Unlocking new possibilities

Spirent Communications plc
Annual Report 2023

Unlocking new possibilities

Discover how in our spotlights featured throughout this report Spirent is the leading global provider of automated test and assurance solutions for networks, cybersecurity, and positioning. With a strong track record of innovation and a dedicated team, Spirent is driving momentum and broadening its reach with pioneering solutions that help shape the future across many industries.

Discover how in our spotlights featured throughout this report

Our strategic roadmap

Our purpose and ambition

Spirent's ambition is to be the global leader and trusted partner for innovative technology test and assurance solutions.

Read more on pages 4 and 5

Strategic priorities

We are executing on our live network opportunities, diversifying our customer base to help reduce cyclicality, increasing our recurring revenue streams, and driving services and solutions across our portfolio. Our strategy is built on three pillars:

- Customer Centricity
- Innovation for Growth
- Operational Excellence

Read more on pages 20 and 21

Delivering value across the lifecycle

We stand behind our customers' promise to deliver a new generation of innovative products and services to their customers. We are with them in every phase of the lifecycle, from development in the lab to pre-deployment and live operation, ensuring that new technologies deliver.

Read more on pages 14 to 17

Sustainability values

We manage our material sustainability impacts and opportunities in alignment with the values we have captured in our FuturePositive programme:

- Promise of a sustainable future
- Net zero carbon
- Promote diversity and invest in people
- Operate responsibly
- Be accountable and transparent

Read more on pages 32 to 39

Culture/values

Our values are the bedrock of our culture, guiding how we work with one another and our customers. Our suite of flexible working practices supports employee wellbeing, reduces our carbon footprint, creates office environments that encourage knowledge-sharing, innovation and collaboration, and helps us attract and retain talent.

Read more on pages 30 and 31

2023 highlights

$293.7m **Orderbook**[1]	(2022 $288.1m)	$22.9m **Reported profit before tax**	(2022 $114.6m)
$474.3m **Revenue**	(2022 $607.5m)	7.55¢ **Adjusted basic earnings per share**[3]	(2022 18.86¢)
72.4% **Gross margin**	(2022 72.0%)	$108.1m **Closing cash**	(2022 $209.6m)
$45.2m **Adjusted operating profit**[2]	(2022 $129.5m)	2.76¢ **Dividend per share**	(2022 7.57¢)

As we progressed through 2023, the market landscape became increasingly challenging. The elevated prevailing interest rates and inflationary pressures impacted customers, especially those in the telecommunications sector. These customers responded by taking significant action, particularly in the second half of 2023, to cut costs and by reducing their capital expenditure to preserve cash.

Financial highlights

- Challenging market conditions impacted revenue which was $474.3 million (2022 $607.5 million).
- We have accelerated our focus on non-telco end markets, with good order growth for our Positioning business, positive progress with hyperscaler and enterprise customers, as well as the important financial services win.
- Robust pricing, supply chain management and product mix led to strong gross margin delivery at 72.4 per cent (2022 72.0 per cent).
- Opex initiatives delivered considerable cost savings in 2023 and will continue in 2024.
- Retained our technical leadership with no change to R&D headcount.
- Adjusted operating profit at $45.2 million (2022 $129.5 million) was in line with revised market consensus, materially down on 2022 performance, due to the significant impact of negative operating leverage. Reported operating profit at $18.4 million (2022 $112.7 million).
- Robust orderbook of $293.7 million (2022 $288.1 million).
- Strong balance sheet maintained, $108.1 million cash (2022 $209.6 million) after dividend payments of $46.5 million and $71.6 million of share buybacks.

Operational highlights

- Secured over 500 5G-related new contracts from more than 150 customers despite macroeconomic headwinds in the telecommunication market.
- Secured a significant Financial Services win and acquired NetScout's® Test Lab Automation business, successfully demonstrating our strategy to diversify outside of telecoms, and the broader applicability of our lab and test automation portfolio.
- Secured several important wins for Open Radio Access Networks from market-leading customers positioning us well for this long-term growth opportunity.
- Continued to develop our world-leading Wi-Fi test solutions business and brought to market the most comprehensive test solution for the next-generation, Wi-Fi 7.

Notes
1. Orderbook is an alternative performance measure as defined on page 196.
2. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022 $16.8 million).
3. Adjusted basic earnings per share is based on adjusted earnings as set out in note 11 of Notes to the full year consolidated financial statements.

Items with notes 1 to 3 are non-GAAP alternative performance measures; see pages 196 and 197 for more detail.

Uniquely positioned, strategically and operationally

We are uniquely positioned to seize opportunities, even in the face of macroeconomic uncertainty, due to the strength of our differentiated model and proposition. Leveraging our unique technology leadership and subject matter expertise, we are focused on market opportunities with strong and enduring drivers, and on further diversifying our customer base to reduce cyclicality. Our differentiated approach provides us with distinct competitive advantages.

Enduring market drivers

We are a critical enabler in the rapid shift to a hyperconnected world, with robust market drivers that include migration to 5G and beyond, digital transformation initiatives in telcos and large enterprises, hyperscalers expanding into the telco space and upgrading data centres for artificial intelligence workloads, and location awareness as a key enabler.

Key enabler of 5G transformation

Despite some caution in the current macroeconomic environment, operators' investment in their complex 5G networks is ultimately non-discretionary, with spectrum and network capital investment commitments already in place. Our opportunities from 5G standalone and 5G private network rollouts are still in their infancy.

We go-to-market differently

Our customers are the world's leading service providers, technology companies and enterprises. We have evolved our customer relationships, engaging in more consultative selling, and becoming a trusted partner that understands our customers' newer, larger business challenges and addresses them with solutions and services, not just products.

Only vendor addressing the entire technology lifecycle

We leverage the expertise and test methodologies developed in the lab to address our customers' live network test and assurance challenges, enabling us to secure larger, multi-year contracts that enhance our revenue visibility and predictability and help reduce cyclicality.

Disciplined investment strategy

Our customer intimacy and governance around our portfolio management ensure that we focus our investments on the faster-growing market areas that are most critical to our customers, both organically and through highly selective, earnings-accretive acquisitions.

Robust, sustainable operating model

We focus on retaining our key talent while pursuing a policy of diversity and inclusion, fuelling collaboration and leading edge innovation. We maintain a proactive approach to managing our supply chain. Our commitment to sustainability led to us achieving CarbonNeutral® Company certification in 2022.

Spirent at a glance

Global leader, innovator and trusted partner, unlocking new possibilities

We help our increasingly diverse customer base manage rapid change in the complexity of devices, networks and services, enabling them to keep the promises they make to their customers while reducing cost and accelerating time to revenue.

Our innovative test and assurance solutions, trusted expertise and services allow our customers to bring better quality products and services to market faster, to automate their test labs and the turn-up of new services, and to proactively identify and resolve problems in their live networks.

As the only vendor addressing all phases of the technology lifecycle we are unlocking new possibilities, applying more of our subject matter expertise gained in the lab to our customers' automation and live network challenges. Our two operating segments are focused on helping customers accelerate the migration of testing, evaluation and assurance of devices, network elements and applications from development labs to live networks.

Lifecycle Service Assurance

An established global leader in lab-based testing of 5G mobile core networks, cellular and Wi-Fi devices, as well as in lab and test automation solutions for the telecom industry and enterprises. The world-class innovation of our Lifecycle Service Assurance segment has enabled us to bring to market "live" solutions that provide end-to-end visibility, actionable insights and automated troubleshooting to radically simplify turn-up and assurance of complex 5G networks and services, reducing time and cost.

$199.1m

revenue in 2023
(2022 $264.5m)

Read more on pages 40 to 43

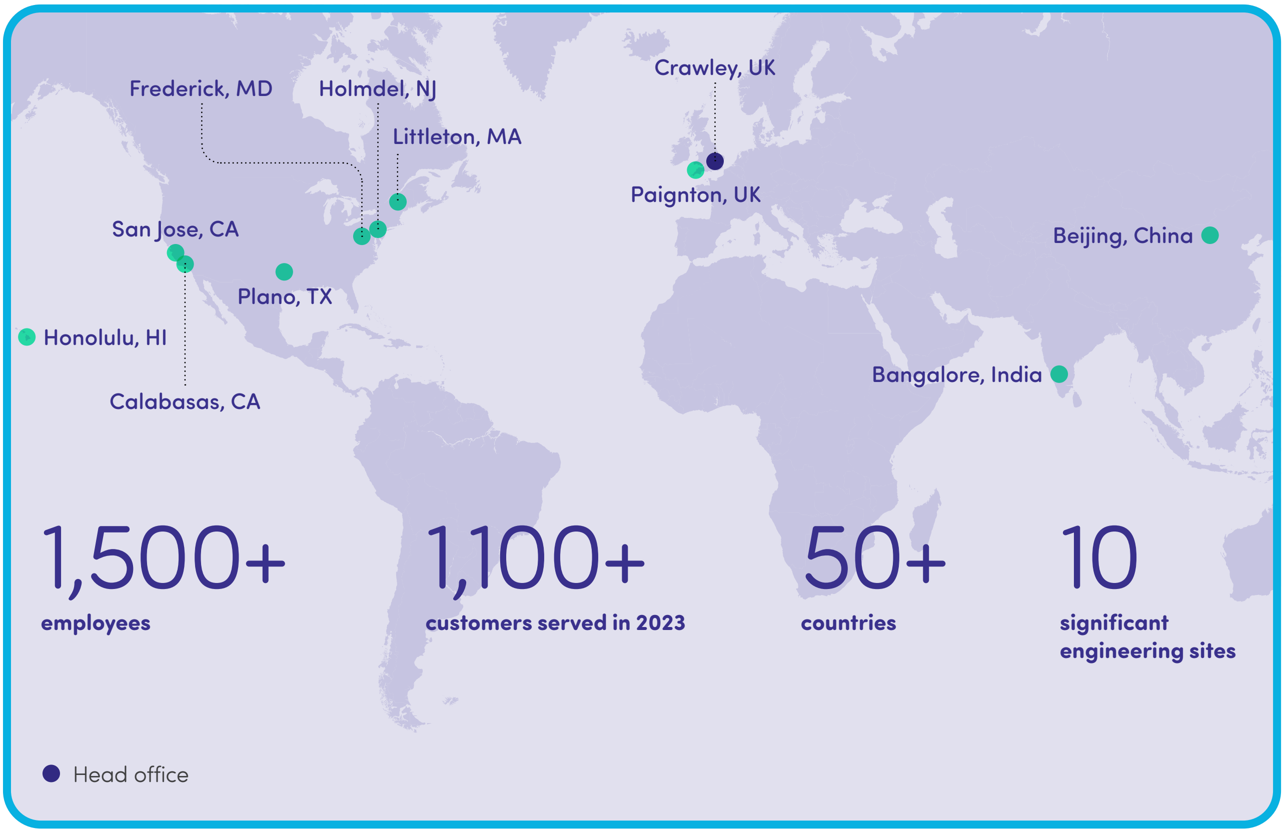
Networks & Security

An industry leader in high-speed Ethernet/internet protocol performance testing, our Networks & Security segment develops test methodologies, tools and services for virtualised networks, cloud and artificial intelligence networking infrastructure, application performance and proactive security validation. As the acknowledged market leader in global navigation satellite system test and simulation solutions, we are applying our innovation and expertise to emerging positioning, navigation and timing growth opportunities, such as low earth orbit satellite systems.

$275.2m

revenue in 2023
(2022 $343.0m)

Read more on pages 44 to 47



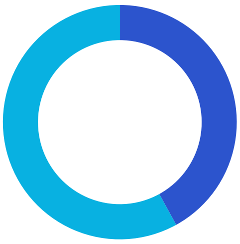
1,500+
employees

1,100+
customers served in 2023

50+
countries

10
significant engineering sites

Revenue by segment



- **Lifecycle Service Assurance**
  42%
- **Networks & Security**
  58%

Revenue by geography

- **Americas**
  57%
- **Asia Pacific**
  32%
- **EMEA**
  11%

Revenue by customer

- **Largest customer**
  7%
- **Other top ten customers**
  27%
- **Customers outside top ten**
  66%

Sustainability recognition

CDP rating 2023
Climate change: B
Supply chain: B

FTSE ESG 100
Select member
2023

FTSE4Good
member 2023

CarbonNeutral®
Company certification
2021, 2022, 2023

EcoVadis bronze
rating 2023

Read more on pages 32 to 39

Spotlight:
Accelerate time to market

Faster

Unlocking new opportunities to accelerate next-generation chipset development

Data centre applications

Sophisticated chipsets at the heart of data centres and other high-performance applications are becoming ever more complex as demand for greater capabilities and increased data bandwidths continues unabated. Unleashing new capabilities of system-on-chip (SoC) designs and getting these to the market faster places huge demands on design accuracy, as issues found after SoCs have been fabricated can cause costly delays.

Recognising the opportunity to incorporate early-stage advanced chipset testing, Spirent worked closely with long-time partner Cadence to create an integrated solution that bridges the gap between pre- and post-silicon validation, addressing design and test challenges of complex Ethernet chipsets for next-generation networking products. The seamless integration delivers large scale, high-speed Ethernet traffic generation, testing and troubleshooting capabilities to pre-silicon verification, helping accelerate the entire silicon development lifecycle.

Spotlight:
Reduce complexity and cost

Easier

Unleashing the best digital experience for banking customers worldwide

Financial services

Today's financial services customers expect a seamless online digital experience. To help ensure this, one of the world's leading financial services organisations turned to Spirent to help automate its global network of test labs, with the goal of making it easier to accelerate delivery of new products, version upgrades, and services to customers, while ensuring strict compliance and achieving major productivity gains and cost savings.

Manual, siloed approaches to testing enterprise networks are no longer viable because of the complexity of these increasingly disaggregated networks, and the speed and frequency at which they must be updated. Using its leading expertise in test automation and assurance, Spirent created a comprehensive solution that helps reduce testing procedure times from months to a matter of hours. The project represents an expansion of Spirent's reach beyond its existing telco and enterprise customers into the financial services sector.

Chairman's statement

Navigating a tough market

Sir Bill Thomas
Chairman

I am pleased to present our Annual Report for the year to 31 December 2023.

Performance during the year

2023 was without doubt a very difficult year. After several years of year-on-year growth, we saw a sharp reverse in our performance in terms of revenue and profitability. This performance was driven by a general slowdown in the telco market, Spirent's largest. Spirent's two biggest customer segments, telecom service providers and network equipment manufacturers were adversely affected, as investment in the roll-out of new 5G networks was delayed. It is scant comfort to our shareholders and the Board that all of our competitors also saw significant contraction where they compete in the markets that we serve.

In the face of a difficult market, it has been necessary to right-size our workforce whilst continuing to invest in our R&D technical leadership positions. Those of our colleagues who have left the business we have sought to treat fairly, sympathetically and with respect. We wish them well. Notwithstanding the current headwinds, the Board will continue to ensure that we invest in areas where we see potential for future growth.

Notwithstanding a difficult year, it was certainly not without bright spots. I should first mention the excellent performance of our Positioning business unit, unaffected by the telco market, which saw significant orders growth during the year.

We were also excited to win our first significant automation deal at a tier-one financial institution in the North American market. This win represents an example of how we might reduce our reliance over time on the telco market and demonstrates how we can take our testing and automation expertise and apply it to different end markets. Spirent is an innovative company and this beachhead in the financial services sector is a great example of how our innovative and thoughtful approach to solving the problems of customers can offer new growth opportunities for the Company.

The Board approved and executed a £56 million ($71.6 million) share buyback during the year.

Revenue decreased by 21.9 per cent to $474.3 million and adjusted operating profit fell by 65.1 per cent. Reported profit before tax was down from $114.6 million to $22.9 million.

We ended the year with cash of $108.1 million. The Board will continue to look at both organic and inorganic opportunities to grow, although it will be mindful of depleting cash in the current market environment. We are glad to see that our purchase of octoScope® in 2021 continues to perform strongly, and we expect the Wi-Fi space to offer significant opportunity for growth in 2024 and beyond. We also completed a small purchase of a Layer-1 switching business in the year, which rounds out our automation offering for the financial services sector.

Our employees and the right culture

As indicated, it has been a difficult year for all of our colleagues. Resilience and hard work have been the order of the day.

On behalf of the Board, I thank every one of our colleagues for continuing to strive to deliver for our customers and for your continued investment in the future success of Spirent. Through our employee engagement surveys we see continued high levels of engagement which is pleasing in the current environment.

Through our workforce engagement sessions, our Non-executive Directors are keen to understand the challenges our colleagues face and how we might move the Company forward. This year we have spent our sessions listening to our sales organisation in each of our three regions to better understand the drivers of customer buying behaviour in the current market.

We must also not lose sight of our successes and the progress we have made during the year. We continue to deliver exciting new products and we have been successful in new customer verticals and geographies. Where markets have offered us opportunities, we have executed well.

Sustainability

In late 2020, Spirent set an ambitious Sustainability Strategy with medium and long-term goals. Our strategy and goals are set out publicly in our annual Sustainability Report, as is the progress we have made against those goals. By the end of 2022, we had achieved our shorter term aims of achieving CarbonNeutral® Company certification and the calculation of all our Scope 3 emissions. At the end of 2023 we set ourselves our next medium-term goal, and publicly committed to the Science Based Targets initiative to reduce our emissions to ensure that the planet does not warm by more than 1.5 degrees centigrade. That is a significant challenge for our business to achieve and I look forward to reporting on our progress in the coming years.

Outlook

It is notoriously difficult to predict when the telco market will improve. We will continue to invest in our market-leading technologies and will look at how our expertise and technology can be applied to other markets. We will be well positioned to secure our share of the upside when the market begins to improve.

Customers are currently continuing to exercise caution in their spending, and so we will look to continue innovating to offer cost-effective solutions to customers with compelling value propositions.

Sir Bill Thomas
Chairman
5 March 2024

Our 2023 Sustainability Report

We established our FuturePositive programme to address our ESG progress in 2014. Since 2017 we have published an annual Sustainability Report, which is intended to inform all of our stakeholders of our progress.

See pages 32 to 39 for more detail on Sustainability

See pages 35 to 37 for more detail on TCFD

Read our Sustainability Report here: corporate.spirent.com/sustainability/sustainability-reports

Chief Executive Officer's review

Well placed for strategic and operational progress

Eric Updyke
Chief Executive Officer

Revenue

$474.3m

(2022 $607.5m)

Orderbook[1]

$293.7m

(2022 $288.1m)

Note
1. Orderbook is an alternative performance measure as defined on page 196.

