Deferred tax credit on share incentives note 10	–	–	–	–	–	–	–	1.7	1.7
Current tax on share incentives note 10	–	–	–	–	–	–	–	0.5	0.5
New shares issued note 27	0.3	1.8	–	–	–	–	–	–	2.1
Employee share ownership trust note 27	–	–	–	–	–	–	–	1.7	1.7
Share repurchase note 27	–	–	–	–	–	–	–	(0.9)	(0.9)
Equity dividends note 12	–	–	–	–	–	–	–	(12.1)	(12.1)
Other movements note 27	–	–	–	(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 (b)	–	–	–	–	–	(3.3)	(0.6)	84.9	81.0
Share-based payment note 29	–	–	–	–	–	–	–	0.4	0.4
Deferred tax credit on share incentives note 10	–	–	–	–	–	–	–	2.6	2.6
New shares issued note 27	0.3	2.7	–	(0.2)	–	–	–	–	2.8
Share cancellation note 27	(0.5)	–	0.5	–	–	–	–	–	–
Employee share ownership trust note 27	–	–	–	–	–	–	–	1.9	1.9
Share repurchase note 27	–	–	–	–	–	–	–	(19.7)	(19.7)
Equity dividends note 12	–	–	–	–	–	–	–	(13.7)	(13.7)
Other movements note 27	–	–	–	(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

1 Restated due to the change in the Group's reporting currency, as set out in note 2. Refer to note 32 for details.

(a) The amount included in retained earnings for 2009 of $89.9 million represents profit attributable to the owners of the parent of $91.2 million less actuarial losses of $2.2 million in respect of the defined benefit pension plans, net of a tax credit of $0.9 million.

The amount included in the translation reserve of $14.1 million represents other comprehensive income related to the translation of foreign operations.

The amount included within cash flow hedges of $8.0 million is in relation to movements on cash flow hedges, see note 24.

(b) The amount included in retained earnings for 2010 of $84.9 million represents profit attributable to the owners of the parent of $79.1 million plus actuarial gains of $8.6 million in respect of the defined benefit pension plans less an amount for the movement on the irrecoverable element of the pension plan surplus of $1.9 million, net of a tax charge of $0.9 million.

The amount included in the translation reserve of $3.3 million represents other comprehensive income related to the translation of foreign operations.

The amount included within cash flow hedges of $0.6 million is in relation to movements on cash flow hedges, see note 24.

The notes on pages 59 to 102 and page 121 form part of these financial statements.

1. Corporate information

The Group's consolidated financial statements for the year ended 31 December 2010 were authorised for issue by the Board of directors on 3 March 2011. Spirent Communications plc is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are traded on the London Stock Exchange.

As required by the European Union's ("EU") IAS Regulation and the Companies Act 2006, the Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and issued by the International Accounting Standards Board.

The Company has elected to prepare the Company financial statements in accordance with UK Accounting Standards. These are presented on pages 104 to 121 and the accounting policies in respect of the Company are set out on pages 105 to 108.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except unless otherwise indicated.

The Group has prepared its financial statements under IFRS. The significant accounting policies applied in the preparation of these consolidated financial statements are set out below and 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.

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.

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 consolidated financial statements have been restated into US dollars. Note 32 sets out in detail how the financial statements have been converted.

New accounting standards

The following new standards, amendments to standards and interpretations are mandatory for the first time in the current period 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)	

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies.

2. Summary of significant accounting policies continued

Results of subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on the acquisition of subsidiaries, representing the excess of cost over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised as an intangible asset. Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is subject to an annual review for impairment. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit, an operation within a cash-generating unit, an associate or jointly controlled entity is included in the profit or loss on its disposal.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Separately identifiable intangible assets such as patent fees, licence fees, trademarks and customer lists and relationships are capitalised on the balance sheet only when the value can be measured reliably, or the intangible asset is purchased as part of the acquisition of a business. Such intangible assets are amortised over their useful economic lives on a straight line basis. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Product development

Research expenditure is recognised in the year in which it is incurred. Intangible assets arising on the Group's various product development projects are recognised only if the recognition criteria of IAS 38 "Intangible Assets" are met.

Product development costs are expensed as incurred until the technological feasibility of the product under development has been established. Technological feasibility in Spirent's circumstances occurs when a working model is completed. For software development technological feasibility is not established until the process of developing the software is complete. After technological feasibility is established, additional costs are capitalised and amortised on a straight line basis over the estimated useful life.

At 31 December 2010 and 31 December 2009 no amounts have met the recognition criteria.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is not provided on freehold land. Depreciation is provided to write off the cost, less estimated residual value, of all other assets over their estimated useful lives on a straight line basis at rates which take into account commercial conditions at their location. Usual asset lives are as follows:

Freehold buildings	50 years
Plant and machinery	3 to 8 years
Fixtures, fittings and equipment	
Building installations	20 years or lease period if less
Fittings and equipment	3 to 8 years
Motor vehicles	3 to 5 years
Business systems software	4 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of assets

Intangible assets with finite useful lives and property, plant and equipment are tested for impairment at each reporting date where there is an indication that an asset may be impaired. Goodwill and intangible assets with an indefinite useful life are assessed at least annually. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected cash

2. Summary of significant accounting policies continued

flows (value in use) of the relevant cash-generating unit or asset and the fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Where an impairment loss has been recognised against an asset, it may be reversed in future periods where there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. This does not apply for goodwill, for which an impairment loss must not be reversed in any circumstances. Such a reversal is recognised in the income statement.

Leases

Operating leases are leases where the lessor retains substantially all the risks and rewards of ownership of the asset and are not finance leases. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value, after provisions for obsolescence. Cost includes all costs in bringing each product to its present location and condition, being the full manufacturing cost on a first-in-first-out basis, including all attributable overheads based on a normal level of activity.

Provisions

Provisions are recorded when the Group has a present, legal or constructive obligation as a result of a past event, for which it is probable that the Group will be required to settle by an outflow of resources and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation.

Foreign currencies

The consolidated financial statements are presented in US dollars, which is the Group's presentation currency.

Transactions in foreign currencies are initially recorded at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling at the balance sheet date. All exchange differences are taken to the consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies are measured in terms of historical costs using the exchange rate at the date of the initial transaction.

The functional currencies of the Group's operations are principally US dollar, sterling or euro. On consolidation the assets and liabilities of the Group's foreign operations are translated into the Group's presentation currency at exchange rates ruling at the balance sheet date. The results of foreign operations are translated into US dollars using average rates. The exchange differences arising on retranslation are classified as a separate component of equity, the translation reserve. Such translation differences are recognised as part of the profit or loss on disposal should an operation be disposed of. The Group has elected to apply the exemption in IFRS 1 "First Time Adoption of International Financial Reporting Standards" which allows the cumulative translation differences for all foreign operations to be deemed to be zero at the date of transition to IFRS, being 1 January 2003.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when it becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are non-interest bearing and are stated at original invoiced amount less an appropriate allowance for estimated irrecoverable amounts. Such allowances are based on an assessment of debtor ageing, past experience or known customer exposures.

2. Summary of significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. There are no bank overdrafts.

Trade payables

Trade payables are non-interest bearing and are stated at the original invoiced amount.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs. Spirent Communications plc Ordinary Shares held by the Group are classified in shareholders' equity as treasury shares and are recognised at cost and included as a deduction from retained earnings. Consideration received for the sale of such treasury shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings.

Derivative financial instruments and hedge accounting

The Group uses forward foreign currency exchange contracts to manage exposures arising on receipts and payments in foreign currencies relating to firm commitments. Previously the Group also managed exposures arising on highly probable forecast transactions. This change in treasury policy arose as a consequence of the change in the Group's reporting currency from sterling to US dollars.

As the number of transactions now being hedged is significantly reduced and restricted to items which affect profit or loss or are recognised on the balance sheet at the balance sheet date, the Group has ceased to adopt the hedge accounting rules for all transactions entered into since the decision was taken to change the reporting currency. The Group previously designated its forward foreign currency exchange contracts as cash flow hedges and such designation was maintained until maturity of those remaining contracts in 2010.

Forward foreign currency exchange contracts are initially recognised at fair value on the date on which the contract is entered into, and are subsequently re-measured to fair value at each reported balance sheet date. The fair value of forward foreign currency exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Changes in the fair value of contracts which were designated as effective hedges were recognised directly in other comprehensive income and the gain or loss on the ineffective portion of the hedge recognised immediately in the income statement. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken to the income statement. For effective hedges that were in relation to a financial asset or liability, amounts originally deferred were recognised in the income statement in the same period in which the hedged item affected profit or loss, for example when a highly probable forecast sale occurred. For non-financial assets or liabilities, the gains or losses that were included in equity were included in the initial measurement of the non-financial asset or liability at the time the asset or liability was recognised on the balance sheet.

The Group discontinued hedge accounting if the hedging instrument expired or was sold, terminated or exercised, the hedge no longer met the criteria for hedge accounting or the Group revoked the designation. Gains or losses arising on hedging instruments, which were cancelled due to termination of the underlying exposure, were taken to the income statement immediately.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts.

Retirement benefits

The Group operates two funded defined benefit pension plans which are in the United Kingdom, all other pension plans are defined contribution in nature. For the defined contribution plans the amount charged to the income statement is the contributions paid or payable during the year.

For defined benefit pension plans full actuarial valuations are carried out every three years using the projected unit credit method, and updates are performed at each balance sheet date. The cost of providing benefits under these plans is determined separately for each plan, and attributes entitlement to benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Past service costs are recognised in the income statement on a straight line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued),

2. Summary of significant accounting policies continued

or a curtailment (reducing future obligations as a result of a material reduction in the plan membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit pension plan cost represents the change in present value of plan obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on plan assets, adjusted for the effect on the fair value of plan assets of contributions received, and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as finance costs or finance income.

Actuarial gains and losses arising from differences between actual and expected returns on plan assets, experience adjustments on liabilities and changes in actuarial assumptions, are recognised immediately in the statement of comprehensive income.

The defined benefit pension plan asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds denominated in the same currency and whose term is consistent with the estimated term of the obligation), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover, by way of refunds from the plan or reductions in the future contributions.

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group, the revenue can be reliably measured and when the Group has transferred to the buyer the significant risks and rewards of ownership. In addition, revenue is only recognised when collectability is probable.

For the sale of services, revenue is recognised in accounting periods in which the service is rendered. Revenue from maintenance contracts is recognised over the period of performance on a straight line basis.

Revenue from product sales of hardware and software is recognised at the time of delivery and acceptance and when there are no significant vendor obligations remaining. It is not until acceptance has occurred that the risks and rewards of ownership are transferred to the buyer. Terms of acceptance are dependent upon the specific contractual arrangement agreed with the customer.

Contractual arrangements are accounted for as two or more separate transactions only where the commercial substance is that the individual components operate independently of each other, because they are capable of being provided separately from one another and it is possible to attribute reliable fair values to every component. To the extent that a separate component comprises a product sale of hardware or software, revenue is recognised as described above. Revenue is recognised on other components as the Group fulfils its contractual obligations and to the extent that it has earned the right to consideration.

Employee benefits

When an employee has rendered services to the Group during an accounting period, short term benefits expected to be paid in exchange for those services are recognised in the same accounting period.

Share-based payment

The Group operates various equity-settled share-based compensation plans and accounts for these awards in accordance with IFRS 2 "Share-based Payment". In accordance with the transitional provisions available on first-time adoption of IFRS, the Standard has been applied to awards granted after 7 November 2002 which were unvested at 1 January 2005.

The fair value of these awards is recognised in the income statement on a straight line basis over the vesting period together with a corresponding change in equity. The fair value is measured using a binomial model by reference to the share price at the date the awards were granted and taking into account the best estimate of the number of awards expected to vest. The charge is reassessed at each balance sheet date to reflect the expected and actual levels of vesting, except where the failure to vest is a result of not meeting a market condition. Awards where vesting is

2. Summary of significant accounting policies continued
conditional upon satisfying a market condition are treated as vesting irrespective of whether the market condition has been satisfied.
The Group has an employee share trust for the granting of certain share incentives to employees. Shares in the Group held by the employee share trust are treated as treasury shares and presented in the balance sheet as a deduction from equity.

Tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable for previous years.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

– Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
– In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Dividends paid
The interim dividend is included in the financial statements in the period it is approved by the directors, and the final dividend in the period it is approved by the shareholders at an annual general meeting.

Critical accounting assumptions and judgements
The preparation of financial statements requires the Group to make estimates and assumptions that affect items reported. Such estimates and assumptions are based on management's best knowledge of current facts, circumstances and future events, actual results may differ, possibly significantly, from those estimates. The areas requiring a high degree of judgement or where assumptions and estimates are significant to the consolidated financial statements are discussed below.

Goodwill impairment
The Group tests annually by cash-generating unit whether goodwill has suffered impairment and more frequently when events or circumstances indicate that the current carrying value may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value in use calculations which require the use of estimates and assumptions. These are described in note 13.

Defined benefit pension plans
The pension cost and the defined benefit obligation of the Group's defined benefit pension plans are based on a number of selected assumptions, these include the discount rate, inflation rate, salary growth, longevity and expected return on the plans' assets. Differences arising from actual experience or future changes in assumptions will be reflected in future periods. The effect of changing these assumptions is described in note 9.

2. Summary of significant accounting policies continued

Revenue recognition

For revenue recognition purposes contractual arrangements are accounted for as two or more separate transactions only where the commercial substance is that the individual components operate independently of each other, because they are capable of being provided separately from one another and it is possible to attribute reliable fair values to every component. To the extent that a separate component comprises a product sale of hardware or software, revenue is recognised as described above. Revenue is recognised on other components as the Group fulfils its contractual obligations and to the extent that it has earned the right to consideration. Management exercises a degree of judgement in setting the criteria used for determining when revenue which involves several elements should be recognised.

Income taxes

The Group is subject to income taxes in a number of tax jurisdictions and judgement is applied in determining the worldwide provision for income taxes. There are many transactions for which the final tax determinability is uncertain. For example liabilities are recognised for anticipated tax audit issues based on whether additional taxes are likely to be due based on the facts and circumstances known at the time the financial statements are prepared. Where the final outcome differs from the amounts that were initially recorded the differences will be recorded in the future period in which the determination is made.

Deferred taxes

The extent to which deferred tax assets can be recognised is based on current forecasts and estimates prepared by management. A change to these forecasts and estimates could result in a different recognition outcome.

Provisions

The Group records a provision for vacant property based on future rentals and reduced by its expected ability to sublease the vacant space to a third party. Provisions are discounted where the effect is significant. Changes in the actual outcome compared with the expected outcome on subleasing or changes to other assumptions will be recorded in future periods.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date for the Group after the date of these financial statements:

International Accounting Standards ("IAS/IFRS")		Effective for annual periods beginning on or after
IAS 12	Amendments to IAS 12 – Deferred Tax Recovery of Underlying Assets	1 January 2012
IAS 24 (revised)	Related Party Disclosures	1 January 2011
IAS 32	Amendment to IAS 32 – Classification of Rights Issues	1 February 2010
IFRS 1	Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7	Amendments to IFRS 7 Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRIC 14	Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to IFRSs (May 2010)		Various

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

3. Revenue

	2010 $ million	2009 (restated) $ million
Sale of goods	402.6	355.6
Maintenance and support services	79.6	71.6
Total revenue	482.2	427.2

4. 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 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 2010 or 2009. 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.

Corporate assets comprise cash and cash equivalents held for central treasury purposes and other corporate assets. Information on segment liabilities is not regularly provided to the Group's Chief Executive Officer and is therefore not disclosed below.

The principal activities of each reportable operating segment are as follows:

- Performance Analysis provides solutions that test a broad range of communications technologies critical to the development of next-generation network equipment and devices.
- Service Assurance provides network monitoring and field test solutions to allow service providers to diagnose, troubleshoot and determine how to resolve issues with networks and systems within the live network.
- Systems develops and supplies sophisticated electronic control systems for electrically powered vehicles in the medical mobility and industrial markets.

2010
$ million

	Performance Analysis	Service Assurance	Systems	Corporate	Total
Revenue					
External revenue	365.8	57.0	59.4	–	482.2

There were no inter-segment sales.

	Performance Analysis	Service Assurance	Systems	Corporate	Total
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 note 29					(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
Expenditure on property, plant and equipment note 14	16.3	1.2	0.6	–	18.1
Depreciation note 14	10.0	1.3	0.5	0.1	11.9
Intangible asset amortisation – other	0.2	–	–	–	0.2
Segment assets	264.1	17.7	22.7	240.0	544.5
Segment cash flows					
Operating activities	98.4	17.5	7.7	(24.2)	99.4
Investing activities	(15.8)	(1.2)	(0.6)	1.4	(16.2)
Financing activities	–	–	–	(28.7)	(28.7)
	82.6	16.3	7.1	(51.5)	54.5

4. Operating segments continued

2009 (restated) $ million

	Performance Analysis	Service Assurance	Systems	Corporate	Total
Revenue					
External revenue	316.8	52.6	57.8	–	427.2

There were no inter-segment sales.

