



News Release

SPIRENT COMMUNICATIONS PLC

HALF-YEAR REPORT 2011

London, UK – 4 August 2011: 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 3 July 2011.

Financial highlights

- Order intake was up 10% with a book to bill ratio of 99.
- Revenue up 15% to \$260.4 million, with growth across all lines of business and geographies.
- Adjusted operating profit up 16% to \$57.8 million. Reported operating profit \$55.2 million (first half 2010: \$49.0 million).
- Invested in product development for future growth, which increased by \$5.8 million to \$44.0 million.
- Return on sales, before acquisition expense, maintained at 22%.
- Basic earnings per share rose 17% to 5.94 cents. Adjusted basic earnings per share up 24% to 6.25 cents.
- Free cash flow of \$17.1 million (first half 2010: \$33.4 million) reflected an increase of \$20.4 million in working capital to fund higher trading activity late in the second quarter.
- Interim dividend increased by 15% to 1.26 cents per share (equivalent to 0.77 pence per share, 12% up on the first half of 2010).

Operational highlights

- Positive market trends are continuing, driven by expansion in data connectivity.
- Increased demand for more rigorous, secure and complex testing capabilities to meet the demand for:
 - Cloud computing
 - Proliferation of smartphones
 - Mobile location based and voice/data/video services
 - Network expansions and upgrades in 3G and 4G/LTE
 - Data center virtualization

- These trends are leading Spirent to increase investment in test solutions to address new areas, our success in doing so was confirmed by the launch of new solutions during the first half-year such as:
 - High performance Ethernet-based solutions for high speed cloud computing deployments
 - Cyber security validation of the latest network security platforms
 - Over-the-air test of 4G/LTE wireless devices, such as smartphones and base stations that use multiple antennae
 - Virtualized data center performance at 40Gb Ethernet speeds
 - Test and impairment of Ethernet-based mobile backhaul networks
- These innovations are in turn leading our customers to use our test solutions in new ways:
 - China Mobile to evaluate high density Fibre Channel switches
 - Extreme Networks to test 40GbE switches for Open Fabric data center solutions featuring 20 terabit speeds
 - Alcatel-Lucent to demonstrate high scalability and performance of LTE mobile gateways

Outlook

The growth trends in data communications which we saw last year are continuing in 2011. We believe these represent long term trends. We are therefore continuing to invest in product development, sales and marketing to expand into new markets and drive sustainable profitable growth whilst maintaining underlying operating margins.

In the wireless and positioning markets, we have seen strong growth in the first half of 2011. Towards the end of the period we saw a more cautious stance adopted by some of our customers in the wireline market, particularly in the USA.

Spirent sells a broad product offering to a large number of customers based across all geographies, which gives us confidence as we move into the second half. We anticipate further momentum throughout the remainder of the year, albeit at a lower rate than the first half, and in line with our original expectations for the second half-year.

Bill Burns, Chief Executive Officer, commented:

“The positive outlook is based on the long term trend in our industry for investment in higher speed data connectivity worldwide. Within the test and measurement industry we deliver best in class profitability coupled with increasing revenue. Spirent is well positioned to achieve further progress during the second half-year.”

Results summary

\$ million	First half 2011	First half 2010	Change (%)
Reported			
Revenue	260.4	227.2	15
Operating profit	55.2	49.0	13
Profit before tax	55.8	48.8	14
Basic earnings per share (cents)	5.94	5.08	17
Interim dividend per share ¹ (cents)	1.26	1.10	15
Free cash flow ²	17.1	33.4	(49)
Adjusted⁵			
Operating profit ³	57.8	49.9	16
Basic earnings per share ⁴ (cents)	6.25	5.05	24

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 2011 of 1.26 cents per Ordinary Share is equivalent to 0.77 pence per Ordinary Share.

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

3 Adjusted operating profit is before charging share-based payment, acquired intangible asset amortisation and acquisition related costs.

4 Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of the Notes to the half-year condensed consolidated financial statements.

5 The basis used for the calculation of adjusted operating profit and adjusted basic earnings per share has been modified from that which was reported in 2010 to exclude share-based payment, acquired intangible asset amortisation and acquisition related costs.

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Enquiries

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The Company will host a results presentation today at 9.15am for 9.30am UK time at UBS, 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 www.spirent.com.

About Spirent Communications plc

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

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

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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 2011

Group overview

Spirent has delivered pleasing results in the first half of 2011. Revenue grew 15 per cent and adjusted operating profit by 16 per cent. This was a period in which we increased our investment in the business to serve new and emerging test and measurement markets to drive future profitable growth. The long term trend in the market for increased investment by our customers in data communications creates demand for Spirent's new innovative test and measurement solutions.

During the first half of 2011 there was very strong growth in our wireless and positioning markets as operators invested in 3G/HSPA and 4G/LTE network expansion and upgrades and as smartphone growth continued. At the same time there was a lower rate of growth in the wireline market where equipment vendors and operators slowed the pace of their investment in core networks. This led to some orders being received later than usual at the end of our second quarter.

Adjusted operating profit, which is before expensing share-based payment, acquisition related costs and acquired intangible asset amortisation, rose 16 per cent. This was after investing \$44.0 million in product development and \$48.2 million in the sales channel, an increase of \$5.8 million and \$6.2 million, respectively. Basic earnings per share increased to 5.94 cents from 5.08 cents, an increase of 17 per cent. Adjusted basic earnings per share was 6.25 cents, up 24 per cent period-on-period.

In light of the financial achievements in the first half of 2011 the Board has declared an interim dividend of 1.26 cents per Ordinary Share, an increase of 15 per cent in US dollar terms. In sterling, the currency in which this dividend will be paid, this represents an increase of 12 per cent at an exchange rate of \$1.64:£1 compared with the first half of 2010.

Outlook

The growth trends in data communications which we saw last year are continuing in 2011. We believe these represent long term trends. We are therefore continuing to invest in product development, sales and marketing to expand into new markets and drive sustainable profitable growth whilst maintaining underlying operating margins.

