SPIRENT

News Release

SPIRENT COMMUNICATIONS PLC

HALF-YEAR REPORT 2014

London, UK – 31 July 2014: Spirent Communications plc ("Spirent", the "Company" or the "Group") (LSE: SPT), a leading communications technology company, today announces its half-year results for the six months ended 30 June 2014.

Overview

Revenue in the first half of 2014 grew by 16% compared to the first half of 2013, with organic growth of 14%. There was underlying growth in order intake and a book to bill ratio of 104 after allowing for the delay in Service Assurance field test revenue of $12.0 million from 2013; reported book to bill ratio of 98. We continue to see progress from the investments set out in the 2013 full year results and expect further advances in the second half of 2014.

Results

The results for the first half of 2014 are set out below:

$ million	**H1 2014**	H1 2013	Change (%)
Reported			
Revenue	**221.0**	190.4	16
Operating profit	**13.9**	14.5	(4)
Basic earnings per share (cents)	**1.72**	2.07	(17)
Interim dividend per share[1] (cents)	**1.68**	1.53	10
Free cash flow[2]	**19.1**	26.7	(28)
Adjusted			
Operating profit[3]	**20.6**	18.2	13
Basic earnings per share[3, 4] (cents)	**2.50**	2.03	23

Notes
1 Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed or declared. The interim dividend declared for 2014 of 1.68 cents per Ordinary Share is equivalent to 0.99 pence per Ordinary Share.
2 Operating cash flow after tax, net interest and net capital expenditure.
3 Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.
4 Before tax effect of items in note 3 and prior year taxes.

Financial highlights

- Group revenue increased 16% to $221.0 million (H1 2013: $190.4 million); acquisitions in 2014 contributed $4.1 million.
- Underlying book to bill ratio of 104 (H1 2013: 110). Reported book to bill ratio of 98 distorted by delayed Service Assurance field test orders of $12.0 million from 2013.
- Adjusted operating profit of $20.6 million (H1 2013: $18.2 million), after additional investment of $10.5 million in product development and in sales and marketing. Reported operating profit was $13.9 million (H1 2013: $14.5 million).
- Adjusted basic earnings per share rose 23% to 2.50 cents (H1 2013: 2.03 cents). Basic earnings per share was 1.72 cents (H1 2013: 2.07 cents).
- Free cash generation of $19.1 million (H1 2013: $26.7 million).
- Closing cash was $168.4 million at 30 June 2014 (31 December 2013: $216.2 million) after acquisitions and $28.7 million of share buybacks and dividends paid in the first half-year.
- Interim dividend increased by 10% to 1.68 cents per Ordinary Share (equivalent to 0.99 pence per Ordinary Share).
- Two acquisitions completed in the first half for a total cash consideration of $39.3 million. In addition, Spirent announced the acquisition of the assets of Radvision's Technology Business Unit on 2 July 2014 for a cash consideration of $25.0 million.

Operational highlights

Spirent continues to invest in its solutions portfolio to address key industry trends and to focus on the needs of its customers. As proof of this, in the last three months:

- Spirent first to show working 400G Ethernet test capability to meet the industry's earliest 400G design and development needs, developed and tested in conjunction with Huawei and Xilinx;
- Spirent's Automotive Test System selected by Ruetz System Solutions, the experts in automotive data communications, to validate the performance and reliability of in-vehicle networking;
- Testing as a service ("TaaS") capability of Spirent Avalanche Virtual demonstrated for the first time within NTT Communications' cloud platforms;
- Spirent Avalanche NEXT won the "Best of Interop 2014" award in the Performance category for delivering application performance testing capabilities into the realm of traditional IT;
- The GSS6300M range of entry level multi-channel GPS and multi-GNSS simulators introduced for receiver integration, application development, aftercare and production testing;

- Spirent's AVS solution, the industry's first bench-top system for rapid evaluation of mobile device acoustic speech quality in operators' forward and reverse device logistics processes was launched; and
- Spirent announced an integrated test solution, in collaboration with Bluetest that provides unprecedented accuracy for multiple-input multiple-output ("MIMO") over-the-air ("OTA") data throughput testing of mobile devices.

Outlook

Trading is in line with the Board's expectations of achieving high single digit organic revenue growth in the year supplemented by strategic acquisitions. We are encouraged by the progress being made from the investment initiatives in product development and in sales and marketing to drive future growth.

Eric Hutchinson, Chief Executive Officer, commented:

"The key objective for Spirent in 2014 is to achieve a return to growth in the business through focus and investment in new products, services and solutions. The developments in the first half demonstrate that these are working. Momentum is expected to build through the rest of this year."

- ends –

Enquiries

Eric Hutchinson, Chief Executive Officer Rachel Whiting, Chief Financial Officer	Spirent Communications plc	+44 (0)1293 767676
Larisa Millings/Sophie McMillan/Emma Appleton	FTI Consulting	+44 (0)20 3727 1000

The Company will host a results presentation today at 8.15am for 8.30am UK time at UBS Limited, 1 Finsbury Avenue, London EC2M 2PP. A simultaneous webcast of the presentation will be available in the Investors section of the Spirent Communications plc website http://corporate.spirent.com/. This statement is also available on the corporate website http://corporate.spirent.com/.

About Spirent Communications plc

Spirent Communications plc is a global leader in test and measurement inspiring innovation within development labs, communication networks and IT organisations. We enable today's communication ecosystem as well as tomorrow's emerging enterprises to deploy life enriching communications networks, devices, services and applications. Further information about Spirent Communications plc can be found at http://corporate.spirent.com/.

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

Cautionary statement regarding forward-looking statements

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

HALF-YEAR REPORT 2014

Group overview

Spirent made good strategic progress during the first half of 2014. Revenue grew in each of our reporting divisions, increasing by 16 per cent overall, with organic growth of 14 per cent.

Revenue in Networks & Applications rose by 13 per cent compared with the first half of 2013, with strong demand from data center and service provider infrastructure markets.

In Wireless & Service Experience, revenue increased by 7 per cent over 2013, driven by demand from device manufacturers following the release of 4G licences in China at the end of 2013. We are seeing high demand in this division from Voice over LTE ("VoLTE") testing needs. Overall performance for our positioning solutions was tempered by delayed demand due to weak US Government spending. This is expected to improve in the second half following the launch of a new platform for expert customers who need multiple satellite constellation testing capabilities.

In Service Assurance, revenue grew by 74 per cent compared with the first half of 2013, up by 57 per cent organically, as a result of $12.0 million of delayed revenue from 2013 recognised in the reporting period. The division experienced a temporary slowdown in orders as a result of curtailment in the release of spending following merger announcements at major customers.

Regionally, revenue improved in the Americas by 10 per cent, in Asia Pacific by 22 per cent and in EMEA by 31 per cent in the first half of 2014.

Reported operating profit was $13.9 million (first half 2013: $14.5 million).

Adjusted operating profit for the Group at $20.6 million increased by 13 per cent compared with the first half of 2013. This is before acquisition related expenses of $1.0 million for the acquisitions of the business of DAX Technologies Corp ("DAX") and Testing Technologies IST GmbH ("Testing Tech"), acquired intangible asset amortisation of $5.5 million and a share-based payment charge of $0.2 million.