	Performance Analysis	Service Assurance	Systems	Corporate	Total
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 *note 29*					(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
Expenditure on property, plant and equipment *note 14*	9.0	0.8	0.3	–	10.1
Depreciation *note 14*	11.8	1.1	0.6	–	13.5
Intangible asset amortisation – other	0.5	–	–	–	0.5
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

Geographical information

	2010 $ million	2009 (restated) $ million
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.

4. Operating segments continued

	2010 $ million	2009 (restated) $ million
Non-current assets		
Europe	4.1	5.5
United States	133.5	128.8
Asia Pacific, Rest of Americas, Africa	3.5	1.7
	141.1	136.0

Europe includes United Kingdom non-current assets of $3.2 million (2009 $4.8 million).

No one customer accounted for 10 per cent or more of total Group revenue in either 2010 or 2009.

5. Profit before tax

The following items have been charged or (credited) in arriving at profit before tax:

	2010 $ million	2009 (restated) $ million
Employee benefit costs *note 8*	169.7	160.1
Costs of inventories recognised as an expense	125.5	103.8
Write-down of inventories to net realisable value *note 17*	1.0	1.7
Amortisation of intangible assets *note 13*	1.6	1.9
Depreciation of property, plant and equipment		
Owned assets *note 14*	11.9	13.5
Loss on disposal of property, plant and equipment	–	0.1
Operating leases		
Minimum lease payments	11.7	10.7
Sublease income	(1.0)	(0.8)
Product development costs *note 4*	80.2	74.6
Net foreign exchange charge	0.4	5.5

Services provided to all of the operations of the Group by the auditor, Ernst & Young LLP, and its associates:

	2010 $ million	2009 (restated) $ million
Audit services		
Statutory audit	0.4	0.4
Other fees to auditors		
Local statutory audits for subsidiaries	0.4	0.4
Other audit related services	–	0.1
Other services relating to tax	0.1	0.1
	0.5	0.6
	0.9	1.0

A description of the work of the Audit Committee is set out in the Directors' statement on corporate governance and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

6. Finance income

	2010 $ million	2009 (restated) $ million
Interest receivable	0.8	0.6

7. Finance costs

	2010 $ million	2009 (restated) $ million
Bank fees	–	0.5
Leasehold provisions discount unwind *note 23*	0.1	0.3
Defined benefit pension plans *note 9*	1.2	1.7
	1.3	2.5

8. Employees

The average number of people employed by the Group during the year was:

	2010 Number	2009 Number
Manufacturing	402	414
Product development	503	500
Selling and distribution	376	362
Administration	179	173
	1,460	1,449

Employee benefit costs were:

	2010 $ million	2009 (restated) $ million
Remuneration	151.6	143.2
Social security costs	12.5	11.3
Pension and other related costs	5.2	5.0
Expense of share-based payment *note 29*	0.4	0.6
	169.7	160.1

Please refer to the Report on directors' remuneration on pages 45 to 52 for disclosures relating to the emoluments, share incentives and pensions of the directors.

9. Pensions

Defined benefit plans

The funded defined benefit pension plans are in the United Kingdom and comprise the Spirent Communications plc Staff Pension & Life Assurance Plan ("Staff Plan") and the Spirent Communications plc Retirement Cash & Life Assurance Plan ("Cash Plan"). The Staff Plan is the Group's most significant plan. There is in addition a United Kingdom unfunded plan.

9. Pensions continued

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

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Assets			
UK defined benefit pension plan – Staff Plan	7.1	–	3.0
UK defined benefit pension plan – Cash Plan	0.6	1.0	0.7
	7.7	1.0	3.7
Liabilities			
UK defined benefit pension plan – Staff Plan	–	(0.5)	–
UK unfunded plan	(0.6)	(0.6)	(0.9)
	(0.6)	(1.1)	(0.9)

The valuation used for these disclosures has been based on a full assessment of the liabilities of the Plans as at 1 April 2009. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

i) The key financial assumptions

The assumptions used for both plans were as follows:

	2010 %	2009 %	2008 %
Inflation – RPI	3.4	3.4	3.0
Inflation – CPI	2.5	n/a	n/a
Rate of increase in pensionable salaries	3.9	3.9	3.5
Rate of increase for pensions in payment pre 2001 service	3.7	3.7	3.6
Rate of increase for pensions in payment post 2001 pre April 2005 service	3.2	3.2	2.9
Rate of increase for pensions post April 2005 service	2.2	2.2	2.1
Rate of increase in deferred pensions	2.5	3.4	3.0
Rate used to discount plan liabilities	5.5	5.7	6.0
Expected rate of return on plan assets (weighted for both plans)	5.8	5.6	5.2

Spirent Communications plc employs a building block approach in determining the long term rate of return on plans' assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on each class of asset is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return of each asset class over the actual asset allocation for the plans.

Following the UK Government's announcement in 2010, the inflation index to be used to derive statutory increases to pensions, both before and after they come into payment, has been changed from the Retail Prices Index ("RPI") to the Consumer Prices Index ("CPI"). In the Staff Plan, the increases provided to pensions before they come into payment are at the statutory level and hence are impacted by this change. However, the increases provided to pensions after they come into payment are prescribed by the plan rules and are not impacted. Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be lower than RPI over the long term which means that the defined benefit obligation has reduced. This reduction has been recognised as an assumption change at 31 December 2010.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are such that a member currently aged 68 (2009 aged 68; 2008 aged 65) will live on average for a further 19.2 years (2009 19.1 years; 2008 21.7 years) if they are male and for a further 21.0 years (2009 20.9 years; 2008 24.0 years) if they are female. For a member who retires in 2020 (2009 in 2019; 2008 in 2028) at age 64 (2009 age 64; 2008 age 65) the assumptions are that they will live on average for a further 23.7 years (2009 23.6 years; 2008 22.9 years) after retirement if they are male and for a further 25.6 years (2009 25.5 years; 2008 25.0 years) after retirement if they are female.

9. Pensions continued

The approximate impact to the past service liabilities of changing these main assumptions is as follows:

- Reducing the discount rate by 0.1 per cent per annum. This would increase past service liabilities by $3.1 million.
- Increasing the life expectancy of a member by one year (by modifying the standard mortality tables using an appropriate scaling factor). This would increase past service liabilities by $7.1 million.

There will also be an impact on the future service cost but given the small active population in these plans this is likely to be insignificant.

ii) The assets and the liabilities in the plans

	Long term rate of return expected %	2010 $ million	Long term rate of return expected %	2009 (restated) $ million	Long term rate of return expected %	2008 (restated) $ million
Staff Plan						
Equities	8.5	55.4	8.5	49.3	8.0	35.8
Government bonds	4.0	61.7	4.3	51.8	4.0	86.8
Corporate bonds	5.0	73.9	5.1	92.3	5.7	37.0
Insured annuities	5.5	4.6	5.7	4.7	5.7	5.5
Property	8.4	20.7	9.0	5.8	7.0	5.9
Cash and other	1.0	3.5	1.0	7.2	2.7	5.2
Fair value of plan assets	5.9	219.8	5.7	211.1	5.3	176.2
Present value of defined benefit pension plan obligations		(210.5)		(211.6)		(172.9)
Surplus/(deficit) in the plan		9.3		(0.5)		3.3
Irrecoverable element of pension plan surplus		(2.2)		–		(0.3)
Surplus/(deficit) in the plan on the balance sheet		7.1		(0.5)		3.0
Cash Plan						
Equities	8.5	3.8	8.5	2.9	8.0	2.3
Government bonds	4.1	3.3	4.4	4.3	4.0	3.0
Insured annuities	5.5	0.3	5.7	0.3	4.0	0.4
Cash and other	1.0	3.4	1.0	3.4	2.7	4.2
Fair value of plan assets	4.6	10.8	4.5	10.9	4.4	9.9
Present value of defined benefit pension plan obligations		(10.2)		(9.6)		(9.2)
Surplus in the plan		0.6		1.3		0.7
Irrecoverable element of pension plan surplus		–		(0.3)		–
Surplus in the plan on the balance sheet		0.6		1.0		0.7

The plans are prohibited from investing in Spirent's own financial instruments.

For the purposes of the following disclosures the two plans have been combined as the Cash Plan is immaterial to these financial statements.

9. Pensions continued

iii) Analysis of the amounts charged/(credited) to the income statement

	2010 $ million	2009 (restated) $ million
Analysis of amount charged to operating costs		
Current service cost	0.3	0.2
Expected return on pension plans' assets	10.5	10.1
Interest on pension plans' liabilities	(11.7)	(11.8)
Finance costs *note 7*	(1.2)	(1.7)
Net charge to the income statement	1.5	1.9

iv) Analysis of amount recognised directly in the statement of comprehensive income

	2010 $ million	2009 (restated) $ million
Actual return on pension plans' assets	21.4	21.8
Less expected return on pension plans' assets	10.5	10.1
Experience gains on plans' assets	10.9	11.7
Experience losses arising on plans' liabilities	(0.6)	(3.9)
Changes in assumptions underlying the present value of plans' liabilities	(1.7)	(10.0)
Actuarial gains/(losses) recognised directly in equity	8.6	(2.2)

The cumulative amount of actuarial gains and losses recognised since 1 January 2003 in the statement of comprehensive income is $12.5 million loss (2009 $21.1 million loss). The directors are unable to determine how much of the pension plan deficit recognised on 1 January 2003 and taken directly to equity of $67.5 million in the Group is attributable to actuarial gains and losses since inception of those pension plans. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the statement of comprehensive income before 1 January 2003.

	2010 $ million	2009 (restated) $ million
Movement in the irrecoverable element of the pension plan surplus	(1.9)	–

v) Movements in the present value of funded defined benefit obligations

	2010 $ million	2009 (restated) $ million
At 1 January	221.2	182.1
Current service cost	0.3	0.2
Interest cost	11.7	11.8
Employee contributions	0.2	0.2
Benefit payments	(9.6)	(8.9)
Actuarial loss	2.3	13.9
Exchange adjustment	(5.4)	21.9
Present value of funded defined benefit pension plans' obligations	220.7	221.2

9. Pensions continued

vi) Movements in the fair value of plans' assets

	2010 $ million	2009 (restated) $ million
At 1 January	222.0	186.1
Expected return on plans' assets	10.5	10.1
Employer contributions	1.8	0.5
Employee contributions	0.2	0.2
Benefit payments	(9.6)	(8.9)
Actuarial gain	10.9	11.7
Exchange adjustment	(5.2)	22.3
Fair value of plans' assets	230.6	222.0

vii) History of experience gains and losses

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million	2007 (restated) $ million	2006 (restated) $ million
Present value of defined benefit pension plans' obligations	(220.7)	(221.2)	(182.1)	(268.8)	(310.1)
Fair value of plans' assets	230.6	222.0	186.1	284.1	314.8
Net surplus in plans	9.9	0.8	4.0	15.3	4.7
Experience loss on plans' liabilities					
Amount ($ million)	(0.6)	(3.9)	(0.7)	(1.6)	(18.5)
Percentage of plans' liabilities (%)	(0.3)	(1.8)	(0.4)	(0.6)	(6.0)
Experience gain/(loss) on plans' assets					
Amount ($ million)	10.9	11.7	(28.5)	(5.2)	0.9
Percentage of plans' assets (%)	4.7	5.3	(15.3)	(1.8)	0.3

The above plans are funded and have full UK HM Revenue & Customs ("HMRC") tax-exempt approval. Certain members, whose salaries were in excess of the HMRC statutory earnings cap, had their benefits increased through unapproved unfunded arrangements, to the level that would otherwise have applied in respect of basic salary only. The Group has contractually agreed to pay the additional retirement benefits itself and a provision is made in respect of this obligation in the balance sheet at 31 December 2010 of $0.6 million (2009 $0.6 million). This represents the actuarial value as confirmed by the Group's pension advisers, of the unapproved benefit entitlements accrued at that date. The value is assessed and reviewed on a market value basis in line with the main plan valuation and adjusted each year. There were no experience gains or losses in the period from 2006 to 2010 on the unfunded plan.

Expected contributions for these plans for 2011 are $2.8 million, including $2.4 million of additional contributions to fund the deficit arising from the actuarial valuation completed in 2010.

Defined contribution plans

United Kingdom

The Group maintains defined contribution pension plans for employees in the United Kingdom. Employer contributions into these plans for 2010 were $1.1 million (2009 $1.3 million).

United States

The Group maintains a defined contribution pension plan for employees of its United States subsidiaries. This plan, also known as a 401(k) Plan, allows employees to defer a percentage of their salary for retirement. The investment choices offered by the plan are a selection of diversified mutual funds offering a broad mix of investment return potential with varying levels of risk. In aggregate, the Group's contributions to the US plan totalled $3.0 million for 2010 (2009 $3.1 million). Total assets in the defined contribution plan at the end of 2010 were $144.9 million (2009 $123.6 million). There were no defined benefit plans in the United States in 2010 or 2009.

9. Pensions continued

Other jurisdictions

Outside the United Kingdom and the United States employees are provided with pension arrangements determined in accordance with approved local practice and regulations. These arrangements are defined contribution plans. Total contributions for 2010 in respect of these plans amounted to $0.5 million (2009 $0.5 million).

Total contributions to defined contribution plans were $4.6 million (2009 $4.9 million).

Directors' pension arrangements

The pension arrangements of the executive directors are described in detail in the Report on directors' remuneration on pages 45 to 52.

10. Tax

	2010 $ million	2009 (restated) $ million
Tax charge/(credit) in the income statement		
Current income tax		
Foreign tax	21.3	11.8
Amounts (overprovided)/underprovided in previous years		
Foreign tax (credit)/charge	(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)

Tax relating to items charged/(credited) to other comprehensive income or equity:

	2010 $ million	2009 (restated) $ million
Current tax on share incentives	–	(0.5)
Deferred tax on share incentives	(2.6)	(1.7)
Deferred tax on defined benefit pension plan	0.9	(0.9)

Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 28.0 per cent (2009 lower and 28.0 per cent).

10. Tax continued

The differences are reconciled below:

	2010 $ million	2009 (restated) $ million
Accounting profit before tax	112.2	84.9
Accounting profit multiplied by the UK standard rate of corporation tax of 28.0 per cent (2009 28.0 per cent)	31.4	23.7
Intangible assets	(0.1)	0.2
Share-based payment	(2.1)	(1.4)
Differences in overseas rates and other adjustments	7.7	2.0
Tax (overprovided)/underprovided in prior years	(1.0)	2.8
Recognition of UK deferred tax assets	(0.3)	(14.3)
Recognition of US deferred tax assets	–	(16.8)
Use of overseas tax credits and unrecognised losses	(2.5)	(2.5)
Total tax charge/(credit) reported in the income statement	33.1	(6.3)

Recognition of deferred tax assets

During 2010 the Group recognised deferred tax assets in the United Kingdom of $0.3 million (2009 $14.3 million) and in the United States of nil (2009 $16.8 million).

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.

11. 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.

Diluted 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 plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

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

	2010 Number million	2009 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

11. Earnings per share continued

	2010 cents	2009 (restated) cents
Earnings per share		
Basic earnings per share	11.77	13.67
Diluted earnings per share	11.66	13.60

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 end of the period if those transactions had occurred before the end of the reporting period in either year.

The Group is disclosing adjusted earnings per share attributable to equity shareholders at a constant effective 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 $ million	2010 cents	2009 (restated) $ million	2009 (restated) cents
Profit for the period attributable to equity shareholders of parent Company	79.1	11.77	91.2	13.67
Deferred tax assets – change in estimate *note 10*	–		(21.7)	
Restate tax to a constant effective tax rate of 30.4%	–		(13.2)	
Prior year tax (credit)/charge *note 10*	(1.0)		2.8	
Adjusted basic at a constant tax rate	78.1	11.62	59.1	8.86
Adjusted diluted at a constant tax rate		11.51		8.82

12. Dividends paid and proposed

	2010 $ million	2009 (restated) $ million
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 (0.66 pence) per Ordinary Share (31 December 2008 0.87 cents (0.60 pence))	6.4	6.2
Interim dividend 2010 1.10 cents (0.69 pence) per Ordinary Share (2009 0.93 cents (0.55 pence))	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 (0.86 pence) per Ordinary Share (2009 1.00 cents (0.66 pence))	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 (0.86 pence) (2009 1.00 cents (0.66 pence)), which will absorb an estimated $9.4 million of shareholders' funds (2009 $6.4 million). It will be paid on 5 May 2011 to 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.

