

SPIRENT PLC
Form 20-F
May 18, 2005

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As filed with the Securities and Exchange Commission on May 18, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE
SECURITIES EXCHANGE ACT OF 1934**

or

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from [] to []
Commission file number: 001-15206

SPIRENT PLC

(Exact name of Registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

Spirent House
Crawley Business Quarter
Fleming Way, Crawley
West Sussex RH10 9QL
United Kingdom

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(Address of principal executive offices)

+44 (0)1293 767676

(Registrant's telephone number, including area code)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange
American Depositary Shares	New York Stock Exchange
Ordinary Shares*	New York Stock Exchange*

*Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 956,241,665 Ordinary shares of 3¹/₃p.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark which financial statement item the registrant has elected to follow:

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You should rely only on the information contained in this annual report. We have not authorized anyone to provide you with information that is different. The information in this annual report may only be accurate on the date of this annual report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Consolidated Financial Information of Spirent plc ("Spirent", "the Company" or "the Group")

The selected consolidated profit and loss account data for each of the three years in the period ended December 31, 2004 and balance sheet data as of December 31, 2004 and 2003 set forth below are derived from our audited consolidated financial statements, which are included elsewhere in this annual report. The profit and loss account data for the years ended December 31, 2001 and 2000 and the balance sheet data as of December 31, 2002, 2001 and 2000 are derived from our audited consolidated financial statements. All of these financial statements have been audited by Ernst & Young LLP, our registered public accounting firm. The selected consolidated financial data set forth below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects," and our consolidated financial statements and notes thereto included elsewhere in this annual report.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United Kingdom, or UK GAAP, which differ in certain respects from those generally accepted in the United States, or US GAAP. A description of the significant differences applicable to us and reconciliations of net income, shareholders' equity and cash flows are set forth in Note 34 of Notes to the Financial Statements.

We evaluate performance for each reportable segment based on turnover and operating profit before goodwill amortization and exceptional items. Operating profit and return on sales are used by the Group as key measures of operating performance and are stated before the effect of goodwill amortization and exceptional items so that period on period comparisons are not distorted. Free cash flow, meaning cash flow before acquisitions, disposals, equity dividends and financing, is also a key measure of operating performance used by the Group. Headline earnings per share is considered by the Group and our investors to be a key measure of overall earnings performance. The calculation is based on reported earnings adjusted for goodwill amortization and exceptional items including tax.

Consolidated Profit and Loss Account Data

	Year ended December 31				
	2004	2003	2002	2001	2000
	(£ millions, except per share and per ADS amounts)				
Amounts in accordance with UK GAAP					
Turnover	475.0	466.2	558.9	801.8	696.7
Operating profit/(loss)	30.8	18.8	(970.6)	(734.3)	110.0
Other Information					
Exceptional items					
Goodwill impairment			923.3	724.6	
Other	2.9	7.5	41.6	34.9	2.2
Goodwill amortization	9.1	9.7	56.1	86.6	25.7
Operating profit before goodwill amortization and exceptional items	42.8	36.0	50.4	111.8	137.9
(Loss)/income from interests in					
Joint ventures	(0.7)	2.7	7.4	9.6	13.3
Associates	2.8	2.1	1.0	1.3	2.7
Amortization of goodwill on associates			(0.2)	(0.1)	
(Loss)/profit on disposal and closure of operations	(0.9)	3.6	(48.4)	14.5	(18.1)
Profit on disposal of tangible fixed assets					3.2
Profit/(loss) before interest	32.0	27.2	(1,010.8)	(709.0)	111.1
Net interest payable	(6.8)	(9.3)	(12.3)	(22.8)	(29.3)
Exceptional interest payable	(0.5)	(16.1)			
Other finance (expense)/income	(0.7)	(1.5)	(0.3)	0.4	
Profit/(loss) before taxation	24.0	0.3	(1,023.4)	(731.4)	81.8
Taxation	(7.7)	(0.6)	(26.9)	(32.4)	(30.6)
Minority interest equity and joint venture	(0.3)	(0.2)	(0.4)	(0.2)	(0.5)
Profit/(loss) for the financial period	16.0	(0.5)	(1,050.7)	(764.0)	50.7
Basic earnings/(loss) per share (pence)	1.70	(0.05)	(113.90)	(83.49)	7.40
Headline earnings per share (pence)	2.99	2.31	3.36	7.70	12.61
Diluted earnings/(loss) per share (pence)	1.67	(0.05)	(113.90)	(83.49)	7.18
Dividend per share (pence)			1.35	4.35	4.35
Dividend per share (US cents)			2.10	6.36	6.33
Dividend per ADS (pence)			5.40	17.40	17.40
Dividend per ADS (US cents)			8.40	25.44	25.32