2023 was a challenging year for many of the markets we serve.

Despite our customers experiencing the challenging economic environment resulting in delays to their technical programmes, Spirent continued to deliver value for our customers, innovate and diversify its end markets.

Market overview

We maintain confidence in our mid-term growth prospects supported by our key market drivers. While 5G rollouts experience delays, our Open RAN offerings align with evolving customer needs and the market landscape. As Wi-Fi 7 deployment unfolds, our standing as the global leader in Wi-Fi testing positions us for substantial benefits.

The evolution of data centres, the rise of artificial intelligence (AI)/machine learning, and the expanding presence of hyperscalers is a developing vector for our high-speed Ethernet business. With our leadership position in 800G, we are well-prepared for future spending in this domain. Simultaneously, our world-class Positioning portfolio is set to expand, catering to the increasing demand for location awareness, global navigation satellite system (GNSS) testing and the emergence of low earth orbit (LEO) satellites.

We cannot predict the timing of the recovery of telecom customer spending; however, we are well positioned to benefit as the recovery comes through and our strategic focus on diversification across end markets remains steadfast. Notably, Spirent's Positioning business delivered good growth serving diverse sectors such as government, automotive, aerospace, defence and other verticals and our recent win in financial services and advancements in our automation portfolio underscore our commitment to diversify and exploit new growth segments and core markets.

Strategy

To realise our ambition to be the global leader and trusted partner for innovative technology test and assurance solutions, our strategic pillars remained: Customer Centricity, Innovation for Growth, and Operational Excellence.

Customer Centricity

As our customers faced tighter budgets, our commitment to collaboration deepened as we worked together to address their foremost business challenges through value-added services and solutions. We continue our shift from selling features to emphasising outcomes and value. This resulted in strengthened relationships with our customers. It solidified our significance in their accounts, especially during times of economic uncertainty and cautious spending on capital and operations.

Strategically, we are focused on broadening our customer base and venturing into new verticals. In 2023, we extended support to over 1,100 customers spanning more than 54 countries.

Innovation for Growth

To maintain and expand our technical leadership position, we continued to make smart investments, both organic and inorganic, to capture emerging market opportunities. We continued to invest in all key product road maps and in research and development in 2023. We brought several key new solutions and services to market, including our Wi-Fi 7 solution and an enhanced end-to-end Open RAN testing solution. We invested in key partnerships, including participating in the 5G Open Innovation lab.

To enhance our automation portfolio, we acquired the Test Lab Automation business from NetScout®, which delivers physical layer switching capabilities, critical to configuration and connectivity in automated labs. As manual methods for testing enterprise networks are no longer viable, our automation solution enables customers to significantly accelerate delivery of new products, version upgrades, and services to their customers, while ensuring strict compliance and benefiting from major productivity gains and cost savings. This innovative offering appeals to multiple customer verticals, as showcased by our major win with a financial services customer this year.

In the high-speed Ethernet testing domain, our strategy focuses on broadening our customer base to include data centres and enterprises. This expansion aims to focus on every phase of next-generation network and cloud infrastructure evolution, ranging from pre-silicon verification to high-density, large-capacity systems. Our leadership in 800G high-speed Ethernet test is critical for data centre evolution to support AI. We supported H3C to complete the industry's first large-scale 800G and won the industry's prestigious Interop Best of Show Award 2023 Special Prize.

Our worldwide leadership in positioning, navigation and timing (PNT) testing, further establishes us as the go-to partner for professionals in PNT technology. Our extensive portfolio emphasises multi-sensor integration, ensuring clients in emerging sectors like LEO satellites, chipsets, and automotive technology can realise their PNT aspirations. Our Positioning division witnessed growth in orders, driven by government expenditures and fresh prospects in the burgeoning LEO satellite sector. We further broadened our Positioning operations in the enterprise and automotive sectors, securing a managed services win with a top-tier mining communications equipment provider.

Operational Excellence

In response to the unpredictable nature of the market, we implemented targeted cost-saving measures to ensure the sustainability of our operations. The focus was on preserving critical investments, while grappling with the inherent difficulties posed by the unpredictable business environment.

As the nature of our workplace continued to be mainly hybrid or remote, we continued the journey of consolidating our real estate footprint. This initiative required a delicate balance between optimising costs and providing a work environment that meets the evolving needs of our workforce.

We made some organisational changes to better align ourselves with the market dynamics. First and foremost, we have taken an approach to better enable solutions selling. We have been on a journey to be a more solutions-centric organisation for the last few years and have now integrated our Lifecycle Service Assurance and Cloud & IP business units from 1 January 2024. This change will align products into "value streams" to better package them into solutions that solve customer business problems. We expect it to drive more efficiency, including our R&D oversight, enabling functions to drive better prioritisation, common platforms, and consistent user interface/user experience across products. Our Positioning business, which has different end markets and customers, will be reported separately going forward.

Sustainability remains a key pillar of our operational excellence. In 2023, we successfully rolled out certified regional ISO 14001 Environmental Management Systems for North America and EMEA. We introduced sustainability clauses into our supplier contracts, and we have improved our carbon data quality. You can read more about the full scope of our work in the area of ESG on pages 32 to 39 and in our annual Sustainability Report.

Capital allocation approach

Our capital allocation policy remains unchanged. We invest in R&D to maintain and expand our leadership positions in the market, and in inorganic investments where we see attractive opportunities that support our strategic growth agenda, whilst maintaining a robust balance sheet. We maintain a progressive dividend policy and in the financial year we concluded a share buyback programme of 33.1 million shares.

Eric Updyke
Chief Executive Officer
5 March 2024

Spotlight:
Optimise user experience

Simpler

Helping NTT Docomo unlock the Open RAN revolution's potential

Open RAN

When NTT Docomo set out its global plan to become the partner of choice for telecom operators adopting Open RAN (O-RAN), it turned to Spirent's O-RAN test solutions to help unlock the technology's potential. Offering customisable solutions to design, integrate, test, deploy and operate O-RAN systems, Docomo wanted to demonstrate to customers that its multi-vendor O-RAN solutions can deliver the performance required in the world's largest, most demanding networks.

Through its O-RAN service brand OREX™, Docomo chose Spirent's solutions to provide comprehensive 5G core emulation, critical to simplifying validation of multi-vendor interoperability, standards compliance, and real-world performance. Combining Spirent's industry-leading realistic network emulation with advanced performance and security testing in a unified, automated solution gives Docomo confidence in demonstrating the viability and performance of O-RAN for customers worldwide.

Smarter

Meeting the daunting data demands of artificial intelligence

Artificial intelligence

One of the world's largest hyperscalers is also leading the way in the development of artificial intelligence (AI), as AI becomes a growing force in digital transformation. While wrestling with the capabilities that AI is already delivering, the company is all too aware of the daunting demands it will put on data capacity requirements for the future, as AI integration becomes ever more ubiquitous.

Seeing 800G as the future workhorse of the cloud's high-speed Ethernet backbone, the hyperscaler invested in Spirent's market-leading 800G test solutions, making it simpler to test and validate today the reliability and potential of the 800G ecosystem of the near future, and ensuring it can continue its work at the bleeding edge of AI development with confidence.

Unlocking new opportunities

Spirent invests to sustain and expand our leadership and support our profitable growth in key technologies and growth markets.

We are evolving deeper and broader partnerships with an increasingly diverse base of customers, helping them address their larger business problems with innovative solutions and services, not just products. We are leveraging subject matter expertise gained from our leadership in lab test and validation to address our customers' live network challenges, as they advance towards complex cloud-native 5G standalone networks and employ continuous integration and continuous delivery models. We are applying our industry-leading expertise to key emerging areas such 5G private networks, the expansion of telco cloud, data centre upgrades to support artificial intelligence (AI) workloads, open radio access networks (Open RAN), and low earth orbit (LEO) satellite constellations. Diversifying our markets and our customers provides us with new opportunities to grow and to build additional recurring revenue streams that support sustainable, profitable growth.

Non-terrestrial networks and LEO

Market driver

Growth in non-terrestrial networks (NTN) and LEO mega satellite constellations continues apace with over 5,700 satellites in orbit, and over 58,000 satellites estimated to be in active orbit by 2030, delivering mobile broadband, emergency services and Internet of Things connectivity directly to devices, while offering resilient positioning, navigation and timing (PNT). Being close to Earth, these new constellations enable more robust and secure connectivity to remote, underserved communities, mission-critical industries, and military theatres.

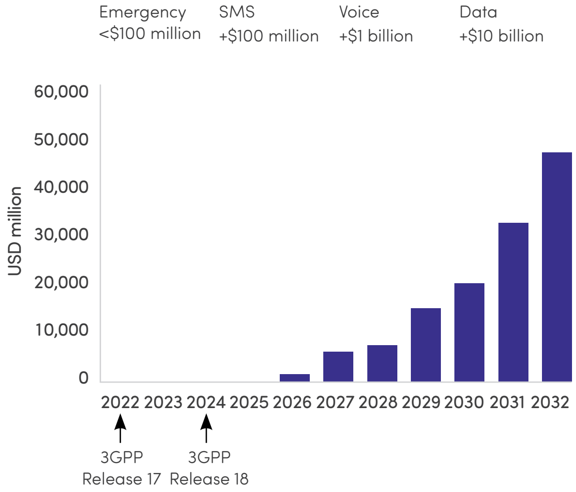
Opportunities for Spirent

Space is an incredibly complex environment, so it is critical to validate satellite communications and PNT performance in the lab before deployment. Numerous technology and performance challenges must be tested, from signalling delays and timing variations to large Doppler shifts and signal degradation from atmospheric conditions and interference.

Our response

Spirent, as the industry leader in satellite PNT and end-to-end mobility testing, is well positioned to help the industry deliver on NTNs' promises and bridge the technology divide between satellite providers and mobile operators. Spirent is already deeply engaged with leading players across the ecosystem, helping to test the complex performance and resiliency requirements of a new generation of SATCOM and PNT services.

Satellite D2D consumer segment revenue



Analysys Mason estimate a $137 billion revenue opportunity (cumulative between 2022 to 2032) for direct-to-device (D2D) SATCOM services.

Source: Analysys Mason/NSR.

386m

direct satellite-to-device subscribers by 2030

Source: NSR an Analysys Mason Company 1 August 2022.

STRATEGIC REPORT

800G and data centre networking for AI

Market driver

The rapidly-increasing appetite for applications such as cloud gaming, streaming services, industrial connectivity, and a new wave of AI workloads is driving bandwidth demands ever higher. Cloud service providers are focusing on AI infrastructure for learning clusters which require high bandwidth connectivity, and for inferences which require low latency.

This is all stimulating rapid evolution in Ethernet backbones and interconnects in data centres that underpin the cloud and provide support for enterprises, driving refresh cycles from 400G to 800G, as well as early 1.6 Terabit research and development.

Opportunities for Spirent

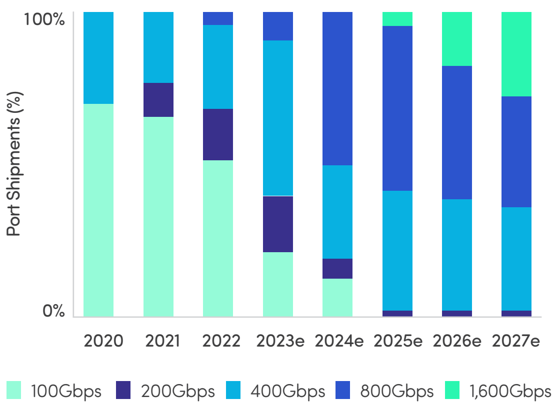
With the rapid acceleration towards 800G, customers are demanding higher-density testing capabilities. Flexibility is needed to validate the next generation of routers and data centre fabrics for cloud computing and streaming service quality of service, for performance and latency of data centre switches, and for the latest generation of terabit core routers.

Our response

Spirent has developed the industry's highest-density, award-winning multi-rate 800G high-speed Ethernet test solution, leveraging our decades of leadership in Ethernet testing.

Spirent's 800G solution helps accelerate 800G adoption across next-generation chipsets, routers, switches, and data centre fabrics, and lays the foundation for future 1.6 Terabit evolution.

Forecast (23–27) – front-end AI networks



Deployments in front-end connectivity for AI clusters to drive 800G demand with nearly 2/3 of ports being 800 Gbps by 2027.
Source: Dell'Oro Group.

Financial services (digital transformation)

Market driver

Financial services organisations are embarking on large-scale digital transformation and automation programmes driven by competitive pressures, heightened security risks, legacy IT systems and a heritage of costly and inefficient siloed labs and manual testing processes.

This is compounded by the need for continuous regulatory compliance and certification testing while meeting aggressive sustainability targets across growing IT and data centre real estates.

Opportunities for Spirent

Manual methods for testing enterprise networks, regulatory compliance and the provision of new digital services are no longer viable because of the complexity, speed and frequency at which increasingly disaggregated networks need to be updated.

By automating test lab capabilities, world-leading financial services companies will be able to significantly accelerate delivery of new products, version upgrades, and services to their customers, while ensuring strict compliance and benefiting from major productivity gains and cost savings.

Our response

Spirent's proven lab and test automation solutions are fully applicable to these transformation programmes and to continuous testing within enterprise sectors, including financial services. This expanded market opportunity for Spirent was showcased by a large deal we won with a leading global financial services organisation in 2023.

Banking, Financial Services, & Insurance (BSFI) market dynamics

$310bn

Digital Transformation spending by 2032, growing at a compound annual growth rate (CAGR) of 16.6 per cent from 2023 to 2032.[1]

$8.79bn

Robotic Process Automation spending by 2030 to automate repetitive tasks, streamline complex processes, and reduce human errors, growing at a CAGR of 39.4 per cent from 2023 to 2030.[2]

Sources: 1. Allied Market Research; 2 Grand View Research.

Our business model

Unleashing the value of transformative technologies

Using our resources effectively

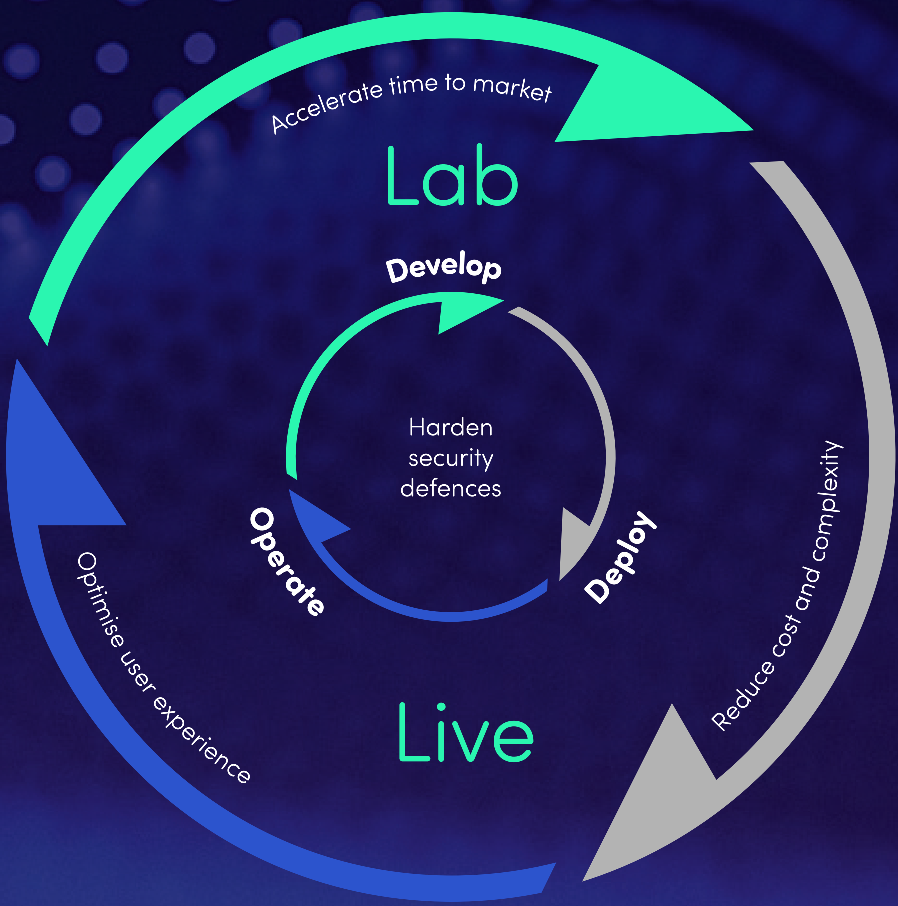
Financial strength
To invest in research and development

Intellectual property
Protected IP and patents

Organisational capital
Unique systems and processes

Human capital
Talented and driven workforce

Social capital
Strong partnerships with customers and suppliers



We stand behind the promise of our increasingly diverse customer base to deliver a new generation of transformative products and services to their customers. We are with them in every phase of the **lab to live** lifecycle from development to operation, ensuring new technologies work and new revenue streams are unleashed.

Making new technologies work

Non-terrestrial networks and LEO satellites	Telecom and financial digital transformation	AI networking and 800G for data centres	The next wave of 5G, Wi-Fi and the cloud

Spirent's unique value

We **Unblock** development for faster releases

Our automated test and digital twin solutions realistically model real-world networks so providers can rapidly validate new concepts for non-terrestrial networks (NTN), artificial intelligence (AI) data centre networking, 5G standalone/advanced, Wi-Fi 7, next-generation positioning and more. Our managed solutions offer our critical technology and methodology skills and expertise, allowing customers to streamline their labs and testing.

We **Unlock** agility and cost savings

Our continuous testing solutions and automated test frameworks empower our diversified customer base across industries such as telecom and financial services to transform legacy testing workflows and silos into automated, collaborative test environments. This enables supplier ecosystems to work together seamlessly, improving agility, accelerating releases, and increasing resource and energy efficiency.

We **Unleash** new services and revenues

Our active continuous monitoring solutions create a foundation for a new generation of AI, NTN, 5G, Wi-Fi 7, and positioning services that offer high-growth revenue opportunities. We enable service differentiation across new dimensions: latency, loss, security, scalability, and managed service level agreements. Our proactive, automated root cause isolation allows customer issues to be resolved before customers are impacted.