With effect from 2010 dividends are proposed in US dollars and paid in pounds sterling. In previous years the dividend was proposed and paid in pounds sterling. The exchange rate for determining the amount of the final dividend to be paid for 2010 was $1.63: £1.

13. Intangible assets

	Goodwill	Intangible assets	Total
			$ million
Cost net of accumulated amortisation and impairment losses			
At 1 January 2009 (restated)	107.0	4.7	111.7
Amortisation for the year	–	(1.9)	(1.9)
Additions	–	0.3	0.3
Exchange adjustment	2.3	–	2.3
At 1 January 2010 (restated)	109.3	3.1	112.4
Amortisation for the year	–	(1.6)	(1.6)
Additions	–	0.1	0.1
Exchange adjustment	1.1	–	1.1
At 31 December 2010	110.4	1.6	112.0
At 31 December 2009 (restated)			
Cost (gross carrying amount)	2,922.4	12.2	2,934.6
Amortisation and accumulated impairment losses	(2,813.1)	(9.1)	(2,822.2)
Net carrying amount	109.3	3.1	112.4
At 31 December 2010			
Cost (gross carrying amount)	2,875.4	12.3	2,887.7
Amortisation and accumulated impairment losses	(2,765.0)	(10.7)	(2,775.7)
Net carrying amount	110.4	1.6	112.0

The carrying amounts of intangible assets at 31 December by class are as follows:

	Customer list	Current technology	Other	Total
				$ million
At 31 December 2010	0.1	0.4	1.1	1.6
At 31 December 2009 (restated)	0.2	1.6	1.3	3.1

Amortisation and impairment charges

Goodwill at 31 December 2010 acquired through business combinations is all in the cash-generating unit Performance Analysis which is a reportable segment. There has been no goodwill impairment charged in 2010 or 2009.

Intangible assets are amortised on a straight line basis over their estimated useful lives which are on average five years and the charge is included within administration expenses in the income statement. The remaining amortisation periods of the intangible asset balances arising in relation to customer list and current technology are less than one year.

13. Intangible assets continued

Annual impairment test

The recoverable amount of the Performance Analysis cash-generating unit at 30 November 2010, the annual impairment testing date, has been determined based on a value in use calculation using management's cash flow projections over a five year period. Cash flows in subsequent years have been extrapolated using a 2.75 per cent growth rate (2009 2.75 per cent) which management estimates to be the approximate average long term growth rate for the industries in which this unit operates. The cash flows have been discounted using a pre-tax discount rate of 14.6 per cent (2009 17.6 per cent). The recoverable amount of this unit, calculated on a value in use basis, was in excess of its carrying value and consequently no impairment has been recognised.

Key assumptions for the annual impairment test

The key assumptions used in the value in use calculation were:

- Revenue growth rates
- Gross margin
- Operating expenses
- Discount rate
- Growth rate used to extrapolate cash flows beyond the five year period covered by management's projections

Projections are denominated in the same currency as the denomination of the goodwill balance to eliminate the effect of fluctuating exchange rates.

Revenue growth rates used in management's projections are based on management's estimate of growth in the markets served.

The cash flows used in the impairment review have been approved by the Board.

Gross margins and operating expenses are based on historical values adjusted for the effect of revenue growth.

The discount rate applied to the cash flows is based on the risk free rate for ten year government bonds adjusted for a risk premium to reflect both the increased risk associated with investing in equities and the systematic risk of the specific cash-generating unit.

Long term growth rates are based upon management's estimate.

Sensitivity to changes in key assumptions

The directors believe that no reasonable possible change in any of the key assumptions used in isolation would cause the carrying value of Performance Analysis to exceed its recoverable amount.

14. Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
				$ million
Cost, net of accumulated depreciation and accumulated impairment				
At 1 January 2009 (restated)	6.8	13.1	6.9	26.8
Additions				
Owned assets	0.2	7.0	2.9	10.1
Disposals	–	(0.2)	(0.1)	(0.3)
Depreciation charge for the year	(2.0)	(7.5)	(4.0)	(13.5)
Exchange adjustment	0.1	0.3	0.1	0.5
At 1 January 2010 (restated)	5.1	12.7	5.8	23.6
Additions				
Owned assets	1.0	13.1	4.0	18.1
Disposals	–	(0.6)	–	(0.6)
Inter-class transfers	–	(1.0)	1.0	–
Depreciation charge for the year	(1.5)	(7.4)	(3.0)	(11.9)
Exchange adjustment	–	(0.1)	–	(0.1)
At 31 December 2010	4.6	16.7	7.8	29.1
At 31 December 2009 (restated)				
Cost	22.2	50.4	52.6	125.2
Accumulated depreciation and accumulated impairment	(17.1)	(37.7)	(46.8)	(101.6)
Net carrying amount	5.1	12.7	5.8	23.6
At 31 December 2010				
Cost	23.2	60.9	54.9	139.0
Accumulated depreciation and accumulated impairment	(18.6)	(44.2)	(47.1)	(109.9)
Net carrying amount	4.6	16.7	7.8	29.1

None of the property, plant and equipment is held under finance lease arrangements.

15. Capital commitments and contingent liabilities

The Group had no capital commitments at 31 December 2010 (31 December 2009 nil).

The Group has provided indemnities of $0.6 million (2009 $0.6 million) for certain ongoing business obligations under letters of credit for subsidiary companies.

16. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given on page 121 of these financial statements.

17. Inventories

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Raw materials	13.1	13.2	16.8
Work in progress	2.0	1.4	2.2
Finished goods	22.5	13.5	15.8
	37.6	28.1	34.8

An expense of $1.0 million (2009 $1.7 million) has been recognised in the period for inventory write-downs. There were no reversals of prior period inventory write-downs (2009 nil).

No inventories are carried at fair value less costs to sell (2009 nil).

18. Trade and other receivables

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Non-current assets			
Other receivables	3.4	2.9	3.2
Prepayments, accrued income and deferred costs	0.2	0.8	0.4
	3.6	3.7	3.6
Current assets			
Trade receivables	81.7	67.5	75.2
Other receivables	3.5	3.2	3.5
Prepayments, accrued income and deferred costs	13.0	10.6	11.2
	98.2	81.3	89.9
	101.8	85.0	93.5

The trade receivables are stated net of provisions for doubtful debts. The movement in the provision was as follows:

	2010 $ million	2009 (restated) $ million
At 1 January	2.1	2.7
Charge for the year	0.6	0.2
Released in the year	(1.8)	(0.2)
Amounts written off	(0.3)	(0.8)
Exchange adjustment	–	0.2
At 31 December	0.6	2.1

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group has no significant concentration of credit risk attributable to its trade receivables as the exposure is spread over a large number of customers.

19. Cash and cash equivalents

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Cash at bank and in hand	126.4	66.5	39.5
Short term bank deposits	97.5	107.4	46.5
	223.9	173.9	86.0

Cash at bank and in hand earns interest at floating interest rates. Of this balance $25.8 million (2009 $26.7 million; 2008 nil) is callable at notice of between 7 and 35 days.

Short term bank deposits are made for varying periods of between one day and three months (2009 one day and three months; 2008 one day and one week) depending on the cash requirements of the Group and earn interest at the short term deposit rates appropriate for the term of the deposit and currency.

At the end of 2010 the currency split of cash and cash equivalents was US dollar 56 per cent (2009 13 per cent; 2008 30 per cent), sterling 37 per cent (2009 77 per cent; 2008 61 per cent) and other currencies 7 per cent (2009 10 per cent; 2008 9 per cent).

For the purposes of the cash flow statement, cash and cash equivalents comprise the above amounts.

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Non-current			
Cash on deposit	1.1	1.8	3.6

At 31 December 2010 $1.1 million (2009 $1.8 million; 2008 $3.6 million) is held in a blocked trust account and is available for use by the Company as creditors, who were outstanding at the date of the cancellation of the share premium account and capital redemption reserve, being 24 November 2004, are settled. See note 27.

20. Trade and other payables – current

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Trade payables	27.0	18.8	19.7
Payments received on account	2.7	1.3	3.3
Other taxes and social security costs	3.2	2.9	2.4
Accruals and deferred income	75.6	63.6	66.0
	108.5	86.6	91.4

Trade payables are non-interest bearing and are normally settled on 60 day terms. Other payables are non-interest bearing.

The directors consider that the carrying amount of trade payables approximates to their fair value.

21. Deferred tax

The movements in the deferred tax assets/(liabilities) are as follows:

$ million

	Temporary differences	Tax losses	UK pension plans	Total
At 1 January 2009 (restated)	12.8	5.4	(0.7)	17.5
Recognised in the year *note 10*	17.3	13.8	–	31.1
Charged in the year *note 10*	(9.4)	(0.8)	–	(10.2)
Deferred tax on defined benefit pension plan *note 10*	–	–	0.9	0.9
Deferred tax on share incentives recognised in equity *note 10*	1.7	–	–	1.7
Exchange adjustment	0.4	1.1	–	1.5
At 1 January 2010 (restated)	22.8	19.5	0.2	42.5
Recognised in the year *note 10*	–	0.3	–	0.3
Charged in the year *note 10*	(7.5)	(5.6)	–	(13.1)
Deferred tax on defined benefit pension plan *note 10*	–	–	(0.9)	(0.9)
Deferred tax on share incentives recognised in equity *note 10*	2.6	–	–	2.6
Exchange adjustment	0.3	(0.3)	(0.1)	(0.1)
At 31 December 2010	18.2	13.9	(0.8)	31.3

A deferred tax asset of $31.3 million has been recognised at 31 December 2010 (2009 $42.5 million; 2008 $17.5 million). $13.7 million is in the United Kingdom (2009 $20.4 million; 2008 $8.8 million), $17.5 million is in the United States (2009 $22.1 million; 2008 $8.7 million) and $0.1 million is in the rest of the world (2009 nil; 2008 nil).

The deferred tax asset includes $6.4 million in respect of the tax deduction which may be available on the future exercise of share incentives (2009 $5.3 million; 2008 nil) of which $2.6 million has been recognised in equity (2009 $1.7 million).

The deferred tax liability arising on the United Kingdom pension plan surplus in 2010 and 2008 has been offset as permitted by IAS 12 “Income Taxes”. Movements in deferred tax in relation to the pension plan have been charged or credited to the statement of comprehensive income in all years.

All deferred tax assets on temporary differences, arising principally in the United Kingdom and United States, have been recognised at 31 December 2010 and 2009 apart from $1.9 million in Canada (2009 $2.6 million). In 2008 $41.9 million of temporary differences were not recognised as there was insufficient evidence under IAS 12 to recognise a deferred tax asset in respect of these temporary differences.

The Group has tax losses arising in the United Kingdom of $94.2 million (2009 $100.1 million; 2008 $132.2 million) that are available for offset against suitable future taxable profits. A deferred tax asset has not been recognised in respect of these losses as their future recovery is uncertain. United Kingdom tax losses can be carried forward indefinitely. In total deferred tax assets amounting to $27.5 million (2009 $30.8 million; 2008 $53.6 million) have not been recognised.

The Chancellor, in the Budget on 22 June 2010, announced reductions in the main rate of corporation tax and rates of capital allowances. The standard rate of UK Corporation Tax will be reduced from 28 per cent to 27 per cent from 1 April 2011, and there will be progressive annual reductions of a further 1 per cent until a rate of 24 per cent is reached with effect from 1 April 2014.

The Finance Act (No 2) 2010 received Royal Assent on 27 July 2010, with the first of the rate reductions being substantively enacted from 21 July 2010.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 27 per cent. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the remaining annual corporation tax rate reductions would not be material to the financial statements.

22. Trade and other payables – non-current

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Other payables	1.4	1.6	1.8
Accruals and deferred income	6.1	6.3	5.5
	7.5	7.9	7.3

23. Provisions and other liabilities

			$ million
	Other provisions	Lease provisions	Total
At 1 January 2009 (restated)	1.3	15.8	17.1
Discount unwind *note 7*	–	0.3	0.3
Utilised in the year	–	(6.8)	(6.8)
Exchange adjustment	–	0.8	0.8
At 1 January 2010 (restated)	1.3	10.1	11.4
Discount unwind *note 7*	–	0.1	0.1
Charged in the year	–	0.7	0.7
Released in the year	–	(0.2)	(0.2)
Utilised in the year	–	(4.5)	(4.5)
Exchange adjustment	–	0.1	0.1
At 31 December 2010	1.3	6.3	7.6

Provisions have been analysed as follows:

	2010 $ million	2009 (restated) $ million	2008 (restated) $ million
Current	5.1	6.1	5.3
Non-current	2.5	5.3	11.8
	7.6	11.4	17.1

The lease provisions are for the continuing obligations under leases in respect of properties which have been vacated by the Group. Where material, lease obligations are discounted. The Group expects these provisions to be utilised over the next five years.

Other provisions are mainly environmental provisions on property disposed of. The Group expects these provisions to be utilised in less than one year.

24. Derivative financial instruments

The derivative financial instruments are forward foreign currency exchange contracts.

The Group uses forward foreign currency exchange contracts to manage exposures arising on receipts and payments in foreign currencies relating to firm commitments. In 2009 the Group also managed exposures arising on highly probable forecast transactions.

24. Derivative financial instruments continued

At 31 December 2010 and 2009 the Group held various forward foreign currency exchange contracts in respect of the forward sale of US dollars against sterling and for the purchase of euro against sterling on trading transactions.

	2010 $ million	2009 (restated) $ million
Sale of US dollars against sterling at an average rate of 1.57 (2009 1.57)	14.8	27.9
Purchase of euro against sterling at an average rate of 1.18 (2009 1.11)	0.9	2.3

These contracts were designated as cash flow hedges at 31 December 2009. Following the change in reporting currency to US dollars in 2010 the Group has chosen not to designate any new contracts as hedges.

The fair value of the derivative financial instruments at 31 December is as follows:

	2010 $ million		2009 (restated) $ million		2008 (restated) $ million	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency derivatives – expected to be realised in less than one year						
Not designated as hedges	–	0.2	–	–	–	–
Designated as a cash flow hedge	–	–	1.0	0.2	–	8.1
	–	0.2	1.0	0.2	–	8.1

The movements included within other comprehensive income in respect of cash flow hedges are as follows:

	2010 $ million	2009 (restated) $ million
Gains arising during the year	–	0.8
Less: Reclassification adjustments for (gains)/losses included in profit or loss	(0.6)	7.2
Fair value movements on cash flow hedges	(0.6)	8.0

Gains and losses on cash flow hedges recycled into the income statement from equity are charged or credited to administration costs.

25. Financial instruments and financial risk management

The main purpose of the Group's financial instruments, other than trade receivables, trade payables and provisions is to fund the Group's liquidity requirements.

All the Group's financial assets and liabilities are categorised as loans and receivables with the exception of the derivative financial instruments which are measured at fair value. These are shown in the following table:

		2010 $ million		2009 (restated) $ million
	Loans and receivables at amortised cost	Derivative financial instruments at fair value	Loans and receivables at amortised cost	Derivative financial instruments at fair value
Non-current cash on deposit *note 19*	1.1	–	1.8	–
Non-current other receivables *note 18*	3.4	–	2.9	–
Cash and cash equivalents *note 19*	223.9	–	173.9	–
Current trade and other receivables *note 18*	85.2	–	70.7	–
Currency derivatives that are designated hedges *note 24*	–	–	–	1.0
Financial assets	313.6	–	249.3	1.0
Non-current other payables *note 22*	1.4	–	1.6	–
Current trade payables *note 20*	27.0	–	18.8	–
Accruals	48.6	–	39.9	–
Provisions *note 23*	7.6	–	11.4	–
Currency derivatives that are not designated hedges *note 24*	–	0.2	–	–
Currency derivatives that are designated hedges *note 24*	–	–	–	0.2
Financial liabilities	84.6	0.2	71.7	0.2

The Group enters into derivative transactions, forward foreign currency exchange contracts, for the management of the Group's foreign currency exposures when deemed appropriate.

The key objective of the Group's treasury department is to manage the financial risks of the business and to ensure that sufficient liquidity is available to the Group. All treasury activity operates within a formal control framework. The Board has approved treasury policies and guidelines and periodically reviews treasury activities. Additionally, it is the Group's policy that speculative treasury transactions are expressly forbidden.

a) Market risk

The main types of market risk that affect the Group are interest rate risk and exchange rate risk.

Interest rate risk

The Group has no external debt and has limited exposure to interest rate risk.

The Group's excess funds are principally held in the United Kingdom and the United States and invested in short term bank deposits. It therefore has some exposure to interest rate risk arising on changes in sterling and US dollar interest rates.

Cash and cash equivalents, long term cash on deposit and forward foreign currency exchange contracts are the Group's financial instruments which are exposed to interest rate risk.