Basic earnings per share was 1.72 cents (first half 2013: 2.07 cents) and adjusted basic earnings per share was 2.50 cents (first half 2013: 2.03 cents), up 23 per cent period-on-period.

Free cash flow was $19.1 million (first half 2013: $26.7 million). Cash and cash equivalents closed at $168.4 million (31 December 2013: $216.2 million) after acquisitions of $38.9 million, paying the final dividend for 2013 of $12.3 million and share buybacks of $16.4 million.

The Board has declared an interim dividend of 1.68 cents per Ordinary Share, an increase of 10 per cent in US dollar terms, in line with our progressive dividend policy. In sterling, the currency in which this dividend will be paid, this is equivalent to 0.99 pence per Ordinary Share (first half 2013: 1.01 pence) at an exchange rate of $1.69:£1.

Strategic update

Good progress has been made during the first half of 2014 in the areas identified by the Board as an important focus for Spirent to consolidate its position as leading experts in test and measurement for information technology communications worldwide.

We built Spirent's leadership in software defined networking and network functions virtualization, accelerating the rollout of a number of new capabilities for Openflow conformance, controller and switch testing and helping to achieving triple digit growth in our virtualization revenue.

We continued to build the enterprise sales channel facilitating the efficient delivery of Spirent solutions to market with a particular focus on financial services. In addition, we developed a market leading TaaS platform.

We started to build our position in automotive software and the related connectivity testing market, being selected by leading experts in automotive data communications to validate performance and reliability of in-vehicle networking. This initiative was enhanced by the acquisition in February of 58 per cent of Testing Tech for Euro 1.8 million ($2.4 million).

Spirent acquired DAX in February 2014 for $36.9 million. The acquisition of DAX enables Spirent to combine measurements and data from its solutions in the lab and in live networks, delivering high value solutions and expertise that help customers deploy and manage complex new networks and services faster and more effectively.

As a further step in our strategic progress the acquisition of Radvision's Technology Business Unit ("TBU") was announced in July 2014 for $25.0 million. Radvision's TBU provides Voice and Video over IP embedded technologies and software solutions to developers of mobile chipsets, mobile devices and communications infrastructure as well as service providers worldwide, enabling them to deliver voice and video products to market faster and with better quality. Spirent plans to maintain and strengthen the Radvision TBU portfolio of products and services, integrating them into our test solutions.

Outlook

Trading is in line with the Board's expectations of achieving high single digit organic revenue growth in the year supplemented by strategic acquisitions. We are encouraged by the progress being made from the investment initiatives in product development and in sales and marketing to drive future growth.

BUSINESS REVIEW

Networks & Applications – 47% of Group revenue

$ million	**First half 2014**	First half 2013	Change (%)
Revenue	**104.0**	92.2	13
Operating profit/(loss)	**0.3**	(1.8)	-
Return on sales (%)	**0.3**	(2.0)	

Market conditions

Although overall growth in the markets for our Networks & Applications division continued at single digit rates, Spirent saw stronger growth in particular technology areas in the first half of 2014 resulting in a 13 per cent overall increase in revenue in the period. Growth in data center and service provider infrastructure markets has been dominated by high speed Ethernet and initial software defined networking ("SDN") and network functions virtualization ("NFV") deployments, driven by mobile traffic growth on core networks. The mobile infrastructure market saw continued growth in LTE evolved packet core and Wi-Fi offload deployments, and for the first time, Spirent realised greater revenue from service providers than from network equipment manufacturers in this space. Our applications and security testing markets grew in the areas of virtualization and cybersecurity, the latter due to increased frequency and visibility of attacks.

Revenue and profitability

Revenue grew 13 per cent to $104.0 million (first half 2013: $92.2 million) in the Networks & Applications division. Order intake rose 6 per cent with a 38 per cent increase in the EMEA region which has returned to growth as macro-economic factors stabilise and spending increases across customers and technologies. The closing book to bill ratio was 108 (first half 2013: 115).

There was good momentum for our infrastructure test optimization solutions, and services revenue again increased. However, our applications and security revenue growth lagged the market due to technical challenges in reaching key product rationalisation goals.

Gross margin was lower at 67.3 per cent (first half 2013: 67.7 per cent).

The division reported an operating profit of $0.3 million compared with an operating loss of $1.8 million in the first half of 2013. This was after increased investment in product development and in sales and marketing of $4.5 million.

Product development

Spirent was first to show a working 400G Ethernet test solution in June, the development and testing of which was carried out in collaboration with Xilinx and Huawei. In March, we were also first to launch a 4x100G Ethernet solution with CFP4 optical transceiver support; Spirent's investment in supporting leading edge optical transceivers has resulted in growth in our high speed Ethernet business at service providers. We continued to build Spirent's leadership in SDN and NFV, shifting development resources to accelerate rollout of new capabilities for OpenFlow conformance, controller and switch testing, and helping to achieve triple digit growth in our virtualization revenue. Our Landslide solution, already the global leader in Wi-Fi offload gateway testing, added support for proprietary implementations by the largest Wi-Fi offload gateway manufacturers, and we also expanded our Landslide Virtual solution at targeted customers. Avalanche NEXT continues to re-shape the market for testing application-enabled firewalls, winning a "Best of Interop" award in the Performance category, as a result of its next-generation user interface methodology based testing focus.

Wireless & Service Experience – 39% of Group revenue

$ million	**First half 2014**	First half 2013	Change (%)
Revenue	**85.7**	80.2	7
Operating profit	**10.2**	16.6	(39)
Return on sales (%)	**11.9**	20.7	

Market conditions

Much of the focus of mobile device manufacturers has been on China, following the release of 4G licences at the end of 2013. This has driven major investments by manufacturers looking to gain share in this critically important market. As the top-tier North American carriers finally begin commercial VoLTE rollouts, we saw growing demand for new device analytics and service performance measurements, as well as for new test capabilities to address the interoperability issues associated with VoLTE and internet protocol multimedia subsystem ("IMS") services. New technologies also continue to be tested and deployed to address the ongoing demand for higher mobile data rates, particularly carrier aggregation. In our positioning markets, global navigation satellite systems ("GNSS") vulnerability is an increasingly critical theme, particularly with government and R&D customers, while GNSS technology continues to be incorporated into an ever-increasing range of commercial devices such as wearables.

Revenue and profitability

Revenue increased to $85.7 million (first half 2013: $80.2 million) in the Wireless & Service Experience division. The acquisition of Testing Tech contributed $1.1 million of revenue resulting in organic revenue growth for Wireless & Service Experience of 5 per cent.

Order intake also grew organically by 5 per cent in the period with good growth in Service Experience partially offset by lower demand in Positioning due to delays in US Government spending.

Service bookings in the division grew some 17 per cent. The book to bill ratio was 107 (first half 2013: 108).

The Wireless business saw strong growth in APAC on the back of Chinese 4G deployments, balanced by small revenue falls in North America due to timing of major customer projects, and in EMEA due to a declining base of device manufacturers. VoLTE remains a very strong driver of both the Wireless & Service Experience markets. Performance of our physical-layer fader business was ahead of plan due to demand for OTA device performance test applications.