Spotlight on 5G

Unleashing 5G standalone with its new revenue opportunities and efficiencies

5G standalone on the cusp

5G standalone (SA) network deployments growth stalled during 2023, largely due to delays in capital expenditure investment and delays in overcoming the formidable technical challenges of deploying and integrating new, cloud-native 5G core technologies. However, growth is forecast to rebound in 2024, as mobile operators focus on advanced revenue-generating use cases which simply cannot be supported without the move to 5G SA. This comes against a background of expanding demand in enterprise private networks, gaming and metaverse applications, government and military use cases, and energy efficiency/sustainability, all representing near-term areas of opportunity for Spirent.

Already 121 operators in 55 countries are investing in 5G SA networks. Cloud providers, operators and network equipment manufacturers are all launching private 5G SA-based offerings. Leading chip and device equipment manufacturers are launching 5G SA advanced capable form factors, while premium 5G SA services are being tested and launched, including secure network slices, voice over new radio and reliable low-latency solutions for industrial applications.

Clearly, suppliers and operators see a 5G SA market that's ready to scale, and we anticipate controlled growth deployments beginning in mature markets during 2024, scaling nationally throughout the coming years, with the longer tail of operators following, providing an enduring test and assurance opportunity for Spirent.

Advanced revenue-generating use cases simply cannot be supported without the move to 5G SA.

Stephen Douglas
Head of Market Strategy, Spirent

Private 5G networks

The market for enterprise private networks saw steady adoption throughout 2023. In 2024 and beyond, we expect private networks to see significant growth – and become a meaningful source of incremental revenue for our customers – thanks to rising demand from enterprises, government and military customers, and their growing willingness to pay a premium for assuring network service level agreements (SLAs) to guarantee business outcomes and return on investment.

This growth in enterprise private networks will also fuel associated investment in cloud and multi-access edge computing (MEC). It's already clear that many enterprises have strict requirements for assuring security and data privacy on-site. At the same time, many of the most compelling private network use cases, especially those using latency-sensitive or artificial intelligence/machine learning-driven applications, will benefit from the performance gains derived from local application processing.

Spirent's strategy is well aligned to help our customers unleash the revenue potential of private 5G and MEC. An acknowledged industry leader in 5G core and edge network testing, offering innovative solutions such as automated and continuous testing and assurance, together with flexible business models such as test-as-a-service, Spirent is helping enterprises to unlock new business outcomes and operators and suppliers to deliver new premium and assured revenue generating services.

Lifecycle Service Assurance

Helping customers unleash new forms of differentiation, assured revenue generating services and increased savings.

As early 5G non-standalone (NSA) networks mature, focus naturally shifts towards 5G SA to deliver the true promise of 5G and guarantee performance, with SLAs helping to ensure new revenue streams and competitive advantage.

With new complexity from 5G SA's cloudification, and a transformation of many integration and deployment workflows, demand is growing for network automation and continuous test and assurance across the 5G lifecycle.

Spirent's market leadership in 5G SA core network testing, our vendor-independent status and cutting-edge expertise in automation and continuous test and assurance uniquely positions us to help the industry make the move to true 5G with confidence.

Spirent's global leadership in 5G core testing was again showcased in 2023 with leading operators, equipment manufacturers and cloud providers, with over 65 unique customer engagements, including within adjacent satellite industry, government and military markets.

Networks & Security

Helping customers unlock increased agility and faster time to market.

The growth in 5G deployments and the move to SA with its disaggregated, cloud-native architecture highlight the dependency on a high-capacity, tightly synchronised, low-latency and secure internet protocol transport network capable of supporting thousands of additional cell sites, new edge locations and geographically distributed data centres.

Spirent's high-speed Ethernet and application-aware security testing leadership was complemented in 2023 by CloudSure, an innovative solution designed to ensure the reliability, fault tolerance, and scalability of cloud-native deployments to deliver robust and resilient 5G services.

Spirent's 5G telco cloud leadership was highlighted in 2023 at one of the world's largest 5G operators, helping them validate 5G core network cloud native function resilience when running on various cloud infrastructures and stacks, safely accelerating their time to launch their new 5G SA network.

Managed Solutions

Helping our customers address technology risks, operational overheads and skill set shortages.

5G's increased complexity, combined with an exponential increase in the velocity and volume of software releases, inconsistent tools and processes, and a lack of in-house expertise, presents major challenges to our customers.

Managed Solutions help address these challenges by offering our unparalleled subject matter expertise, tools and methodologies as a service, enabling an innovation pipeline between development and operations.

Spirent's Managed Solutions leadership was showcased in 2023 at a leading north American operator with one of the world's largest 5G SA networks, which utilised Spirent's Test-as-a-Service managed solution to deliver lab and field testing of new mobile devices to validate their performance for data and next-generation voice-enabled services on its new 5G SA network.

$24.1bn

Forecasted 5G SA network infrastructure (core and cloud) spend between 2024–2027[1]

300

Commercial 5G launches out of 578 operators investing in 5G[2]

50

Commercial 5G SA launches with another 74 operators currently investing towards 5G SA[3]

>60,000

Private 5G/LTE networks by 2028[4]

Sources
1. Omdia (September 2023).
2. Global Mobile Suppliers Association (GSA) (December 2023).
3. Dell'Oro Group & GSA (December 2023).
4. Analysys Mason (December 2023).

Our strategic priorities

We are focused on three strategic priorities

To realise our ambition to be the global leader and trusted partner for innovative technology test and assurance solutions, we are focused on three strategic priorities, or pillars:

Customer Centricity
Our mindset of customer centricity enables us to take a broader role on our customers' behalf, solving their larger, most pressing problems and adding more value.

Innovation for Growth
We must continue to relentlessly innovate and invest to stay ahead on key, emerging technologies, and to maintain market leadership.

Operational Excellence
Our focus on operational excellence and upholding our core values is a key differentiator that enables our sustainable, profitable growth.

We are building on the progress we have made in addressing our customers' larger and most pressing business problems by selling outcomes and value.

Eric Updyke
Chief Executive Officer

Customer Centricity

What we achieved

We remained dedicated to supporting our customers during difficult times by staying connected with them. Our primary focus was on enhancing the return on investment enabled by our portfolio, ultimately saving our customers' time, effort and money throughout their journey.

The success of our key account programme persisted, driven by major customers directing their budgets toward automation and essential investments. Our partner ecosystem demonstrated impressive performance yet again, achieving robust outcomes by strategically targeting rapidly-growing segments and regions.

In addition, we increased our share of the market among existing customers while simultaneously expanding into new target segments like hyperscalers and financial services. A significant milestone was reached with a financial services organisation, highlighting our leadership in modernising and automating labs and winning customers beyond our core base.

Priorities for 2024

- Continue diversifying our customer base.
- Continue driving our shift from selling product features and functions to selling outcomes and value.
- Drive solutions and services that specifically tackle our customers' existing challenges, particularly those related to productivity and efficiency objectives.
- Utilise our globally leading automation solutions to expedite the achievement of our customers' energy-saving goals.
- Expand on our landmark services deals to win more strategic services opportunities.

1,100+
customers served in 2023

Innovation for Growth

What we achieved

We continued to make smart investments in our future growth, including R&D, key talent and business model innovation, with a continuing focus on our drivers of 5G and Open RAN (O-RAN), cloud growth, digital transformation and location awareness.

Our Positioning business, with its unique end markets, achieved robust bookings with its world-class portfolio of solutions. Our extensive portfolio now emphasises multi-sensor integration, ensuring clients in emerging sectors like low earth orbit (LEO) satellites, chipsets and automotive technology can realise their positioning, navigation and timing (PNT) aspirations.

To enhance our automation portfolio, we acquired the Test Lab Automation business from NetScout®, which delivers physical layer switching capabilities, critical to configuration and connectivity in automated labs.

We introduced our Wi-Fi 7 solution to the market to address the evolving demands of the next generation in Wi-Fi testing. This cutting-edge solution not only enhances performance but also sets a new standard for reliability and speed in wireless connectivity testing.

Priorities for 2024

- Invest in scaling and management of our services delivery capability and increasing the software content in our solutions.
- Leverage the breadth of our 5G portfolio to address evolving customer needs as 5G moves beyond the lab to deployment and production networks.
- Leverage our industry leadership in Wi-Fi test and validation to address technology evolution to Wi-Fi 7 and the growing Wi-Fi market need for Test-as-a-Service offerings.
- Maintain and expand leadership in high-speed Ethernet with continued 800G innovation and quality/usability enhancements.
- Expand PNT leadership in space, chipset and live assurance applications.
- Focus on maximising opportunities in O-RAN and 5G private network markets.

$102.4m
(2022 $111.3m)
invested in research and development in 2023, representing

21.6%
(2022 18.3%)
of revenue

Operational Excellence

What we achieved

Our prioritisation of operational excellence resulted in continuing diligent management of our cost base throughout 2023, ending the year with $108.1 million of cash and no debt. The adjusted operating margin decreased by 12 percentage points to 9.5 per cent. We continued to invest in our people and made significant progress in our diversity, equity and inclusion strategy.

In light of the market's unpredictable nature, we embraced the challenging yet essential task of implementing cost-cutting measures to navigate economic headwinds. This entailed making difficult decisions and executing targeted cost-saving initiatives to secure the sustainability of our operations. Our primary objective was to preserve critical investments while grappling with the inherent challenges presented by the unpredictable business environment.

Our approach to cost optimisation demanded surgical precision, with a heightened awareness of the delicate balance between fiscal responsibility and the imperative to safeguard our capacity for growth.

We made some organisational changes to better align ourselves with the market dynamics, including reorganising our business units to better enable solutions selling. We expect it to drive more efficiency, including a single R&D organisation to drive better prioritisation, common platforms and consistent user interface/user experience across products.

Priorities for 2024

- Continuously assess and expand our portfolio, pursuing both organic and inorganic growth to align with strategic goals and capitalise on lucrative market opportunities.
- Unwavering commitment to operational efficiency, encompassing the execution of our site strategy and optimisation of our operating model.
- Prioritise sustainability and ESG objectives to uphold our commitment as a responsible corporate citizen.
- Execute the 2024 objectives outlined in our diversity, equity and inclusion strategy.
- Sustain investments in our IT infrastructure, tools and processes, to bolster support for our ongoing growth.
- Maintain a robust balance sheet to ensure strategic flexibility and long-term viability, particularly during periods of macroeconomic uncertainty.

Key performance indicators

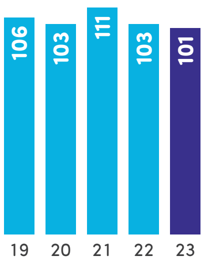
Performance in a difficult environment

Spirent's strategy focuses on medium to long-term growth and therefore its achievement cannot be measured by just looking at performance in 2023 compared to the prior year; trends over a number of years must also be considered. Executive Director remuneration is linked to certain financial, strategic and operational key performance indicators (KPIs) with further information available in the Report on Directors' Remuneration on pages 83 to 109.

Book to bill[1]

Ratio

101



Reason for measurement
The ratio of orders booked to revenue recognised is a measure of the visibility of future revenue at current levels of activity and provides an indication of the underlying trend in Spirent's future revenue stream.

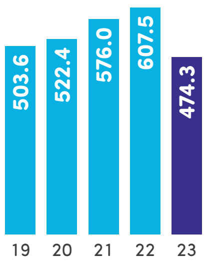
Performance
Order intake was greater than revenue in the year resulting in a book to bill ratio of 101 as we continue to win larger, longer-term contracts that improve revenue visibility and build repeatable business (2022 103).

Relevance to strategy
The book to bill ratio is an indicator of the underpin to future revenue and whether activity levels are rising or slowing, and therefore how effective we have been in the execution of our strategy.

Revenue

$ million

$474.3m



Reason for measurement
Spirent monitors growth in revenue as this shows how successful Spirent has been in expanding its markets and growing its customer base.

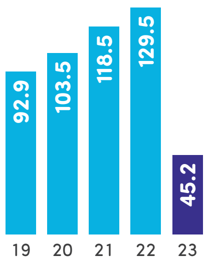
Performance
21.9 per cent revenue decrease in 2023, following a 5.5 per cent increase in 2022. 5G is expected to be a strong driver of future business across our solution portfolio in the mid term; however, during the year, customers delayed their investments to manage economic challenges.

Relevance to strategy
Revenue demonstrates the effectiveness of our strategy: our success in expanding our markets both organically and through acquisition; maintaining technology leadership; and our strong relationships with our customers, all of which ensure that we continue to win and maintain business.

Adjusted operating profit[2]

$ million

$45.2m



Reason for measurement
Adjusted operating profit is the measure used to evaluate the overall performance of the Group as well as each of the operating segments.

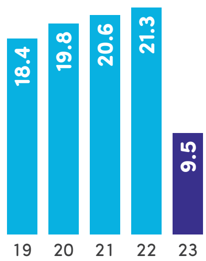
Performance
Adjusted operating profit decreased by 65.1 per cent to $45.2 million, from $129.5 million in 2022, as a result of challenging trading conditions partly offset by continued focus on cost control.

Relevance to strategy
Adjusted operating profit indicates our financial strength and our ability to invest in the business to support the growth agenda.

Adjusted operating margin[3]

%

9.5%



Reason for measurement
Adjusted operating margin is a measure of the Group's profitability. Spirent operates in markets which have high operating returns and strives to achieve best-in-class operating margin compared with its peers.

Performance
The decrease in adjusted operating margin to 9.5 per cent, from 21.3 per cent in 2022, reflects challenging trading conditions partly offset by cost control.

Relevance to strategy
Adjusted operating margin is a measure of how successful we are in our overall strategy and demonstrates our ability to improve profitability through efficient operations whilst being mindful of the need to invest for the future.

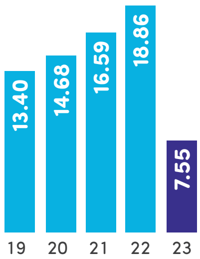
Notes

1. Ratio of orders booked to revenue recognised in the period.
2. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022 $16.8 million).
3. Adjusted operating profit as a percentage of revenue in the period.
4. Adjusted basic earnings per share is based on adjusted earnings as set out in note 11 of Notes to the full year consolidated financial statements.
5. Cash flow generated from operations, less tax and net capital expenditure, after interest paid and/or received, payment of lease liabilities, finance lease payments received and excluding acquisition related other adjusting items and one-off contributions to the UK pension scheme.

Items with notes 1 to 5 are non-GAAP alternative performance measures; see pages 196 and 197 for more detail.

Adjusted basic earnings per share[4] (EPS)
Cents

7.55¢



Reason for measurement
Long-term growth in adjusted basic EPS is a fundamental driver to increasing shareholder value.

Performance
Spirent aims to achieve growth in adjusted basic EPS. Part of the Executive Directors' remuneration is dependent on achieving EPS targets. In 2023, adjusted basic EPS decreased 60.0 per cent as a result of the decrease in adjusted earnings.

Relevance to strategy
Adjusted basic earnings per share is a measure of how successful we are in our strategy and ultimately how Spirent increases value for its shareholders.

Product development spend as a percentage of revenue
%

21.6%

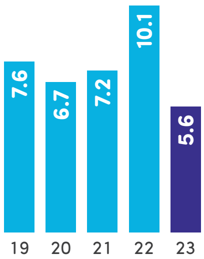
Reason for measurement
To maintain its competitive position, Spirent must invest at suitable levels to support further organic growth initiatives in line with the strategic objectives, whilst driving improved productivity and effectiveness.

Performance
In 2023, product development spend of $102.4 million (2022 $111.3 million) benefited from transferring North American activities to lower cost regions.

Relevance to strategy
It is critical that Spirent's product development investment keeps pace with the speed of change in technology, and that it is directed at the right key technology areas; this enables us to expand our markets and to maintain our technology leadership position.

Voluntary employee turnover
%

5.6%



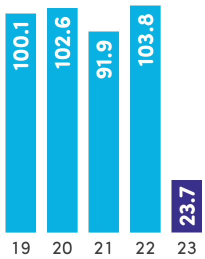
Reason for measurement
Spirent's success is dependent on its talented employees and retaining them is extremely important. Voluntary employee turnover compared to the industry average is the measure used to assess how well the Group has performed.

Performance
Our 2023 voluntary turnover rate of 5.6 per cent remains well below the global industry average of 14.2 per cent.

Relevance to strategy
We cannot avoid the fact that some of our employees will move on but we can avoid a skills shortage by appropriately managing, recognising and rewarding our people. Voluntary employee turnover is a measure of how successful Spirent is in its strategy of retaining and investing in its people.

Free cash flow[5]
$ million

$23.7m



Reason for measurement
Free cash flow is a measure of the quality of Spirent's earnings. The aim is to achieve a high conversion of earnings into cash.

Performance
Free cash flow in 2023 was positive at $23.7 million. Free cash flow conversion for 2023 was 54 per cent of adjusted earnings (2022 91 per cent).

Relevance to strategy
Having strong free cash flow reflects Spirent's ability to generate funds for future investment. It provides financial strength and flexibility and the ability to pay sustainable dividends to our shareholders.