In the wireless and positioning markets, we have seen strong growth in the first half of 2011. Towards the end of the period we saw a more cautious stance adopted by some of our customers in the wireline market, particularly in the USA.

Spirent sells a broad product offering to a large number of customers based across all geographies, which gives us confidence as we move into the second half. We anticipate further momentum throughout the remainder of the year, albeit at a lower rate than the first half, and in line with our original expectations for the second half-year.

BUSINESS REVIEW

Performance Analysis

\$ million	First half 2011	First half 2010	Change (%)
Revenue	198.8	170.3	17
Operating profit	50.7	41.5	22
Return on sales (%)	25.5	24.4	

Market conditions

The telecommunications industry is in a period of investment in capacity and the addition of new capabilities through innovation, leading to growth in demand for test and measurement solutions.

Demand for Mobile Internet driving new technologies and network upgrades

For service providers, the rapid expansion of the mobile internet is ongoing, due to accelerating growth in the number of users and associated traffic from video and other media-rich offerings. This is driving the deployment of new technologies such as 4G/LTE, with major changes in network architecture to help control costs while at the same time enabling new services and business models. Traditional TDM-based mobile backhaul networks are being upgraded to Ethernet-based IP to expand data capacity while reducing cost per bit. The migration of mobile backhaul networks to Ethernet is driving business for our Spirent TestCenter™ Mobile Backhaul solution which gained industry recognition in May 2011, winning Test & Measurement World's prestigious 'Best in Test' award. In mobile core networks, intelligence is being added to enable services to be identified and managed efficiently and for the network to be optimised. A key component of successful migration towards a single, converged IP network is thorough testing that can validate the ability of the network to scale while maintaining quality of experience for users. One such test was demonstrated at the Telecommunications Industry Association event in May 2011, where Alcatel-Lucent used a Spirent solution to showcase the ability of its LTE mobile gateway to support millions of active mobile broadband subscribers, each with multiple data connections. Service providers are expected to maintain the pace of this migration, including implementation of next-generation architecture options such as 100Gb Ethernet.

Cloud computing demand leading to greater focus on security

In the enterprise, cloud computing is enabling organisations to address the needs of an increasingly mobile workforce and global customer base while reducing operational costs. High profile cloud outages in the first half of 2011 have led to a greater emphasis on testing, using methodologies such as those developed by Spirent, that ensure the performance, availability, security and scale (“PASS”) of cloud networks. Leaders in cyber security are using Spirent’s Avalanche and Avalanche Virtual solutions to test their network security platforms. Crossbeam was one such customer we announced in the first half, which chose the Spirent Avalanche solution to validate the performance of its latest security platform by simulating real-world scenarios. Technologies such as Fibre Channel over Ethernet are enabling convergence of storage and Ethernet/IP networks, and we announced in April that China Mobile had selected Spirent TestCenter for Fibre Channel switch testing. Meanwhile, the growth of virtualization in the data center is driving demand for low latency, high density 10Gb and 40Gb Ethernet-based switches. At the Interop Las Vegas 2011 event, Spirent TestCenter was used to showcase the capacity and performance of Extreme Networks’ 20 terabit Ethernet switch fabric, part of the Company’s Open Fabric data center solution, designed to deliver cost effective, highly scalable, mobile and virtualized networks.

Mobile Internet driving adoption of smartphones

For the wireless communication industry, the first half of 2011 saw continued growth in mobile broadband, driven by subscriber demand to access any type of content while on the move. To address the appetite for high speed mobile data, 3G networks around the globe evolved to support HSPA+ technology, while the rollout of 4G/LTE networks accelerated in North America and other select locations. 4G/LTE technology is evolving rapidly when compared with 2G and 3G; LTE device capabilities have evolved from data modems/dongles to full smartphones in a matter of months, with Verizon Wireless releasing its first LTE smartphone in March. With these complex new devices come new testing challenges, including the need to ensure seamless mobility for users across 2G, 3G and 4G/LTE networks.

The ramp up in development and deployment of 4G/LTE devices and networks has also expanded the need for realistic testing of the complex multi-antenna schemes used in base stations and devices to enhance data throughput rates. This trend was more pronounced in 2011 as development of Time Division LTE (“TD-LTE”) technology became more widespread. TD-LTE is expected to be widely deployed in key Asia Pacific markets such as China and India.

Growth in location based services

Adoption of location based services (“LBS”) has become ever more widespread, and smartphones with positioning capabilities have once again experienced rapid growth rates. These smartphones increasingly use location technologies beyond GPS, including Russian GLONASS satellites and Wi-Fi access points, driving new performance testing needs.

The Global Navigation Satellite System (“GNSS”) test market once again experienced solid growth in all geographies and market segments. Key drivers include GPS modernisation, the expected upgrade of the GLONASS system, and the European Galileo system, which is now expected to be fully operational in the 2020 timeframe. Demand for our satellite emulation systems encompasses testing of receivers that use signals from more than one satellite system, as well as combined GPS and inertial navigation systems. New navigation satellite systems being planned by China and India represent additional growth drivers.

Increased network complexity driving the need for simple, cost efficient and open solutions

Convergence, in multiple forms, is driving growth in the complexity and scale required for successful testing. This in turn creates a clear need to increase the efficiency of our customers’ research and development.

The acquisition of Fanfare in February 2011 has positioned Spirent well to meet this growing demand for integrated test automation solutions in multi-vendor environments through open standards. In June, we announced that Spirent iTest[®], our flagship test optimisation product, had achieved ‘Ready for IBM Rational Software’ validation, providing Rational’s customers with the ability to extend their existing software development and test processes to address hardware products such as network equipment and IT/cloud infrastructure.

Revenue

Performance Analysis revenue grew year-on-year by 17 per cent to \$198.8 million, as a result of Spirent's innovation in solutions to service market needs.