For Positioning solutions, Asia Pacific and EMEA were strong. North America was affected by lower US government business. The business also brought its flagship GSS9000 Multi-Frequency, Multi-GNSS RF Constellation Simulator to market, providing a new benchmark in performance, capability and flexibility that includes the ability to simulate signals from all GNSS and regional navigation systems.

Gross margin was lower at 67.2 per cent (first half 2013: 70.0 per cent) principally as a result of product mix.

Operating profit reduced to $10.2 million (first half 2013: $16.6 million). The significant increase in investment in product development and in sales and marketing of $5.4 million and the reduced gross margin were the main contributory factors.

Product development

Wireless increased its test development capacity through offshoring to more effectively address a rapidly growing number of carrier acceptance ecosystems and test themes. The investment in solutions to address the R&D market was increased, with an emphasis on VoLTE and other IMS/RCS services. In February, Service Experience launched the industry's first automated battery life measurement system for mobile devices, addressing an urgent need to improve the power efficiency of devices in the face of the rapidly growing demands of applications and services, as well as an IP analytics capability for improving the user experience of VoLTE and other IP-based services. Positioning extended its market leadership with the launch of three products to distinct markets: the GSS9000, the replacement for the highly successful GSS8000, which sets a new benchmark in GNSS testing for high-end and expert customers; SimSAFE, used to evaluate the vulnerability of GNSS receivers; and the GSS6300Mi, a portfolio extension to the existing entry level 6300M product, targeted at commercial GNSS receiver integrators and application developers.

Service Assurance – 14% of Group revenue

$ million	**First half 2014**	First half 2013	Change (%)
Revenue	**31.3**	18.0	74
Operating profit	**13.8**	6.6	109
Return on sales (%)	**44.1**	36.7	

Market conditions

Pending mergers in the industry have caused delays and a temporary slowdown in network and service assurance investment. They have also driven procedural adjustments on purchase approval processes, and an architectural unification of services and networks. However, carriers also seek to expand their revenues by increasing their bandwidths, customising their services, and responding rapidly to requests for activation from their subscribers. These factors create opportunities for next-generation service assurance based on virtual technology, and for customisation solutions.

The service assurance environment is dynamic, characterised by the accelerated use of virtualization as a key for custom services and agile subscriber activation.

Revenue and profitability

Revenue grew by $13.3 million to $31.3 million (first half 2013: $18.0 million). As reported in Spirent's first quarter results, $12.0 million was contributed by recognition of revenue for the large hand-held device orders for in-home testing received in 2013. The acquisition of DAX contributed $3.0 million of revenue in the period.

The higher revenue has delivered a substantially increased operating profit of $13.8 million (first half 2013: $6.6 million). Service Assurance delivers high profitability through software sales and advanced services such as customised development.

Product development

We delivered a large number of our latest generation hand-held devices for in-home testing to a tier-one North American carrier, which have already delivered significant operational efficiencies for this customer. We continued to enhance our Spirent TestCenter Live Ethernet services platform for our top-tier carrier customers, focusing on automation and other customer-specific developments that add value to their businesses and strengthen our relationships.

FINANCIAL REVIEW

Key financial performance indicators

	First half 2014	First half 2013	Change (%)
Book to bill ratio[1]	**104**	110	
Revenue ($ million)	**221.0**	190.4	16
Operating profit[2] ($ million)	**20.6**	18.2	13
Return on sales[2] (%)	**9.3**	9.6	
Adjusted basic earnings per share[3] (cents)	**2.50**	2.03	23
Free cash flow[4] ($ million)	**19.1**	26.7	(28)

Notes
1 The ratio of orders booked to revenue in the period adjusted for the delay in Service Assurance field test revenue of $12.0 million from 2013.
2 Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.
3 Adjusted basic earnings per share is based on adjusted earnings as set out in note 7 of the Notes to the half-year condensed consolidated financial statements.
4 Operating cash flow after tax, net interest and net capital expenditure.

Revenue and order intake

Revenue increased by 16 per cent compared with the same period in 2013 and organically by 14 per cent. Trading, as previously discussed, benefited from a combination of improved market conditions, as certain customers increased their capital spending plans, success with Spirent's new product launches and the recognition of the large field test order in Service Assurance.

Order intake was 4 per cent higher overall for the Group and organically up by 1 per cent. Growth in Networks & Applications and Wireless & Service Experience was offset by reduced order intake in Service Assurance as field test orders booked in the first half-year in 2013 did not repeat in the first half of 2014. Book to bill ratio for the Group was 98 distorted by Service Assurance; underlying book to bill ratio was 104 (first half 2013: 110).

Geographically, revenue increased 12 per cent period-on-period in the United States, which is our largest region. In Asia Pacific revenue grew 22 per cent over the first half of 2013 as previously discussed this was primarily due to strong activity in China. Europe saw recovery after a very weak first half of 2013 with revenue increasing by 28 per cent.

$ million	**First half 2014**	**%**	First half 2013	%
United States	**114.3**	**52**	102.2	54
Asia Pacific, Rest of World	**78.2**	**35**	66.0	35
Europe	**28.5**	**13**	22.2	11
	221.0	**100**	190.4	100

Operating profit

Reported operating profit was $13.9 million compared with $14.5 million for the first half of 2013. Adjusted operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment, was $20.6 million compared with $18.2 million for the first half of 2013. Return on sales based on adjusted operating profit, was 9.3 per cent (first half 2013: 9.6 per cent).

A reconciliation is set out below:

$ million	**First half 2014**	First half 2013
Adjusted operating profit	**20.6**	18.2
Exceptional costs	**-**	(0.4)
Acquisition related costs	**(1.0)**	-
Acquired intangible asset amortisation	**(5.5)**	(4.2)
Share-based payment	**(0.2)**	0.9
Reported operating profit	**13.9**	14.5

Cost of sales and operating expenses

Gross margin reduced to 68.3 per cent (first half 2013: 69.6 per cent). This reduction was seen predominantly in Wireless & Service Experience and was due to differences in the product mix.

Investment in product development was increased by $7.3 million to $55.3 million in the first half of 2014 and selling and distribution by $5.5 million to $53.0 million. In total $2.3 million of these additional investments were due to the 2014 acquisitions. Our investment plans are on track but are constrained by scarcity of available resources for hire in some areas.

Administration costs include the costs incurred for acquisitions of $1.0 million (first half 2013: nil), acquired intangible asset amortisation of $5.5 million (first half 2013: $4.2 million), share-based payment of $0.2 million (first half 2013: credit of $0.9 million) and in the first half of 2013 exceptional costs of $0.4 million. Excluding these items, administration costs were $22.1 million compared with $18.9 million in the first half of 2013 and higher as a consequence of the 2014 acquisitions, foreign exchange and the organisational changes made in the second half of 2013. The increased acquired intangible asset amortisation charge reflects a pro rata share of the annual charge for the 2014 acquisitions.

Within administration costs corporate overheads were $3.7 million (first half 2013: $3.2 million before exceptional items).

Finance income and costs

For the first half of 2014 finance income was $0.2 million (first half 2013: $0.5 million). There was a $0.2 million charge for interest on the net defined benefit pension plan obligation (first half 2013: $0.5 million).