Stakeholder engagement

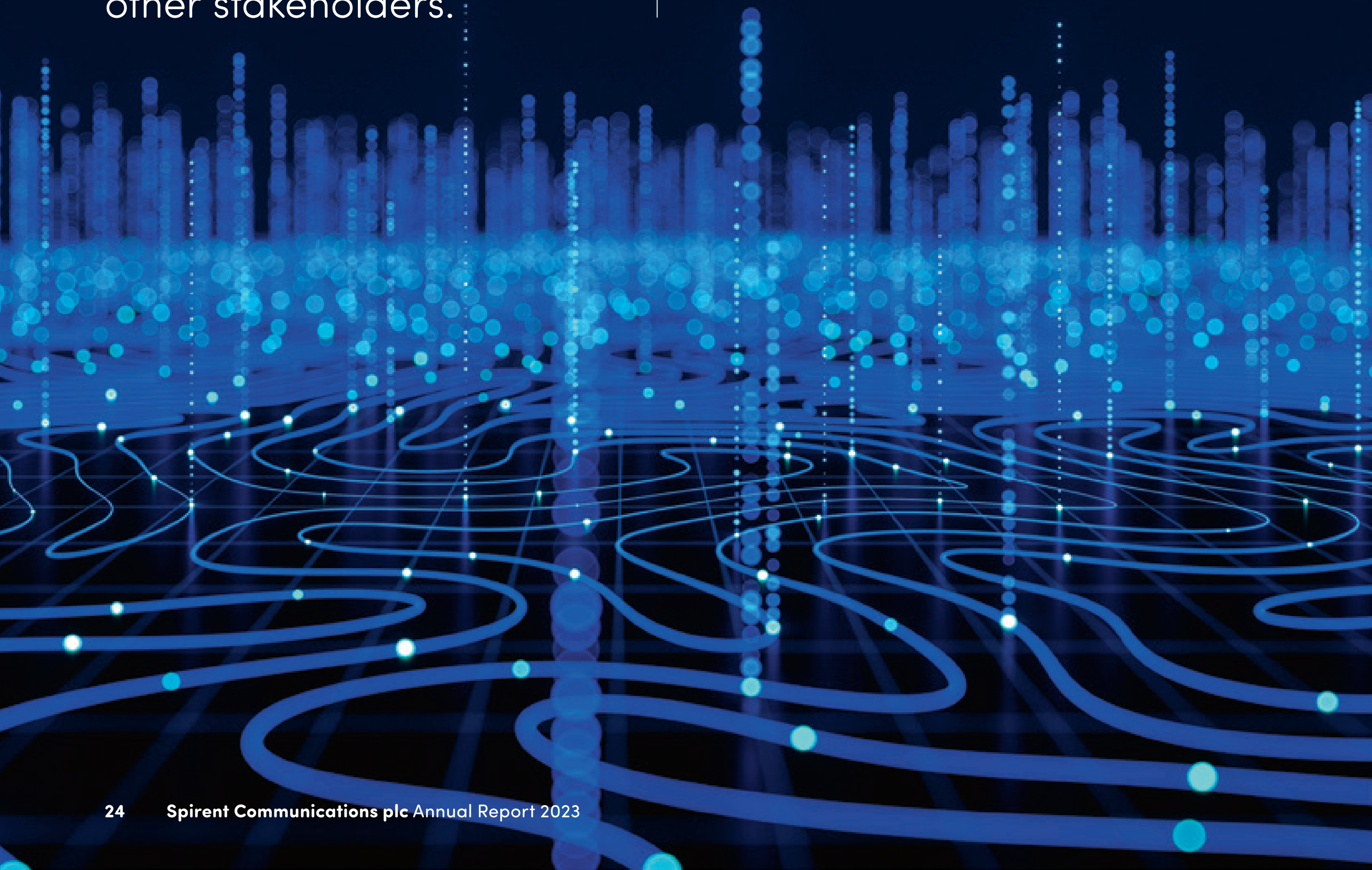
Considering stakeholders in key business decisions

No successful business can operate in isolation. Without a thorough understanding of its key stakeholders and their differing perspectives, a business will struggle to deliver sustainable long-term growth to shareholders and other stakeholders.

Directors are bound by their duties under the Companies Act 2006 (the "2006 Act"), but the principles underpinning Section 172 are not only considered at Board level, they form part of everything we do as a Company.

Supported by the Company Secretary & General Counsel, the Board, management and all those tasked with preparation of Board materials must give consideration to relevant stakeholders in matters requiring decision making, including strategic decisions.

The following pages comprise our Section 172(1) Statement and set out how the Board has, in performing its duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the 2006 Act, giving details of how each key stakeholder has been engaged and considered, including examples of how stakeholders were considered in key Board decisions. Further information can also be found throughout the Strategic Report.



Employees

We are a people business and our 1,500+ colleagues around the world are fundamental to the long-term success of our Company.

Topics covered

- Reinforcing understanding of our mission, vision, values and strategy.
- Ensuring employees understand what is expected of them and know the role they play in our success.
- Spending quality time with line managers so that they feel listened to and supported, enabling employees to feel confident that they have the skills to do their job well while identifying potential training needs for their future development.
- Making sure that employees feel part of a thriving Spirent community.

How we listen and engage

- Global and regional internal communication and collaboration platforms to provide access to information for all colleagues.
- Learning and knowledge sharing forums for our technology and sales communities.
- Biannual colleague engagement surveys to monitor developments in workforce sentiment.
- Engagement events with global and local management representatives, including Non-executive Directors.

2023 highlights including Board decision making and Section 172 considerations

- Non-executive Directors met with employee groups based in their home geography through hosted sessions with small groups of colleagues (face-to-face where possible, but also online), with feedback from engagement sessions being used to inform Board and Committee discussions.
- Biannual employee surveys have consistently achieved strong response rates, with results indicating that we continue to have a highly engaged workforce.
- Management Matters engagement programme continues to support people managers within the business.
- Employee wellbeing programmes refreshed with improved access to support ranging from awareness campaigns to mental health first aid training.
- Employees who departed during the 2023 right sizing all dealt with fairly, sympathetically and with respect, with follow-up reporting to the Board.

Shareholders

Spirent is committed to engaging with current and potential shareholders through continued transparent and effective communication.

Topics covered

- Financial performance.
- Capital management and distribution.
- Long-term sustainability strategy.
- Corporate governance and stewardship.
- Executive remuneration, including share plans.

How we listen and engage

- Investor roadshows after the full and half year results.
- Open door policy with investors: CEO and CFO regularly meet investors virtually and, when possible, face-to-face.
- The Annual General Meeting (AGM) and related follow-up.
- Remuneration Committee Chair consults with shareholders on application of the Group's Executive Director Remuneration Policy and share plan changes.

2023 highlights including Board decision making and Section 172 considerations

- All resolutions successfully passed at 2023 AGM with votes cast representing more than 81 per cent of the issued share capital.
- Directors fully available to answer shareholder questions at the AGM.
- Return of capital to shareholders by buying back and cancelling £56 million of shares, the Board having sought broker views on market sentiment beforehand.
- Continuing payment of dividends, better aligned to profitability and cash flow.
- Regular broker updates to the Board on market sentiment, as well as other presentations to the Board on investor feedback.
- Ongoing engagement with major shareholders on share plan changes, including use of restricted shares, before finalising AGM resolutions.

Stakeholder engagement continued

Customers

Providing solutions and services to help our customers keep their promises to their customers.

Topics covered
- Understanding the challenges our customers face.
- Developing solutions and services to help our customers to manage the complexity of their devices, networks and services.
- Working collaboratively with customers and their partners.

How we listen and engage
- Investment in an agile, collaborative organisation so that we can be responsive to customer needs.
- Regular client updates and acting on their feedback.
- Extension of our thought leadership to stay ahead in key technologies in sustainable growth areas.

2023 highlights including Board decision making and Section 172 considerations
- Awards won at 2023 Lightwave Innovation Reviews (Lab/Production Test Equipment and Field Test Equipment) and 2023 Interop Tokyo Best of Show (Testing Special Prize and Testing Grand Prize).
- Teaming up with customers to innovate and create leading technology.
- Acceleration of our digital-first marketing approach with targeted always-on digital marketing campaigns to grow interaction and drive demand.
- Continued expansion of our library of downloadable resources with high-quality, targeted content to share thought leadership and technological expertise.
- Extending geographical reach and customer engagement through an ever-expanding social media networking programme.
- Review and reorganisation of business units, agreed and monitored by the Board.

Suppliers

Spirent engages with a number of different suppliers across the business.

Topics covered
- Long-term trusted partnerships facilitating real margin improvement.
- Strong working relationships.
- Collaboration.
- Fair contract and payment terms.
- Management of relationships through global supply chain disruption.

How we listen and engage
- Active management and monitoring of key suppliers and supply chain trends.
- Meetings held with key suppliers.
- Supplier surveys as an embedded part of the procurement process.
- Supplier Code of Conduct assessments.

2023 highlights including Board decision making and Section 172 considerations
- Continued supply chain audit programme, auditing 30 suppliers.
- Engaging with suppliers in preparation for additional Scope 3 disclosures on greenhouse gases (GHG) emissions.
- Mitigation of global component shortage, reported to the Board.

The world around us

Spirent has a diverse network throughout the world around us which is critical to the ongoing success of the business, from governments and regulators to educational facilities and our local communities.

Topics covered

- Being mindful of our environmental impact.
- Being a responsible corporate citizen.
- Supporting our local communities through charitable giving.
- Being a trusted partner to customers around the world.
- Providing work experience and early career development programmes.
- Engaging with global think tanks and trade associations to understand research priorities and opportunities, and offer expertise to shape policy and industry positions.
- Participating in global thought leadership conferences and roundtable events.

How we listen and engage

- Participation in environmental reporting surveys.
- Enhancement of reporting framework to ensure compliance with Task Force on Climate-related Financial Disclosures (TCFD) requirements.
- Apprenticeship, graduate and work experience schemes to encourage a diverse pipeline of new and developing talent.

2023 highlights, including Board decision making and Section 172 considerations

- Expanded our early career talent programme, launching a new internal network and an engineering development programme.
- Active move towards ongoing flexible working to reduce real estate footprint and carbon emissions, with reporting to and monitoring by the Board.

Spotlight: Position the future

Sooner

Proving the potential of LEO's positioning future

Low earth orbit

Growth in low earth orbit (LEO) satellite constellations will open up huge new opportunities for developers, but a key challenge is designing, building and testing devices to utilise LEO services before the constellations are fully deployed. Hexagon NovAtel needed to establish the performance of its LEO receivers with Xona's PULSAR™ LEO constellation, which, when completed, will improve positioning, navigation and timing (PNT) resilience and accuracy by augmenting existing global navigation satellite systems.

However, with limited satellites currently in orbit and live-sky testing only available for a few minutes per day, NovAtel employed Spirent's GSS7000 simulator and industry-first SimXona simulation software to successfully test NovAtel receivers' ability to track Xona PULSAR™ signals.

Utilising Spirent's simulation expertise, NovAtel was able to successfully demonstrate its new receiver's capability to track Xona's PULSAR™ LEO network signals in the lab, showcasing Spirent SimXona's value to developers of future LEO PNT innovations.

Better

Moving Wi-Fi 7 into the consumer mainstream

Wi-Fi 7

Gearing up to bring the benefits of Wi-Fi's next-generation to its customers, a North American tier-one service provider turned to Spirent to help with the development of its new Wi-Fi 7 residential gateway devices. Along with many benefits, Wi-Fi 7 also introduces tough new technological challenges to grapple with before it can be moved into the mainstream and unleashed into consumers' homes.

Identifying Spirent as the undisputed leader in Wi-Fi testing innovation, the service provider made a significant investment in Spirent's octoBox® platform to create a controlled, automated environment in which to emulate real-world conditions for testing its Wi-Fi enabled devices.

With comprehensive new Wi-Fi 7 testing capabilities already built in, octoBox® equips the service provider to meet the exacting new testing requirements of Wi-Fi 7 and launch its next-generation Wi-Fi residential gateway, confident that customers will experience the enhanced performance and capability benefits.

Our people and culture

An engaging and inclusive culture

Spirent is proud of the supportive and inclusive environment in which its employees thrive. Our people are key to our success.

Our values

1 **Join forces**
Collaborate with customers, partners and employees to drive success.

2 **Find a better way**
Create new possibilities and make change happen.

3 **Play to win**
Aim high and win responsibly.

4 **Inspire, challenge and coach**
Enable and empower our people.

5 **Take ownership**
Embrace responsibility and seek to deliver impact wherever you go.

The way we work

Rooted in our culture, our values serve as our foundation, shaping the way we collaborate with both our team members and customers. Complemented by a range of flexible working practices, our commitment to employee wellbeing not only minimises our carbon footprint but also fosters knowledge sharing, innovation and collaboration. This comprehensive approach not only aids in talent attraction but also plays a crucial role in talent retention.

Measuring our engagement

In our pursuit of prioritising what is most important to our team members, we advocate for psychological safety, encourage direct feedback, and emphasise continuous improvement. Our biannual employee survey serves as a tool to gauge engagement levels, with consistently high participation rates. In 2023, we launched the "Business Bottleneck" anonymous feedback form to surface and resolve process inefficiencies. We encourage in person planning, knowledge sharing, and social events to build and strengthen connections across the Company, and continue our Spirent Celebrates programme to honour the rich diversity of our global workforce.

Diversity and inclusion strategy

2023 priorities

Equitable pay
Our focus on pay equity continues. We established the framework and tools to review pay parity in our business-as-usual compensation reviews.

Invest in skills, training and development
Spirent has well-established learning and development programmes and a continuous improvement and coaching culture. We are passionate about science and engineering, but we recognise that there are barriers that prevent talented young people from studying science, technology, engineering and mathematics (STEM) subjects and pursuing careers in technology. Our STEM Ambassadors Programme enables us to engage with young people and foster an interest in STEM subjects that we hope will lead them to fulfilling careers in science and engineering.

In 2023, we expanded our early career development programmes. These offer structured pathways into a career in technology through internships, apprenticeships, university sponsorships, and on-the-job development – the latter of which includes our Aspire Network and Sales Development Representatives (SDR) Programme.

Celebrating diversity
Our Spirent Celebrates programme, which honours the rich diversity of our global workforce, continued to grow in 2023. We expanded the number and range of cultures, awareness days, and environmental advocacy that we spotlighted to include the likes of Black History Month, Neurodiversity Celebration Week, National Apprenticeship Week, Onam, and the Mid-Autumn Festival. Additionally, we acknowledge the meaningful contributions of our employees who dedicated their volunteer time off to give back to their local communities.

Bringing our culture to life

Our #LifeAtSpirent campaign, and internal 'Get to Know' employee spotlight series, allowed us to recognise and better connect the incredible talent we already have across our business. The campaign highlights our Company's development opportunities, social responsibility, diversity and inclusion, employee benefits, sustainability efforts and more.

Our culture in action: supporting early careers

"My technical, problem-solving, and interpersonal skills have been taken to a new level! Thanks to the support I've been given and the opportunities to join my more experienced colleagues in meeting both new and established customers, I've gained experience in situations that I'll no doubt encounter soon."

Haocheng Cao – Associate System Engineer

"The ongoing development, support and networking opportunities provided as part of the Spirent Sales Development Representatives Programme (SDR) has been incredible! I've received great training from both a technical and sales perspective and feel well prepared to pursue a career in sales."

Shuang (Claire) Liang – Sales Development Representative

About FuturePositive

FuturePositive is our sustainability programme.

Through this programme, we have embedded the highest standards of environmental management, social practices and corporate governance in our business and supply chain and help our customers tackle important global sustainability challenges.

Our sustainability strategy is focused on five key missions:

Vision

Our solutions will help deliver on the promise of a sustainable future for all.

We will operate with integrity, respecting the environment and people everywhere.

Progress in 2023

Key achievements

- Net zero carbon: We maintained CarbonNeutral® Company certification for Scope 1 and 2 and some Scope 3 emissions.
- Diversity and inclusion: We expanded our early careers programme.
- Environmental management system: We extended our ISO 14001 certification to include our headquarters in Crawley and our Paris office.
- Lab and estates strategy: We agreed a new lab and estates strategy which will reduce our Scope 1 and 2 emissions by 62 per cent in the next three years, by moving to high-efficiency offsite data centre using renewable energy and downsizing our offsite estate.
- Product energy performance: We conducted detailed energy performance assessments of 15 of our key products, helping us better report our product 'in-use' emissions.
- Supplier sustainability: We have collaborated with key suppliers on sustainability and have established supplier sustainability agreements.

We manage our material sustainability impacts and opportunities through our FuturePositive programme.

Our comprehensive programme not only ensures we comply with legislation and stakeholder expectations but has positive social and environmental impacts for customers and for our own business.

The Board has designated the CEO as the Board member responsible for ESG matters within the Group. We have appointed Brite Green as ESG advisers and Challenge Sustainability as assurance auditors for ESG data.

The Board is given updates on our sustainability programme, FuturePositive, at least twice a year as part of our formal Board calendar. The Audit Committee also receives frequent updates on risk throughout the year, including cybersecurity.

During 2023 we submitted our short-term science-based target for approval to SBTi and agreed a new lab and estates strategy that will help reduce our Scope 1 and 2 emissions by 62 per cent in three years.

Angus Iveson
Company Secretary & General Counsel, Spirent

Sustainability at Spirent

We are committed to embedding the highest standards of environmental management, social practices and governance into our operations and products and across our supply chain.

We look to create long-term value for our shareholders by:

- protecting our reputation and ability to grow;
- focusing on winning business from customers who value strong environmental, social and governance (ESG) performance;
- enhancing our efficiency;
- enabling our people to work productively in a safe and inclusive environment;
- helping us to attract and retain diverse talent, and encouraging employees to take pride in working for us; and
- reducing the risk of incidents and their associated costs.

Our material sustainability issues

Our material sustainability issues were updated in 2022 using a risk-based approach. The review identified climate change and carbon neutrality as priority issues, including the role our solutions can play in helping our customers reduce their impacts. Diversity, equity and inclusion, staff health and wellbeing were identified as important, along with responsible business practices, sustainable product design, human and labour rights and robust sustainability governance. Water use is an emerging issue, especially in raw materials and manufacturing in supply chains. The materiality assessment will be updated in 2024.

Policies

Spirent maintains a suite of responsible business policies which commit the Group to compliance with high standards of ethics and business integrity, environmental management, and employee and community welfare.

Sustainability continued

Sustainability at Spirent continued

Deliver a sustainable future

We aim to showcase the environmental benefits that our solutions deliver for customers and embed sustainability into our go-to-market strategy.

This year we worked with customers across the project lifecycle to help them improve their sustainability performance. From working with equipment manufacturers to test and validate new, more efficient components for 5G, to our work with lab and network operators to automate and streamline operations, Spirent is helping to drive the transition to a low-carbon economy.

You can read more in our Sustainability Report which is available on our website at corporate.spirent.com.

Be net zero carbon

We set out to achieve CarbonNeutral® Company certification by 2023, and work towards net zero carbon (ie all emission sources in scope 1, 2 and 3, for which we are responsible) by 2035. In 2023 we developed a net zero carbon roadmap, which will deliver our short term carbon reduction targets through energy efficiency, office and lab consolidation, 100 per cent renewable electricity and promising and contractual mechanisms. We will not require offsetting to achieve our short term goals.

During 2023, we maintained our CarbonNeutral® Company certification for our Scope 1 and 2 and some Scope 3 emissions sources, which include electricity transmission and distribution, waste from building operations, business travel and homeworking. We also submitted our short-term science-based carbon target to SBTi for approval and agreed a comprehensive reduction strategy covering our labs, estates and across our value chain.

We continued to source all our electricity from renewable sources through on-site generation at our Paignton site and the purchase of Energy Attribute Certificates (EACs).