Ethernet has once again driven Spirent TestCenter revenue growth, due to rapid expansion in the adoption of converged IP platforms in service provider and enterprise networks. In the first half of 2011, solutions for 10Gb Ethernet testing comprised more than 50 per cent of overall Ethernet test revenues, while 40/100Gb Ethernet experienced triple digit year-on-year growth, albeit from a relatively low base. Revenues for Spirent’s Avalanche and Avalanche Virtual solutions grew with the demand for the testing of virtualized applications and appliances in cloud infrastructure. The

expansion of testing needs that results from the increasing scale of routers used in mobile core networks drove significant year-on-year growth for Spirent's Landslide solution.

In wireless device testing, Spirent continued to benefit from its strong relationships with leading North American cellular operators, with our 3G/UMTS and 4G/LTE device test solutions experiencing good growth during the first half, more than offsetting the expected decline in CDMA. We also saw more wins within research and development groups of major device manufacturers and technology providers globally. The ever-increasing adoption of LBS drove robust demand for location based test solutions for UMTS and LTE devices. The growth in LTE development led to our RF channel emulator solutions, used to test antenna and receiver performance in base stations and devices, having another record half-year.

All positioning product areas saw year-on-year revenue growth. Sales of high end (multi-constellation) GNSS simulators have remained strong, with numerous wins during the year. Sales of mid-range simulators to the commercial market were also up on 2010, driven primarily by the needs of device (e.g. cell phone) integrators to test combined GPS and GLONASS.

Profitability

Performance Analysis operating profit increased by 22 per cent to \$50.7 million, reflecting revenue growth and robust gross profit margins. Spirent has invested in expanding product development engineering and selling resources in the period. Operating profit return on sales increased to 25.5 per cent, up from 24.4 per cent last year.

Product development

We have continued to enhance our Spirent TestCenter platform to meet evolving testing needs that result from the ongoing convergence of IP and Ethernet protocols. In the first half of 2011 the rollout of a new generation of modules for Spirent TestCenter began, which offer a price/performance ratio more than 10 times greater than products available in 2010. These include a market leading 10Gb Ethernet performance module and high performance Layer 2-7 module, enabling Spirent TestCenter to support Ethernet/IP, mobility and application performance test functionality on a single platform. Enhanced virtualization of all platforms continued, providing additional differentiation to test virtual applications and appliances.

For wireless device testing, we released new solutions to test the location performance of LTE devices, as well as their mobility performance when moving between 2G, 3G and 4G/LTE networks. To meet the increasingly complex testing needs of LTE base stations and devices which use multi-

antenna techniques, Spirent introduced a powerful new RF channel emulator platform and a software solution to support lab-based over-the-air testing of LTE device performance.

In the positioning market, a record and playback system was launched to enable customers to record live-sky GNSS signals and replay them in the lab. We once again grew our tailored solutions business, which enables us to address complex, high value customer opportunities.

Following the acquisition of Fanfare, investments were made in tighter integration of Spirent test platforms with the iTest automation solution and expanded support for the recently ratified open standards from the Network Test Automation Forum (“NTAF”) across all product lines. Spirent continued to play a leading role in the development of open automation standards through the NTAF.

Service Assurance

\$ million	First half 2011	First half 2010	Change (%)
Revenue	31.0	27.7	12
Operating profit	5.3	6.1	(13)
Return on sales (%)	17.1	22.0	

Market conditions

2011 has seen increased demand for voice, data and video which has accelerated bandwidth needs across the entire network infrastructure. These developments have driven service providers worldwide to undertake network expansions and upgrades, which in turn have helped drive the need for new live network test solutions. This has led to additional wins for the Spirent TestCenter Live (“STC Live”) test solution in 2011 for mobile backhaul and business services. A new module for our Spirent Tech-X Flex field test solution, that supports the latest standards and technologies, positions us well to take advantage of future increased activity around triple play services and in-home field testing with multiple system (cable) operators. The long term decision making processes within service providers in North America delayed some orders at the end of the period.

We anticipate that capital spending growth will be maintained in the areas of higher bandwidth business Ethernet offerings, adoption of advanced video offerings and migration of 3G mobile networks to 4G/LTE. This growth will drive investment in Ethernet service assurance solutions for wireless backhaul and triple play services by service providers. In the field test market, increasing competition for residential triple play customers and the growing sophistication of in-home IP networks is expected to drive new field test investment decisions by service providers.

Revenue

Service Assurance revenues increased by 12 per cent in the first half of 2011 to \$31.0 million, compared with \$27.7 million in the first half of 2010 and was highlighted by strong revenue growth in our STC Live Test & Diagnostic Ethernet solution. STC Live revenue tripled in the first half compared to the same period last year as service providers began to invest in service assurance solutions for new 4G mobile backhaul networks, global business services networks and IP video deployments.

Profitability

While revenue increased in the first half of 2011 compared to the first half of 2010, profitability decreased by 13 per cent. In the first half of 2010 profitability benefited from a large software contract that materially drove product margins. The product mix in the first half of 2011 had a higher content of test probe hardware, specifically STC Live Ethernet probes, and is more representative of the ongoing product mix.

Product development

Our focus remains on Ethernet service assurance and field test solutions for next-generation networks. For STC Live Ethernet service assurance, we have continued to grow our flexible platform capabilities, including our combined 1Gb and 10Gb Ethernet probes, as well as development of our solutions for 40Gb and 100Gb Ethernet. For Ethernet, greater emphasis has been placed on performance monitoring, where we see a strong market potential in 2011 and beyond. With the delivery of new test functionality that supports the latest standards, we continue to improve the capabilities and competitiveness of our field test product portfolio for multiple system operators.

Systems

\$ million	First half 2011	First half 2010	Change (%)
Revenue	30.6	29.2	5
Operating profit	4.6	5.0	(8)
Return on sales (%)	15.0	17.1	

Market conditions

Sales within the medical mobility market were depressed due to the introduction in January 2011 of changes in US Medicare reimbursement rules for consumer wheelchairs. The significant reductions experienced in this area were offset by good growth in systems for rehabilitation wheelchairs and in scooter controllers. Medicare related sales are expected to recover in the second half of the year.

Meanwhile, we continued to enjoy substantial growth in sales in our existing and newly served industrial markets.