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Turnover by segment					
Continuing operations					
Performance Analysis	176.8	148.7	184.0	241.4	280.0
Service Assurance	74.7	91.7	131.4	189.2	9.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Communications	251.5	240.4	315.4	430.6	289.2
Network Products	187.8	174.4	164.7	170.4	181.4
Systems	35.7	51.4	78.8	124.0	135.4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	475.0	466.2	558.9	725.0	606.0
Discontinued operations					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	475.0	466.2	558.9	801.8	696.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit before goodwill amortization and exceptional items					
Continuing operations					
Performance Analysis	19.7	4.4	10.0	38.6	97.0
Service Assurance	0.2	9.4	20.8	44.8	1.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Communications	19.9	13.8	30.8	83.4	98.6
Network Products	20.4	16.7	15.0	14.9	25.3
Systems	2.5	5.5	4.6	5.4	2.7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	42.8	36.0	50.4	103.7	126.6
Discontinued operations					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	42.8	36.0	50.4	111.8	137.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amounts in accordance with US GAAP

	Year ended December 31				
	2004	2003	2002	2001	2000
	(£ millions, except per share and per ADS amounts)				
Net income/(loss)	24.9	5.7	(777.9)	(829.2)	(39.6)
Net income/(loss) per share					
Basic (pence):					
Continuing operations	2.65	0.61	(84.33)	(95.23)	(6.10)
Discontinued operations				4.62	0.32
Net income/(loss)	2.65	0.61	(84.33)	(90.61)	(5.78)
Diluted (pence):					
Continuing operations	2.60	0.60	(84.33)	(95.23)	(6.10)
Discontinued operations				4.62	0.32
Net income/(loss)	2.60	0.60	(84.33)	(90.61)	(5.78)
Dividend per share (pence)			4.35	4.35	4.24
Dividend per share (US cents)			6.49	6.33	6.29
Net income/(loss) per American Depositary Share ("ADS")					
Basic (pence):					
Continuing operations	10.60	2.44	(337.32)	(380.92)	(24.40)
Discontinued operations				18.48	1.28
Net income/(loss)	10.60	2.44	(337.32)	(362.44)	(23.12)
Diluted (pence):					
Continuing operations	10.40	2.40	(337.32)	(380.92)	(24.40)
Discontinued operations				18.48	1.28
Net income/(loss)	10.40	2.40	(337.32)	(362.44)	(23.12)
Dividend per ADS (pence)			17.40	17.40	16.96
Dividend per ADS (US cents)			25.96	25.32	25.16

Consolidated Cash Flow Data

	Year ended December 31				
	2004	2003	2002	2001	2000
	(£ millions)				
Amount in accordance with UK GAAP					
Net cash inflow from operating activities	60.3	68.2	76.9	141.2	125.7
Acquisitions and disposals	1.2	60.4	6.4	149.6	(536.6)
Financing	(9.5)	(143.6)	53.8	(152.8)	480.2
Amounts in accordance with US GAAP					
Cash inflow from operating activities	47.8	54.1	60.7	96.4	83.9
Cash (outflow)/inflow on investing activities	(23.6)	44.6	(17.9)	91.9	(596.1)
Cash (outflow)/inflow from financing activities	(9.5)	(143.6)	13.8	(192.6)	452.5

Consolidated Balance Sheet Data

	At December 31				
	2004	2003	2002	2001	2000
	(£ millions)				
Amounts in accordance with UK GAAP					
Intangible assets	88.8	101.6	113.6	987.7	1,816.8
Tangible fixed assets	86.3	90.2	110.0	137.6	136.2
Current assets	195.6	179.5	242.4	263.0	375.5
Total assets	386.5	386.2	529.4	1,450.9	2,382.1
Current liabilities	118.6	113.1	109.3	178.0	219.4
Creditors due after more than one year	80.2	95.6	248.3	205.6	355.6
Total liabilities (including pension liability)	241.5	264.1	432.2	400.7	577.1
Shareholders' funds	143.7	119.9	95.1	1,047.8	1,801.3
Share capital	31.9	31.5	31.3	31.1	30.9
Amounts in accordance with US GAAP					
Intangible assets	67.4	79.0	94.4	907.8	1,841.4
Tangible fixed assets	86.3	90.2	110.0	137.6	136.2
Current assets	206.5	220.1	283.1	314.1	408.7
Total assets	419.5	431.7	579.5	1,450.4	2,458.3
Current liabilities	139.6	186.1	179.1	234.2	246.9
Creditors due after more than one year	151.9	135.2	298.1	252.4	380.8
Total liabilities	343.2	388.4	566.9	538.1	669.3
Shareholders' funds	75.0	41.1	10.5	909.9	1,785.3
Share capital	31.9	31.5	31.3	31.1	30.9

Exchange Rate Information

We present our financial statements in pounds sterling. The financial statements of the WAGO joint venture are presented in euro. The information set forth below with respect to pounds sterling to US dollar exchange rates is based on the noon buying rate for pounds sterling in The City of New York for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. Also set forth below is exchange rate information pertaining to the euro, being the closing middle market price against pounds sterling. These rates are provided solely for the convenience of the reader and are not the exchange rates used by us in the preparation of our consolidated financial statements included in this annual report.

US Dollar

The noon buying rate on May 6, 2005 was \$1.89 = £1.00. The following table sets forth the high and low rate for each month of the previous six months.

	High	Low
	(US dollars per pound sterling)	
April 2005	1.92	1.87
March 2005	1.93	1.87
February 2005	1.92	1.86
January 2005	1.90	1.86
December 2004	1.95	1.92
November 2004		