Tax

The normalised tax charge, excluding a prior year tax credit of $0.4 million, was $3.8 million for the first half of 2014 compared with $3.7 million for the first half of 2013 excluding a prior year tax credit of $2.6 million. This gives an effective tax rate of 27.3 per cent of pre-tax profit, compared with 25.5 per cent for the first half of 2013. The expected effective tax rate for the full year is approximately 28 per cent.

Earnings per share

Basic earnings per share decreased to 1.72 cents compared with 2.07 cents for the first half of 2013. Basic earnings per share as adjusted for exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment was 2.50 cents compared with 2.03 cents for the first half of 2013. There were 611.9 million weighted average Ordinary Shares in issue (first half 2013: 646.4 million) with 611.7 million Ordinary Shares in issue at the period end.

Acquisitions

The following acquisitions were announced and completed in the first quarter of 2014:

- The business of DAX Technologies Corp. (“DAX”) for a cash consideration of $36.9 million which completed on 19 February 2014. DAX is a leading provider of customer experience management solutions and is reported within the Service Assurance division.
- A majority stake of 58 per cent in Testing Technologies IST GmbH (“Testing Tech”) for a cash consideration of Euro 1.8 million ($2.4 million) on 20 February 2014. The company develops and markets standardised and customer-specific software-based testing tools which support the development of mission-critical products and workflow steps. Testing Tech also participates in the connected vehicle market which will facilitate Spirent’s progress in this market. The minority stake of 42 per cent of the share capital is the subject of a put and call option which is exercisable between 1 January and 31 March 2016. The consideration is based on the 2015 performance of Testing Tech and set at a minimum amount of Euro 1.4

million, the option has been assigned a fair value of Euro 3.0 million ($4.1 million) at 30 June 2014. This acquisition is reported within the Wireless & Service Experience division.

Acquisition expenses of $1.0 million were incurred in relation to these transactions.

Cash flow

Cash inflow from operations for the Group before tax was $36.1 million (first half 2013: $38.5 million). Free cash flow was $19.1 million in the first half of 2014 (first half 2013: $26.7 million) which represents a cash conversion ratio of 1.9 times reported earnings before prior year tax credits (first half 2013: 2.5 times).

Free cash flow is set out below:

$ million	**First half 2014**	First half 2013
Cash inflow	**36.1**	38.5
Tax payments	**(3.4)**	(4.7)
Net cash inflow from operating activities	**32.7**	33.8
Net interest income	**0.2**	0.5
Net capital expenditure	**(13.8)**	(7.6)
Free cash flow	**19.1**	26.7

During the first half of 2014 Spirent's Service Assurance and Service Experience operations moved into a new facility in Frederick, Maryland USA which resulted in a higher capital spend for the period.

The final dividend for 2013 of $12.3 million was paid in April 2014. Share repurchases resulted in an outflow of $16.4 million in the period (first half 2013: $14.4 million) which includes $0.8 million for the settlement of 2013 repurchases. Cash consideration for acquisitions amounted to $39.3 million.

Cash and cash equivalents closed at $168.4 million at 30 June 2014 (31 December 2013: $216.2 million).

Defined benefit pension plans

The accounting valuation of the funded defined benefit pension plans at 30 June 2014 gave rise to a net deficit of $8.7 million compared with a net deficit of $2.5 million at 31 December 2013. The higher deficit was principally due to an increase in the plans' liabilities due to changes in the underlying assumptions partially offset by an improvement in the value of the assets and employer contributions into the plans.

The Company is paying additional pension contributions of £2.8 million ($4.8 million) per annum, on a monthly basis to fund the deficit arising from the most recent actuarial valuation.

In addition there is a liability for an unfunded plan of $0.9 million (31 December 2013: $0.8 million).

Share repurchase

The Company repurchased 9.7 million Ordinary Shares on market in the period, at a total cost of $15.6 million (first half 2013: 7.1 million Ordinary Shares on market at a total cost of $14.4 million). No further share buybacks are currently planned.

Dividend

The Board has declared an interim dividend of 1.68 cents per Ordinary Share, a 10 per cent increase over that for the first half of 2013. This is equivalent to 0.99 pence per Ordinary Share at an exchange rate of $1.69:£1. The payment will be approximately $10.3 million and represents dividend cover of 1.5 times adjusted earnings. The dividend will be paid to Ordinary shareholders on 12 September 2014 and to ADR holders on 19 September 2014. The dividend is payable to all shareholders on the Register of Members at the close of business on 8 August 2014.

Post balance sheet events

On 2 July 2014 Spirent announced the acquisition of the assets of Radvision’s Technology Business Unit (“TBU”), the part of the Radvision business responsible for delivering industry-leading developer solutions, for a cash consideration of $25.0 million. The transaction is subject to customary closing conditions and is expected to close within 30 to 60 days from the date of the announcement of the acquisition. The business unit is based in Tel Aviv, Israel, and offers a complete development and test suite for Voice and Video over IP communications, including VoLTE.

VoLTE testing is already a critical element in many of Spirent's test solutions. The addition of this business will expand Spirent's test solution portfolio to meet the needs of our customers, from early in the development cycle right through to deployment, helping to save many man years in development time and cost. This business unit will be reported as part of Spirent's Wireless & Service Experience division.

Risks and uncertainties

The principal risks and uncertainties affecting the Spirent Communications Group in respect of the remaining six months of the year to 31 December 2014 remain those as identified on pages 20 to 25 of the Annual Report 2013 with the exception of the risk relating to Cyber security and information technology which has been added. A copy of the Annual Report 2013 is available on the Company's website at http://corporate.spirent.com/.

In summary the principal risks and uncertainties are as follows:

Risk	**Description**
OPERATIONAL	
Macro-economic and industry sector	Spirent is a global business exposed to the current world economic conditions, over which it has no control. The business is also exposed to government spending priorities, principally in the United States. Spirent is particularly exposed to conditions in the telecommunications sector into which many of our products and services are sold and which has experienced significant downturns in the past.
Competition	All Spirent's businesses operate in highly competitive markets which experience rapid technological changes. The Group faces competition from new market start-ups as well as the more established and well-resourced companies. Industry consolidation amongst our direct competitors may also bring about a shift in competitive advantages. Actions by competitors and increased competition can bring about pressure on Spirent's gross margin. These factors will also affect Spirent's competitive position, thereby reducing revenue and consequently affecting financial results.
Customer dependence	The Group sells its solutions and services to a wide range of companies and seeks to continually expand its customer base. In some of our markets certain customers have a dominant market share, which makes doing business with these customers critical to the success of our business. In addition, many of the companies with which we do business are some of the largest global telecommunications corporations and therefore meeting our development obligations, producing high quality products, and in an appropriate time scale, are vital to Spirent's reputation and success. The industry continues to experience consolidation which can disrupt the spending patterns of those customers affected.
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 which could disrupt the Group's ability to conduct business and impact adversely revenue and operating results. Contract manufacturers are used for the manufacture of a substantial amount of Spirent's products. The major contract manufacturer is located in Thailand. Disruption or financial problems of contract manufacturers or limitations in the manufacturing capacity at contract manufacturers could either limit supply or increase cost.
Intellectual property	Spirent's success is dependent in part on proprietary technology which may be infringed by others inadvertently or otherwise. Protecting the Group's proprietary technology is important to enabling Spirent to compete successfully. Companies in the telecommunications industry often aggressively protect and pursue their intellectual property rights and may assert infringement claims against Spirent.