Revenue

Revenue grew 5 per cent from \$29.2 million to \$30.6 million. Sales growth in rehabilitation wheelchair systems, scooters and industrial products more than offset the decline in consumer wheelchair systems.

Profitability

The profit reduction of 8 per cent for the first half of 2011 compared with 2010 is a result of an increase of \$0.4 million in product development spend in new product areas, reorganisation costs of \$0.1 million for moving more production off-shore and adverse exchange rate translation of \$0.3 million. In addition, the first half of 2010 benefited from exchange rate hedging gains of \$0.4 million which were not repeated.

Product development

During the first half of the year we launched an extended version of our new C3 AC pallet truck controller, which expands our offering in this new market area and provides us with an opportunity for future growth. We also made significant progress with the development of further products to be launched later in 2011.

FINANCIAL REVIEW

Key performance indicators

	First half 2011	First half 2010	Change (%)
Book to bill ratio ¹	99	104	
Revenue (\$ million)	260.4	227.2	15
Gross profit margin (%)	65.5	65.5	
Adjusted operating profit ^{2, 5} (\$ million)	57.8	49.9	16
Return on sales ^{2, 5} (%)	22.2	22.0	
Adjusted basic earnings per share ^{3, 5} (cents)	6.25	5.05	24
Free cash flow ⁴ (\$ million)	17.1	33.4	(49)

Notes

1 The ratio of orders booked to revenue in the period.

2 Before share-based payment, acquired intangible asset amortisation and acquisition related costs.

3 Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of the Notes to the half-year condensed consolidated financial statements.

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

5 The basis used for the calculation of adjusted operating profit and adjusted basic earnings per share has been modified from that which was reported in 2010 to exclude share-based payment, acquired intangible asset amortisation and acquisition related costs.

Revenue

Revenue of \$260.4 million was up 15 per cent compared with the first half of 2010 and grew in all lines of business and geographical regions. This reflected the continuation of the positive trends in worldwide data communications which we experienced in 2010 as our customers increased their investments in our new product solutions. Group order intake was up 10 per cent which resulted in a book to bill ratio of 99 compared with 104 for the first half of 2010. Order intake in our key Performance Analysis division grew 14 per cent year-on-year. In Service Assurance order intake was 11 per cent lower than the first half of 2010 due to delays by some customers in placing orders. In Systems, order intake for the first half-year was flat but this represents a marked recovery in the second quarter of 2011 compared with the first, which had suffered from changes in the US Medicare reimbursement process.

The geographic profile of revenue by market did not change significantly. The US accounts for 48 per cent of revenue, Asia 28 per cent, Europe 18 per cent and rest of the world 6 per cent. The Group has experienced growth in all regions; the US reported growth of 10 per cent, Asia 10 per cent and Europe 26 per cent.

Operating profit

Reported operating profit increased by 13 per cent to \$55.2 million from \$49.0 million for the first half of 2010. Adjusted operating profit improved by 16 per cent to \$57.8 million compared with

\$49.9 million for the first half of 2010. Return on sales, based on adjusted operating profit, was maintained at 22 per cent.

Cost of sales and operating expenses

Gross margin for the Group was maintained at 65.5 per cent. There was a higher proportion of software sales in the first half of 2010 which were not repeated in 2011 but this was offset by the achievement of further operating efficiencies in the Group and less revenue from lower margin third party products.

Our focus has been on increasing our investment in product development to drive future profitable growth and this rose in the first half of 2011 to \$44.0 million, 17 per cent of revenue, from \$38.2 million and 17 per cent of revenue in the first half of 2010. The majority, \$36.5 million, was incurred within the Performance Analysis division (first half 2010: \$30.9 million). We expect to continue to maintain this momentum of investment in product development engineering throughout the remainder of 2011, enabling us to further enhance our current capabilities and to address the many opportunities that exist in our markets.

Other operating costs increased to \$71.3 million, 27 per cent of sales, compared with \$61.6 million in the first half of 2010, 27 per cent of sales. The increase was due to variable sales and marketing expense required to achieve the higher revenue but also the expansion of our sales activities. Other operating expenses include \$0.4 million (first half 2010: \$0.2 million) for share-based payment, \$1.0 million (first half 2010: \$0.7 million) for acquired intangible asset amortisation and \$1.2 million of acquisition related costs in respect of the Fanfare acquisition.

Acquired intangible asset amortisation of \$0.5 million has been charged in relation to the acquisition of Fanfare, representing a pro-rata share of the annual amortisation charge of \$1.3 million.

Within operating costs corporate costs were slightly higher than 2010 at \$2.8 million (first half 2010: \$2.7 million).

Net finance income and expense

For the first half of 2011 net finance income was \$0.6 million compared with \$0.2 million expense for the first half of 2010. This comprises net interest income for the pension plan of \$0.2 million (first half 2010: \$0.5 million expense) and interest income of \$0.5 million (first half 2010: \$0.4 million). The interest charge of \$0.1 million relates to discount unwind on leasehold liabilities (first half 2010: \$0.1 million).

Profit before tax

Profit before tax was \$55.8 million compared with \$48.8 million in the first half of 2010.

Tax

For 2011 the effective tax rate was 29.4 per cent, compared with 30.4 per cent for the full year 2010 due to the benefits of share exercises and the recognition of tax losses. The tax charge for the first half of 2011 was \$16.1 million compared with \$14.6 million for the first half of 2010. The expected effective tax rate for the full year is 30.0 per cent. For 2012 the effective tax rate is projected to be 31.5 per cent.

Earnings per share

Basic earnings per share for the Group increased by 17 per cent to 5.94 cents compared with 5.08 cents for the first half of 2010. Basic earnings per share as adjusted for share-based payment, acquired intangible asset amortisation and acquisition related costs rose to 6.25 cents from 5.05 cents for the first half of 2010, an increase of 24 per cent. There were 668.6 million weighted average Ordinary Shares in issue (first half 2010: 673.1 million).