When purchasing EACs and carbon credits, we have conducted due diligence to give us comfort as to their quality and traceability. We have only selected those from high-quality and reputable projects which are independently verified to recognised global standards. We have worked with Climate Impact Partners to source carbon credits in line with our regional emissions and to purchase national EACs based on our energy usage in each country we operate in.

Energy use

Spirent is within scope of the Streamlined Energy and Carbon Reporting (SECR) Regulations. Spirent's total global energy use decreased by 2.7 per cent in 2023 to 12,807MWh (2022 13,157MWh). This is due to a reduction in the size of our estate and rationalisation work on lab equipment. Gas use increased in the year by around 17.4 per cent to 402MWh (2022 344MWh). 2022 had been very low and 2023 usage is well below (2021 usage 548MWh). Total energy usage in the UK during 2023 was 742MWh (2022 718MWh). UK energy use comprises Gas: 83MWh, purchased electricity: 613MWh, onsite generation from renewables: 46MWh. UK energy use is 6 per cent of our global total and 3 per cent of total location-based carbon emissions.

Greenhouse gas emissions

Spirent is committed to combating climate change and reporting our progress. Our total Scope 1 and 2 (location-based) emissions decreased by 1.8 per cent from 2022, however our emissions per $ million of revenue increased 26 per cent due to the reduction in revenue. We have reduced our total location-based emissions by 38 per cent since our 2014 baseline. Carbon emissions arising from our UK operations in 2023 were 142 tonnes CO_2e (2022 134 tonnes CO_2e). Emissions from UK operations represent 3 per cent of the Group's total worldwide.

Due to our purchasing 100 per cent renewable electricity, our market-based emissions are significantly lower than our location-based total: 58.5 tonnes CO_2e in 2023 (2022 44.9 tonnes CO_2e).

The total Scope 3 emissions for the year is around 28,426 tonnes CO_2e with the largest component of our Scope 3 footprint coming from customer use of our products. A full breakdown by source is set out in our Sustainability Report which is available on our website at corporate.spirent.com.

The Group responded to the Carbon Disclosure Project in 2023, completing the Climate Change and Supply Chain questionnaires. In 2023, we achieved a Climate Change rating of B (Management) (2022 C). The average for our sector is B-.

	2023 Tonnes of CO_2e	2022 Tonnes of CO_2e
Emissions from:		
Combustion of fuel and operation of facilities (Scope 1)	**73.6**	62.7
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**4,118.8**	4,208.2
Total emissions (Scope 1 and 2)	**4,192.4**	4,270.9
Scope 3	**28,426**	44,415
Total emissions (Scope 1, 2 and 3)	**32,618**	48,686
Emissions intensity metrics:		
Normalised per FTE employee	**2.53**	2.58
Normalised per square metre of gross internal area of our facilities	**0.121**	0.113
Normalised per $ million of revenues	**8.84**	7.03

Methodology

Reporting on emission sources is required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and these sources fall within our consolidated financial statements. We have reported on all the emission sources that the Group is responsible for and which fall within our consolidated financial statements.

We do not have any responsibility for any emission sources that are not included in our consolidated financial statements. We report our emissions using the location-based methodology. We have used the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition), along with data gathered to fulfil our requirements under these Regulations, and the most recent emission factors available: UK Government GHG Conversion Factors for Company Reporting 2023 for the UK, US EPA 2023 eGrid emissions factors for the applicable individual states in the US, and the latest emissions factors for all other countries were sourced from the International Energy Agency's 2023 data set.

A "limited" level of assurance for the energy use and greenhouse gas emissions has been conducted, to meet the requirements of the International Standard on Assurance Engagements (ISAE) 3000 revised.

Performance against targets

We set a target to achieve CarbonNeutral® Company certification for the Group by 2023, and have achieved this target. The Group has set a target to reduce energy use by 25 per cent from 2019 levels by the end of 2025. In 2023 our energy use was 2.7 lower than the previous year.

In 2023 we committed to a programme to move our labs to high-efficiency site totally powered by renewable energy and a lab and estate strategy to shrink our office footprint. To the end of 2023 we have reduced energy use by 11.4 per cent from from the 2019 baseline.

Energy Savings Opportunity Scheme (ESOS)

Spirent qualifies for ESOS. We completed an ESOS compliance energy audit for Stage 2 and submitted the relevant disclosure to the Environment Agency. We are planning our participation in Stage 3 in 2024.

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change creates new risks and opportunities for companies. In accordance with the requirements of Listing Rule 9.8.6R, Spirent has provided disclosures against all 11 disclosure recommendations that span four key areas of governance, strategy and climate change scenario analysis, risk management, and metrics and targets. These disclosures also meet the mandatory CFD requirements and form part of the NFSI statement.

Governance and risk management

The Board considers sustainability issues (including climate change) at least twice a year and oversees the consideration of climate-related risks and opportunities under the TCFD disclosure requirements, as well as monitoring progress against our future positive sustainability strategy, including climate related goals and targets.

A detailed review of how climate change may impact our business in the future was completed in 2021 and the assumptions and findings were reviewed in 2022, with only minor changes being made. The significant climate-related risks and opportunities were initially identified via an analysis conducted by a sustainability consultant which considered physical, regulatory and commercial factors across various scenarios, all of which were examined through a senior manager workshop, including Executive Directors, General managers of our Business Units and Supply Chain, and Operational Executives. These are reviewed on an ongoing basis by the Executive Director-led ESG Management Committee, the Audit Committee and its Risk Sub-Committee, as part of our business risk and financial planning processes, with the CEO having overall responsibility for sustainability matters. The materiality of the potential climate impact is assessed using the Group's materiality criteria.

Over the course of 2023, a number of investors and customers have engaged with us on the importance of climate change, and we have incorporated their expectations into our materiality, strategy and reporting planning.

Strategy

Spirent recognises the importance of climate change as an environmental threat that the world faces, and as such we have carefully considered the impact of such risk across our operations. Climate risks are entirely integrated into our risk management process.

We have identified the following risks across a variety of time horizons. The risks consider the potential for increased exposure to extreme weather events at a Group location or key supply chain site. In addition, likely changes to the regulatory system in which the Group operates have been considered.

For the purpose of evaluating climate change-related risks, the Group has defined the following time horizons, which also ensue that other timeframes, such as business planning and viability are aligned:

Short term	Medium term	Long term
0–2 years	2–10 years	10+ years

In consideration to Tables A1.1 and A1.2 of the TCFD Implementation Guidance 2021, we have considered all climate related risk themes and their potential impact on the Group, the most important of which are as follows:

Transitional risks

It is expected that there will likely be a large and radical change in global markets, with a drive to shift quickly towards renewables and away from fossil fuels, resulting in increased carbon taxes across all regions in the short and medium term. This may result in associated increased costs. Starting in the short term, costs are likely to increase by an immaterial amount due to higher investment requirements in low-carbon technology and expected additional carbon-related levies and we also expect additional administrative burden on the business, likely increasing the costs for resource to deliver and report.

We have modelled the impact of carbon credits using a price per tonne CO_2e of up to £250 and the impact is not material. Transitional risks are also unlikely to lead to any impairments or write-offs. We expect to purchase carbon credits in the short to medium term in line with our commitment to achieve CarbonNeutral® Company certification, but expect energy efficiency and renewable energy to reduce the requirement for carbon credits as we progress towards net zero carbon in 2035. Over the course of 2023 and with the help of an external adviser, we further developed and refined Spirent's plan to reach net zero. We have agreed a new lab and estates strategy which will allow our labs over time to be moved to high-efficiency site which is powered 100 per cent by renewable energy. This move will allow us to further consolidate our labs and decrease our overall estates footprint significantly. We also aim to expand the size of our on-site solar installation at Paignton. The proposed strategy will reduce Scope 1 and 2 emissions by 62 per cent in the next three years.

Sustainability continued

Task Force on Climate-related Financial Disclosures (TCFD) continued

Transitional risks continued

In addition, we have agreed a programme to reduce our indirect carbon emissions. A key area is the use of our products and we will draw on a range of approaches to help reduce our impact in this area. These include our continued migration from hardware to software test solutions and the use of more efficient white-box hardware, improved energy management in our bespoke hardware, supporting customers with test automation and scheduling, and improved data about how our products are used.

We will also work closely with our supply chain, and set requirements to reduce and report carbon emissions through supplier sustainability agreements.

Physical risks

Acute

Considering the potential of increasing intensity and frequency of storms and concentrated rainfall events, and frequency of wildfires, we have assessed that these risks would possibly cause some disruption to operations. Wildfire risks are most relevant to our operations in Calabasas, CA, and flooding in our principal contract manufacturer, based in Thailand.

In the medium to long term, risks include Spirent site damage to building and infrastructure, lost time and productivity and any associated increased cost of insurance.

Additionally, a major supplier disruption event is a possible key risk, causing an outage for a period of time which we assess as causing possible delays to customer shipments and the timing of revenue recognition.

Spirent has mitigation plans for each of these physical risks identified, which have been developed as part of longstanding business continuity and disaster recovery plans. Spirent engineering centres are situated in various different locations allowing a level of flexibility and agility should one site become affected. We endeavour to dual source key components wherever possible. Additionally, the Group has appropriate business interruption insurance in place.

Chronic

Higher peak and average temperatures are likely to result in increased energy demand and cooling capacity required for lab and office environments. This could lead to increased capital expenditure to expand or upgrade cooling equipment across multiple Spirent sites. In addition, increased heatwaves and droughts could have an impact on the health of more vulnerable employees and their families possibly resulting in higher staff absence levels.

It is possible that the rise in average temperatures may reduce natural gas use for space heating. Additionally, there is already a market opportunity for existing products, relating to the provision of emerging energy-efficient Spirent products.

We have identified a number of areas of opportunity to reduce the energy footprint of our solutions in order to support competitive advantage as well as opportunities to reduce costs and improve efficiencies, especially from estates consolidation and automation within our labs. We also expect that a greater focus on climate change will increase our resilience from climate related weather events, both within our estate and across our supply chain, through resilience planning, upgraded infrastructure as well as enhanced preparedness and response procedures.

We also recognise our role in supporting clients to develop new technology. We recognise that there may be opportunities for new use cases for our existing test solutions to support climate mitigation, in particular in the area of lab automation and consolidation.

The Group is still exploring the opportunities that climate change presents and therefore they have not been incorporated into the modelling.

Scenario analysis

This was last conducted in 2021 and aligned to the IPCC representation concentration pathway (RPC) models. We have defined modelling assumptions for both scenarios for each relevant risk category in order to assess the financial and commercial impact to the Group. The impact of each of the risks identified above has been assessed, quantified and considered in two climate change-related scenarios:

- aggressive mitigation – emissions halved by 2050, average temperature increase of 1.5°C; and
- strong mitigation – emissions stabilised at half of today's emissions by 2080, average temperature increase of 2.4°C.

These scenarios were selected as they would include the most aggressive policy responses (which are likely to have the greatest impact on our business in the next three to five years) and because we believe that aiming to limit climate change to 1.5°C still remains the right policy objective.

In terms of modelling horizon, we have considered the impacts over the short, medium and long term, and with regard to the occurrence of the risks identified and also in comparing with the horizons adopted by peers, the most appropriate time horizon to model is 15 years, which covers short to long term). The most recent strategic three-year plans have been extrapolated to form the base case long-term plans from which to sensitise, using growth rates and assumptions consistent with other forward-looking financial statement items (goodwill impairment, viability) and assumptions.

Given the modelling horizon, there is not likely to be a significant difference between the two scenarios in relation to our exposure to physical risks – a change of 1.5°C is expected by 2030 under all scenarios, with the same likelihood and distribution of extreme weather events and chronic changes in weather patterns and temperatures. The major differences appear between 2040 and 2080, which falls outside of the scope of our long-term plans and provides sufficient time for the business to adapt if required. In terms of transitional risk, we do expect a difference between the two scenarios, most notably in the size of increases to energy costs and the size of anticipated carbon tariffs across all regions.

Based on the modelling we have performed and given the significant financial headroom Spirent has, the relative magnitude of the impact the risks present, the mitigation plans, and the insurance cover in place, it is not anticipated that the climate-related risks identified will have a material impact in the short term and being less than 5 per cent of revenue. The longer-term impact on the organisation's strategy and plans is currently being further assessed but initial analysis does not suggest a significant financial impact. Therefore, Spirent is considered resilient to climate change-related scenarios.

Opportunities

As part of the scenario process, a number of opportunities have been identified:

- reduction in costs and efficiency, especially in relation to office estate and automation in labs;
- improved resilience from physical and transitionary risks;
- additional testing opportunities to support the development of new technologies to mitigate and adapt to a changing climate; and
- expanding demand for test solutions that help reduce customer emissions, including lab automation and efficiency.

Metrics and targets

We monitor carbon emissions sources that fall within Scopes 1, 2 and 3 and report our carbon emissions annually within the Annual Report and Sustainability Report (see page 34). We have considered cross industry climate related metrics and do not consider these to be material. The Executive Directors' annual bonus targets also include relevant climate related metrics and targets.

We have set clear targets to source electricity from 100 per cent renewable sources, and work towards net zero carbon by 2035. We have targeted a 25 per cent reduction in our energy usage by 2025.

In 2023 we committed to the Science Based Targets initiative (SBTi) which commits us to a medium term carbon emissions reduction targets of 39 per cent by 2030. We will continue to evaluate whether additional metrics and targets are required as part of our existing business strategy and risk management processes, in particular in relation to supply chain risks, as we further refine our longer-term strategy and plans.

Promote diversity and invest in people

We aim to take action on diversity. We will attract and develop talent and skills, and support long-term sustainable growth. Despite the initiatives and progress detailed below, due to workforce reductions and limited hiring across the Group, our diversity metrics remained flat compared to 2022.

Diversity in talent acquisition

In 2023, we ran programmes to support more diverse hiring, provide family-friendly benefits, and support early career development and leadership. We continued our partnerships with Historically Black Colleges and Universities (HBCUs) Morgan State University and Prairie View A&M University, and consulted with an internal focus group of African American employees to understand how we can recruit Black candidates more effectively. With the help of this focus group, we created a recruitment video which we shared with students we met on campus and our HBCU partners.

Early career development

Spirent's early career programme offers a structured pathway into a career in technology through internships, apprenticeships and university sponsorships. Our early career pathway incorporates resources, tools and training for managers and early career staff to help young, talented people start a career in technology.

In 2023, we supported 26 interns across our North American and APAC regions, who worked in our Engineering, Sales, Legal, IT and HR divisions. Our UK Positioning Technologies business empowered Engineering, IT and HR apprentices to develop the skills and knowledge they need for a reward career in their chosen fields.

We currently have 25 Aspire Network members who work in teams across our business, and our Sales Development Representatives (SDR) scheme helped eight employees to jump-start their career in technical sales through training, on the job learning and mentorship.

We collaborated with 40 research partners in universities across the world through our Academia Programme, and supported undergrad, post-grad and post-doctorate students in their research.

Equality and diversity

The Group employs a diverse workforce and prides itself on providing equal opportunities for all. High value is placed on rewarding our people for their commitment, their integrity and their service. Our commitment to a fair and inclusive workplace is governed by our Business Ethics and HR Policies which ensure that no one is discriminated against, directly or indirectly, on the grounds of colour, race, ethnic and national origins, sexual orientation or gender, marital status, disability, religion or belief, being a part-time employee, or age.

More detail can be found in our Sustainability Report available on our website at corporate.spirent.com.

At 31 December 2023, our gender diversity was:

Level of organisation	Female		Male		Other or no gender reported		Total
Board	3	38%	5	62%	–	–	8
Executive management[1]	4	40%	6	60%	–	–	10
Senior management[2]	6	9%	64	91%	–	–	70
Total employees	352	23%	1,174	77%	–	–	1,526

Notes
1. The data for executive management includes the CFO and direct reports to the CEO only, excluding executive assistants.
2. The data for senior management includes all other Vice Presidents (including Regional Sales VPs and Client Partner Executives) and Senior Directors.

The Board is committed to increasing the representation of women on boards and in other leadership roles. This work will continue with a focus on developing diversity of all types in executive and senior management roles and throughout the talent pipeline.

Sustainability continued

Promote diversity and invest in people continued

Gender pay gap

Having fewer than 250 employees in the UK, Spirent is not currently required to comply with the Gender Pay Gap Reporting Regulations introduced in 2017. However, data for the 5 April 2023 snapshot date has been collected on a voluntary basis and is set out below.

UK gender pay gap

	2023 %	2022 %
Median hourly pay difference between male and female employees	**18.1**	22.3
Mean hourly pay difference between male and female employees	**18.8**	16.4

UK bonus gap

	2023 %	2022 %
Median bonus difference between male and female employees	**28.5**	36.3
Mean bonus difference between male and female employees	**(35.0)**	(45.0)

UK quartile split

	2023 %	2022 %
Male employees receiving a bonus	**79.8**	95.5
Female employees receiving a bonus	**74.5**	86.7

We are committed to empowering our employees to progress personally and professionally by investing in career development, diversity and inclusion initiatives, and health and wellness programmes.

Ann Menard
Global Head of Human Resources, Spirent

The snapshot to the 5 April 2023 shows an increase in the gender pay gap. This reflects the full year effect of highly compensated male hires made in late 2021 and early 2022.

As the results are sensitive to very small movements in the employee population, but for a very small number of individuals hired, we would have seen the gap narrow.

Business ethics and human rights

Spirent's values and principles are set out in the Group's Business Ethics Policy. These principles apply to all dealings with our customers, suppliers and other stakeholders, and are considered in pre-contract due diligence and monitored through ongoing supplier audits.

The Group has a zero-tolerance approach to all forms of bribery and corruption. As a UK registered Company, Spirent Communications plc is bound by the laws of the UK, including the Bribery Act 2010, in respect of its conduct both at home and abroad. In addition, we will uphold all laws relevant to countering bribery and corruption, including the US Foreign Corrupt Practices Act, as well as human rights protection, in all jurisdictions in which we operate.

Regular anti-bribery training is required to be taken by certain employees.

Health and safety

The Board has designated the CFO as the Board member responsible for health and safety within the Group and procedures are in place for incidents to be reported through the Audit Committee to the Board as necessary.

The health and safety risk profile for the Group remained low during 2023, with no reported accidents (2022 nil). There were no reportable accidents under the RIDDOR Regulations or required hospitalisations during the year.