Risk	**Description**
OPERATIONAL	
Cyber security and information technology	The incidence of cyber security crime is on the rise. Spirent is dependent on its information technology systems for both internal and external communications as well as for its day-to-day operations. If such an attack were to be successful it could result in loss of data, confidential information and damage to Spirent's intellectual property causing major disruption to the business.
STRATEGIC	
Expand the markets we serve	An important component of the Group's strategy is to leverage Spirent's competencies and capabilities into new and expanding markets and new vertical market segments. Failure to identify, and execute on, these new market opportunities will limit Spirent's capability to achieve its strategy, grow its revenue and maintain its market share.
Establish and maintain technology leadership	Spirent sells complex solutions in industries that are characterised by rapid technological changes. Keeping at the forefront of these key future technologies is critical to our success and to ensure that we remain competitive in our markets. It is critical that our product development investment is directed at the right areas to enable Spirent to develop those solutions that our customers need in a timely manner.
Invest in our people	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.
Acquire new capabilities and technologies	A key element of our strategy is to evolve and expand our solutions portfolio which may be achieved either organically or through acquisition. Integration of acquisitions can be a complex process and the results expected from acquisitions may not be achieved due to problems encountered in integration, changes in market conditions or sometimes deficiencies arising in the due diligence processes.

Condensed consolidated income statement

$ million	Notes	**First half 2014**	First half 2013
Continuing operations			
Revenue	3,4	**221.0**	190.4
Cost of sales		**(70.0)**	(57.8)
Gross profit		**151.0**	132.6
Product development	3	**(55.3)**	(48.0)
Selling and distribution		**(53.0)**	(47.5)
Administration		**(28.8)**	(22.6)
Operating profit	3	**13.9**	14.5
Finance income		**0.2**	0.5
Finance costs		**(0.2)**	(0.5)
Profit before tax	3	**13.9**	14.5
Tax	5	**(3.4)**	(1.1)
Profit for the period attributable to owners of the parent Company		**10.5**	13.4
Earnings per share (cents)	7		
Basic		**1.72**	2.07
Diluted		**1.71**	2.07

Condensed consolidated statement of comprehensive income

$ million	**First half 2014**	First half 2013
Profit for the period	**10.5**	13.4
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss:		
Exchange differences on retranslation of foreign operations	**0.7**	(2.0)
Items that will not subsequently be reclassified to profit or loss:		
Re-measurement of the net defined benefit pension liability	**(7.8)**	11.7
Income tax effect	**1.6**	(2.5)
	(6.2)	9.2
Other comprehensive income net of tax	**(5.5)**	7.2
Total comprehensive income for the period attributable to owners of the parent Company	**5.0**	20.6

Condensed consolidated balance sheet

$ million	Notes	**30 June 2014**	30 June 2013	Audited 31 December 2013
Assets				
Non-current assets				
Intangible assets		**233.9**	202.5	198.8
Property, plant and equipment		**43.5**	32.7	39.6
Trade and other receivables		**4.4**	3.3	4.4
Cash on deposit		**-**	0.2	0.1
Defined benefit pension plan surplus	9	**0.9**	-	0.6
Deferred tax		**21.5**	22.3	18.3
		304.2	261.0	261.8
Current assets				
Inventories		**26.3**	30.5	31.6
Trade and other receivables		**103.8**	88.2	102.7
Cash and cash equivalents		**168.4**	246.9	216.2
		298.5	365.6	350.5
Total assets		**602.7**	626.6	612.3
Liabilities				
Current liabilities				
Trade and other payables		**(118.9)**	(103.2)	(130.7)
Current tax		**(4.9)**	(1.9)	(3.6)
Provisions and other liabilities		**(4.2)**	(3.9)	(6.0)
		(128.0)	(109.0)	(140.3)
Non-current liabilities				
Trade and other payables		**(16.1)**	(8.2)	(15.2)
Financial liabilities		**(4.1)**	-	-
Defined benefit pension plan deficit	9	**(10.5)**	(12.2)	(3.9)
Provisions and other liabilities		**(0.3)**	(0.4)	(0.5)
		(31.0)	(20.8)	(19.6)
Total liabilities		**(159.0)**	(129.8)	(159.9)
Net assets		**443.7**	496.8	452.4
Capital and reserves				
Share capital	11	**34.9**	32.5	34.4
Share premium account		**34.5**	30.7	33.5
Capital redemption reserve		**22.6**	18.4	21.3
Other reserves		**(6.0)**	4.4	(3.2)
Translation reserve		**24.0**	22.0	23.3
Retained earnings		**333.7**	388.8	343.1
Total equity attributable to owners of the parent Company		**443.7**	496.8	452.4

Condensed consolidated cash flow statement

$ million	Notes	**First half 2014**	First half 2013
Cash flows from operating activities			
Cash flow from operations	10	**36.1**	38.5
Tax paid		**(3.4)**	(4.7)
Net cash inflow from operating activities		**32.7**	33.8
Cash flows from investing activities			
Interest received		**0.2**	0.5
Transfer from long term deposit		**0.1**	0.1
Purchase of intangible assets		**(0.3)**	(0.9)
Purchase of property, plant and equipment		**(14.2)**	(7.5)
Proceeds from sale of property, plant and equipment		**0.7**	0.8
Acquisition of subsidiaries and businesses	12	**(38.9)**	-
Net cash used in investing activities		**(52.4)**	(7.0)
Cash flows from financing activities			
Dividend paid	8	**(12.3)**	(12.0)
Repayment of borrowings		**(0.1)**	-
Proceeds from the issue of share capital and employee share ownership trust		**-**	0.1
Share repurchase		**(16.4)**	(14.4)
Net cash used in financing activities		**(28.8)**	(26.3)
Net (decrease)/increase in cash and cash equivalents		**(48.5)**	0.5
Cash and cash equivalents at the beginning of the year		**216.2**	248.6
Effect of foreign exchange rate changes		**0.7**	(2.2)
Cash and cash equivalents at the end of the period		**168.4**	246.9

Condensed consolidated statement of changes in equity

$ million	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total
At 1 January 2013 (audited)	35.3	32.9	19.4	(1.6)	24.0	385.6	495.6
Profit for the period	-	-	-	-	-	13.4	13.4
Other comprehensive income	-	-	-	-	(2.0)	9.2	7.2
Total comprehensive income	-	-	-	-	(2.0)	22.6	20.6
Share-based payment	-	-	-	-	-	(0.9)	(0.9)
Employee share ownership trust	-	-	-	-	-	0.1	0.1
Share cancellation	(0.4)	-	0.4	-	-	-	-
Share repurchase	-	-	-	-	-	(14.4)	(14.4)
Share buyback obligation	-	-	-	-	-	7.8	7.8
Equity dividends	-	-	-	-	-	(12.0)	(12.0)
Exchange adjustment	(2.4)	(2.2)	(1.4)	6.0	-	-	-
At 30 June 2013	32.5	30.7	18.4	4.4	22.0	388.8	496.8
At 1 January 2014 (audited)	**34.4**	**33.5**	**21.3**	**(3.2)**	**23.3**	**343.1**	**452.4**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**10.5**	**10.5**
Other comprehensive income	**-**	**-**	**-**	**-**	**0.7**	**(6.2)**	**(5.5)**
Total comprehensive income	**-**	**-**	**-**	**-**	**0.7**	**4.3**	**5.0**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Tax on share incentives	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Share cancellation	**(0.5)**	**-**	**0.5**	**-**	**-**	**-**	**-**
Share repurchase	**-**	**-**	**-**	**-**	**-**	**(15.6)**	**(15.6)**
Share buyback obligation	**-**	**-**	**-**	**-**	**-**	**18.2**	**18.2**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**(12.3)**	**(12.3)**
Other movements	**-**	**-**	**-**	**-**	**-**	**(4.1)**	**(4.1)**
Exchange adjustment	**1.0**	**1.0**	**0.8**	**(2.8)**	**-**	**-**	**-**
At 30 June 2014	**34.9**	**34.5**	**22.6**	**(6.0)**	**24.0**	**333.7**	**443.7**