Business combinations

On 16 February 2011 the Group acquired 100% of the share capital of the Fanfare Group, Inc. ("Fanfare") for a total consideration of \$14.5 million in cash. Fanfare provides test automation solutions that help equipment manufacturers and service providers accelerate time to market and improve product quality in the face of rapidly growing complexity. At acquisition the fair value of the assets and liabilities acquired were determined in accordance with accounting standards and this gave rise to \$6.6 million of intangible assets, which are being amortised over five years, and goodwill of \$6.9 million. In addition \$1.2 million of acquisition related costs have been expensed in the first half of 2011.

Financing and cash flow

Net cash inflow from operating activities before tax was \$41.5 million (first half 2010: \$48.9 million). Free cash flow of \$17.1 million was generated in the first half of 2011 (first half 2010: \$33.4 million). The lower cash generation for the period compared to the prior year is due to an increase in working capital of \$20.4 million (first half 2010: \$6.5 million increase) to fund higher trading activity late in the second quarter and further investment in the business. Net capital

expenditure was \$12.3 million (first half 2010: \$7.6 million) and includes \$3.7 million for LTE manufacturing rights. Tax payments were also higher at \$12.6 million (first half 2010: \$8.2 million).

Cash outflow on the acquisition of Fanfare was \$14.5 million with \$1.2 million of expenses incurred. In the first half of 2011 the final dividend for 2010 of \$9.4 million was paid. Share repurchases and the purchase of shares into trust resulted in an outflow of \$10.0 million in the period (first half 2010: \$11.2 million).

Cash and cash equivalents were \$210.1 million at the end of the first half of 2011 (31 December 2010: \$223.9 million). The Board intends to continue to use this cash to invest in organic growth and appropriate acquisition opportunities.

Defined benefit pension plans

The accounting valuation of the funded defined benefit pension plans was a surplus of \$7.5 million compared with a surplus of \$7.7 million at 31 December 2010. The decrease is a result of a rise in the liabilities as a result of changes in the underlying assumptions net of an improvement in the value of the assets.

In addition there is a liability for an unfunded plan of \$0.6 million (31 December 2010: \$0.6 million).

The Group has paid additional pension contributions at a rate of \$2.6 million per annum to fund the deficit arising from the 2009 actuarial valuation.

Share repurchase

The Company repurchased 3.0 million Ordinary Shares on market in the period, at a cost of \$6.8 million (first half 2010: 6.8 million Ordinary Shares at a cost of \$11.6 million), in addition a further 1.4 million Ordinary Shares were purchased at a cost of \$3.2 million and placed into trust to deliver to employees in respect of certain share incentives. The Company intends to continue to repurchase shares to manage dilution attributable to its remaining share incentive schemes.

Dividend

The Board has declared an interim dividend of 1.26 cents per share, a 15 per cent increase over that for the first half of 2010 of 1.10 cents per share. This is equivalent to 0.77 pence per share at an exchange rate of \$1.64:£1, 12 per cent up on the 2010 interim dividend of 0.69 pence per share. The payment will be approximately \$8.4 million and represents dividend cover of 5.0 times adjusted earnings. The dividend will be paid to Ordinary shareholders on 15 September 2011 and to ADR holders on 26 September 2011. The dividend is payable to all shareholders on the Register of Members at the close of business on 12 August 2011.

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 2011 remain those as identified on pages 16 and 17 of the Annual Report 2010, a copy of which is available on the Company's website at www.spirent.com.

In summary the principal risks and uncertainties are as follows:

Risk	Description
Macro-economic and industry sector	In common with most businesses Spirent is exposed to the current economic conditions and is particularly exposed to conditions in the telecommunications sector.
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. Bringing new solutions to market at the right time for our customers is also key to our success.
Reliance on contract manufacturers	We use contract manufacturers for the manufacture of a substantial amount of our products.
Business continuity	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.
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.
Intellectual property	Spirent's success is dependent in part on proprietary technology which may be infringed by others inadvertently or otherwise. Companies in the telecommunications industry often aggressively protect and pursue their intellectual property rights.

Condensed consolidated income statement

\$ million	Notes	First half 2011	First half 2010
Revenue	3,4	260.4	227.2
Cost of sales		(89.9)	(78.4)
Gross profit		170.5	148.8
Product development	3	(44.0)	(38.2)
Selling and distribution		(48.2)	(42.0)
Administration		(23.1)	(19.6)
Operating profit	3	55.2	49.0
Finance income		0.7	0.4
Finance costs		(0.1)	(0.6)
Profit before tax	3	55.8	48.8
Tax	5	(16.1)	(14.6)
Profit for the period attributable to equity shareholders of parent Company		39.7	34.2
Earnings per share (cents)	6		
Basic		5.94	5.08
Diluted		5.89	5.02

Condensed consolidated statement of comprehensive income

\$ million	First half 2011	First half 2010
Profit for the period attributable to equity shareholders of parent Company	39.7	34.2
Other comprehensive income		
Fair value movements on cash flow hedges	-	(0.9)
Exchange differences on retranslation of foreign operations	3.9	(11.0)
Actuarial losses on defined benefit pension plans	(2.1)	(8.1)
Irrecoverable element of defined benefit pension plan surplus	0.1	0.1
Deferred tax credit on defined benefit pension plans	-	2.3
Other comprehensive income	1.9	(17.6)
Total comprehensive income for the period attributable to equity shareholders of parent Company	41.6	16.6