25. Financial instruments and financial risk management continued

Short term bank deposits all mature within three months. Forward foreign currency exchange contracts all mature within three months (2009 one year). The financial instruments bear the following interest rates:

	Effective interest rate %	2010 $ million	Effective interest rate %	2009 (restated) $ million
Fixed rate				
Fixed deposits	0.40	97.5	0.42	107.4
Forward foreign currency exchange contracts (net)		(0.2)		0.8
		97.3		108.2
Floating rate				
Cash at bank and in hand		126.4		66.5

Interest rates on financial instruments classified as fixed rate are fixed until the maturity of the instrument. All fixed rate deposits mature within three months after which date they will be exposed to floating rates of interest.

In addition, $1.1 million (2009 $1.8 million) was held in a blocked trust account and was earning interest of 0.71 per cent at 31 December 2010 (2009 0.61 per cent). The maturity of the deposit is three months, at maturity the interest rate will be reset. This cash must be retained in the blocked trust account in accordance with the terms of the undertakings made at the time of the cancellation of the share premium account and capital redemption reserve (the "Cancellation") in 2004. The funds must remain in this account until creditors which existed at the date of the Cancellation have been repaid and therefore the maturity of this account is uncertain.

Interest receivable for the year was $0.8 million (note 6) (2009 $0.6 million) and is under the effective interest method.

The other financial instruments of the Group that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

A movement of 25 basis points in interest rates based on levels of investment at 31 December 2010 would increase or reduce interest income and equity by $0.3 million.

Exchange rate risk

Currency exposures arise from trading transactions undertaken by the Group in foreign currencies and on the translation of the operating results and net assets of overseas subsidiaries.

The Group has the majority of its operations in the United States and has chosen with effect from 1 January 2010 to present its consolidated financial statements in US dollars. The Company's functional currency is sterling and its share capital is denominated in pounds sterling, the Group also has operations in Europe and Asia and therefore its results and assets and liabilities are affected on translation by movements in exchange rates in relation to the US dollar. The Group does not enter into instruments to hedge the translation exposure of the operating results or net assets of its overseas subsidiaries since these are considered accounting and not cash exposures.

The Group is not exposed to significant transactional foreign currency risk at 31 December 2010, nor at 31 December 2009, because the majority of its businesses do not enter into non-functional currency transactions. Where such transactions do occur the Group enters into forward foreign currency exchange contracts as appropriate.

Group treasury, by means of forward foreign currency exchange contracts, carries out the transaction hedging activity in relation to normal trading activity. At 31 December 2010 the Group has hedged its financial assets and liabilities denominated in non-functional currencies. In 2009 the Group also hedged its forecast trading receipts and payments.

25. Financial instruments and financial risk management continued

b) Credit risk

Investment counterparties are subject to pre-approval by the Board and as such short term deposits are limited to banks with a rating of Standard & Poor's A or Moody's A. There are pre-approved limits set for each bank to avoid any concentrations of credit risk.

The maximum credit exposure at the balance sheet date under financial instruments in relation to cash and bank deposits is equal to the carrying value of $225.0 million (2009 $175.7 million).

Trade receivables, which generally have 30 to 90 day terms, are carried at original invoice amount less an allowance for uncollectable amounts where appropriate. Trade receivable exposures are managed in the business units where they arise. Allowance is made for bad and doubtful debts based on management's assessment of the risk taking into account ageing profile, experience and circumstance.

The Group has no significant concentration of credit risk attributable to its trade receivables as the exposure is spread over a large number of customers with no one customer accounting for more than 10 per cent of total Group revenue. The maximum credit exposure at the balance sheet date in relation to trade receivables is equal to the carrying value of $81.7 million (2009 $67.5 million).

The composition of trade receivables at 31 December is as follows:

	2010 $ million	2009 (restated) $ million
Neither impaired nor past due	45.0	44.0
Past due but not impaired:		
Less than 30 days overdue	24.1	15.6
30 to 60 days	5.9	3.2
Over 60 days	6.7	4.7
Trade receivables	81.7	67.5

The Group closely monitors amounts due from customers and performs activities such as credit checks and review of payment history and has put in place appropriate credit approval limits. Based on these procedures management assessed the quality of those receivables that are past due but not impaired as low risk.

The movement on the receivables provision during the year is given in note 18. The value of impaired trade receivables is $0.6 million (2009 $2.1 million). For all other financial assets the maximum exposure to credit risk is represented by the carrying amount.

c) Liquidity risk

The Group's objective is to ensure that there are sufficient sources of funding to meet projected requirements. Its operations are financed through cash and cash equivalents held centrally and cash generated from operations.

At 31 December 2010 the Group had cash and cash equivalents of $223.9 million (2009 $173.9 million) all of which matures within three months.

During 2010 the Group generated $99.4 million of cash from operating activities (2009 $96.1 million) and considers that with current cash resources, no debt and positive cash flow from its operating activities it has adequate resources available to it to remain in operational existence for the forseeable future.

25. Financial instruments and financial risk management continued

The Group has entered into forward foreign currency exchange contracts all of which mature within 3 months (2009 one year). The gross settlement amounts of these contracts are as follows:

	2010 $ million	2009 (restated) $ million
Sale of US dollars against sterling	14.8	27.9
Purchase of euro against sterling	0.9	2.3
Gross settlement amounts	15.7	30.2

The Group is debt free and does not have loans payable. Financial liabilities, other than derivative financial liabilities, are trade and other payables, the majority of which are all due to be settled within one year, and provisions (note 23).

The Group does not have any other material financial contractual commitments.

d) Fair value of financial instruments

The carrying value of all financial assets and liabilities is a reasonable approximation of fair value.

Derivative financial instruments are stated at fair value.

The fair value of currency derivatives is determined by reference to current forward exchange rates for contracts with similar maturity profiles, and is therefore determined to be a level 2 financial instrument as its value is based on observable market inputs.

e) Capital management

The primary objective of the Group's capital management is to support its business and maximise shareholder value. The Group's capital is its total shareholders' funds.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. During 2009 and 2010 the Company has been operating an on market share repurchase programme. In 2010 the Company repurchased 10.4 million of its Ordinary Shares at a cost of $19.7 million. In 2009 the Company repurchased 0.6 million of its Ordinary Shares at a cost of $0.9 million.

26. Operating lease commitments

At 31 December, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 $ million	2009 (restated) $ million
Within one year	11.2	10.9
In the second to fifth years	16.3	21.6
Over five years	–	1.0
	27.5	33.5

The Group leases certain land and buildings under non-cancellable operating lease agreements with a variety of terms. The Group also leases certain plant and equipment under non-cancellable operating lease agreements. Total future sublease payments receivable relating to the above leases amount to $1.0 million (2009 $2.1 million) of which $0.9 million (2009 $1.0 million) will be recognised within one year and the balance in the second to fifth year.

27. Equity

a) Issued share capital

Issued and fully paid

	Number of Ordinary Shares million	$ million
At 1 January 2009 (restated)	671.8	32.2
Allotted pursuant to share incentives exercised	6.9	0.3
Cancelled during the year[1]	(0.6)	–
Exchange adjustment	–	3.9
At 1 January 2010 (restated)	678.1	36.4
Allotted pursuant to share incentives exercised	6.6	0.3
Cancelled during the year[1]	(9.8)	(0.5)
Exchange adjustment	–	(0.9)
At 31 December 2010	674.9	35.3

Note

1 During 2010, under the programme of returning capital to shareholders, the Company repurchased 9.8 million (2009 0.6 million) Ordinary Shares on market which were subsequently cancelled.

In accordance with the rules of the following share plans, share incentives were exercised during the year which resulted in new Ordinary Shares being allotted by the Company or existing Ordinary Shares being transferred from either the Spirent Employee Share Ownership Trust (“ESOT”) or Spirent Sharesave Trust (“SST”) as follows:

	Number of Ordinary Shares million	Consideration received $ million
2005 Employee Incentive Plan	0.7	0.1
Spirent Stock Incentive Plan	6.6	3.4
1995 Executive Share Option Scheme	1.3	1.1
All employee share plans[1]	0.1	0.1
	8.7	4.7

Note

1 The all employee share plans are the UK Savings Related Share Option Scheme, the 2005 Sharesave Scheme, the US Employee Stock Purchase Plan, the Global All Employee Share Purchase Plan and the UK Employee Share Purchase Plan (see note 28).

During the year 0.1 million Ordinary Shares were transferred from the SST to satisfy options exercised under the UK all employee share schemes (2009 0.3 million) and 2.0 million Ordinary Shares were transferred from the ESOT to satisfy options exercised under the Spirent Stock Incentive Plan (2009 1.7 million). 0.6 million Ordinary Shares were purchased and placed into the ESOT during 2010 (2009 nil).

There has been no material increase in the issued Ordinary Share capital, whether by exercise of share incentives or otherwise, between 31 December 2010 and 3 March 2011, the date on which these financial statements have been signed.

b) Equity and reserves

The nature and purpose of each reserve within equity is as follows:

i) Share premium account: this reserve records the consideration premium for shares issued at a value that exceeds their nominal value;
ii) Capital redemption reserve: this reserve arises in relation to share capital cancellation;
iii) Capital reserve: this reserve arises in relation to share option plans in acquired companies;
iv) Other reserves: 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;

27. Equity continued

v) Translation reserve: this reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries; and

vi) Cash flow hedge reserve: this reserve records movements in the fair value of effective forward foreign currency exchange contracts designated as hedging instruments.

Investment in own Ordinary Shares

At 31 December 2010, an amount of $300.4 million (2009 $282.6 million) has cumulatively been deducted from retained earnings in relation to the cost of investment in own Ordinary Shares.

At 31 December 2010, the ESOT held 4.0 million Ordinary Shares (2009 5.4 million Ordinary Shares) to satisfy awards under various share incentive plans. Of this number, 0.1 million Ordinary Shares were unconditionally vested at 31 December 2010 (2009 0.1 million Ordinary Shares). At 31 December 2010, the SST held 0.5 million Ordinary Shares (2009 0.6 million Ordinary Shares) to satisfy awards made to UK based employees under an all employee share scheme. The market value of own Ordinary Shares held in trust, being in total 4.5 million Ordinary Shares (2009 6.0 million Ordinary Shares), at 31 December 2010 was $10.4 million (2009 $9.8 million).

Cancellation of share premium account and capital redemption reserve

On 24 November 2004, Spirent Communications plc was granted an order of the High Court for the approval of the cancellation of the share premium account and capital redemption reserve (the "Cancellation") which stood at that date at $1,321.1 million (£702.7 million) and $1.3 million (£0.7 million), respectively.

The Cancellation created a reserve in the financial statements of the Company which was applied to eliminate the deficit in distributable reserves. The balance of this reserve, created after the deficit in distributable reserves had been eliminated, was transferred to a special non-distributable reserve. During 2006 the Company transferred funds equal to the aggregate amount due to any creditors of Spirent Communications plc, who were creditors on 24 November 2004, and who still remained creditors, to a blocked trust account. Placing these funds in a blocked trust account in accordance with the undertakings made at the time of the Cancellation allowed the special reserve to be released to distributable reserves.

Capital redemption reserve

During 2010 the Company cancelled 9.8 million Ordinary Shares (2009 0.6 million Ordinary Shares) that had been the subject of the on market share repurchase programme, and transferred $0.5 million (2009 $32,000) to the capital redemption reserve.

Capital reserve

In 2010 the reserve has been reduced by $1.2 million (2009 $0.6 million) in relation to share incentives which have been cancelled or have lapsed.

Share repurchase

During 2010 the Company repurchased 10.4 million Ordinary Shares on market 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 Ordinary Shares have been subsequently cancelled and 0.6 million have been placed into the ESOT. In 2009 all shares repurchased were subsequently cancelled.

28. Employee share plans

Movements in share incentives over a two year period ending on 31 December 2010 are shown below:

	2005 Employee Incentive Plan[1]		Spirent Stock Incentive Plan[2]		1995 Executive Share Option Scheme		Acquisition plans[3]		UK sharesave schemes[4]	
	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence
Incentives outstanding at 31 December 2008	3.0	37	41.7	66	3.6	119	1.4	122	0.4	39
Granted	1.7	–	0.1	72	–	–	–	–	–	–
Exercised	(0.7)	19	(13.9)	52	(0.3)	49	–	–	(0.3)	38
Forfeited	–	–	(0.3)	50	–	–	–	–	–	–
Expired	–	–	(6.6)	123	(0.3)	425	(1.2)	116	–	–
Incentives outstanding at 31 December 2009	4.0	24	21.0	57	3.0	123	0.2	157	0.1	39
Exercised	(1.3)	50	(9.3)	60	(1.3)	58	–	–	(0.1)	39
Forfeited	–	–	(0.1)	51	–	–	–	–	–	–
Expired	–	–	(0.2)	58	(0.3)	326	(0.2)	165	–	–
Incentives outstanding at 31 December 2010	2.7	11	11.4	55	1.4	140	–	–	–	–
Incentives exercisable										
At 31 December 2009	1.5	50	19.3	58	3.0	123	0.2	157	0.1	39
At 31 December 2010	0.2	50	11.2	55	1.4	140	–	–	–	–

Notes

1 Figures for the 2005 Employee Incentive Plan include share options, stock appreciation rights and Performance shares in aggregate. As at 31 December 2010 1.3 million Ordinary Shares held in the ESOT had been allocated to hedge awards made under the 2005 Employee Incentive Plan (2009 0.8 million).

2 Figures for the Spirent Stock Incentive Plan show both share options and stock appreciation rights in aggregate. As at 31 December 2010, 0.2 million Ordinary Shares held in the ESOT had been allocated to hedge awards made under the Spirent Stock Incentive Plan (2009 2.2 million).

3 The acquisition plans are share plans which originally granted options over other companies' equity which, on acquisition by Spirent Communications plc, have been rolled over into Spirent Ordinary Shares. Further details of the acquisition plans can be found below.

4 0.1 million Ordinary Shares were transferred from the SST to settle the exercise of UK sharesave options in 2010 (2009 0.3 million). As at 31 December 2010, 0.5 million Ordinary Shares remained in the SST hedging share option grants made under the UK sharesave schemes.

The weighted average share price at exercise date was 127.6 pence (2009 82.4 pence).

28. Employee share plans continued

Share plan	Exercise period (as at 31 December)	Range of exercise prices pence	2010 Weighted average exercise price pence	2010 Number of share incentives outstanding million	2010 Weighted average remaining contractual life years	2009 Weighted average exercise price pence	2009 Number of share incentives outstanding million	2009 Weighted average remaining contractual life years
2005 Employee Incentive Plan	25.08.08 – 29.11.19	0–53	11	2.7	8.3	24	4.0	8.2
Spirent Stock Incentive Plan	11.03.04 – 07.05.10	17–22	–	–	–	20	–	0.3
	05.08.05 – 13.11.15	37–57	50	8.1	2.1	50	11.9	3.0
	17.09.04 – 12.08.16	59–87	69	3.3	1.1	67	9.1	1.6
1995 Executive Share Option Scheme	03.10.04 – 04.08.14	56–72	69	0.2	3.2	59	1.5	4.4
	02.04.05 – 01.05.12	113–134	126	1.0	1.3	126	1.0	2.3
	11.05.03 – 08.04.11	305	305	0.2	0.3	322	0.5	0.7
Acquisition plans	15.08.02 – 06.08.11	10	–	–	–	10	–	1.6
	14.11.00 – 12.10.10	127	–	–	–	127	0.2	0.5
	14.11.00 – 12.10.10	350	–	–	–	350	–	0.8
UK sharesave schemes	01.12.09 – 31.05.11	38–41	–	–	–	39	0.1	1.1
Total				15.5			28.3	

Description of employee share plans

Discretionary plans

2005 Employee Incentive Plan ("EIP")

The EIP, which was introduced in 2005 and replaced the now closed ESOS (see below), is currently available for selected employees, including executive directors, on a discretionary basis.

Under the EIP, the Company is able to grant share options, including HMRC approved options, share-settled stock appreciation rights ("SARs") and Performance shares. No price is payable on the grant of an award.

In normal circumstances, EIP awards vest three years following the date of grant provided the relevant performance conditions have been met. For share options and SARs, the performance conditions relate to the Company's earnings per share ("EPS") and for Performance shares, relate to total shareholder return ("TSR").

Further information on the performance conditions for EIP share incentives is set out in the Report on directors' remuneration on pages 46 and 47.

Options and SARs granted under the EIP expire on the tenth anniversary of their grant unless they have previously lapsed or been exercised.

Spirent Stock Incentive Plan ("SSIP")

The SSIP is now closed for new grants and has been replaced by the EIP referred to above.