Notes to the half-year condensed consolidated financial statements

1 General information

The half-year condensed consolidated financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006. The comparative financial information for the year to 31 December 2013 is based on the statutory accounts for that period, which have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498(2) or (3) of the Companies Act 2006.

The half-year condensed consolidated financial statements are unaudited but have been reviewed by the auditor. A copy of their review report is included at the end of this report.

The half-year condensed consolidated financial statements for the period ended 30 June 2014 were approved by the directors on 31 July 2014.

2 Accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2013.

Basis of preparation
The half-year condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board and endorsed by and adopted for use in the European Union. This condensed set of half-year financial statements has also been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

Critical accounting estimates and judgements
The preparation of the half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-year condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

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

Adoption of new and current standards
During the period the Group adopted a number of interpretations and amendments to Accounting Standards, none of which had a material impact on the consolidated financial statements of the Group.

3 Operating segments

The Group is organised into three reportable operating segments, Networks & Applications, Wireless & Service Experience and Service Assurance. The Group evaluates segment operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.

$ million	Networks & Applications	Wireless & Service Experience	Service Assurance	Corporate	Total
First half 2014					
Revenue					
External revenue	**104.0**	**85.7**	**31.3**	**-**	**221.0**
Profit before tax					
Total reportable segment profit/(loss)	**0.3**	**10.2**	**13.8**	**(3.7)**	**20.6**
Acquisition related costs					**(1.0)**
Acquired intangible asset amortisation					**(5.5)**
Share-based payment					**(0.2)**
Operating profit					**13.9**
Finance income					**0.2**
Finance costs					**(0.2)**
Profit before tax					**13.9**
Other information					
Product development	**28.8**	**21.1**	**5.4**	**-**	**55.3**
Intangible asset additions (excluding goodwill)	**-**	**0.3**	**-**	**-**	**0.3**
Property, plant and equipment additions	**4.2**	**7.0**	**3.0**	**-**	**14.2**
Intangible asset amortisation – other	**-**	**0.8**	**-**	**-**	**0.8**
Depreciation	**4.8**	**4.2**	**0.4**	**0.1**	**9.5**

3 **Operating segments** continued

$ million	Networks & Applications	Wireless & Service Experience	Service Assurance	Corporate	Total
First half 2013					
Revenue					
External revenue	92.2	80.2	18.0	-	190.4
Profit before tax					
Total reportable segment profit/(loss) before exceptional items	(1.8)	16.6	6.6	(3.2)	18.2
Exceptional items *note 6*	-	-	-	(0.4)	(0.4)
Total reportable segment profit/(loss)	(1.8)	16.6	6.6	(3.6)	17.8
Acquired intangible asset amortisation					(4.2)
Share-based payment					0.9
Operating profit					14.5
Finance income					0.5
Finance costs					(0.5)
Profit before tax					14.5
Other information					
Product development	27.4	17.4	3.2	-	48.0
Intangible asset additions (excluding goodwill)	-	0.9	-	-	0.9
Property, plant and equipment additions	4.9	2.6	-	-	7.5
Intangible asset amortisation – other	-	0.7	-	-	0.7
Depreciation	4.3	3.1	0.5	0.1	8.0

There was no inter-segment revenue in any of the above periods.

4 Geographical information

$ million	**First half 2014**	First half 2013
Revenue by market		
United States	**114.3**	102.2
Asia Pacific, Rest of World	**78.2**	66.0
Europe	**28.5**	22.2
	221.0	190.4

Europe includes United Kingdom revenue of $5.6 million (first half 2013: $4.0 million).

5 Tax

$ million	**First half 2014**	First half 2013
Current income tax		
UK tax	**-**	0.3
Overseas tax	**5.5**	1.1
Amounts overprovided in previous years – UK tax	**(0.4)**	-
Amounts overprovided in previous years – overseas tax	**-**	(2.6)
Total income tax	**5.1**	(1.2)
Deferred tax		
Recognition of deferred tax assets	**(0.9)**	-
Origination and reversal of temporary differences	**(0.8)**	2.3
Total deferred tax	**(1.7)**	2.3
Tax charge in the income statement	**3.4**	1.1

The effective tax rate for the first half-year is 27.3 per cent (first half 2013: 25.5 per cent), being the current year tax charge excluding any prior year tax, as a percentage of profit before tax.

6 Exceptional items

$ million	**First half 2014**	First half 2013
Abortive acquisition costs	**-**	0.4

7 Earnings per share

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

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

$ million	**First half 2014**	First half 2013
Profit for the period attributable to owners of the parent Company	**10.5**	13.4

Number million		
Weighted average number of shares in issue – basic	**611.9**	646.4
Dilutive potential of employee share incentives	**1.4**	2.0
Weighted average number of shares in issue – diluted	**613.3**	648.4

Cents		
Earnings per share		
Basic	**1.72**	2.07
Diluted	**1.71**	2.07

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

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

	First half 2014		First half 2013	
	$ million	**EPS cents**	$ million	EPS cents
Profit for the period attributable to owners of the parent Company	**10.5**	**1.72**	13.4	2.07
Exceptional items	**-**		0.4	
Acquisition related costs	**1.0**		-	
Acquired intangible asset amortisation	**5.5**		4.2	
Share-based payment	**0.2**		(0.9)	
Tax effect on the above items	**(1.5)**		(1.4)	
Prior year tax	**(0.4)**		(2.6)	
Adjusted basic	**15.3**	**2.50**	13.1	2.03
Adjusted diluted		**2.49**		2.02

8 Dividends paid and proposed

	First half 2014		First half 2013	
	Cents per Ordinary Share	**$ million**	Cents per Ordinary Share	$ million
Amounts recognised as distributions to equity in the period				
Final dividend paid for previous year	**2.01**	**12.3**	1.83	12.0
Amounts approved by the directors (not recognised as a liability at the balance sheet date)	**1.68**	**10.3**	1.53	9.8

An interim dividend of 1.68 cents per Ordinary Share (2013: 1.53 cents per Ordinary Share) was declared by the Board on 31 July 2014 and will be paid to Ordinary shareholders on 12 September 2014 and to ADR holders on 19 September 2014. This dividend has not been included as a liability in these financial statements. The dividend is payable to all shareholders on the Register of Members at the close of business on 8 August 2014.