Condensed consolidated balance sheet

\$ million	Notes	3 July 2011	4 July 2010	Audited 31 December 2010
<u>Assets</u>				
Non-current assets				
Intangible assets		128.4	111.7	112.0
Property, plant and equipment		31.5	25.2	29.1
Trade and other receivables		3.6	3.7	3.6
Cash on deposit		0.9	1.4	1.1
Defined benefit pension plan surplus	8	7.5	0.9	7.7
Deferred tax		30.5	41.0	31.3
		202.4	183.9	184.8
Current assets				
Inventories		40.2	30.6	37.6
Trade and other receivables		112.6	91.6	98.2
Derivative financial instruments		-	0.2	-
Cash and cash equivalents		210.1	183.3	223.9
		362.9	305.7	359.7
Total assets		565.3	489.6	544.5
<u>Liabilities</u>				
Current liabilities				
Trade and other payables		(108.7)	(95.3)	(108.5)
Current tax		(11.8)	(13.5)	(13.0)
Derivative financial instruments		-	(0.5)	(0.2)
Provisions and other liabilities		(3.4)	(5.0)	(5.1)
		(123.9)	(114.3)	(126.8)
Non-current liabilities				
Trade and other payables		(9.6)	(8.7)	(7.5)
Defined benefit pension plan deficit	8	(0.6)	(8.9)	(0.6)
Provisions and other liabilities		(2.1)	(4.2)	(2.5)
		(12.3)	(21.8)	(10.6)
Total liabilities		(136.2)	(136.1)	(137.4)
Net assets		429.1	353.5	407.1
<u>Capital and reserves</u>				
Share capital	10	35.9	34.2	35.3
Share premium account		32.3	29.3	31.4
Capital redemption reserve		17.8	16.6	17.3
Capital reserve		-	1.4	-
Other reserves		-	4.1	1.6
Translation reserve		23.2	11.6	19.3
Cash flow hedge reserve		-	(0.2)	-
Retained earnings		319.9	256.5	302.2
Total equity attributable to equity shareholders of parent Company		429.1	353.5	407.1

Condensed consolidated cash flow statement

\$ million	Notes	First half 2011	First half 2010
Cash flows from operating activities			
Cash flow from operations	9	41.5	48.9
Tax paid		(12.6)	(8.2)
Net cash inflow from operating activities		28.9	40.7
Cash flows from investing activities			
Interest received		0.5	0.3
Transfer from long term deposit		0.2	0.3
Purchase of intangible assets		(3.7)	-
Purchase of property, plant and equipment		(8.7)	(7.8)
Proceeds from sale of property, plant and equipment		0.1	0.2
Acquisition of subsidiaries	11	(14.5)	-
Net cash used in investing activities		(26.1)	(7.0)
Cash flows from financing activities			
Dividend paid		(9.4)	(6.4)
Proceeds from the issue of share capital and employee share ownership trust		0.4	2.4
Share repurchase		(10.0)	(11.2)
Net cash used in financing activities		(19.0)	(15.2)
Net (decrease)/increase in cash and cash equivalents		(16.2)	18.5
Cash and cash equivalents at the beginning of the year		223.9	173.9
Effect of foreign exchange rate changes		2.4	(9.1)
Cash and cash equivalents at the end of the period		210.1	183.3

Condensed consolidated statement of changes in equity

\$ million	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Other reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
At 1 January 2010 (audited)	36.4	29.5	17.1	1.6	(0.6)	22.6	0.6	244.6	351.8
Profit for the year	-	-	-	-	-	-	-	34.2	34.2
Other comprehensive income	-	-	-	-	-	(11.0)	(0.9)	(5.7)	(17.6)
Total comprehensive income	-	-	-	-	-	(11.0)	(0.9)	28.5	16.6
Share-based payment	-	-	-	-	-	-	-	0.2	0.2
Tax on share incentives	-	-	-	-	-	-	-	0.5	0.5
New shares issued	0.2	1.5	-	-	-	-	-	-	1.7
Share cancellation	(0.3)	-	0.3	-	-	-	-	-	-
Employee share ownership trust	-	-	-	-	-	-	-	0.7	0.7
Share repurchase	-	-	-	-	-	-	-	(11.6)	(11.6)
Equity dividends	-	-	-	-	-	-	-	(6.4)	(6.4)
Exchange adjustment	(2.1)	(1.7)	(0.8)	(0.2)	4.7	-	0.1	-	-
At 4 July 2010	34.2	29.3	16.6	1.4	4.1	11.6	(0.2)	256.5	353.5
At 1 January 2011 (audited)	35.3	31.4	17.3	-	1.6	19.3	-	302.2	407.1
Profit for the year	-	-	-	-	-	-	-	39.7	39.7
Other comprehensive income	-	-	-	-	-	3.9	-	(2.0)	1.9
Total comprehensive income	-	-	-	-	-	3.9	-	37.7	41.6
Share-based payment	-	-	-	-	-	-	-	0.4	0.4
Tax on share incentives	-	-	-	-	-	-	-	(1.0)	(1.0)
New shares issued	0.1	0.3	-	-	-	-	-	-	0.4
Share cancellation	(0.2)	-	0.2	-	-	-	-	-	-
Share repurchase	-	-	-	-	-	-	-	(10.0)	(10.0)
Equity dividends	-	-	-	-	-	-	-	(9.4)	(9.4)
Exchange adjustment	0.7	0.6	0.3	-	(1.6)	-	-	-	-
At 3 July 2011	35.9	32.3	17.8	-	-	23.2	-	319.9	429.1

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 2010 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 auditors. 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 3 July 2011 were approved by the directors on 4 August 2011.

2 Accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2010.

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 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 Services Authority.

Going concern

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

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 24 (revised)	Related Party Disclosures
IAS 32	Amendment to IAS 32 – Classification of Rights Issues
IFRIC 14	Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (May 2010)	

3 Operating segments

The Group is organised into three reportable operating segments, Performance Analysis, Service Assurance and Systems. The Group evaluates segment operating profit before share-based payment, acquired intangible asset amortisation, acquisition related costs and exceptional items, although there were no exceptional items in the first half of 2011 or 2010.