The SSIP was introduced in 2000. This discretionary plan was primarily targeted at US employees with grants normally determined by reference to the seniority and contribution of the individual, together with the performance of the relevant business and prevailing local market practice. Grants were also permitted to selected newly hired and promoted employees on a monthly basis. Under the SSIP, the Company was able to grant share options and share-settled SARs. No price was payable on the grant of an award.

28. Employee share plans continued

Most awards made pursuant to the SSIP vest over four years, provided that the participant remains in employment. Vesting is not normally subject to a performance condition and awards become 25 per cent exercisable on the first anniversary of the date of grant and thereafter in equal tranches on a monthly basis over a further 36 months. Any award not exercised by the seventh anniversary of the date of grant will lapse.

The vesting of SSIP awards made to Bill Burns prior to his appointment as Chief Executive Officer and to certain other key senior managers within the Communications group, were subject to the Company meeting EPS growth targets over the vesting periods. Further details of these performance conditions are set out in the Report on directors' remuneration on pages 47 and 48.

SARs granted under the EIP and SSIP will deliver the appreciation value (ie the increase in market value of an Ordinary Share over the base price of the SAR) in the form of Ordinary Shares. This "SARs approach" helps the Company manage its dilution headroom more efficiently as only the SAR gain needs to be funded. Using a SARs approach, it is not possible to determine the precise level of dilution until the SARs are exercised. At 31 December 2010, 0.5 million EIP SARs and 11.0 million SSIP SARs with an average base price of 50 pence and 55 pence respectively were outstanding (2009 1.9 million EIP SARs and 17.6 million SSIP SARs with an average base price of 50 pence and 56 pence respectively). During 2010, 7.3 million EIP and SSIP SARs were exercised resulting in the issue of 4.0 million Ordinary Shares (2009 3.1 million Ordinary Shares were issued on the exercise of 9.4 million EIP and SSIP SARs).

1995 Executive Share Option Scheme ("ESOS")

The ESOS is now closed for new grants and has been replaced by the EIP referred to above.

Under the ESOS awards of share options, including HMRC approved options, were on a discretionary basis. No price was payable on the grant of an option and no options were granted at a discount to the market price.

The normal exercise period for options granted under the ESOS is between the third and tenth anniversary of the date of grant. Options awarded under the ESOS were subject to the achievement of an EPS performance condition before they could be exercised. All outstanding options have now passed their EPS performance conditions and remain exercisable until they expire on the tenth anniversary of their respective grant dates.

Acquisition plans

Netcom Amended and Restated Stock Option Plan ("NARSOP")

Spirent completed the acquisition of Netcom Systems, Inc. ("Netcom") in 1999. $44.5 million of the total consideration was satisfied through the roll-over of outstanding options over Netcom shares into options over approximately 23.8 million Ordinary Shares (as adjusted) on substantially similar terms as previously existed. At 31 December 2010 there are no remaining outstanding NARSOP options and the plan has therefore been closed.

Zarak Amended and Restated Stock Option Plan ("ZARSOP")

Out of a total consideration of approximately 44.9 million Ordinary Shares issued for the acquisition of Zarak Systems Corporation ("Zarak") in 2000, approximately 3.8 million Ordinary Shares arose in connection with the roll-over of outstanding options over Zarak shares into options over Spirent Ordinary Shares on substantially similar terms as previously existed. At 31 December 2010 there are no remaining outstanding ZARSOP options and the plan has therefore been closed.

Caw Amended and Restated Stock Plan ("CARSP")

Out of a total initial consideration for the acquisition of Caw Networks, Inc. ("Caw") in 2002 of $49 million, approximately $4 million was in respect of Spirent Ordinary Shares and options which arose on the roll-over of outstanding options and shares under the previous Caw employee stock plan. The options and shares vested over a period ending in 2006 on substantially similar terms as previously existed. The options have a ten year life from the original date of grant. Pursuant to the terms of the Merger Agreement for Caw, an additional cash payment of 78.8 US cents was payable as each share vested or upon the exercise of a vested option. No further awards can be made under this plan.

The Ordinary Shares subject to rolled-over options from the acquisition of Netcom, Zarak and Caw, or granted under the SSIP, do not count towards ABI scheme limits.

28. Employee share plans continued

All Employee plans

UK Savings Related Share Option Scheme ("SRSOS") and the 2005 Sharesave Scheme

The SRSOS closed in 2005 and was replaced by the 2005 Sharesave Scheme. SRSOS options which remain outstanding may still be exercised prior to expiry, however no further grants can be made. Both schemes operate as HMRC approved Save-As-You-Earn schemes and are open to all UK employees, subject to a qualifying service period. Any future sharesave invitations will be made under the 2005 Sharesave Scheme, which is broadly similar to the SRSOS.

No price is payable on the grant of an option. The option exercise price is calculated by reference to the middle market closing price of an Ordinary Share on the business day prior to the beginning of the invitation period, discounted by up to 20 per cent at the Board's discretion. Options are normally exercisable within six months of the third, fifth or seventh anniversary of the contract commencement date as elected by the option holder at the start of the contract.

The Company operates the SST to honour the commitment to deliver Ordinary Shares against the exercise of outstanding options under the SRSOS. Spirent Sharesave Trust Limited, a wholly-owned subsidiary of Spirent Communications plc, acts as sole trustee of the SST. During the year, 0.1 million Ordinary Shares were transferred to participants (2009 0.3 million Ordinary Shares).

No invitations have been made under either of these schemes since 2003.

US Employee Stock Purchase Plan ("US ESPP")

The US ESPP enables the Company to invite all US employees to acquire shares in the Company on market using deductions from payroll. In November 2010 such an invitation was made, with deductions from payroll commencing in January 2011. The US ESPP also enables the Company to grant eligible US employees the right to acquire Spirent Ordinary Shares using the proceeds of a savings contract. If such a grant were made, when joining the US ESPP, participants would enter into a 12 month contract to save up to 15 per cent of base salary subject to an individual limit of $1,000 per month.

Prior to the invitation in November 2010, no offer had been made under this plan since 2003.

Global All Employee Share Purchase Plan ("GAESPP")

The GAESPP offers employees in countries other than the UK or US an opportunity to share in the Company's performance through share ownership. The GAESPP was implemented in Canada in January 2002 and operated on similar terms to the US ESPP above, with participants entering into a 12 month contract to save up to 15 per cent of base salary subject to an individual maximum of Cdn $1,000 per month.

No offer has been made under this plan since 2003.

UK Employee Share Purchase Plan ("UK ESPP")

The UK ESPP, which is an HMRC approved share incentive plan, was approved by shareholders in 2005 and is available to all UK employees. The UK ESPP offers three ways to provide Ordinary Shares to employees: free shares, partnership shares and matching shares. The UK ESPP will operate in conjunction with a trust, which holds the shares on behalf of participants.

In November 2010, the Company made an invitation to all UK employees to acquire Partnership shares on market using deductions from payroll, commencing in January 2011.

Stock Appreciation Rights Plan ("SARP")

The SARP was introduced in September 1999 as an interim incentive arrangement for the employees of Netcom following the closure of the NARSOP described above and subsequently for certain other employees in the Communications group. Rights under the SARP vested over four years, 25 per cent vesting one year after the date of grant and the remainder vesting on a monthly basis over a further 36 months. Rights granted were not subject to the fulfilment of any performance conditions.

The SARP will deliver the appreciation value (ie the aggregated increase in the market value of an Ordinary Share over the rights price) in the form of existing Ordinary Shares which have been purchased in the market by the Company's ESOT. The SARP is closed and no further grants can be made under it.

At 31 December 2010 there are no remaining outstanding SARP options and the plan has therefore been closed.

29. Share-based payment

The total charge for the year relating to employee share-based payment plans is as follows:

	2010 $ million	2009 (restated) $ million
2005 Employee Incentive Plan	0.3	0.2
Spirent Stock Incentive Plan	0.1	0.4
	0.4	0.6

All schemes are equity-settled.

No share incentives were granted during 2010. For 2009 the fair value of share incentives has been estimated as at the date of grant using a binomial model. The following table gives the assumptions made in arriving at the share-based payment charge and the fair value:

	2010	2009
Weighted average share price (pence)	–	96.3
Weighted average exercise price (pence)	–	3.9
Weighted average fair value (pence)	–	29.4
Expected volatility (%)	–	53–55
Expected life (years)	–	4.5
Risk free rate (%)	–	2.4–2.5
Dividend yield (%)	–	2.0

The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years which management considers to be the period which is likely to be most representative of future volatility. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. For Performance shares granted under the 2005 Employee Incentive Plan, which have a market based performance condition, it has been assumed that there will be 30 per cent vesting for valuation purposes.

30. Reconciliation of profit before tax to cash generated from operations

	2010 $ million	2009 (restated) $ million
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

31. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	2010 $ 000	2009 (restated) $ 000
Short term employee benefits	2,836	2,872
Share-based payment	90	104
Post retirement benefits	10	10
	2,936	2,986

In 2010 Eric Hutchinson made gains on the exercise of share incentives of $2,441,000 (2009 $137,000).

In 2010 Bill Burns made gains on the exercise of share incentives of $495,000 (2009 $86,000).

32. Explanation of the effect of a change to the reporting currency on prior year financial statements

As referred to in note 2 during the period the Spirent Communications Group changed its reporting currency from pounds sterling to US dollars. As a result, the Group's prior year Consolidated income statement, its prior year Consolidated statement of comprehensive income, its Consolidated balance sheet at 31 December 2009 and 2008, its prior year Consolidated cash flow statement and its Consolidated statement of changes in equity for 2009 and 2008, that were presented in the 2009 Annual Report, have been restated to show all amounts in US dollars. This note explains the methodology used to translate amounts previously reported by the Group.

Consolidated income statement for the year ended 31 December 2009

The Group's policy has been to translate transactions in foreign currencies at the average rate applicable during the financial year unless this would produce a material difference compared with using the spot rate of exchange. The Consolidated income statement has therefore been translated into US dollars using an average exchange rate for 2009 of 1.57 US dollars to 1 pound sterling or the spot US dollar to sterling rate ruling on the date of the specific transaction.

32. Explanation of the effect of a change to the reporting currency on prior year financial statements continued

The table below sets out the reported numbers in pounds sterling and the restatement into US dollars:

	Amounts per 2009 Annual Report (presented in £) £ million	2009 comparative amounts as included in 2010 Annual Report (presented in US$) $ million
Revenue	272.1	427.2
Cost of sales	(91.6)	(143.8)
Gross profit	180.5	283.4
Product development	(47.5)	(74.6)
Selling and distribution	(49.7)	(78.0)
Administration	(28.0)	(44.0)
Operating profit	55.3	86.8
Finance income	0.4	0.6
Finance costs	(1.6)	(2.5)
Profit before tax	54.1	84.9
Tax	4.0	6.3
Profit for the year attributable to equity shareholders of parent Company	58.1	91.2
Earnings per share (pence/cents)		
Basic	8.71	13.67
Diluted	8.67	13.60

Consolidated statement of comprehensive income for the year ended 31 December 2009

The Consolidated statement of comprehensive income has been translated into US dollars using an average exchange rate for 2009 of 1.57 US dollars to 1 pound sterling or the spot US dollar to sterling rate ruling on the date of the specific transaction.

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.

	Amounts per 2009 Annual Report (presented in £) £ million	2009 comparative amounts as included in 2010 Annual Report (presented in US$) $ million
Profit for the year attributable to equity shareholders of parent Company	58.1	91.2
Other comprehensive income		
Fair value movements on cash flow hedges	5.1	8.0
Exchange differences on retranslation of foreign operations	(10.8)	14.1
Actuarial losses on defined benefit pension plans	(1.4)	(2.2)
Deferred tax credit on defined benefit pension plans	0.6	0.9
Other comprehensive income	(6.5)	20.8
Total comprehensive income for the year attributable to equity shareholders of parent Company	51.6	112.0

32. Explanation of the effect of a change to the reporting currency on prior year financial statements continued

Consolidated balance sheets at 31 December 2009 and 2008

As required by IAS 1 "Presentation of Financial Statements (Revised)", the change in reporting currency requires the Group to include two comparative balance sheets in its 2010 consolidated financial statements. The Consolidated balance sheets have been translated into US dollars by multiplying all assets and liabilities by using the following closing exchange rates:

	US$:£1
Year ended 31 December 2009	1.61
Year ended 31 December 2008	1.44

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 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.

32. Explanation of the effect of a change to the reporting currency on prior year financial statements continued

	Amount at 31 December 2009 per 2009 Annual Report (presented in £) £ million	2009 comparative amounts included in 2010 Annual Report (presented in US$) $ million	Amount at 31 December 2008 per 2009 Annual Report (presented in £) £ million	2008 comparative amounts included in 2010 Annual Report (presented in US$) $ million
Assets				
Non-current assets				
Intangible assets	69.8	112.4	77.6	111.7
Property, plant and equipment	14.7	23.6	18.6	26.8
Trade and other receivables	2.3	3.7	2.5	3.6
Cash on deposit	1.1	1.8	2.5	3.6
Defined benefit pension plan surplus	0.6	1.0	2.6	3.7
Deferred tax	26.4	42.5	12.2	17.5
	114.9	185.0	116.0	166.9
Current assets				
Inventories	17.5	28.1	24.2	34.8
Trade and other receivables	50.5	81.3	62.4	89.9
Derivative financial instruments	0.6	1.0	–	–
Cash and cash equivalents	108.0	173.9	59.7	86.0
	176.6	284.3	146.3	210.7
Total assets	291.5	469.3	262.3	377.6
Liabilities				
Current liabilities				
Trade and other payables	(53.8)	(86.6)	(63.5)	(91.4)
Current tax	(6.4)	(10.3)	(4.6)	(6.6)
Derivative financial instruments	(0.1)	(0.2)	(5.6)	(8.1)
Provisions and other liabilities	(3.8)	(6.1)	(3.7)	(5.3)
	(64.1)	(103.2)	(77.4)	(111.4)
Non-current liabilities				
Trade and other payables	(4.9)	(7.9)	(5.1)	(7.3)
Defined benefit pension plan deficit	(0.7)	(1.1)	(0.6)	(0.9)
Provisions and other liabilities	(3.3)	(5.3)	(8.2)	(11.8)
	(8.9)	(14.3)	(13.9)	(20.0)
Total liabilities	(73.0)	(117.5)	(91.3)	(131.4)
Net assets	218.5	351.8	171.0	246.2
Capital and reserves				
Share capital	22.6	36.4	22.4	32.2
Share premium account	18.3	29.5	17.2	24.8
Capital redemption reserve	10.6	17.1	10.6	15.3
Capital reserve	1.0	1.6	1.4	2.0
Other reserves	–	(0.6)	–	7.6
Translation reserve	11.8	22.6	22.6	8.5
Cash flow hedge reserve	0.4	0.6	(4.7)	(6.8)
Retained earnings	153.8	244.6	101.5	162.6
Total equity attributable to equity shareholders of parent Company	218.5	351.8	171.0	246.2

32. Explanation of the effect of a change to the reporting currency on prior year financial statements continued

Equity items at 31 December 2007

The Group translates all transactions that affect share capital, share premium account , capital redemption reserve, capital reserve (which all occur in the books of the parent Company whose functional currency is pounds sterling), retained earnings and cash flow hedge reserve at either the average rate for the year or the spot rate on the date of the specific transaction concerned. As noted above the closing balances on share capital, share premium account, capital redemption reserve, capital reserve and cash flow hedge reserve are then 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 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.