Dividends are declared or proposed in US dollars but will be paid in pounds sterling at the exchange rate prevailing when the dividend is declared or proposed. The exchange rate used for determining the amount of interim dividend to be paid was $1.69:£1.

9 Defined benefit pension plans

The funded defined benefit pension plans are in the United Kingdom. In addition there is a United Kingdom unfunded plan.

The most recent actuarial valuations, at 1 April 2012, of the plans' assets and the present value of the plans' obligations, using the projected unit credit method, have been used and updated at 30 June 2014.

The key financial assumptions are as follows:

%	**First half 2014**	First half 2013	Year 2013
Inflation RPI	**3.2**	3.3	3.3
Inflation CPI	**2.1**	2.2	2.2
Rate of increase in pensionable salaries	**3.0**	3.1	3.1
Rate of increase for pensions in payment			
Pre 2001 service	**3.6**	3.6	3.6
2001 to 5 April 2005 service	**3.1**	3.1	3.1
Post 5 April 2005 service	**2.2**	2.2	2.2
Rate of increase in deferred pensions	**2.1**	2.2	2.2
Rate used to discount plan liabilities	**4.2**	4.5	4.5

An operating charge of $0.5 million (first half 2013: $0.8 million) and finance costs of $0.2 million (first half 2013: $0.5 million) have been recognised.

9 **Defined benefit pension plans** continued

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

$ million	**First half 2014**	First half 2013	Year 2013
Fair value of defined benefit pension plans' assets	**289.7**	245.1	277.5
Present value of defined benefit pension plans' obligations	**(298.4)**	(256.5)	(280.0)
Net UK funded defined benefit pension plan deficit on the balance sheet	**(8.7)**	(11.4)	(2.5)

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

$ million	**First half 2014**	First half 2013	Year 2013
Assets			
UK funded defined benefit pension plan surplus	**0.9**	-	0.6
Liabilities			
UK funded defined benefit pension plan deficit	**(9.6)**	(11.4)	(3.1)
UK unfunded plan	**(0.9)**	(0.8)	(0.8)
	(10.5)	(12.2)	(3.9)

10 Reconciliation of profit before tax to cash generated from operations

$ million	**First half 2014**	First half 2013
Profit before tax	**13.9**	14.5
Adjustments for:		
Finance income	**(0.2)**	(0.5)
Finance expense	**0.2**	0.5
Intangible asset amortisation	**6.3**	4.9
Depreciation of property, plant and equipment	**9.5**	8.0
Share-based payment	**0.2**	(0.9)
Changes in working capital		
Deferred income received	**7.3**	5.6
(Increase)/decrease in receivables	**(0.7)**	8.1
Decrease in inventories	**5.4**	3.2
Decrease in payables	**(1.9)**	(3.6)
Decrease in provisions	**(2.0)**	(0.5)
Defined benefit pension plan	**(1.9)**	(0.8)
Cash flow from operations	**36.1**	38.5

11 Share capital

Number million	**First half 2014**	First half 2013
Issued and fully paid		
At 1 January	**621.4**	650.6
Cancelled during the period	**(9.7)**	(7.1)
Share capital at the end of the period	**611.7**	643.5

The Company has been operating an on market share repurchase programme. In the first half of 2014 the Company repurchased 9.7 million shares at a cost of $15.6 million (first half 2013: 7.1 million shares at a cost of $14.4 million). Shares repurchased were cancelled.

12 Business combinations

DAX Technologies Corp. ("DAX")

The business of DAX was acquired for a cash consideration of $36.9 million on 19 February 2014. DAX is a leading provider of customer experience management solution software that enables mobile and wireline service providers to understand and quantify services as experienced by their customers. DAX is reported within the Group's Service Assurance division.

Converging multi-technology 3G and 4G/LTE networks and services, such as VoLTE, require the use of big data analytics to fully understand the customer experience. The acquisition of DAX will enable Spirent to combine measurements and data from its solutions in the lab and in live networks, delivering high value solutions and expertise that help its customers deploy and manage complex new networks and services faster and more effectively.

From the date of acquisition to 30 June 2014, DAX contributed $3.0 million of revenue and $0.9 million of profit before tax to the results of the Group before charging $0.7 million of acquisition related costs and $1.2 million of acquired intangible asset amortisation. If the combination had occurred at the beginning of the financial year revenue of $3.4 million and profit before tax of $0.6 million would have been included in the Group result before $0.7 million of acquisition related costs and $1.7 million of acquired intangible asset amortisation.

The goodwill arising of $23.8 million consists largely of the synergies and economies of scale expected from the combination of the entities together with intangible assets not qualifying for separate recognition such as workforce in place. The goodwill recognised is expected to be deductible for income tax purposes.

Testing Technologies IST GmbH ("Testing Tech")

A majority stake of 58 per cent of the ordinary share capital in Testing Tech was acquired for a cash consideration of Euro 1.8 million ($2.4 million) on 20 February 2014. The company develops and markets standardised and customer-specific software-based testing tools which support the development of mission-critical products and workflow steps. Testing Tech also participates in the connected vehicle market which will facilitate Spirent's progress in this market. This acquisition is reported within the Wireless & Service Experience division.

From the date of acquisition to 30 June 2014, Testing Tech contributed $1.1 million of revenue and nil of profit before tax to the results of the Group before charging $0.3 million of acquisition related costs and $0.1 million of acquired intangible asset amortisation. If the combination had occurred at the beginning of the financial year revenue of $1.4 million and a profit before tax of $0.1 million would have been included in the Group result before $0.3 million of acquisition related costs and $0.1 million of acquired intangible asset amortisation.

The goodwill arising of $2.3 million consists largely of the synergies and economies of scale expected from the combination of the entities together with intangible assets not qualifying for separate recognition such as workforce in place. None of the goodwill recognised is expected to be deductible for income tax purposes.

12 Business combinations continued

The minority stake of 42 per cent of the share capital is the subject of a put and call option which expires on 31 March 2016. The consideration is based on the 2015 performance of Testing Tech and set at a minimum amount of Euro 1.4 million. A financial liability of Euro 3.0 million ($4.1 million) has been recorded to reflect the fair value of the option, measured at recurring fair value through profit and loss and considered to be categorised within level 3. The fair value of the put option over the non-controlling interest has been measured using discounted cash flows with inputs derived from the projected financial performance, as no observable market data is available. An increase or decrease in the projected financial performance used in the put option measurements by 10 per cent would increase or decrease the liability by $0.4 million.

The following table summarises the consideration paid and the assets and liabilities acquired at the acquisition date. Since the acquisitions have taken place recently, the fair values and consideration detailed below are provisional.