\$ million	Performance Analysis	Service Assurance	Systems	Corporate	Total
First half 2011					
Revenue					
External revenue	198.8	31.0	30.6	-	260.4
Profit before tax					
Total reportable segment profit/(loss)	50.7	5.3	4.6	(2.8)	57.8
Acquisition related costs					(1.2)
Acquired intangible asset amortisation					(1.0)
Share-based payment					(0.4)
Operating profit					55.2
Finance income					0.7
Finance costs					(0.1)
Profit before tax					55.8
Other information					
Product development	36.5	5.0	2.5	-	44.0
Intangible asset additions (excluding goodwill)	10.3	-	-	-	10.3
Property, plant and equipment additions	8.0	0.5	0.2	-	8.7
Intangible asset amortisation – other	0.4	-	-	-	0.4
Depreciation	5.3	0.7	0.3	0.1	6.4
First half 2010					
Revenue					
External revenue	170.3	27.7	29.2	-	227.2
Profit before tax					
Total reportable segment profit/(loss)	41.5	6.1	5.0	(2.7)	49.9
Acquired intangible asset amortisation					(0.7)
Share-based payment					(0.2)
Operating profit					49.0
Finance income					0.4
Finance costs					(0.6)
Profit before tax					48.8
Other information					
Product development	30.9	5.2	2.1	-	38.2
Property, plant and equipment additions	6.9	0.7	0.2	-	7.8
Depreciation	4.9	0.7	0.2	0.1	5.9

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

4 Geographical information

\$ million	First half 2011	First half 2010
Revenue by market		
Europe	48.5	38.4
United States	124.1	112.5
Asia Pacific, Rest of Americas, Africa	87.8	76.3
	260.4	227.2

The geographic analysis for the first half of 2010 has been restated to reflect a reclassification of revenue from Asia Pacific, Rest of Americas and Africa to the United States.

Europe includes United Kingdom revenue of \$8.3 million (first half 2010: \$8.1 million).

5 Tax

\$ million	First half 2011	First half 2010
Current income tax		
Overseas tax	11.5	12.9
Amounts overprovided in previous years	(0.3)	(1.1)
Total income tax	11.2	11.8
Deferred tax		
Recognition of deferred tax assets	(1.1)	-
Origination and reversal of temporary differences	6.0	2.8
Total deferred tax	4.9	2.8
Tax charge in the income statement	16.1	14.6

The effective tax rate for the first half-year is 29.4% (first half 2010: 32.2%), being the current year tax charge excluding the prior year tax credit as a percentage of profit before tax.

In arriving at the effective tax rate, the rate of UK corporation tax of 26%, which is enacted, was taken into account. In accordance with IAS 12 "Income Taxes" the effective rate does not take into account the impact in 2011 of the proposed progressive reductions in the UK corporation tax rate from 26% to 24%, these changes will be reflected when the relevant legislation is substantively enacted. The impact of the reduction in the rate on the effective tax rate for the full year is not significant.

6 Earnings per share

Earnings per share is calculated by reference to the profit for the period and the number of Ordinary Shares in issue during the period as follows:

\$ million	First half 2011	First half 2010
Profit for the period attributable to equity shareholders of parent Company	39.7	34.2
Number million		
Weighted average number of shares in issue – basic	668.6	673.1
Dilutive potential of employee share incentives	5.8	8.4
Weighted average number of shares in issue – diluted	674.4	681.5
Cents		
Earnings per share		
Basic	5.94	5.08
Diluted	5.89	5.02

The Group is disclosing adjusted earnings per share attributable to equity shareholders 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:

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

A reconciliation is provided below:

	First half 2011		First half 2010	
	\$ million	Cents	\$ million	Cents
Profit for the period attributable to equity shareholders of parent Company	39.7	5.94	34.2	5.08
Prior year tax credit	(0.3)		(1.1)	
Share-based payment	0.4		0.2	
Acquired intangible asset amortisation	1.0		0.7	
Acquisition related costs	1.2		-	
Tax effect on the above items	(0.2)		-	
Adjusted basic	41.8	6.25	34.0	5.05
Adjusted diluted		6.20		4.99

7 Dividends paid and proposed

	First half 2011		First half 2010	
	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	1.40	9.4	1.00	6.4
Amounts approved by the directors (not recognised as a liability at the balance sheet date)				
Interim	1.26	8.4	1.10	7.3

An interim dividend of 1.26 cents per Ordinary Share (2010: 1.10 cents per Ordinary Share) was declared by the Board on 4 August 2011 and will be paid to Ordinary shareholders on 15 September 2011 and to ADR holders on 26 September 2011. 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 12 August 2011.

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 \$1.64:£1.

8 Defined benefit pension plans

The 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 2009, of the plans' assets and the present value of the plans' obligations, using the projected unit credit method, have been used and updated at 3 July 2011. The key financial assumptions are as follows:

%	First half 2011	First half 2010	Year 2010
Inflation RPI	3.5	3.1	3.4
Inflation CPI	2.6	n/a	2.5
Rate of increase in pensionable salaries	4.0	3.6	3.9
Rate of increase for pensions in payment			
Pre January 2001 service	3.8	3.6	3.7
1 January 2001 to 5 April 2005 service	3.3	3.0	3.2
Post 5 April 2005 service	2.2	2.1	2.2
Rate of increase in deferred pensions	2.6	3.1	2.5
Rate used to discount plan liabilities	5.6	5.3	5.5

An operating charge of \$0.2 million (first half 2010: \$0.2 million) and net interest income of \$0.2 million (first half 2010: net interest charge \$0.5 million) have been recognised.

Changes in the fair value of pension plan assets were largely due to a movement in global stock markets and changes in the present value of liabilities were mainly due to changes in the assumptions.