The table below shows all equity items in pounds sterling along with the equivalent US dollar amount at 31 December 2007:

	Amount at 31 December 2007 per 2009 Annual Report (presented in £) £ million	2007 comparative amounts included in 2010 Annual Report (presented in US$) $ million
Share capital	28.0	55.7
Share premium account	15.5	30.8
Capital redemption reserve	4.8	9.6
Capital reserve	3.6	7.2
Other reserves	–	(18.7)
Translation reserve	(6.7)	51.9
Cash flow hedge reserve	(0.5)	(1.0)
Retained earnings	96.5	145.5
Total equity attributable to equity shareholders of parent Company	141.2	281.0

32. Explanation of the effect of a change to the reporting currency on prior year financial statements continued

Equity items at 31 December 2008

The table below reconciles the Group's equity from 31 December 2007 (as per the table above) to 31 December 2008. All balances shown form the opening balance of the Group's Consolidated statement of changes in equity for 2009:

$ million

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Other reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 31 December 2007	55.7	30.8	9.6	7.2	(18.7)	51.9	(1.0)	145.5	281.0
Profit for the period	–	–	–	–	–	–	–	138.4	138.4
Fair value movements on cash flow hedges	–	–	–	–	–	–	(7.8)	–	(7.8)
Exchange differences on foreign operations	–	–	–	–	–	(43.4)	–	–	(43.4)
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	–	(9.4)	(9.4)
Irrecoverable element of pension plan surplus	–	–	–	–	–	–	–	2.6	2.6
Deferred tax on defined benefit pension plans	–	–	–	–	–	–	–	0.5	0.5
Total comprehensive income for the year	–	–	–	–	–	(43.4)	(7.8)	132.1	80.9
New shares issued	0.3	3.1	–	–	–	–	–	–	3.4
Share cancellation	(10.7)	–	10.7	–	–	–	–	–	–
Employee share ownership trust	–	–	–	–	–	–	–	1.1	1.1
Share repurchase	–	–	–	–	–	–	–	(116.6)	(116.6)
Share-based payment	–	–	–	–	–	–	–	2.8	2.8
Equity dividends	–	–	–	–	–	–	–	(6.4)	(6.4)
Other movements	–	–	–	(4.1)	–	–	–	4.1	–
Exchange adjustment	(13.1)	(9.1)	(5.0)	(1.1)	26.3	–	2.0	–	–
Balance at 31 December 2008	32.2	24.8	15.3	2.0	7.6	8.5	(6.8)	162.6	246.2

Consolidated cash flow statement for the year ended 31 December 2009

The Group's policy has been to translate transactions in foreign currencies at the average rate applicable during the financial year unless this would produce a material difference compared with using the spot rate of exchange. The Consolidated cash flow statement has therefore been translated into US dollars using an average exchange rate for 2009 of 1.57 US dollars to 1 pound sterling or the spot US dollar to sterling rate ruling on the date of the specific transaction.

32. Explanation of the effect of a change to the reporting currency on prior year financial statements continued

The table below sets out the reported numbers in pounds sterling and the restatement into US dollars:

	Amounts per 2009 Annual Report (presented in £) £ million	2009 comparative amounts included in 2010 Annual Report (presented in US$) $ million
Cash flows from operating activities		
Cash flow from operations	67.7	106.3
Tax paid	(6.5)	(10.2)
Net cash inflow from operating activities	61.2	96.1
Cash flows from investing activities		
Interest received	0.4	0.6
Transfer from long term deposit	1.4	2.2
Purchase of intangible assets	(0.2)	(0.3)
Purchase of property, plant and equipment	(6.4)	(10.1)
Proceeds from the sale of property, plant and equipment	0.1	0.2
Net cash used in investing activities	(4.7)	(7.4)
Cash flows from financing activities		
Dividend paid	(7.7)	(12.1)
Proceeds from the issue of share capital and employee share ownership trust	2.4	3.8
Share repurchase	(0.7)	(1.1)
Net cash used in financing activities	(6.0)	(9.4)
Net increase in cash and cash equivalents	50.5	79.3
Cash and cash equivalents at the beginning of the year	59.7	86.0
Effect of foreign exchange rate changes	(2.2)	8.6
Cash and cash equivalents at the end of the year	108.0	173.9

33. 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 transaction was completed on 16 February 2011.

We have audited the parent Company financial statements of Spirent Communications plc for the year ended 31 December 2010 which comprise the parent Company balance sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 40, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Report on directors' remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements and the part of the Report on directors' remuneration to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Spirent Communications plc for the year ended 31 December 2010.

Richard Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2011

The maintenance and integrity of the Spirent Communications plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

At 31 December	Notes	2010 £ million	2009 £ million
Fixed assets			
Intangible assets	4	4.3	5.0
Tangible assets	5	1.9	1.7
Fixed asset investments			
Shares in subsidiaries	6	209.4	165.2
Loans to subsidiaries	7	8.2	17.9
Total fixed assets		223.8	189.8
Current assets			
Inventories	8	5.9	5.9
Trade and other debtors	9	20.9	22.9
Derivative financial instruments	15	–	0.6
Cash and bank deposits		54.0	84.4
		80.8	113.8
Current liabilities			
Creditors due within one year	10	(11.1)	(10.9)
Derivative financial instruments	15	(0.1)	(0.1)
		(11.2)	(11.0)
Net current assets		69.6	102.8
Assets less current liabilities		293.4	292.6
Long term liabilities			
Creditors due after more than one year	11	(60.8)	(61.2)
Provisions for liabilities and charges			
Provisions	13	–	(0.2)
Assets less liabilities (excluding pension plan)		232.6	231.2
Pension plan surplus/(deficit)	3	1.3	(0.3)
Assets less liabilities (including pension plan)		233.9	230.9
Capital and reserves	16		
Called up share capital		22.5	22.6
Share premium account		20.0	18.3
Capital redemption reserve		10.9	10.6
Capital reserve		–	1.0
Cash flow hedge reserve		–	0.4
Profit and loss account		180.5	178.0
Shareholders' funds – equity		233.9	230.9

The notes on pages 105 to 121 form part of these financial statements.

Signed on behalf of the Board

Eric Hutchinson
Director
3 March 2011

1. Significant accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention modified for measurement of derivative financial instruments at fair value and in accordance with applicable UK law and UK Generally Accepted Accounting Principles (UK GAAP).

As the Company is included in the consolidated financial statements, made up to 31 December each year, it is not required to present a separate profit and loss account as provided by Section 408 of the Companies Act 2006.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased goodwill, representing the excess of cost over the fair value of assets acquired, is written off on a straight line basis from the date of acquisition over 20 years, being its anticipated useful life.

Tangible assets

Depreciation is not provided on freehold land. Depreciation is provided to write off the cost of all other assets, less residual value, on a straight line basis over their estimated useful lives at rates which take into account commercial conditions at their location. Usual asset lives are as follows:

Freehold buildings	50 years
Plant and machinery	3 to 8 years
Fixtures, fittings and equipment	
Building installations	20 years or lease period if less
Fittings and equipment	3 to 8 years
Motor vehicles	3 to 5 years
Business systems software	4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments, including investment in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Leases

Operating lease rentals are charged to the profit and loss account over the period of the lease on a straight line basis.

Inventories

Inventories are valued at the lower of cost and estimated net realisable value. Cost includes all costs in bringing each product to its present location and condition, being the full manufacturing cost on a first-in-first-out basis, including all attributable overheads based on a normal level of activity. Net realisable value represents the selling price less further costs to be incurred to completion and on sale.

Trade and other debtors

Trade debtors, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

1. Significant accounting policies continued

Provisions

Provisions are recorded when the Company has a present, legal or constructive obligation as a result of a past event for which it is probable that it will be required to settle by an outflow of resources and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation.

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Company, the revenue can be reliably measured and when the Company has transferred to the buyer the significant risks and rewards of ownership. In addition, revenue is only recognised when collectability is probable.

For the sale of services, revenue is recognised in accounting periods in which the service is rendered.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. All exchange gains and losses are taken to the profit and loss account.

Product development

Expenditure is charged to the profit and loss account in the year in which it is incurred.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Company uses forward foreign currency exchange contracts to manage exposures arising on receipts and payments in foreign currencies relating to firm commitments. Previously the Company also managed exposures arising on highly probable forecast transactions. This change in treasury policy arose as a consequence of the change in the Group's reporting currency from sterling to US dollars.

As the number of transactions now being hedged is significantly reduced and restricted to items which affect profit or loss or are recognised on the balance sheet at the balance sheet date, the Company has ceased to adopt the hedge accounting rules for all transactions entered into since the decision was taken to change the Group's reporting currency. The Company previously designated its forward foreign currency exchange contracts as cash flow hedges and such designation was maintained until maturity of those remaining contracts in 2010.

Forward foreign currency exchange contracts are initially recognised at fair value on the date on which the contract is entered into, and are subsequently remeasured to fair value at each reported balance sheet date. The fair value of forward foreign currency exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Changes in the fair value of contracts which were designated as effective were recognised directly in equity and the gain or loss on the ineffective portion of the hedge recognised immediately in the profit and loss account. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken to the profit and loss account. For effective hedges that were in relation to a financial asset or liability, amounts originally deferred were recognised in the profit and loss account in the same period in which the hedged item affected profit or loss, for example when a highly probable forecast sale occurred. For non-financial assets or liabilities, the gains or losses that were included in equity were included in the initial measurement of the non-financial asset or liability at the time the asset or liability was recognised on the balance sheet.

1. Significant accounting policies continued

The Company discontinued hedge accounting if the hedging instrument expired or was sold, terminated or exercised, the hedge no longer met the criteria for hedge accounting or the Group revoked the designation. Gains or losses arising on hedging instruments, which were cancelled due to termination of the underlying exposure, were taken to the profit and loss account immediately.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts.

Pensions

The Company operates two funded defined benefit pension plans. All other plans are defined contribution in nature where the amount charged to the profit and loss account is the contributions paid or payable during the year.

For defined benefit pension plans full actuarial valuations are carried out every three years using the projected unit credit method, and updates are performed at each balance sheet date. The cost of providing benefits under these plans is determined separately for each plan, and attributes entitlement to benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations).

Past services are recognised in the profit and loss account on a straight line basis or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued), or a curtailment (reducing future obligations as a result of a material reduction in the plan membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit pension plan cost represents the change in present value of plan obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year.

The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on plan assets, adjusted for the effect on the fair value of plan assets of contributions received, and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as finance costs or finance income.

Actuarial gains and losses arising from differences between actual and expected returns on plan assets, experience adjustments on liabilities and changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses.

The defined benefit pension plan asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds denominated in the same currency and whose term is consistent with the estimated term of the obligation). Fair value is based on market price information and, in the case of quoted securities, is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover, by way of reductions in the future contributions or refunds from the plan that have been agreed by the trustees.

Treasury shares

Spirent Communications plc Ordinary Shares held by the Company are classified in shareholders' equity as treasury shares and are recognised at cost and shown as a deduction from retained earnings. Consideration received for the sale of such Ordinary Shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings.

Employee benefits

When an employee has rendered service to the Company during an accounting period, short term benefits expected to be paid in exchange for that service are recognised in the same accounting period.

Dividends paid

The interim dividend is included in the financial statements in the period it is approved by the directors, and the final dividend in the period it is approved by the shareholders at an annual general meeting.

1. Significant accounting policies continued

Share-based payment

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

The cost of equity-settled transactions is recognised as a cost to the Company or as an addition to the cost of investment in the subsidiary in which the relevant employees work, over the vesting period of the equity-settled transactions with a corresponding adjustment to reserves. Any payments received from the Company's subsidiaries in respect of these share-based payments result in a reduction in the cost of investment.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Company has an employee share trust for the granting of certain share incentives to employees. Shares are held by the employee share trust, treated as treasury shares and presented in the balance sheet as a deduction from equity.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable represents the amount expected to be paid or recovered in respect of taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on an undiscounted basis on all timing differences that have originated but not reversed at the balance sheet date except as referred to below. Amounts provided are calculated with reference to tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not provided on gains on the disposal of fixed assets that have been rolled over into replacement assets, unless there is a binding agreement to dispose of the assets concerned. Provision will not be made where it is considered more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.

2. Employees

Please refer to the Report on directors' remuneration on pages 45 to 52 for disclosures relating to the emoluments, share incentives and long term incentive interests and pensions of the directors.

3. Pensions

Defined benefit plans

The funded defined benefit pension plans are in the United Kingdom and comprise the Spirent Communications plc Staff Pension & Life Assurance Plan ("Staff Plan") and the Spirent Communications plc Retirement Cash & Life Assurance Plan ("Cash Plan"). The Staff Plan is the Company's most significant plan. There is in addition an unfunded plan.

The valuation used for these disclosures has been based on a full assessment of the liabilities of the Plans as at 1 April 2009. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

i) The key financial assumptions

The assumptions used for both plans were as follows:

	2010 %	2009 %
Inflation RPI	3.4	3.4
Inflation CPI	2.5	n/a
Rate of increase in pensionable salaries	3.9	3.9
Rate of increase for pensions in payment pre 2001 service	3.7	3.7
Rate of increase for pensions in payment post 2001 pre April 2005 service	3.2	3.2
Rate of increase for pensions post April 2005 service	2.2	2.2
Rate of increase in deferred pensions	2.5	3.4
Rate used to discount plan liabilities	5.5	5.7
Expected rate of return on plan assets (weighted for both plans)	5.8	5.6

Spirent Communications plc employs a building block approach in determining the long term rate of return on the plans' assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on each class of asset is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return of each asset class over the actual asset allocation for the plans.

Following the UK Government's announcement in 2010, the inflation index to be used to derive statutory increases to pensions, both before and after they come into payment, has been changed from the Retail Prices Index ("RPI") to the Consumer Prices Index ("CPI"). In the Staff Plan, the increases provided to pensions before they come into payment are at the statutory level and hence are impacted by this change. However, the increases provided to pensions after they come into payment are prescribed by the plan rules and are not impacted. Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be lower than RPI over the long term which means that the defined benefit obligation has reduced. This reduction has been recognised as an assumption change at 31 December 2010.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are such that a member currently aged 68 (2009 aged 68) will live on average for a further 19.2 years (2009 19.1 years) if they are male and for a further 21.0 years (2009 20.9 years) if they are female. For a member who retires in 2020 (2009 in 2019) at age 64 (2009 aged 64) the assumptions are that they will live on average for a further 23.7 years (2009 23.6 years) after retirement if they are male and for a further 25.6 years (2009 25.5 years) after retirement if they are female.

The approximate impact to the past service liabilities of changing these main assumptions is as follows:

- Reducing the discount rate by 0.1 per cent per annum. This would increase past service liabilities by £2.0 million.
- Increasing the life expectancy of a member by one year (by modifying the standard mortality tables using an appropriate scaling factor). This would increase past service liabilities by £4.5 million.

There will also be an impact on the future service cost but given the small active population in these plans this is likely to be insignificant.

3. Pensions continued

ii) The assets and the liabilities in the plans were as follows:

	Long term rate of return expected %	2010 £ million	Long term rate of return expected %	2009 £ million
Staff Plan				
Equities	8.5	35.3	8.5	30.6
Government bonds	4.0	39.3	4.3	32.2
Corporate bonds	5.0	47.1	5.1	57.3
Insured annuities	5.5	2.9	5.7	2.9
Property	8.4	13.2	9.0	3.6
Cash and other	1.0	2.2	1.0	4.5
Fair value of plan assets	5.9	140.0	5.7	131.1
Present value of defined benefit pension plan obligations		(134.1)		(131.4)
Surplus/(deficit) in the plan		5.9		(0.3)
Surplus restriction		(4.0)		–
Surplus/(deficit) recognised		1.9		(0.3)
Cash Plan				
Equities	8.5	2.4	8.5	1.8
Government bonds	4.1	2.1	4.4	2.7
Insured annuities	5.5	0.2	5.7	0.2
Cash and other	1.0	2.2	1.0	2.1
Fair value of plan assets	4.6	6.9	4.5	6.8
Present value of defined benefit pension plan obligations		(6.5)		(6.0)
Surplus in the plan		0.4		0.8
Surplus restriction		(0.1)		(0.5)
Surplus recognised		0.3		0.3
Total net surplus recognised		2.2		–
Unfunded plan				
Present value of unfunded obligations		(0.4)		(0.4)
Net pension plan surplus/(deficit) on the balance sheet		1.8		(0.4)
Deferred tax (liability)/asset *note 12*		(0.5)		0.1
Net pension plan surplus/(deficit) on the balance sheet		1.3		(0.3)

The recognition of the surplus in the Staff Plan and the Cash Plan is restricted in 2010 and 2009 to the present value of economic benefits available in the form of refunds from the Plan or reductions in future contributions to the Plan. As a result only £2.2 million (2009 £0.3 million) of the £6.3 million (2009 £0.8 million) surplus has been recognised on the balance sheet at 31 December.

The plans are prohibited from investing in Spirent's own financial instruments.

For the purposes of the following disclosures the two plans have been combined as the Cash Plan is immaterial to these financial statements.