$ million	DAX	Testing Tech	Total
Net assets acquired:			
Intangible fixed assets	**14.1**	**1.0**	**15.1**
Tangible fixed assets	**0.1**	**-**	**0.1**
Deferred tax asset	**0.6**	**-**	**0.6**
Trade and other receivables	**-**	**0.1**	**0.1**
Cash and cash equivalents	**-**	**0.4**	**0.4**
Trade and other payables	**(1.7)**	**(1.0)**	**(2.7)**
Deferred tax liability	**-**	**(0.3)**	**(0.3)**
Borrowings	**-**	**(0.1)**	**(0.1)**
Total identifiable net assets	**13.1**	**0.1**	**13.2**
Goodwill	**23.8**	**2.3**	**26.1**
Total consideration	**36.9**	**2.4**	**39.3**
Cash flows:			
Consideration	**36.9**	**2.4**	**39.3**
Cash acquired	**-**	**(0.4)**	**(0.4)**
	36.9	**2.0**	**38.9**

The intangible assets acquired represent computer software, customer relationships and brands and these have been assigned provisional lives of between two to five years.

The non-controlling interest is measured as the proportionate share of the acquirer's identifiable net assets and was nil on acquisition.

Acquisition related costs were $1.0 million and these have been expensed to administration costs.

13 Related party transactions

There have been no related party transactions in the first half of 2014 which have materially affected the financial position or the performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2013.

14 Capital commitments and contingent liabilities

There are no material capital commitments. There have been no material changes since 31 December 2013 to the Group's indemnities and contingencies.

15 Post balance sheet events

On 2 July 2014 Spirent announced the acquisition of the assets of Radvision's Technology Business Unit ("TBU"), the part of the Radvision business responsible for delivering industry-leading developer solutions, for a cash consideration of $25.0 million. The transaction is subject to customary closing conditions and is expected to close within 30 to 60 days from the date of the announcement of the acquisition. The business unit is based in Tel Aviv, Israel, and offers a complete development and test suite for Voice and Video over IP communications, including VoLTE. The TBU will be reported within the Wireless & Service Experience division.

Statement of directors' responsibilities

The directors confirm that to the best of their knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB and endorsed and adopted by the EU.

The half-year management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the 2013 Annual Report.

The directors of Spirent Communications plc are as listed in the Spirent Communications plc Annual Report for 31 December 2013.

By order of the Board of Spirent Communications plc.

R E Whiting
Chief Financial Officer
31 July 2014

<u>Independent review report to Spirent Communications plc</u>

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated cash flow statement, Condensed consolidated statement of changes in equity, and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as endorsed by and adopted for use in the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
31 July 2014

Glossary

3G (Third Generation)	Third generation of mobile communications that delivers data rates of hundreds of kilobits per second to tens of megabits per second.
4G (Fourth Generation)	Fourth generation of mobile communications that delivers data rates of tens to hundreds of megabits per second. Future 4G technologies promise data rates in excess of one gigabit per second.
Application	A software programme designed to perform a specific function for the end user which uses the services of the computer's operating system and other supporting programmes. Applications include database programmes, spreadsheets, web browsers, graphics programmes and word processors.
Attacks	Attempts to damage, disrupt, or gain unauthorised access to a computer, computer system, or electronic communications network.
Carrier Aggregation	A technique used in 4G mobile communications that allows expansion of the effective bandwidth delivered to a mobile user terminal by concurrent utilisation of resources across multiple radio carriers.
Cloud	A variety of computing concepts that involve a large number of computers connected through a real-time communication network such as the internet. Often used in reference to network-based services served up by virtual hardware, simulated by software running on one or more physical machines.
Data Center	A centralised location where computing resources critical to an organisation are maintained in a highly controlled environment.
Ethernet	A family of networking technologies originally developed for local area networks, which migrated to metro area networks and eventually became the dominant standard in wireline networks worldwide.
Evolved Packet Core	An integrated IP-based mobile transport network with the ability to support 2G, 3G and LTE coexistence.
Gigabit Ethernet ("GbE")	A transmission technology based on the Ethernet frame format and protocol used in local area networks that provides a data rate of 1 billion bits per second (one gigabit) and which is used as the backbone in many enterprise networks.
Global Navigation Satellite Systems ("GNSS")	The standard generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage. GNSS allows users' receivers to determine their location to within a few metres by employing a triangulation technique that uses information from multiple satellites.
Global Positioning System ("GPS")	A global navigation satellite system operated by the United States government for determining a user's location and height at any point on the earth's surface. A receiver uses minute differences in measured time signals from clocks on satellites to calculate these positions and altitudes.
Infrastructure Test Optimization ("ITO")	The practices required to ensure that infrastructures meet a defined quality of service and quality of experience that are necessary to meet strategic business objectives.
Internet Protocol ("IP")	The primary network protocol used on the internet and on other network devices to facilitate and control the flow of data.
Internet Protocol Multimedia Subsystem ("IMS")	A standardised next-generation architecture for telecoms operators who want to provide mobile and fixed multimedia services.
Long Term Evolution ("LTE")	An advanced wireless data communications technology standard (sometimes called "4G") which is an evolution of 3G UMTS standards. In addition to a new wireless interface specification, LTE uses a simplified flat IP-based network architecture.
Multiple-Input Multiple-Output ("MIMO")	A wireless technology that employs multiple radio antennas on both the transmitter and receiver to improve the data transmission speeds and capacity of wireless networks.
Network Functions Virtualization ("NFV")	An initiative to provide a new network production environment which lowers cost, raises efficiency and increases agility by hosting network functions previously carried out by proprietary, dedicated hardware on virtual machines running on industry-standard commodity hardware.

Glossary continued

OpenFlow	An open standard network protocol from the Open Network Foundation (“ONF”). OpenFlow enables software defined networking for programmable networks.
Over-the-Air (“OTA”)	Any kind of event, transfer, or transaction that takes place wirelessly using the cellular network, as opposed to using a cable or other local connection. Testing of mobile device performance is commonly carried out using OTA techniques that take into account antenna design and implementation.
Rich Communication Suite (“RCS”)	A platform intended to enable mobile network operators to deliver integrated communication services, beyond voice and SMS, over all-IP networks, including instant messaging or chat, live video and file sharing, across any device on any network.
Software Defined Network (“SDN”)	An approach to networking in which control is decoupled from hardware and given to a software application called a controller.
Switch	A computer networking device used to connect many devices together on a computer network. Switches manage the flow of data across a network by only transmitting a received message to the device for which the message was intended.
Testing as a Service (“TaaS”)	An outsourcing model in which testing activities associated with some of an organisation’s business activities are performed by a test service provider rather than employees. Services suited to a TaaS model include automated regression testing, performance testing, security testing, and monitoring/testing of cloud-based applications.
Virtualization	Technologies designed to provide a layer of abstraction from the physical characteristics of computing resources to simplify the way in which other systems, applications, or end users interact with those resources.
Voice over LTE (“VoLTE”)	A standards-based scheme adopted by the GSMA, the cellular industry’s association, to provide voice service over data-only LTE networks. VoLTE’s use of an IP Media Subsystem enables voice to be offered as part of a rich communications solution, integrated with services such as messaging, live video sharing and file transfer.
Wi-Fi	A mechanism that enables devices such as personal computers, video game consoles, smartphones or digital audio players to exchange data wirelessly over a computer network and connect to network resources, such as the internet. Coverage ranges from a few rooms to several square miles, depending on the number of access points used.
Wi-Fi Offload	A technique that helps operators manage mobile data growth by seamlessly offloading subscriber traffic from their primary 3G and 4G networks to Wi-Fi networks.
Wireline	Communication services provided over a physical connection, which may be copper or fibre.