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

\$ million	First half 2011	First half 2010	Year 2010
Fair value of defined benefit pension plans' assets	236.3	211.8	230.6
Present value of defined benefit pension plans' obligations	(226.7)	(219.0)	(220.7)
Net surplus/(deficit) in the plans	9.6	(7.2)	9.9
Irrecoverable element of pension plan surplus	(2.1)	(0.2)	(2.2)
Net UK funded defined benefit pension plan surplus/(deficit) on the balance sheet	7.5	(7.4)	7.7

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

\$ million	First half 2011	First half 2010	Year 2010
Assets			
UK funded defined benefit pension plan surplus	7.5	0.9	7.7
Liabilities			
UK funded defined benefit pension plan deficit	-	(8.3)	-
UK unfunded plan	(0.6)	(0.6)	(0.6)
	(0.6)	(8.9)	(0.6)

9 Reconciliation of profit before tax to cash generated from operations

\$ million	First half 2011	First half 2010
Profit before tax	55.8	48.8
Adjustments for:		
Finance income	(0.7)	(0.4)
Finance costs	0.1	0.6
Depreciation of property, plant and equipment	6.4	5.9
Intangible asset amortisation	1.4	0.7
Share-based payment	0.4	0.2
Changes in working capital		
Deferred income received	7.2	9.5
Increase in receivables	(16.4)	(12.3)
Increase in inventories	(2.3)	(3.0)
(Decrease)/increase in payables	(6.8)	1.5
Decrease in provisions	(2.1)	(2.2)
Defined benefit pension plan	(1.5)	(0.4)
Cash flow from operations	41.5	48.9

10 Share capital

Number million	First half 2011	First half 2010
Issued and fully paid		
At 1 January	674.9	678.1
Allotted pursuant to share incentives exercised	2.2	4.0
Cancelled during the period	(3.0)	(6.8)
Share capital at the end of the period	674.1	675.3

The Company has been operating an on market share repurchase programme. In the first half of 2011 the Company repurchased 3.0 million shares at a cost of \$6.8 million (first half 2010: 6.8 million shares at a cost of \$11.6 million). Shares repurchased were cancelled. In addition 1.4 million shares were purchased and placed into trust at a cost of \$3.2 million.

11 Business combinations

The Fanfare Group, Inc.

On 16 February 2011 the Group acquired 100% of the share capital of the Fanfare Group, Inc. ("Fanfare") for a total consideration of \$14.5 million in cash.

Fanfare provides test automation solutions that help equipment manufacturers and service providers accelerate time to market and improve product quality in the face of rapidly growing complexity. Convergence, in multiple forms, is driving growth in the complexity and scale required for successful testing of IP and Ethernet devices, networks and services, creating a clear need to streamline the product and services development process. An integrated and collaborative test automation approach is becoming an increasingly important business requirement to innovate in this market. Combining the two companies' products and services will result in a common automated test experience and a common platform that brings together engineers, technologies and processes.

From the date of acquisition to 3 July 2011, Fanfare contributed \$2.1 million of revenue and a \$0.3 million loss before tax to the results of the Group before charging \$1.2 million of acquisition related costs and \$0.5 million of acquired intangible asset amortisation. If the combination had occurred at the beginning of the financial year revenue of \$3.5 million and a loss before tax of \$1.6 million would have been included in the Group result before \$1.2 million of acquisition related costs and \$0.5 million of acquired intangible asset amortisation.

11 Business combinations continued

The goodwill arising of \$6.9 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.

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

\$ million	Fair value
Net assets acquired:	
Intangible fixed assets	6.6
Deferred tax asset	5.4
Trade and other receivables	0.5
Trade and other payables	(4.1)
Deferred tax liability	(0.8)
Total identifiable net assets	7.6
Goodwill	6.9
Total consideration	14.5
Satisfied by:	
Cash	14.5

The intangible assets acquired represent customer relationships and computer software and these have been assigned a provisional life of five years.

Acquisition related costs were \$1.2 million and these have been expensed and are included in administration costs.

12 Related party transactions

There have been no related party transactions in the first half of 2011 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 2010.

13 Capital commitments and contingent liabilities

There are no material capital commitments. There have been no material changes since 31 December 2010 to the Group's indemnities and contingencies.

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 2010 Annual Report.

The directors of Spirent Communications plc are as listed in the Spirent Communications plc Annual Report for 31 December 2010.

By order of the Board of Spirent Communications plc.

E G Hutchinson
Chief Financial Officer
4 August 2011

Independent review report to Spirent Communications plc

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 3 July 2011 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 13. 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 Services 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 adopted by 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 (UK and Ireland) 2410, "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 3 July 2011 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 Services Authority.

Ernst and Young
London
4 August 2011

Glossary

2G (Second Generation)	Second generation is the most common type of wireless communication today. It allows slow data communication, but its primary focus is voice.
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.
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.
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 developed for local area networks, migrating to metro area networks and becoming a dominant standard in wireline networks.
Fibre Channel	A technology typically used for high speed storage area networks (“SAN”) in enterprise storage applications, standardised in the T11 Technical Committee of the International Committee for Information Technology Standards (“INCITS”). It is primarily used for transporting SCSI (Small Computer System Interface) traffic from servers to disk arrays.
Fibre Channel over Ethernet	A storage networking protocol that enables Fibre Channel communications directly over Ethernet networks. Fibre Channel over Ethernet allows for storage (“SAN”) and network (“IP”) data traffic to be consolidated onto a single network, saving costs through the reduction in network interfaces, cables and switches, as well as in power and cooling requirements.
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.

IP (Internet Protocol)	Data protocol used by many networking devices to facilitate and control the flow of data.
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.
Layer 2-7	Layer 2-7 are abstract descriptions of layered communication levels between two devices. The layers from top to bottom are the Applications, Presentation, Session, Transport, Network, Data-Link and Physical Layers.
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.
Open Fabric	A non-proprietary, open standards-based approach to providing Fabric-based solutions for data center and cloud computing environments. Open Fabric solutions support high speed interconnectivity across multiple I/O Fabrics (a Fabric is a network topology where network nodes connect with each other via one or more network switches).
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.
TDM (Time Division Multiplexer)	A multiplexing technique which combines multiple bit streams on a single transmission channel by sampling each bit stream and assigning these samples a recurring timeslot on the channel.
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.
Virtualization	A term that refers to the abstraction of computer resources. Virtualization puts a number of computing and networking facilities together in such a way that it looks like a virtual computer to a user or a customer.
WCDMA (Wideband CDMA)	A global standard for mobile 3G.
Wi-Fi	Enables devices such as personal computers, video game consoles, smartphones or digital audio players to connect to the internet when within range of a wireless network connected to the internet. The coverage of one or more access points generally comprises an area the size of a few rooms but may be expanded to cover many square miles, depending on the number of access points with overlapping coverage.