Training and skills

Spirent provides all its employees with a wide range of technical and business training opportunities. We manage training through personal development plans which are assessed by all managers and updated periodically.

STEM initiatives and community impact projects

Spirent actively encourages its employees to become STEM (science, technology, engineering and mathematics) Ambassadors around the globe.

We provide all our employees with volunteering time off to make a positive contribution to the communities in which they work.

Through financial donations and volunteering, Spirent has continued to support community projects worldwide.

Operate responsibly

We operate with integrity. We are rolling out our ISO 14001 management system practices globally and are working towards zero waste to landfill. We are also embedding circular economy principles in our product design and reducing the sustainability impacts of our supply chain.

In 2023, we expanded our ISO 14001 certification, engaged with suppliers on sustainability and continued our supplier audit programme.

ISO 14001

We set a target to expand the coverage of formal environmental management systems and achieve ISO 14001 certification at one major engineering site by 2022 and all major sites by the end of 2025.

In 2023 we completed the implementation of our environmental management system at our headquarters in Crawley and our Paris site.

Circular economy training

The design of our products significantly influences the environmental impact of our products across the whole lifecycle. We have seen significant improvements since implementing sustainability metrics in our product design process and to support further gains in this area, we set an objective to roll out training on circular economy for our engineers.

In 2022 we developed a bespoke circular economy training course, which incorporates both an introduction to key aspects of theory and how it applies to Spirent's product and design process specifically. We commenced the roll-out of our circular economy training, with 20 engineers in the UK. We will expand this to engineers globally in 2024.

Vendor assessment and auditing

Vendors are required to abide by our Code of Conduct which sets out our expectations for environmental management, labour and human rights, health and safety, and business ethics. They are assessed using a detailed questionnaire.

Priority suppliers are audited by Spirent's procurement team: 30 supplier audits were conducted in 2023, meeting the target we set. No material issues were identified. Three minor non-conformances were identified. More than 84 per cent of our hardware supply chain spend is from companies audited by us, our contract manufacturers, or through the RBA VAP audit programme. We have expanded our supplier ESG partnerships, working closely with CALNEX (a strategic supplier) to conduct joint supplier audits and to improve packaging design; reducing material used and removing non-recyclable materials. We have also started working with smaller suppliers to provide support to improve their ESG management.

Modern slavery and human trafficking

We comply with the requirements of the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act 2010. We require slavery and human trafficking to be eradicated from our direct supply chain for the products we sell, and we monitor suppliers by performing regular evaluation surveys to assure ourselves of each supplier's commitment in this area.

Spirent's full Statement on Modern Slavery and Human Trafficking can be found on the Company's website at corporate.spirent.com.

Electronic waste and use of hazardous materials

Spirent's business units comply with the EU's Waste Electrical and Electronic Equipment Regulations 2013, the EU's Restriction of Hazardous Substances Directive (RoHS), the Batteries Directive and the California Electronic Waste Recycling Programme.

Conflict minerals

The Group is not directly required to comply with or report under Section 1502 of the Dodd-Frank Act or the US Conflict Minerals Law. However, it has robust procedures in place to ensure that it would be in compliance if it were brought within the scope of this legislation. The Group is subject to the EU Directive on Conflict Minerals; we are monitoring the development of the legislation and are confident our existing practices meet the specifications required.

Information security

Spirent takes data security and privacy seriously. We continually review the security of our data systems and procedures in order to comply with all legislation and so we can react to areas of heightened risk promptly and effectively.

We operate robust information security procedures and our Applications & Security business based in Plano and San Jose operates an ISO 27001 certified information management system.

Our procedures restrict the type and quantity of confidential information collected and stored and there are robust procedures in place to protect customer data from unauthorised access and disclosure.

Periodic information security risk assessments are performed, and training is provided to staff with the aim of preventing information security breaches. We have a whistleblowing procedure in place for staff to report information security or any other concerns.

Spirent has implemented a response procedure to manage breaches of confidential information if they were to occur.

Confidential waste is shredded if in hard copy and certificates of destruction are provided for electronic storage devices disposed of at end of life.

Be accountable and transparent

We aim to communicate regularly with staff on our FuturePositive strategy and the progress made.

The Board and Audit Committee oversaw our climate change and sustainability programme.

Lifecycle Service Assurance

Our Lifecycle Service Assurance portfolio boasts the industry's most comprehensive set of end-to-end solutions aimed at accelerating customers' initiatives as they develop, deploy and optimise new devices, technologies and services. From lab environment transformations to pre-production and live networks, we dramatically reduce the time, costs and risks associated with bringing new technologies such as 5G standalone (SA) and Wi-Fi 7 to market.

2023 performance highlights

- Despite 5G SA delays towards commercial deployments during 2023, our industry-leading Landslide 5G Core test solution which is pivotal for 5G SA, was selected by over 30 operators.
- We expanded our live assurance offering with the launch of our Mobile Test Platform providing unique end-to-end visibility critical for our customers to monetise 5G and private networks.

Revenue

$199.1m

(2022 $264.5m)

Adjusted operating profit[1]

$16.9m

(2022 $51.0m)

Note
1. Before other adjusting items of $6.1 million charged in 2023 (2022 $0.9 million). See note 3.

Strategy

Our Lifecycle Service Assurance strategy is: 1) deliver a leading active assurance platform for 5G and next-generation service delivery and user experience assurance; 2) help service providers and enterprises automate critical lab environments and test activities, as the industry moves towards an always-on continuous test environment; 3) leverage our product offerings, together with our deep test and assurance expertise, to deliver a new portfolio of outcome-driven service offerings. Three key attributes set Spirent apart in the Lifecycle Service Assurance market:

Automation

Automation continues to become a growing priority across both the telecom eco-system and enterprises, with the objective of improving agility and operational efficiency. Legacy labs, testing and service assurance activities have been mostly siloed, manual, reactive and time consuming. As continuous integration and continuous delivery (CI/CD) principles become mainstream, automated testing and assurance are becoming essential to support the CI/CD model across all layers. Automation enables use cases such as lab transformation, new service activation, continuous monitoring and automated troubleshooting to be seamlessly integrated with network management systems, with a goal of establishing fully autonomous operations. Spirent is at the forefront of this journey.

Coverage

Spirent is the only vendor to offer both lab and live solutions as both a contiguous and continuous test offering. With the broadest coverage in the industry, from the user device into the radio access network, across the cloud and mobile backhaul, and into the mobile core, our solutions provide the broadest end-to-end visibility in the industry. The breadth and depth of our expertise and our portfolio enables us to quickly address net-new opportunities including direct-to-device communications from non-terrestrial networks and next-generation access networks including Open RAN (O-RAN).

Analytics

Spirent continues to advance our machine learning (ML) and artificial intelligence (AI) based analysis providing actionable insights that allow our customers to detect, isolate and eliminate potential service interruptions or degradations before subscribers are impacted. This in turn allows rapid reduction in mean-time to-repair by alleviating the unnecessary escalations typically found in traditional operational support models. In 2023 we expanded our analytics coverage through a new over-the-air (OTA) mobile test platform, giving service providers unique insights into what their customers experience, including end-to-end visibility of service and network performance.

Monetising 5G

Unlocking 5G standalone's value

Challenge:
Having made huge investments in 5G spectrum, a North American tier-one network operator is naturally eager to take advantage of the new opportunities to monetise that investment. Key to this is providing 'true 5G', anchored to the 5G standalone core network, which requires rigorous testing to ensure its readiness to unlock the potential for new 5G revenues.

Solution:
Already a close partner of Spirent in multiple areas of its business, this network operator made significant further investment in the relationship to expand its Spirent Fit4Launch programmes and evolve its new 5G offerings. Combining lab and field testing in multiple markets, the programme includes live network testing of 5G devices, and new capabilities such as 5G fixed wireless access and 5G voice over new radio.

Impact:
The testing, validation and benchmarking programmes provide confidence in newly launched services, help improve the quality of existing offerings, and allow the operator to use more of its valuable spectrum on differentiated new revenue-generating, business oriented services.

Lifecycle Service Assurance continued

5G active assurance

Tier-two turns to Spirent to tackle 5G OTA testing

Challenge:
To accelerate its 5G standalone (SA) evolution, a leading tier-two operator in North America wanted to extend its proactive service assurance philosophy into the live network with OTA testing of its 5G service. Having invested heavily in a new 5G mid-band spectrum, it wanted to assure the balance of speed, capacity, coverage and penetration that make mid-band so appealing.

Solution:
Already a Spirent active assurance customer for its 5G core, the operator chose Spirent's VisionWorks Mobility Service Assurance (MSA) to deliver an expansion of its automation and proactive health checks approach. Adding MSA's scalable test tools and single interface provides the operator with comprehensive, proactive OTA testing capabilities around the clock, as well as the capacity to segment its network between the radio access network and the network core to better isolate issues.

Impact:
Using VisionWorks OTA, the operator is now able to run a fully automated suite of scheduled tests 24x7 at a variety of cell locations to assure the performance of its growing 5G network.

What we test and assure

Our Lifecycle Service Assurance offerings support the full lifecycle for any new technology roll-out. From pre-production test and validation to post-production troubleshooting, to transforming labs and processes into agile continuous test environments through automation, we help our customers maximise the monetisation of any new technology and reduce costs. The following key areas were instrumental in growing pipeline and sales in 2023, and offer continued expansion opportunities into 2024 and beyond:

5G core

For both standalone and non-standalone flavours of 5G, Spirent provides continuous testing capability across the entire lifecycle for any initiative. Beginning with the network equipment manufacturer, through service provider deployments and enterprise service consumption, our 5G offering bridges the gaps traditionally found between the develop, deploy and operate phases of a new technology. Focus areas include 3GPP network function testing, interoperability, performance and security testing. In 2023 we enhanced our 5G core solution with support for 3GPP R17 capabilities for new use cases around public safety, non-terrestrial networks and private networks.

Next-generation access technologies (Open RAN and Wi-Fi)

Spirent is industry's first vendor to deliver a single, fully integrated, and automated Open RAN (O-RAN) offering supporting full wrap-around testing of the O-RAN network functions and end-to-end testing. 2023 highlighted the continuing progress of O-RAN in the market and demonstrated our strategy in action as we supported market leaders NTT-Docomo test their multi-vendor eco-system, established partnerships with National Instruments and Anritsu, and played a significant role in the O-RAN Alliance Plugfest programmes.

Wi-Fi: Following the acquisition of octoScope in 2021, Spirent is the market leader in Wi-Fi test and certification. With the adoption of Wi-Fi 6E in full swing and Wi-Fi 7 scheduled for release in 2024, Spirent added early comprehensive support for Wi-Fi 7 testing during 2023. In addition, the recent harmonisation of radio spectrum represents a unique opportunity for Spirent as the industry forges a pathway towards co-existence and convergence of Wi-Fi and 5G.

While 2023 was a challenging year in the telecom market we are poised well for the acceleration to true 5G standalone while our diversification strategy towards enterprise automation, Open RAN and Wi-Fi provides us enduring new opportunities, even in the face of macroeconomic uncertainty.

Doug Roberts
General Manager, Lifecycle Service Assurance, Spirent

Telecom and enterprise lab transformation (automation)
Telecom providers and enterprises are prioritising digitisation programmes aimed at improving efficiency and reducing costs. The automation of lab environments, testing, lifecycle management activities and network operations is at the heart of these programmes. Spirent's lab and test automation solutions enable customers to consolidate and transform physical labs into web accessible resources for remote, automated testing. In 2023 Spirent acquired NetScout's® Layer-1 switch product lines to make lab automation even easier and showcased a large deal with a leading global financial services organisation.

Performance

Lifecycle Service Assurance revenue was $199.1 million and was impacted by current macroeconomic challenges, which saw our telecom customers increasingly delay spend as the year progressed as high interest rates and inflation affected their budgets. As a result, adjusted operating profit for the segment was $16.9 million (2022 $51.0 million).

The impact was primarily felt on our mobility (5G) test portfolio as service providers delayed 5G rollouts and standalone (SA) upgrades.

Wi-Fi 6 and 6E infrastructure continues to be tested against evolving standards. In addition, Wi-Fi 7, the latest generation, is now transitioning from equipment manufacturers' labs towards commercial availability, creating substantial opportunities and broader demand for testing.

We also saw progress around our lab and test automation portfolio as we continued to expand capabilities, allowing us to move into adjacent enterprise markets with a substantial order from a financial services organisation demonstrating the broader applicability and market opportunity of our portfolio.

Accomplishments

Spirent's industry leading automated modular test platform for Wi-Fi devices, octoBox®, added comprehensive support for testing the demanding new requirements of Wi-Fi 7.

We completed the launch of our comprehensive O-RAN testing portfolio including unique subscription-based automation test libraries and the industry's first real-world application testing.

Our live assurance portfolio continued to expand beyond the core network out to the handset with the launch of our Mobile Test Platform providing unique end-to-end visibility critical for our customers to monetise 5G and guarantee private network service level agreements.

We advanced our strategy towards lab and lifecycle test automation, with the acquisition of NetScout's® Test Lab Automation business, along with advancements in our market-leading Velocity automation portfolio, allowing greater diversification outside of telecoms.

Networks & Security

Networks & Security is a world leader in high-speed Ethernet/internet protocol (IP) performance testing and automotive Ethernet, and develops test methodologies, tools and services for virtualised networks, data centre connectivity fabrics and the cloud. We provide consulting services, test tools, methodologies and proactive security validation solutions. We are leveraging our world leadership in global navigation satellite system (GNSS) simulation solutions and services as we expand further into the broader positioning, navigation and timing (PNT) market including low earth orbit (LEO) satellites and autonomous vehicles.

2023 performance highlights

- We continued to demonstrate our leadership in 800G which will be critical for the evolution of data centres to underpin AI growth by supporting H3C to complete the industry's first large-scale 800G test, and won the industry's prestigious Interop Best of Show Award 2023 Special Prize.
- Our Positioning business delivered strong order growth benefiting from government spending and new opportunities in the emerging LEO satellite market.
- We continued to expand our Positioning business into enterprise and automotive verticals, including a key managed services win with a leading provider of mining communications equipment.

Revenue

$275.2m

(2022 $343.0m)

Adjusted operating profit[1]

$39.0m

(2022 $86.8m)

Note

1. Before other adjusting items of $7.3. million charged in 2023 (2022 $2.1 million). See note 3.

Strategy

We are maintaining and expanding our market leadership in high-speed Ethernet test, with a focus on diversifying our customer base into data centres and enterprises, driving growth through involvement in all stages of next-generation network and cloud infrastructure development, from verification of pre-silicon and silicon to high-density, high-capacity systems.

We are working to drive industry standards that enable rapid adoption of technologies such as generative artificial intelligence (AI), 5G, Open RAN (O-RAN), cloud, secure access service edge (SASE)/zero trust and automotive Ethernet, expanding our test domain expertise and delivering more managed services.

We are addressing additional enterprise and government demands through partnerships with network equipment manufacturers, cloud providers and service providers on performance and security validation essential for their development and deployment, with solutions and services addressing cloud-native, 5G/edge, AI data centres testing and SASE environments.

We are building on our global PNT test leadership, extending our reach and influence as the trusted partner of researchers, developers and integrators in the field of PNT technology. Our broad portfolio of solutions and managed services is increasingly multi-sensor oriented, assuring that our customers in growth segments such as LEO satellites, chipsets and automotive technologies are able to achieve their PNT ambitions.

We are leveraging our subject expertise gained from design and verification of GNSS technologies in the lab into geospatial prediction services to help ensure safe and reliable navigation of vehicles, aircraft including drones and devices.

What we test and assure

High-speed Ethernet/IP, cloud and virtualisation

Our high-speed Ethernet/IP, cloud and virtualisation test solutions enable network vendors, carriers and cloud service providers to test the performance and security of next-generation networks, applications and data centre connectivity fabrics by simulating real-world conditions in the lab and on the network. Our portfolio addresses physical data centres and virtualised networks, applications and services. Our solutions enable architects, developers and test engineers to create and transmit complex and high-capacity traffic and safely assess the performance, scalability and resilience of their products. Our customers benefit from our wide network of industry partnerships and active contributor role in standards development, enabling them to leverage the latest technology and best practices.

Applications performance and cybersecurity

Spirent is a single source for security assurance of all network infrastructure elements. We provide comprehensive security and performance validation capabilities covering all elements of any production environment: physical and virtual security domains, distributed edge, 5G and internet of things use cases, whether legacy or virtualised and cloud. Our flexible solutions and services offerings provide hyper-realistic assessment based on real-world application, service and threat traffic emulation.

IP network validation

Testing the next generation of a nation's communication networks

Challenge:
With the advent of 5G, Indonesia's Ministry of Communication and Information Technology decided to create its own national telecommunication equipment testing centre (BBPPT) to help ensure that next-generation telecoms equipment and devices perform at the highest levels. A vital element for the labs is a state-of-the-art IP networking test system, essential for ensuring the quality and performance of ICT equipment.

Solution:
Having identified Spirent as the leader in the field of network testing and backed by the strong IP expertise of Spirent's local partner in the region, the BBPPT selected Spirent TestCenter as a foundational component of the new facility. With its unrivalled end-to-end testing capabilities, Spirent TestCenter is used by leading service providers and network equipment manufacturers across the world, and will help BBPPT ensure equipment and device performance.

Impact:
With Spirent TestCenter, BBPPT can provide advanced testing features that include high scalability, automation, and real-time reporting for complex network systems that will benefit Indonesia and its neighbouring countries.

Operating review continued

Networks & Security continued

High-speed Ethernet

Proving the 800G route to the high-speed AI future

Challenge:
AI-generated content and the large-scale AI workloads that come with it are driving demand for computing power. With 800G expected to become the standard for data exchange, leading digital infrastructure equipment developer HC3 was eager to demonstrate the credentials of its new generation of high-performance 800G Ethernet switches for data centres.

Solution:
Seeking the support of Spirent, HC3 jointly developed a test programme utilising Spirent's recently launched high-density TestCenter 800G test platform and set out to complete the industry's first large-scale high-density 800G Ethernet test, with a staggering 64 800G Ethernet ports. The test results showed a total switching capacity of up to 51.2 Terabits per second, with all 64 Ethernet ports operating as expected at 800G.

Impact:
Results from the test validated both the high performance and reliability of H3C's new 800G switch series, paving the way for the company to help customers achieve major improvements in the scale and computing power of their computing clusters in response to the AI challenge.