3. Pensions continued

iii) Analysis of the amounts charged/(credited) to the profit and loss account

	2010 £ million	2009 £ million
Analysis of amount charged to operating costs		
Current service cost	0.2	0.1
Expected return on pension plans' assets	6.8	6.4
Interest on pension plans' liabilities	(7.6)	(7.5)
Finance costs	(0.8)	(1.1)
Net profit and loss charge	1.0	1.2

iv) Analysis of amount recognised directly in equity

	2010 £ million	2009 £ million
Actual return on pension plans' assets	13.9	13.9
Less expected return on pension plans' assets	6.8	6.4
Experience gains on plans' assets	7.1	7.5
Experience losses arising on plans' liabilities	(0.4)	(2.5)
Changes in assumptions underlying the present value of plans' liabilities	(1.1)	(6.4)
Movement in surplus restriction	(3.6)	0.2
Actuarial gains/(losses) recognised directly in equity	2.0	(1.2)

The cumulative amount of actuarial gains and losses recognised since 1 January 2003 in the Company's statement of total recognised gains and losses is £11.6 million loss (2009 £13.6 million loss). The directors are unable to determine how much of the pension plan deficit recognised on 1 January 2003 and taken directly to equity of £41.9 million in the Company is attributable to actuarial gains and losses since inception of those pension plans. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Company's statement of recognised gains and losses before 1 January 2003.

v) Movements in the present value of funded defined benefit obligations

	2010 £ million	2009 £ million
At 1 January	137.4	126.5
Current service cost	0.2	0.1
Interest cost	7.6	7.5
Employee contributions	0.1	0.1
Benefit payments	(6.2)	(5.7)
Actuarial loss	1.5	8.9
Present value of funded defined benefit pension plans' obligations	140.6	137.4

vi) Movements in the fair value of plans' assets

	2010 £ million	2009 £ million
At 1 January	137.9	129.3
Expected return on plans' assets	6.8	6.4
Employer contributions	1.2	0.3
Employee contributions	0.1	0.1
Benefit payments	(6.2)	(5.7)
Actuarial gain	7.1	7.5
Fair value of plans' assets	146.9	137.9

3. Pensions continued

vii) History of experience gains and losses

	2010 £ million	2009 £ million	2008 £ million	2007 £ million	2006 £ million
Present value of defined benefit pension plans' obligations	(140.6)	(137.4)	(126.5)	(135.1)	(158.2)
Fair value of plans' assets	146.9	137.9	129.3	142.8	160.6
Net surplus in plans	6.3	0.5	2.8	7.7	2.4
Experience losses on plans' liabilities					
Amount (£ million)	(0.4)	(2.5)	(0.4)	(0.8)	(10.0)
Percentage of plans' liabilities (%)	(0.3)	(1.8)	(0.3)	(0.6)	(6.3)
Experience gains and losses on plans' assets					
Amount (£ million)	7.1	7.5	(15.4)	(2.6)	0.5
Percentage of plans' assets (%)	4.8	5.4	(11.9)	(1.8)	0.3

Expected cash contributions for 2011 for these plans are £1.8 million.

The above plans are funded and have full UK HM Revenue & Customs ("HMRC") tax-exempt approval. Certain members, whose salaries were in excess of the HMRC statutory earnings cap, had their benefits increased through unapproved unfunded arrangements, to the level that would otherwise have applied in respect of basic salary only. The Company has contractually agreed to pay the additional retirement benefits itself and a provision is made in respect of this obligation in the balance sheet at 31 December 2010 of £0.4 million (2009 £0.4 million). This represents the actuarial value, as confirmed by the Company's pension advisers, of the unapproved benefit entitlements accrued at that date. The value is assessed and reviewed on a market value basis in line with the main plan valuation. There are no experience gains or losses on the unfunded plan in the period from 2006 to 2010.

Defined contribution schemes

The Company also maintains defined contribution pension plans for employees. Employer contributions into these plans for 2010 were £0.7 million (2009 £0.8 million).

4. Intangible assets

	£ million Goodwill
Cost	
At 1 January 2010 and 31 December 2010	6.8
Amortisation	
At 1 January 2010	1.8
Provided during the year	0.7
At 31 December 2010	2.5
Net book value at 31 December 2009	5.0
Net book value at 31 December 2010	4.3

5. Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total £ million
Cost				
At 1 January 2010	0.6	3.9	3.6	8.1
Interclass transfers	–	0.5	(0.5)	–
Additions	–	0.6	0.2	0.8
Disposals	–	(0.4)	(0.5)	(0.9)
At 31 December 2010	0.6	4.6	2.8	8.0
Depreciation and impairment				
At 1 January 2010	–	3.3	3.1	6.4
Inter class transfers	–	0.5	(0.5)	–
Provided during the year	0.1	0.3	0.2	0.6
Disposals	–	(0.4)	(0.5)	(0.9)
At 31 December 2010	0.1	3.7	2.3	6.1
Net book value at 31 December 2009	0.6	0.6	0.5	1.7
Net book value at 31 December 2010	0.5	0.9	0.5	1.9

6. Shares in subsidiaries

	£ million
Cost	
At 1 January 2010	885.7
Additions	45.6
Disposals	(1.6)
At 31 December 2010	929.7
Provisions	
At 1 January 2010	720.5
Provided in the year	0.8
Disposals	(1.0)
At 31 December 2010	720.3
Net book value at 31 December 2009	165.2
Net book value at 31 December 2010	209.4

7. Loans to subsidiaries

	£ million
At 1 January 2010	17.9
Repayments	(9.9)
Exchange	0.2
At 31 December 2010	8.2

8. Inventories

	2010 £ million	2009 £ million
Raw materials	3.0	3.1
Work in progress	0.8	0.7
Finished goods	2.1	2.1
	5.9	5.9

9. Trade and other debtors

	2010 £ million	2009 £ million
Due within one year		
Trade debtors	6.3	6.1
Owed by subsidiaries	4.7	3.1
Other debtors	0.4	0.6
Prepayments and accrued income	0.6	0.4
	12.0	10.2
Due after more than one year		
Deferred tax asset *note 12*	8.9	12.7
	20.9	22.9

10. Creditors due within one year

	2010 £ million	2009 £ million
Trade creditors	4.6	5.4
Owed to subsidiaries	0.3	0.2
Accruals and deferred income	5.7	4.5
Other taxes and social security costs	0.5	0.8
	11.1	10.9

11. Creditors due after more than one year

	2010 £ million	2009 £ million
Owed to subsidiaries	60.8	61.2

12. Deferred tax

	£ million
At 1 January 2010	12.7
Reversed in the year	(3.8)
At 31 December 2010	8.9

The deferred tax asset is in relation to short term timing differences and tax losses.

There is a deferred tax liability at 31 December 2010 of £0.6 million and a deferred tax asset of £0.1 million (2009 liability of £0.1 million and asset of £0.2 million) in relation to the pension plans (note 3).

13. Provisions

	£ million
Lease provisions	
At 1 January 2010	0.2
Utilised in the year	(0.2)
At 31 December 2010	–

Provisions are analysed as follows:

	2010 £ million	2009 £ million
Current	–	0.2

These provisions were in respect of obligations for properties under operating leases which have been vacated.

14. Operating lease commitments

At the balance sheet date, the Company had annual commitments which expire as follows:

	2010 £ million	2009 £ million
In the second to fifth years	0.5	0.5

15. Derivative financial instruments

The Company has taken advantage of the exemption under FRS 29 "Financial Instruments: Disclosures" for parent Company financial statements. The disclosures in respect of the Group are included in the consolidated financial statements.

The fair value of derivative financial instruments is as follows:

	2010 £ million		2009 £ million	
	Assets	Liabilities	Assets	Liabilities
Currency derivatives	–	0.1	0.6	0.1

Currency derivatives are expected to be realised within one year.

Currency derivatives

The Company uses forward foreign currency exchange contracts in the management of transactional exchange rate exposures. These contracts were designated in 2009 as hedging instruments. In 2010 the Company has chosen not to designate these contracts as hedges.

16. Capital and reserves

£ million

	Called up share capital	Share premium account	Capital redemption reserve	Capital reserve	Cash flow hedge reserve	Profit and loss account[2]	Total
At 1 January 2010	22.6	18.3	10.6	1.0	0.4	178.0	230.9
New shares issued	0.2	1.7	–	(0.1)	–	–	1.8
Share cancellation	(0.3)	–	0.3	–	–	–	–
Profit for the year[3]	–	–	–	–	–	20.8	20.8
Share-based payment[4]	–	–	–	–	–	0.3	0.3
Actuarial gain recognised on defined benefit pension plans	–	–	–	–	–	2.0	2.0
Deferred tax on defined benefit pension plans	–	–	–	–	–	(0.6)	(0.6)
Cash flow hedges	–	–	–	–	(0.4)	–	(0.4)
Employee Share Ownership Trust	–	–	–	–	–	1.2	1.2
Share repurchase	–	–	–	–	–	(13.0)	(13.0)
Equity dividends	–	–	–	–	–	(9.1)	(9.1)
Other movements	–	–	–	(0.9)	–	0.9	–
At 31 December 2010	22.5	20.0	10.9	–	–	180.5	233.9

Notes
1 The Company has taken advantage of the exemption given in section 408 of the Companies Act 2006 not to publish its profit and loss account.
2 The Company's profit and loss account of £180.5 million (2009 £178.0 million) includes non-distributable reserves of £6.9 million (2009 £6.9 million).
3 The profit for the year dealt with in the financial statements of the Company was £20.8 million (2009 £53.0 million) which after dividends of £9.1 million (2009 £7.7 million), gave a retained profit of £11.7 million (2009 £45.3 million).
4 Share-based payment has been recorded for subsidiary companies whose incentives are satisfied by the Company's shares.

Changes during the year in the issued Ordinary Share capital were as follows:

	Number of Ordinary Shares million
Issued and fully paid at 1 January 2010	678.1
Allotted pursuant to share incentives exercised	6.6
Cancelled during the year[1]	(9.8)
Issued and fully paid at 31 December 2010	674.9

Note
1 During 2010, under the programme of returning capital to shareholders, the Company repurchased 9.8 million Ordinary Shares on market which were subsequently cancelled.

In accordance with the rules of the following share plans, share incentives were exercised during the year which resulted in new Ordinary Shares being allotted by the Company or existing Ordinary Shares being transferred from either the Spirent Employee Share Ownership Trust ("ESOT") or from the Spirent Sharesave Trust ("SST") as follows:

	Number of Ordinary Shares million	Consideration received £ million
2005 Employee Incentive Plan	0.7	0.1
Spirent Stock Incentive Plan	6.6	2.2
1995 Executive Share Option Scheme	1.3	0.7
All employee share plans[1]	0.1	–
	8.7	3.0

Note
1 The all employee share plans are the UK Savings Related Share Option Scheme, the 2005 Sharesave Scheme, the US Employee Stock Purchase Plan, the Global All Employee Share Purchase Plan and the UK Employee Share Purchase Plan.

16. Capital and reserves continued

During the year 0.1 million Ordinary Shares were transferred from the SST to satisfy options exercised under the UK all employee share schemes (2009 0.3 million) and 2.0 million Ordinary Shares were transferred from the ESOT to satisfy options exercised under the Spirent Stock Incentive Plan (2009 1.7 million).

There has been no material increase in the issued Ordinary Share capital, whether by exercise of share incentives or otherwise, between 31 December 2010 and 3 March 2011, the date on which these financial statements have been signed.

Investment in own Ordinary Shares

At 31 December 2010, the ESOT held 4.0 million Ordinary Shares (2009 5.4 million Ordinary Shares) to satisfy awards under various share incentive plans. Of this number, 0.1 million Ordinary Shares were unconditionally vested at 31 December 2010 (2009 0.1 million Ordinary Shares). At 31 December 2010, the SST held 0.5 million Ordinary Shares (2009 0.6 million Ordinary Shares) to satisfy awards made to UK based employees under an all employee share scheme. The market value of own Ordinary Shares held in trust, being in total 4.5 million Ordinary Shares (2009 6.0 million Ordinary Shares), at 31 December 2010 was £6.7 million (2009 £6.1 million).

Capital redemption reserve

During 2010 the Company cancelled 9.8 million Ordinary Shares that had been the subject of the on market share repurchase programme (2009 0.6 million Ordinary Shares) and transferred £0.3 million (2009 £20,333) to the capital redemption reserve.

Capital reserve

In 2010 the reserve has been reduced by £0.9 million (2009 £0.4 million) in relation to share incentives which have been cancelled or have lapsed.

Share repurchase

During 2010 the Company repurchased 10.4 million Ordinary Shares on market at a cost of £13.0 million (2009 0.6 million Ordinary Shares at a cost of £0.6 million). Of the shares repurchased 9.8 million (2009 0.6 million) Ordinary Shares were subsequently cancelled and 0.6 million were placed into the ESOT.

Employee share plans

The Company operates a number of employee share incentive plans as described below. The following share incentives over Ordinary Shares under these plans have been granted and remain outstanding, held by employees of the parent Company.

Movements in share incentives during the year to 31 December 2010 are shown below:

	2005 Employee Incentive Plan		Spirent Stock Incentive Plan		1995 Executive Share Option Scheme		UK sharesave schemes	
	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence
Options outstanding at 31 December 2009	3.0	30	1.6	58	2.6	112	0.1	39
Exercised	(1.2)	50	(0.9)	59	(1.2)	56	(0.1)	39
Expired	–	–	–	–	(0.2)	323	–	–
Options outstanding at 31 December 2010	1.8	17	0.7	53	1.2	135	–	–
Options exercisable at 31 December 2010	0.2	50	0.7	53	1.2	135	–	–

The weighted average share price at exercise date was 123.5 pence (2009 77.6 pence).

16. Capital and reserves continued

The following information relates to outstanding share incentives at 31 December 2010:

Share plan	Exercise period (as at 31 December)	Range of exercise prices pence	2010 Weighted average exercise price pence	2010 Number of share incentives outstanding million	2010 Weighted average remaining contractual life years	2009 Weighted average exercise price pence	2009 Number of share incentives outstanding million	2009 Weighted average remaining contractual life years
2005 Employee Incentive Plan	25.08.08 – 06.11.18	0-53	17	1.8	3.3	30	3.0	5.0
Spirent Stock Incentive Plan	12.09.03 – 12.11.15	37-53	49	0.6	2.1	50	0.9	3.0
	17.09.04 – 12.08.16	59-87	67	0.1	1.0	67	0.7	1.7
1995 Executive Share Option Scheme	03.10.04 – 04.08.14	56-72	69	0.2	3.5	58	1.4	4.5
	02.04.05 – 01.05.12	113-134	125	0.9	1.3	125	0.9	2.3
	11.05.03 – 08.04.11	305-334	305	0.1	0.3	322	0.3	0.7
UK sharesave schemes	01.12.09 – 31.05.11	38-41	–	–	–	39	0.1	1.1
				3.7			7.3	

Note

1 Figures for the 2005 Employee Incentive Plan include share options, stock appreciation rights and performance shares in aggregate. No exercise price is payable on the vesting of a performance share.

Description of employee share plans

Discretionary Plans

2005 Employee Incentive Plan ("EIP")

The EIP, which was introduced in 2005 and replaced the now closed ESOS (see below), is currently available for selected employees, including executive directors, on a discretionary basis.

Under the EIP, the Company is able to grant share options, including HMRC approved options, share-settled stock appreciation rights ("SARs") and Performance shares. No price is payable on the grant of an award.

In normal circumstances, EIP awards vest three years following the date of grant provided the relevant performance conditions have been met. For share options and SARs, the performance conditions relate to the Company's earnings per share ("EPS") and for Performance shares, relate to total shareholder return ("TSR").

Further information on the performance conditions for EIP share incentives is set out in the Report on directors' remuneration on pages 46 and 47.

Options and SARs granted under the EIP expire on the tenth anniversary of their grant unless they have previously lapsed or been exercised.

Spirent Stock Incentive Plan ("SSIP")

The SSIP is now closed for new grants and has been replaced by the EIP referred to above.

The SSIP was introduced in 2000. This discretionary plan was primarily targeted at US employees with grants normally determined by reference to the seniority and contribution of the individual, together with the performance of the relevant business and prevailing local market practice. Grants were also permitted to selected newly hired and promoted employees on a monthly basis. Under the SSIP, the Company was able to grant share options and share-settled SARs. No price was payable on the grant of an award.

Most awards made pursuant to the SSIP vest over four years, provided that the participant remains in employment. Vesting is not normally subject to a performance condition and awards become 25 per cent exercisable on the first anniversary of the date of grant and thereafter in equal tranches on a monthly basis over a further 36 months. Any award not exercised by the seventh anniversary of the date of grant will lapse.

16. Capital and reserves continued

The vesting of SSIP awards made to Bill Burns prior to his appointment as Chief Executive Officer and to certain other key senior managers within the Communications group, were subject to the Company meeting EPS growth targets over the vesting periods. Further details of these performance conditions are set out in the Report on directors' remuneration on pages 47 and 48.

SARs granted under the EIP and SSIP will deliver the appreciation value (ie the increase in market value of an Ordinary Share over the base price of the SAR) in the form of Ordinary Shares. This "SARs approach" helps the Company manage its dilution headroom more efficiently as only the SAR gain needs to be funded. Using a SARs approach, it is not possible to determine the precise level of dilution until the SARs are exercised.

1995 Executive Share Option Scheme ("ESOS")

The ESOS is now closed for new grants and has been replaced by the EIP referred to above.

Under the ESOS awards of share options, including HMRC approved options, were on a discretionary basis. No price was payable on the grant of an option and no options were granted at a discount to the market price.