What we test and assure continued

Positioning, navigation and timing
We are market leaders in addressing the PNT research and development, verification and integration testing needs of customers from national government, military and space contractors to commercial PNT chipset and device developers, automotive, precision agriculture and survey players. Our market-leading radio frequency simulation environments and record/playback systems offer a practical and robust framework to audit receiver, system or application resilience in the face of increasing threats to GNSS-based PNT. We are leaders in the testing of hybrid positioning and sensor fusion under real-world conditions for connected and autonomous vehicle development. Our latest innovation is a patented service that provides predictions of GNSS performance to assure safe and reliable navigation in live deployment scenarios for the aviation (e.g. drones), automotive and other industries.

Performance

Networks & Security revenue was $275.2 million as we managed a challenging year in the telecommunications sector impacted by macroeconomic uncertainty. We continue to focus on new growth markets including data centre networking needs to support AI and earlier stages of the R&D lifecycle around pre-silicon testing. As a result, adjusted operating profit was $39.0 million (2022 $86.8 million).

We expected a recovery in 2023 in China for high-speed Ethernet demand, following an extended period of COVID-19 affecting our customers' ability to enter their lab facilities, progress their programmes and procure our solutions. However, the Chinese economy struggled in 2023 and expenditure plans were stalled.

Our Positioning business, which operates within diversified end markets, saw good order intake growth in 2023, building a robust orderbook as we enter 2024 due to continued solid spending in government and commercial markets, reinforcing our position as market leader. We also saw continued momentum with our business expansion into larger addressable markets in LEO, aerospace and automotive.

> I am delighted by our demonstrated leadership in 800G high-speed Ethernet which positions us well for the rapidly-growing data centre market to support both the traditional (front-end) and growing AI (back-end) networks, while market demand for our ultra-high performance network security and application test platform grows.

Aniket Khosla
Vice President - Product Management, Cloud & IP, Spirent

Accomplishments

High-speed Ethernet/IP, cloud and virtualisation

- Our leadership in 800G Ethernet was highlighted with the industry's first large-scale 800G test with H3C and our solution was honoured with the prestigious Interop Tokyo 2023 Best of Show Award Special Prize, chosen by a panel of leading industry analysts and experts. As demand in next-generation cloud and data centre networking testing for AI gathering pace in 2024, we anticipate growth for our 400G and 800G test solutions.
- Our cloud resiliency and impairment solutions continued to gain momentum with mobile operators as they began to upgrade to 5G SA with the new cloud native core.
- We partnered with Anritsu to bring together our extensive portfolio of automotive vehicle-to-everything test solutions in a single unified framework.
- We joined the Ultra Ethernet Consortium alongside industry leaders AMD, Arista, Broadcom, Cisco, HPE, Intel, Meta, Microsoft and Oracle, to advance new capabilities for Ethernet to meet the growing network demands of AI and high-performance computing at scale.

Applications performance and cybersecurity

- We released a powerful new zero trust network access testing capability as organisations worldwide evolve to give their hybrid workforces secure, flexible connectivity from anywhere, beyond the limitations of legacy virtual private networks.
- Demand for our CF400 ultra-high performance network security and application test platform help drive revenue growth, as well as a strong opportunity pipeline for 2024.

Positioning, navigation and timing

- We saw continued momentum with government and military segments, growth in space and commercial sectors especially in the rest of APAC (outside of China) and EMEA, and continued growth in automotive testing, especially in China.
- We launched the industry-first satellite constellation simulator to support the XONA commercial PNT service built on a backbone of LEO small satellites.
- Our Positioning business was honoured with the highest accolade, platinum award, as the UK Employer of the year (50–249 people) at the 2023 Investors in People Award. Investors in People is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results.

Financial review

Proactive response to current challenging environment

Paula Bell
Chief Financial & Operations Officer

Revenue

$474.3m

(2022 $607.5m)

Gross margin

72.4%

(2022 72.0%)

Closing cash

$108.1m

(2022 $209.6m)

Group overview

The geopolitical and inflationary pressures at the end of 2022 continued into 2023 resulting in rising costs and a slowdown in economic growth. This inevitably impacted Spirent's business environment, specifically within the telecommunications market, particularly evidenced by increasingly delayed expenditure and technology investments by our customers as they responded to higher interest rates. We did however see several areas of important progress within our non-telecommunications markets such as Positioning, and in November 2023 secured an important strategic automation and test solution for a brand new customer segment in Financial Services.

Against this challenging economic backdrop, revenue was $474.3 million, compared to $607.5 million for 2022. However, the orderbook closed at $293.7 million (2022 $288.1 million), providing a solid base as we enter the new financial year.

Effective supply chain management and robust customer pricing meant gross margin was maintained at 72 per cent.

To optimise our cost base whilst protecting our technology leadership, a number of key initiatives have been completed or are underway:

- Organisation restructure – from 1 January we are merging our High-Speed Ethernet business unit within our Lifecycle Service Assurance segment to better support how we sell to our customers increasing numbers of solutions, including more products from across our portfolio.
- We reduced our headcount by circa 8 per cent through the year, including as part of the organisation restructure mentioned above. We have taken a very targeted approach to ensure all key R&D product road maps remain intact.
- We are reducing our overall office footprint, reflecting a more flexible office working environment post COVID-19.

The initiatives, with a restructuring cost of $13.5 million have driven cost savings of $14 million during 2023 and are expected to deliver further savings of circa $17 million for 2024 which will more than mitigate cost inflation. The overall payback of the change initiatives is expected to be less than two years.

The revenue reduction in the year significantly impacted adjusted operating profit which reduced to $45.2 million from $129.5 million in 2022. Reported operating profit decreased from $112.7 million in 2022 to $18.4 million in 2023.

Other adjusting items were $14.2 million (2022 $3.6 million) which comprise restructuring and strategic evaluation costs of $13.5 million and acquisition costs of $0.7 million. The majority of the strategic costs relate to people exits, with the remainder being rationalisation and downsizing or exiting office space. Acquisition costs relate to the purchase of the Test Lab Automation business of NetScout® Systems, Inc., a small carve-out based in New Jersey, USA. Whilst the financial impact of this technology business is relatively small, it brings important intellectual property which will enable us to expand our test lab automation capabilities. Adjusting items are further detailed on page 51.

The effective tax rate reduced from 12.9 per cent to 10.8 per cent mainly driven by the mix of profit generation by region. Adjusted basic earnings per share decreased by 60.0 per cent, down from 18.86 cents last year to 7.55 cents for 2023.

On 3 April 2023, the Company commenced a Share Buyback Programme of $71.6 million (£56.0 million) which was successfully completed on 24 August 2023. These 33 million shares, representing circa 5.4 per cent of the Company's issued share capital, have been cancelled.

Cash closed at $108.1 million (2022 $209.6 million), following payment of the ordinary dividend of $46.5 million and repurchase of shares through the Share Buyback Programme of $71.6 million.

The following table shows summary financial performance for the Group:

$ million	2023	2022	Change (%)
Orderbook[1]	**293.7**	288.1	1.9
Order intake[2]	**477.0**	625.7	(23.8)
Revenue	**474.3**	607.5	(21.9)
Gross profit	**343.6**	437.1	(21.4)
Gross margin (%)	**72.4**	72.0	0.4pp
Adjusted operating costs[3]	**298.4**	307.6	(3.0)
Adjusted operating profit[3]	**45.2**	129.5	(65.1)
Reported operating profit	**18.4**	112.7	(83.7)
Reported profit before tax	**22.9**	114.6	(80.0)
Effective tax rate[4] (%)	**10.8**	12.9	(2.1pp)
Adjusted basic earnings per share[5] (cents)	**7.55**	18.86	(60.0)
Reported basic earnings per share (cents)	**4.30**	16.46	(73.9)
Closing cash	**108.1**	209.6	(48.4)

Notes
1. Orderbook is an alternative performance measure as defined in the appendix on page 196.
2. Order intake represents commitments from customers to purchase goods and/or services that will ultimately result in recognised revenue.
3. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022 $16.8 million).
4. Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax.
5. Adjusted basic earnings per share is based on adjusted earnings as set out in note 11 of Notes to the full year consolidated financial statements.

Note on Alternative Performance Measures (APM)

The performance of the Group is assessed using a variety of performance measures, including APMs which are presented to provide users with additional financial information that is regularly reviewed by management. These APMs are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

The APMs adopted by the Group are defined in the appendix. The APMs which relate to adjusted income statement lines are presented and reconciled to GAAP measures using a columnar approach on the face of the income statement and can be identified by the prefix "adjusted" in the commentary. All APMs are clearly identified as such, with explanatory footnotes to the tables of financial information provided, and reconciled to reported GAAP measures in the Financial Review or Notes to the full year consolidated financial statements. The reported GAAP measures give the complete measure of financial performance.

Financial review continued

Revenue

$ million	2023	% of total	2022	% of total
Revenue by segment				
Lifecycle Service Assurance	**199.1**	**42.0**	264.5	43.5
Networks & Security	**275.2**	**58.0**	343.0	56.5
	474.3	**100.0**	607.5	100.0
Revenue by geography				
Americas	**268.1**	**56.5**	336.3	55.3
Asia Pacific	**153.9**	**32.5**	205.8	33.9
Europe, Middle East and Africa	**52.3**	**11.0**	65.4	10.8
	474.3	**100.0**	607.5	100.0

Overall Group revenue declined by 22 per cent, with Lifecycle Service Assurance and Networks & Security down 25 per cent and 20 per cent respectively, compared to the prior year.

Revenue at Lifecycle Service Assurance was adversely impacted in 2023 due to customer spending delays. Nonetheless there were several contract wins within the developing technology of Open RAN including closing a significant deal with a world leading financial services organisation. This represents a new end market for the Group.

Total Group maintenance and support services revenue remained consistent at $184.0 million (2022 $185.4 million).

Geographical revenue as a percentage of total revenue in the regions was similar to last year.

Gross margin

$ million	2023	%	2022	%
Lifecycle Service Assurance	**147.8**	**74.2**	198.0	74.9
Networks & Security	**195.8**	**71.1**	239.1	69.7
	343.6	**72.4**	437.1	72.0

Gross margin remained robust at 72.4 per cent (2022 72.0 per cent) driven by effective supply chain management, robust customer pricing and change in product mix.

Operating costs

$ million	Adjusted[1] 2023	Reported 2023	Adjusted 2022	Reported 2022
Product development	**102.4**	**102.4**	111.3	111.3
Selling and marketing	**133.9**	**133.9**	138.9	138.9
Administration[1]	**62.1**	**88.9**	57.4	74.2
Operating costs[1]	**298.4**	**325.2**	307.6	324.4
Lifecycle Service Assurance	**130.8**	**136.9**	147.0	147.9
Networks & Security	**156.9**	**164.2**	152.3	153.8
Corporate	**10.7**	**24.1**	8.3	22.7
Operating costs[1]	**298.4**	**325.2**	307.6	324.4

Note
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022 $16.8 million).

Total Group adjusted operating costs decreased given the continued focus on financial management of our cost base and a number of initiatives implemented during the year. Actual reported costs increased in 2023 due to the strategic restructuring initiatives as outlined in note 5.

The overall investment in product development decreased year-on-year from $111.3 million to $102.4 million, driven by cost-saving initiatives as we transferred activities to lower-cost regions whilst retaining the same R&D headcount.

Selling and marketing costs decreased by $5.0 million, from $138.9 million to $133.9 million, which includes lower incentivisation reward as order bookings fell. Administration costs reflect investment into our support functions and infrastructure to sustain our growth agenda, increasing compliance requirements, as well as inflationary increases.

We continued to invest in our world-class employees, supporting their professional development and wellness, which has contributed to an employee retention rate significantly higher than the industry average.

Operating profit

$ million	2023	Adjusted operating margin[1,2] %	2022	Adjusted operating margin[1,2] %
Lifecycle Service Assurance	**16.9**	**8.5**	51.0	19.3
Networks & Security	**39.0**	**14.2**	86.8	25.3
Corporate	**(10.7)**		(8.3)	
Adjusted operating profit[1]	**45.2**	**9.5**	129.5	21.3
Adjusting items:				
Acquired intangible asset amortisation	**(5.0)**		(4.7)	
Share-based payment	**(7.6)**		(8.5)	
Other adjusting items	**(14.2)**		(3.6)	
Reported operating profit	**18.4**		112.7	

Notes
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items amounting to $26.8 million in total (2022 $16.8 million).
2. Adjusted operating profit as a percentage of revenue in the period.

Adjusted operating profit and reported profit was $45.2 million (2022 $129.5 million) and $18.4 million (2022 $112.7 million), respectively, impacted by the decline in revenue and negative operating leverage.

Total adjusting items of $26.8 million in 2023 increased from $16.8 million in 2022, mainly due to the rationalisation and strategic review of the Group's operating model which commenced at the end of 2022.

Acquired intangible asset amortisation and share-based payment

The acquired intangible asset amortisation charge increased slightly over the prior year to $5.0 million (2022 $4.7 million) due to the amortisation of the intangible assets recognised on the acquisition of the NetScout® business carve-out in September 2023, generating a charge of $0.3 million in 2023.

Share-based payment decreased to $7.7 million in 2023 (2022 $8.9 million), of which $7.6 million (2022 $8.5 million) have been treated as an adjusting item.

Other adjusting items

$ million	2023	2022
Restructuring	**13.5**	2.8
Acquisition related transactions	**0.7**	0.8
	14.2	3.6

Restructuring

$ million	2023	2022
R&D engineering plan	**0.7**	1.5
Finance transformation	**1.1**	–
Organisational restructure	**8.8**	1.3
Facilities downsize	**2.9**	–
	13.5	2.8

The initiatives, with a restructuring cost of $13.5 million have driven cost savings of $14 million during 2023 and are expected to deliver further savings of circa $17 million for 2024 which will more than mitigate cost inflation. The overall payback of the change initiatives is expected to be less than two years.

We embarked on a strategic evaluation of our operating model, taking into account the need to serve our customers with solutions involving a combination of our portfolio offerings, as well as the need to drive cost efficiency during a challenging trading environment.

We concluded our R&D engineering site plan to relocate activities from North America to lower cost regions for our High-Speed Ethernet business. This incurred severance and retention costs of $0.7 million (2022 $1.5 million) and delivered material cost savings.

In order to embed standardised global finance processes, we moved certain accounting activities from North America to the UK, incurring $1.1 million of costs including $0.5 million consultancy.

Financial review continued

Acquired intangible asset amortisation and share-based payment continued

Restructuring continued

We reduced headcount by 8 per cent and incurred $8.3 million of costs mainly relating to severance and exit costs of people. At the end of 2023, we also incurred an additional $0.5 million of restructure costs in relation to the organisational change to merge the High-Speed Ethernet businesses into the Lifecycle Service Assurance segment to better serve our customers' requirements for portfolio solutions.

Our facilities and office sites were reviewed and we exited and downsized three of our North American facilities which gave rise to a non-cash $2.9 million impairment of assets, therefore reducing the cost of our office space going forward.

Acquisition related transactions

On 8 September 2023, the Group completed the asset purchase of a small test lab automation business carve-out from NetScout® Inc. Direct acquisition transaction costs of $0.4 million and integration costs of $0.3 million were incurred during 2023.

Prior year acquisition costs reflect the Group acquisition of octoScope in 2021 which relate to direct acquisition costs of $0.6 million, acquisition related performance credit adjustment of $0.1 million and integration costs of $0.3 million.

The tax effect of other adjusting items is a credit of $2.5 million (2022 $0.9 million). There will be a total net cash outflow of $11.3 million in respect of other adjusting items charged in 2023, $10.3 million of which was in 2023 (2022 $3.6 million outflow with $1.7 million paid in 2022). The cash outflow in 2023 in respect of other adjusting items charged in 2022 was $1.9 million (2022 $0.9 million).

The total cash outflow in respect of other adjusting items is reported within cash flows from operating activities in the consolidated cash flow statement.

Currency impact

The Group's revenue and costs are primarily denominated in US Dollars or US Dollar-linked currencies. Currency exposures arise from trading transactions undertaken by the Group in foreign currencies and on the retranslation of the operating results and net assets of overseas subsidiaries.

The Group's income statement includes a foreign exchange loss, included in administration costs, of $0.9 million (2022 $0.2 million gain) arising from transacting in foreign currencies, primarily US Dollars, in the United Kingdom, and the translation of foreign currency cash balances.

Forward foreign currency exchange contracts are entered into to manage the exposure arising from transacting in currencies other than US Dollars.

Although the most significant currency exposure arises in relation to movements in Pound Sterling against the US Dollar, there are other less significant currency exposures, notably the Euro and Chinese Yuan.

Finance income and costs

Interest income of $4.8 million was earned from bank interest (2022 $2.1 million) and $0.6 million (2022 $0.8 million) of interest income was recognised in relation to the UK defined benefit pension plans. The growth in bank interest received year-on-year reflects the increase in US Dollar and Sterling interest rates. Surplus funds are held principally in the United Kingdom and United States on short-term or overnight deposits and earn market rates of interest.

Finance costs in 2023 were $0.9 million (2022 $1.0 million), relating to interest on lease liabilities.

Tax

The adjusted effective tax rate, being the adjusted tax charge expressed as a percentage of adjusted profit before tax shown on the face of the consolidated income statement, was 10.8 per cent in 2023, compared with 12.9 per cent in 2022.

Spirent's effective tax rate continues to benefit from the United Kingdom Patent Box Scheme, the United States R&D Tax Credit, and the US foreign-derived intangible income deduction.

Going forward it is anticipated that Spirent's effective tax rate will rise slightly over time, due to the geographical mix of profits, but 2024 will likely be similar to 2023 at 11 per cent if statutory tax rates do not materially change. As a large proportion of the Group's profit is generated in the United States, the effective tax rate is exposed to changes in US tax legislation. Between currently proposed US tax law changes and the fact that 2024 is an election year, we will be closely monitoring all proposed corporate tax rates and other tax legislative changes for their impact on the Group's effective tax rate.

Earnings per share

Adjusted basic earnings per share was down 60.0 per cent to 7.55 cents (2022 18.86 cents). Basic earnings per share was 4.30 cents (2022 16.46 cents). There were 586.7 million (2022 607.0 million) weighted average Ordinary Shares in issue. See note 11 of Notes to the full year consolidated financial statements on page 153 for the calculation of earnings per share.