The normal exercise period for options granted under the ESOS is between the third and tenth anniversary of the date of grant. Options awarded under the ESOS were subject to the achievement of an EPS performance condition before they could be exercised. All outstanding options have now passed their EPS performance conditions and remain exercisable until they expire on the tenth anniversary of their respective grant dates.

All Employee Plans

UK Savings Related Share Option Scheme ("SRSOS") and the 2005 Sharesave Scheme

The SRSOS closed in 2005 and was replaced by the 2005 Sharesave Scheme. SRSOS options which remain outstanding may still be exercised prior to expiry, however no further grants can be made. Both schemes operate as HMRC approved Save-As-You-Earn schemes and are open to all UK employees, subject to a qualifying service period. Any future sharesave invitations will be made under the 2005 Sharesave Scheme, which is broadly similar to the SRSOS.

No price is payable on the grant of an option. The option exercise price is calculated by reference to the middle market closing price of an Ordinary Share on the business day prior to the beginning of the invitation period, discounted by up to 20 per cent at the Board's discretion. Options are normally exercisable within six months of the third, fifth or seventh anniversary of the contract commencement date as elected by the option holder at the start of the contract.

The Company operates the SST to honour the commitment to deliver Ordinary Shares against the exercise of outstanding options under the SRSOS. Spirent Sharesave Trust Limited, a wholly-owned subsidiary of Spirent Communications plc, acts as sole trustee of the SST. During the year, 0.1 million Ordinary Shares were transferred to participants (2009 0.3 million Ordinary Shares).

No invitations have been made under either of these schemes since 2003.

UK Employee Share Purchase Plan ("UK ESPP")

The UK ESPP, which is an HMRC approved share incentive plan, was approved by shareholders in 2005 and is available to all UK employees. The UK ESPP offers three ways to provide Ordinary Shares to employees: free shares, partnership shares and matching shares. The UK ESPP will operate in conjunction with a trust, which holds the shares on behalf of participants.

In November 2010, the Company made an invitation to all UK employees to acquire Partnership shares on market using deductions from payroll, commencing in January 2011.

17. Share-based payment

The total charge for the year relating to employee share-based payment plans is as follows:

	2010 £ million	2009 £ million
2005 Employee Incentive Plan	0.1	0.1

All schemes are equity-settled.

No share incentives were granted during 2010. For 2009 the fair value of share incentives has been estimated as at the date of grant using a binomial model.

The following table gives the assumptions made in arriving at the share-based payment charge and the fair value:

	2010	2009
Weighted average share price (pence)	–	97.8
Weighted average exercise price (pence)	–	–
Weighted average fair value (pence)	–	29.3
Expected volatility (%)	–	53.0
Expected life (years)	–	4.5
Risk free rate (%)	–	2.4
Dividend yield (%)	–	2.0

The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years which management considers to be the period which is likely to be most representative of future volatility. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. For Performance shares granted under the 2005 Employee Incentive Plan, which have a market based performance condition, it has been assumed that there will be 30 per cent vesting for valuation purposes.

18. Related party transactions

The Company has taken advantage of the exemption under FRS 8 "Related Party Disclosures" in relation to disclosing transactions with its subsidiaries.

19. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given on page 121 of this Annual Report.

20. Capital commitments and contingent liabilities

There were no capital commitments at 31 December 2010 or 31 December 2009.

Spirent Communications plc has provided indemnities of £0.4 million (2009 £0.4 million) for certain ongoing business obligations under letters of credit for subsidiary companies.

21. Directors' emoluments and transactions with directors

Please refer to the Report on directors' remuneration on pages 45 to 52 for disclosures relating to the remuneration, share incentives and pensions of the directors.

	% held at 31 December 2010
Communications	
Performance Analysis and Service Assurance solutions	
Canada	
Spirent Communications of Ottawa Limited (Nepean, Ontario)	100
France	
Spirent Communications SAS (Paris)	100
Hong Kong	
Spirent Communications (Asia) Limited	100
India	
Spirent Communications (India) Pvt Limited (Bangalore)	100
People's Republic of China	
Spirent Communications Technology (Beijing) Limited*	100
United Kingdom	
Spirent Communications (International) Limited (Crawley, West Sussex)*	100
Spirent Communications Positioning (Paignton, Devon)†	
United States	
Spirent Communications Hawaii, LLC (Honolulu, Hawaii)	100
Spirent Communications Inc	100
Calabasas, California	
Sunnyvale, California	
Eatontown, New Jersey	
Spirent Communications of Rockville, Inc (Germantown, Maryland)	100
Systems	
Control systems for the medical mobility and industrial markets	
United Kingdom	
PG Drives Technology Limited (Christchurch, Dorset)	100
United States	
PG Drives Technology Inc (Anaheim, California)	100

Notes
The above companies operate and are incorporated in the countries listed. All shareholdings in the companies are held indirectly by Spirent Communications plc, except where indicated by an asterisk (*) where the shareholding is held directly by Spirent Communications plc.

† Spirent Communications Positioning operates as a division of Spirent Communications plc.

The activity mentioned is indicative and not comprehensive.

$ million

	2010	2009	2008	2007	2006
Summary income statement					
Continuing operations					
Revenue	482.2	427.2	477.1	474.0	479.0
Operating profit before exceptional items and goodwill impairment	112.7	86.8	90.1	51.0	15.5
Exceptional items	–	–	–	(28.8)	(16.3)
Goodwill impairment	–	–	–	–	(35.3)
Operating profit/(loss)	112.7	86.8	90.1	22.2	(36.1)
Net finance (costs)/income	(0.5)	(1.9)	5.0	13.4	11.1
Exceptional net finance costs	–	–	(3.3)	–	(15.6)
Profit/(loss) before tax	112.2	84.9	91.8	35.6	(40.6)
Tax	(33.1)	6.3	(0.7)	7.6	(0.7)
Exceptional tax	–	–	47.3	7.8	–
Profit/(loss) from continuing operations after tax	79.1	91.2	138.4	51.0	(41.3)
Discontinued operations	–	–	–	(15.1)	235.8
Profit attributable to equity shareholders of parent Company	79.1	91.2	138.4	35.9	194.5
Summary balance sheet					
Intangible assets	112.0	112.4	111.7	116.6	124.1
Property, plant and equipment	29.1	23.6	26.8	32.2	49.6
Working capital (excluding cash and deferred tax)	10.4	8.3	23.0	(37.8)	(4.4)
Operating assets	151.5	144.3	161.5	111.0	169.3
Derivative financial instruments (net)	(0.2)	0.8	(8.1)	(1.0)	0.2
Net funds including long term cash	225.0	175.7	89.6	164.6	208.0
Provisions and other liabilities	(7.6)	(11.4)	(17.1)	(25.2)	(23.6)
Deferred tax	31.3	42.5	17.5	20.9	2.3
Defined benefit pension plan surplus/(deficit)	7.1	(0.1)	2.8	10.7	2.0
Net assets	407.1	351.8	246.2	281.0	358.2
Total equity	407.1	351.8	246.2	281.0	358.2
Summary cash flows					
Cash flow from operating activities	99.4	96.1	88.3	99.1	(74.5)
Net interest received	0.8	0.6	2.6	11.2	7.6
Net capital expenditure	(17.6)	(10.2)	(12.8)	(10.4)	(26.9)
Free cash flow	82.6	86.5	78.1	99.9	(93.8)
Acquisitions and disposals	–	–	–	(23.4)	404.2
Share capital and share repurchase	(15.0)	2.7	(112.9)	(126.4)	(74.3)
Dividends paid	(13.7)	(12.1)	(6.4)	–	–
Borrowings	–	–	–	–	(145.9)
Transfer from long term deposit	0.6	2.2	2.2	9.6	(15.7)
Net increase/(decrease) in cash and cash equivalents	54.5	79.3	(39.0)	(40.3)	74.5

					$ million
	2010	2009	2008	2007	2006
Other information					
Expenditure on property, plant and equipment	18.1	10.1	13.7	10.2	26.1
Depreciation	11.9	13.5	16.3	19.0	24.8
Product development	80.2	74.6	83.8	92.6	107.3
Share information					
Earnings/(loss) per share from continuing operations (cents)					
Basic	11.77	13.67	18.74	5.93	(4.46)
Diluted	11.66	13.60	18.61	5.87	(4.46)
Adjusted basic	11.62	10.84	11.54	7.14	2.74
Adjusted basic at a constant tax rate of 30.4%	11.62	8.86	8.96	5.21	2.00
Total dividend per Ordinary Share (cents)	2.50	1.93	1.85	–	–
Fully paid Ordinary Shares in issue at year end (million)	674.9	678.1	671.8	840.8	975.9
Segmental analysis					
Revenue from continuing operations					
Performance Analysis	365.8	316.8	353.7	338.6	332.1
Service Assurance	57.0	52.6	62.0	68.6	80.7
Systems	59.4	57.8	61.4	66.8	66.2
	482.2	427.2	477.1	474.0	479.0
Operating profit from continuing operations[1]					
Performance Analysis	97.9	78.3	83.1	49.8	27.2
Service Assurance	13.0	7.5	8.9	7.6	0.2
Systems	8.8	7.9	8.0	7.8	8.9
Segment operating profit	119.7	93.7	100.0	65.2	36.3
Corporate — non-segmental	(5.2)	(4.9)	(5.8)	(7.4)	(10.2)
Acquired intangible asset amortisation	(1.4)	(1.4)	(1.3)	(1.8)	(1.0)
Share-based payment	(0.4)	(0.6)	(2.8)	(5.0)	(9.6)
	112.7	86.8	90.1	51.0	15.5
Geographical information					
Revenue by market from continuing operations					
Europe	79.5	69.2	88.4	87.4	80.9
United States	248.5	212.4	238.8	246.4	266.2
Asia Pacific, Rest of Americas, Africa	154.2	145.6	149.9	140.2	131.9
	482.2	427.2	477.1	474.0	479.0

Notes

1 Before exceptional items and goodwill impairment.

Financial Calendar 2011

3 March 2011	Preliminary results and final dividend announcement
9 March	Final dividend – ex-dividend date
11 March	Final dividend – record date
4 May	Annual general meeting and interim management statement
5 May	Final dividend – payment date (Ordinary shareholders)
12 May	Final dividend – payment date (ADR holders)
3 July	Half-year end
August	Half-year results and interim dividend announcement
August	Interim dividend – ex-dividend date
August	Interim dividend – record date
September	Interim dividend – payment date (Ordinary shareholders)
September	Interim dividend – payment date (ADR holders)
November	Interim management statement
31 December	Financial year end
February 2012	2011 Preliminary results and final dividend announcement

Ordinary shares and American depositary receipts
The Company's 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 Ordinary Shares. The ADRs trade on the US over-the-counter market (symbol: SPMYY; CUSIP: 84856M209). The Bank of New York Mellon is the authorised depositary bank for the Company's ADR programme. The ADRs are quoted on the Pink Sheets electronic quotation service which can be found at www.pinksheets.com.

Annual General Meeting
The Company's 2011 Annual General Meeting ("2011 AGM") will be held at 10.30am on Wednesday 4 May 2011 at UBS, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom.

Dividends
Shareholders are able to choose how they receive their dividends:

- direct to their bank account;
- reinvested in Ordinary Shares through the Company's Dividend Reinvestment Plan (see below);
- paid by cheque; or
- paid in foreign currencies.

The quickest and most efficient way to receive your dividends is to have them paid direct to your bank account. It saves waiting for funds to clear and reduces the paper and postage we use. To change how you receive your dividends please contact the Company's registrar, Equiniti, on 0871 384 2268 or log on to www.shareview.co.uk.

Dividend reinvestment plan
The Company has a Dividend Reinvestment Plan ("DRIP") delivered by Equiniti Financial Services Limited. The DRIP allows eligible shareholders to use their cash dividend to buy additional shares in the Company, so increasing their shareholding. If you would like additional information, please contact the Company's registrar, Equiniti, on 0871 384 2268 or log on to www.shareview.co.uk.

Electronic communications
All of the Company's communications with shareholders are conducted in line with our environmental approach. We hold the majority of our events via webcast and conference calls and we encourage all of our investors to receive communications electronically. Shareholders who do not currently receive Company mailings electronically but wish to do so should notify the Company's registrar, Equiniti, on 0871 384 2126 or via www.shareview.co.uk.

Company's registrar
Enquiries concerning shareholdings, change of address or other particulars should be directed in the first instance to the Company's registrar, Equiniti, on 0871 384 2126. Equiniti also provide a range of online shareholder information services at www.shareview.co.uk, where shareholders can check their holdings and find practical help on transferring shares or updating their details.

Share dealing services
Equiniti Shareview Dealing is a service that provides a simple and convenient way of buying and selling the Company's Ordinary Shares. For telephone services call 08456 037 037 between 8.00am and 4.30pm, Monday to Friday and for Internet services visit www.shareview.co.uk/dealing. A postal share dealing service for buying and selling Ordinary Shares is also available and a dealing form can be obtained by calling 0871 384 2248 or at www.shareview.co.uk.

Individual savings accounts
Information about investing in the Company's Ordinary Shares through an Individual Savings Account ("ISA") may be obtained from Equiniti on 0845 300 0430 or at www.shareview.co.uk. ISAs are also offered by other organisations.

Shareholder security
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in the Company's mailings or on our website. More detailed information can be found at www.moneymadeclear.fsa.gov.uk.

Unsolicited mail
The Company is obliged by law to make its share register publicly available, subject to a "proper purpose" test, should a request be received. As a consequence, some shareholders may receive unsolicited mail. To limit the amount of unsolicited mail received, please contact: The Mailing Preference Service (MPS), DMA House, 70 Margaret Street, London W1W 8SS, register online at www.mpsonline.org.uk or call the MPS Registration line on 0845 703 4599. The Mailing Preference Service is an independent organisation which offers a free service to the public within the UK. Registering with them will help stop most unsolicited consumer advertising material.

Company's website
The directors are responsible for the maintenance and integrity of the Company's website. Financial information published on the website is based on legislation in the UK governing the preparation and dissemination of financial statements that may be different from comparable legislation in other jurisdictions.

Shareholder analysis
At 3 March 2011, the number of registered shareholders was 4,039 and the number of Ordinary Shares in issue was 675.3 million.

Number of Ordinary Shares held	Number of shareholders	% of total shareholders	Number of Ordinary Shares	% of share capital
1 – 5,000	2,853	70.64	4,164,922	0.62
5,001 – 10,000	410	10.15	3,064,326	0.45
10,001 – 50,000	429	10.62	9,039,762	1.34
50,001 – 100,000	72	1.78	5,118,538	0.76
100,001 – 250,000	64	1.59	10,711,015	1.59
250,001 – 500,000	47	1.16	17,558,248	2.60
500,001 – 1,000,000	68	1.68	47,225,472	6.99
1,000,001 – highest	96	2.38	578,420,370	85.65
Total	4,039	100.00	675,302,653	100.00

	Number of holders	% of total holders	Number of shares	% of total shares
Individuals	3,185	78.86	15,757,094	2.33
Institutions	854	21.14	659,545,559	97.67
Total	4,039	100.00	675,302,653	100.00

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 fibre 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, smart phones 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.

Registered office
Spirent Communications plc
Northwood Park
Gatwick Road
Crawley
West Sussex RH10 9XN
United Kingdom
Tel: +44 (0)1293 767676
Fax: +44 (0)1293 767677
Email: investor.relations@spirent.com
Website: www.spirent.com
Registered in England No: 470893

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom
Tel: +44 (0)20 7951 2000
Website: www.ey.com

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
United Kingdom
Tel: 0871 384 2126 (UK)
Tel: +44 (0)121 415 7047 (overseas)
Text phone (for shareholders with hearing difficulties):
0871 384 2255 (UK)
+44 (0)121 415 7028 (overseas)
Website: www.shareview.co.uk

ADR Depositary
The Bank of New York Mellon Corporation
ADR Depositary Receipts
101 Barclay Street
22nd Floor
New York
NY 10286
USA
Tel: +1 888 269 2377 (toll free – US)
Tel: +1 (201) 680 6825 (outside US)
Email: shrrelations@bnymellon.com
Website: www.adrbnymellon.com

Brokers (Joint)
RBS Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA
United Kingdom
Tel: +44 (0)20 7678 8000
Website: www.rbs.com

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom
Tel: +44 (0)20 7567 8000
Website: www.ubs.com

Financial PR Advisers
Financial Dynamics Limited
Holborn Gate
26 Southampton Buildings
London WC2A 1PB
United Kingdom
Tel: +44 (0)20 7831 3113
Website: www.fd.com

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

www.spirent.com

Registered Office
Spirent Communications plc
Northwood Park
Gatwick Road
Crawley
West Sussex RH10 9XN
United Kingdom
Tel: +44 (0)1293 767676
Fax: +44 (0)1293 767677
Email: investor.relations@spirent.com
Website: www.spirent.com

Registered in England No: 470893