Acquisition

On 8 September 2023, Spirent completed the asset purchase of a small test lab automation business carve-out from NetScout® Inc. for a total cash consideration of $7.8 million. The acquisition was funded from the Group's cash resources.

The business carve-out from NetScout® is a US-based technology business that develops and manufactures Layer-1 switches and control software which will further accelerate opportunities within our lab automation solutions and services. This business was incorporated into our Lifecycle Service Assurance operating segment.

The acquisition gave rise to goodwill of $3.9 million, and acquired intangible assets of $4.3 million with an estimated useful life of six years. Details on the net assets acquired and performance of the business acquired are detailed separately in note 33 of Notes to the full year consolidated financial statements.

Treasury management

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

Spirent's financial risk management objectives and policies and its exposure to risks are discussed in note 28 of Notes to the full year consolidated financial statements.

Financing and cash flow

Cash flow from operations was $45.8 million in 2023 (2022 $140.6 million) driven by the reduction in adjusted operating profit. Cash flow from operations is detailed in note 32 (page 170). An explanation on free cash flow as an alternative performance measure can be found on page 197.

Free cash flow conversion represented 54 per cent of adjusted earnings (2022 91 per cent).

Free cash flow is set out below:

$ million	**2023**	2022
Cash flow from operations	**45.8**	140.6
Tax paid	**(13.9)**	(22.8)
Net cash inflow from operating activities	**31.9**	117.8
Interest received	**5.4**	1.5
Net capital expenditure	**(6.1)**	(8.2)
Payment of lease liabilities, principal and interest	**(8.8)**	(9.6)
Lease payments received from finance leases	**0.6**	0.6
Acquisition related other adjusting items (note 5):		
– Direct acquisition transaction costs	**0.4**	0.6
– Acquisition related performance payments	**–**	(0.1)
– Acquisition integration costs	**0.3**	0.3
One-off employer contribution to UK pension scheme	**–**	0.9
Free cash flow	**23.7**	103.8

Net capital expenditure of $6.1 million was lower than over the same period last year (2022 $8.2 million) and was predominantly related to demonstration and test equipment.

In 2023, the final dividend for 2022 and an interim dividend for 2023, totalling $46.5 million was paid (2022 $39.9 million). No shares were purchased or placed into the Employee Share Ownership Trust (ESOT) (2022 7.1 million shares at a cost of $22.9 million).

On 3 April 2023, the Company commenced a Share Buyback Programme which completed on 24 August 2023, resulting in a cash outflow of $71.6 million and the cancellation of 33 million issued shares.

Following these payments, cash closed at $108.1 million at year end, compared with $209.6 million in the previous year. There continues to be no bank debt.

Financial review continued

Defined benefit pension plans

The Group operates two funded defined benefit pension plans in the United Kingdom which are closed to new entrants.

In order to protect the balance sheet from further risk of market movements affecting the valuation of pension liabilities, in October 2022, the Trustees, with the Company's support, purchased a bulk annuity insurance policy from specialist UK insurer Pension Insurance Corporation (PIC), in respect of the largest plan, the Staff Plan. The premium was met from the plan's assets and sufficient assets remain to meet the plan's ongoing costs. This pension buy-in secures an insurance asset from PIC that matches the remaining pension liabilities of the Staff Plan, such that the Company no longer bears any investment, inflation, longevity or other demographic risks.

Following the purchase of the bulk annuity insurance policy, the Group does not expect to make any further cash contributions to this plan.

The accounting valuation of the funded defined benefit pension plans at 31 December 2023 was a net surplus of $6.7 million (31 December 2022 net surplus of $8.0 million).

There is also a liability for an unfunded plan in the UK of $0.5 million (31 December 2022 $0.5 million).

The Group operates an unfunded deferred compensation plan for employees in the United States. At 31 December 2023, the deficit on this deferred compensation plan amounted to $9.2 million (31 December 2022 $6.9 million).

Balance sheet

The consolidated balance sheet is set out on page 129.

Overall, net assets decreased by $89.4 million to $375.8 million at 31 December 2023, from $465.2 million at 31 December 2022.

Cash decreased by $101.5 million within current assets to $108.1 million (2022 $209.6 million) as a result of the reduction of operating profit, the payment of dividends amounting to $46.5 million (2022 $39.9 million) and the repurchase of shares through the Share Buyback Programme of $71.6 million (2022 nil).

Overall, liabilities of $208.0 million fell at 31 December 2023 (2022 $240.1 million) reflecting the decrease in trading performance, and therefore, a reduction in trade payables of $14.3 million and accrued employee bonuses of $11.6 million.

Liquidity and dividend policy

The Board's intention is to maintain a cash positive balance sheet over the medium to long term. This should allow the Company to maintain a strong capital position in the face of business risks, trading fluctuations and working capital demands.

The cash generation of the Group allows continued investment into R&D to maintain our market-leading positions and inorganic investments where opportunities support growth plans. If and when it is considered appropriate, the Company may take on modest gearing to fund inorganic investments.

The Board will regularly review the Company's balance sheet in light of current and expected trading performance and cash generation, working capital requirements and expected organic and inorganic investments. To the extent the Company has excess cash, it will consider returning such cash to shareholders. The Board will consider from time to time the appropriate mechanism for returning surplus cash to shareholders. The Board has implemented a progressive dividend policy.

Dividend

No final dividend is being recommended.

Paula Bell
Chief Financial & Operations Officer
5 March 2024

Principal risks and uncertainties

Like all businesses, Spirent is exposed to a number of risks and uncertainties. These risks may arise from internal factors, but some will be a result of external factors over which the Group has little or no direct control. It is the effective management of these risks that supports Spirent in delivering on its strategic objectives, safeguards the Group's assets and, over time, will enhance shareholder value.

The process to identify and manage the principal risks and uncertainties of the Group is an integral component of the internal control system.

The risk assessment process starts in the businesses, where risk registers are maintained as part of the normal operating and control procedures, and is facilitated by the Head of Risk & Internal Audit. Each business identifies its key risks and mitigating factors and nominates a risk owner. The impact and the likelihood of occurrence of each risk is ranked, which assists the Group Executive Committee in assessing the likely impact in aggregate of each risk to the Group as a whole. The individual businesses are required to update their risk registers regularly to reflect new or emerging risks as they are identified to keep them up to date.

The approach includes a process to identify, clarify and communicate emerging risks for Board discussion and assessment, along with agreed mitigating action plans.

It is not possible to identify every risk that could affect the business and the actions described below to mitigate those risks cannot provide absolute assurance that the risk will not occur or adversely affect the operating or financial performance of the Group.

The Board has classified the principal risks by the impact the risk would be expected to have on the Group should it occur, and the anticipated likelihood that risk may occur using the following classifications:

Risk	Impact
Impact	High
	Medium
	Low
Likelihood of occurrence	Likely
	Possible
	Unlikely

The Board takes the view that a high-impact risk could lead to a 10 per cent or more reduction in revenue, a medium-impact risk a 5 to 10 per cent reduction in revenue and a low-impact risk a reduction of up to 5 per cent in revenue.

The Audit Committee reviews and monitors the Group's risk processes and reports to the Board on their effectiveness. Risk is considered by the Audit Committee at least twice each year, at which time the risk registers are reviewed. The Audit Committee challenges and debates the risks with reference to risk tolerance and appetite, as set by the Board. Progress made and any further actions to be taken regarding mitigation plans, as well as any changes to the risk profile, are discussed.

The Board has identified the following principal risks, each of which is discussed on pages 57 to 60:

Risk	Impact	Likelihood	Change
A. Macroeconomic change	High	Likely	No change
B. Technology change	High	Likely	No change
C. Business continuity	High	Likely	No change
D. Customer dependence/ customer investment plans	High	Likely	No change
E. Competition	Medium	Possible	No change
F. Acquisitions	Medium	Likely	No change
G. Employee skill base	Medium	Possible	No change

Current topical risks, uncertainties and emerging risks

Topical risks and uncertainties along with emerging risks are covered in detail in the table of principal risks and uncertainties, but some of the more pertinent ones are described below.

Macroeconomic uncertainty

Spirent is a global business exposed to current world economic conditions over which it has no control. Global market economic conditions have been impacting some of our customers, particularly our telecommunication customers, resulting in delays to their investment decisions.

Wars in Ukraine and the Middle East

The organisation has negligible activities within Ukraine, Russia and the Middle East and, therefore, these wars are expected to continue to have an immaterial direct financial impact on the Group unless they escalate and broaden further.

US/China trade and sanctions

The geopolitical landscape is turbulent with continuing US/China trade challenges. We have navigated regulatory changes throughout the year and continue to work closely with our customers and regulators. We make sales across a broad range of customers in China. Changes to existing US regulations to embargoed customers may impact our ability to supply affected customers in both the short and medium term. A conflict between Taiwan and the Chinese military could lead to a global recession and have an impact on the global supply of Taiwan's microchips which the organisation is currently heavily reliant upon. We maintain a watching brief as legislative requirements and these geopolitical tensions continue to evolve.

Principal risks and uncertainties continued

Current topical risks, uncertainties and emerging risks continued

Task Force on Climate-related Financial Disclosures (TCFD)

We have undertaken TCFD-aligned scenario analyses, which involved senior management, to assess our exposure to climate-related physical and transition risks. This workstream is overseen by an Executive Director-led management committee that has been established to consider ESG matters including climate-related risks and opportunities, with updates reported regularly to the Audit Committee and the Board. More details can be found on pages 32 to 37.

From a transitional risk perspective, it is expected that there will likely be a shift quickly towards renewables and away from fossil fuels, resulting in increased carbon taxes across all regions in the short and medium term. This may result in associated increased costs; however, we do not estimate the impact to be material to Spirent.

From a physical risk perspective, the potential of extreme weather events has been considered and could cause some disruption to our operations or those of our key suppliers. Spirent has mitigation plans for each of these physical risks identified, including appropriate insurance coverage, and these plans have been developed as part of longstanding business continuity and disaster recovery plans.

Responding to climate change also offer opportunities for businesses and, as part of the scenario process, a number of opportunities have been identified.

- Reduction in costs and efficiency, especially in relation to office estate and automation in labs.
- Improved resilience from physical and transitionary risks.
- Additional testing opportunities to support the development of new technologies to mitigate and adapt to a changing climate.
- Expanding demand for test solutions that help reduce customer emissions, including lab automation and efficiency.

See pages 32 to 37 for further detail of our approach to environmental sustainability and climate change.

Supply chain

Supply chain issues have been experienced around the world, particularly with respect to the supply of semi-conductors, in 2023 due to the residual effects of COVID-19, the ongoing war in Ukraine, macroeconomic issues, war in the Middle East, and a number of other localised factors that are expected to continue at a lower scale in the medium term. There has been no material impact on our ability to deliver goods and services to customers. However, the impact of the component shortages has meant that we are experiencing longer lead times, supply chain cost increases and supply constraints, and there has been some disruption to the delivery timelines of hardware to our customers. This is causing us to hold more inventory, make longer-term commitments to suppliers and re-engineer some products to use more readily available components. We have seen a significant reduction in supply chain challenges and have reached what appears to be a steady state of somewhat elevated lead times.

We continue to monitor any effect from these disruptions on the sourcing of components and the effect that this may have on our ability to manufacture hardware and deliver products to our customers on a timely basis.

Risk appetite and developing the long-term Viability Statement

The UK Corporate Governance Code requires the Board to explain how it has assessed the prospects of the Group and state whether it has a reasonable expectation that the Group can continue to operate and meet its liabilities, taking into account its current position and principal risks.

The Board has determined that a three-year period should be used when assessing viability, as explained on page 113 of this Annual Report.

The Board has sought to frame its risk appetite in terms of the markets and technologies in which it is prepared to make significant investments, and those in which it would expect its scale of investment to be more modest. Except where very attractive opportunities were to present themselves to achieve greater scale in well understood markets, which would be inherently cash generative, the Board would expect to maintain a net cash position.

Management, together with members of the Board, considered which of the principal risks, either alone or in combination, might threaten the Group's viability. The expected aggregate impact of the principal risks were modelled based on historical trends experienced across the Group. A severe but plausible combination of those risks was considered for the purposes of determining the revenue and free cash flow scenarios that should be stress tested via financial modelling.

A number of scenarios that encompass the principal risks and uncertainties were modelled over the three-year period, using the Group's strategic three-year plan as a basis, and are set out in the table below. The analysis also included a reverse stress test scenario to illustrate the revenue reduction in the 12 months following approval of the financial statements that would lead to the Group ceasing to be a going concern.

Scenario		Principal risks
1.	Revenue reduction in year 2, no growth in year 3	B, E
2.	Revenue reduction in year 1, no growth in years 2 or 3	B, E
3.	Major trade embargo	A, D
4.	Major supplier disruption	C
5.	Reverse stress test	n/a

The impacts arising from the principal risks relating to employee skill base and acquisitions were not modelled as they arise as a result of specific events or transactions, the financial effects are less extreme than other risks or they would be expected to take longer to materialise.

The analysis included assumptions in relation to the ability of the Group to take realistic and successful mitigating actions to avoid or reduce the impact or occurrence of the underlying risks, including the ability to make significant reductions in its operating costs. In doing so an appropriate and realistic adjustment was made for the cost of taking those actions.

In performing the Viability Statement modelling the Board took into consideration the Group's healthy cash balance of $108.1 million at 31 December 2023 and the ability of the Group to continue to generate positive free cash flow over the three-year period even in stressed scenarios, as has historically been the case.

The Board reviewed and discussed with management:

- the process undertaken by management to decide which scenarios to stress test;
- the results of the stress testing performed, including an illustration of the reduction in revenue and cash generation and consequently the availability of cash to fund operations; and
- the ability of management to successfully take the mitigating actions identified.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period. The Viability Statement is set out in the Directors' Report on page 113.

A – Macroeconomic change

Spirent is a global business exposed to current world economic conditions and political and trade embargo uncertainties over which it has no control.

We have navigated regulatory changes throughout the year and continue to work closely with our customers. Trade compliance issues continue to remain a focus, particularly with China.

The business is also exposed to government spending priorities, principally in the United States.

The residual effects of the COVID-19 crisis, the war in Ukraine, inflationary pressures, and rises in interest rates by major central banks have combined to create uncertainty to current world economic conditions and government spending priorities. The Group continues to monitor the impact to the global economy and possibility of a prolonged recession in the organisation's key markets.

Potential impact

Deterioration in economic conditions and a change to the terms of conventional international trade and embargoing of specific customers may lead to a reduction in the level of demand for Spirent's products and services and cause customers to delay their purchasing decisions.

Mitigating actions

The Group closely monitors both market and geographic trends in order to respond to changes in demand and be in a position to take timely actions to protect profitability where possible.

In addition, Spirent has a large number of geographically diverse customers, which may mitigate the impact of issues in any one area.

B – Technology change

Spirent sells complex solutions in industries that can be subject to rapid and somewhat cyclical technological changes. Testing new technologies drives our business, but the opportunity also brings high risk since keeping at the forefront of these key future technologies is critical to our success and to ensuring that we remain competitive in our markets.

It is critical that our product development investment is directed at the right areas in order to deliver the solutions that our customers need, when they need them.

Spirent's success is dependent in part on proprietary technology which may be infringed by others.

Open-source tools become more prevalent providing some of the functionality of our products.

Potential impact

If product development investment does not keep pace with the speed of change in technologies, or if it is not directed at the right key areas, our competitive position and financial performance will suffer.

If Spirent's solutions take longer to develop than anticipated or longer to develop than our competitors, then our competitive position and financial performance will also suffer.

Changes in technologies and increasing scrutiny on security and privacy may lead to a short-term pause by our customers investing in our solutions.

Intellectual property claims can result in significant defence costs and may affect Spirent's ability to market its products.

Customers may choose to use open-source tools instead of some Spirent products to meet part of their testing needs.

Mitigating actions

All Spirent's businesses work very closely with customers and remain focused on their requirements.

Each business makes investment decisions specifically related to its solutions portfolio based on market needs.

Spirent continues to focus its investment into areas that offer the most potential for sustainable earnings growth. In 2023 the product development investment was $102.4 million (2022 $111.3 million) as we find new ways of investing at lower cost.

Spirent has active intellectual property protection programmes in place to obtain appropriate protection in a cost-effective manner.

Principal risks and uncertainties continued

C – Business continuity

Operational risks are present in the Group's businesses, including the risk of failed internal and external processes and systems, human error, and external events, such as a natural disaster, climate change, a global pandemic or cybersecurity attacks. For example, a significant portion of our operations are located in California which has in the past experienced natural disasters, including earthquakes and wildfires.

Our TCFD-related analysis has considered the potential of increasing intensity and frequency of storms and concentrated rainfall events, and frequency of wildfires, and we have assessed that these risks would possibly cause some disruption to operations. The understanding of climate change-related risks is incorporated into the risk management framework.

The Group has therefore taken steps to manage the increase to business continuity risk, including invoking business continuity plans in each location, closely monitoring the impact to the supply chain with additional inventory procured on key components and by adding alternate suppliers, making last time buys as necessary, and by boosting the global Spirent information technology systems to enable the workforce to work remotely.

Contract manufacturers are used for a substantial amount of Spirent's products and have experienced a reduction in orders from Spirent, cost increases, end of life notices and some elevated lead time challenges, leading to a limited number of shortages but primarily increased costs during 2023. Spirent's major contract manufacturer is located in Thailand.

The incidence of cybercrime continues to rise. Spirent is dependent on its information technology systems for both internal and external communications, maintaining our reputation as well as for day-to-day operations.

Potential impact

A significant natural disaster or global pandemic could disrupt the Group's ability to conduct business and adversely impact revenue and operating results.

Higher peak and average temperatures could lead to increased capital expenditure to expand or upgrade cooling equipment across multiple Spirent sites.

The shift towards renewables and away from fossil fuels may result in associated increased costs. Starting in the short term, energy costs are likely to continue to increase due to higher investment requirements in low-carbon technology and expected additional carbon-related levies. We also expect additional administrative burden on the business, likely increasing the costs for resource to deliver and report. We do not estimate the impact to be material to Spirent.

In the medium to long term, our TCFD climate-related analysis has highlighted the risks of site damage to building and infrastructure, lost time and productivity and any associated increased cost of insurance. Additionally, a major supplier disruption event is a possible key risk, causing an outage for a period of time which we assess as causing possible delays to customer shipments and the timing of revenue recognition. Disruption, financial problems of contract manufacturers or limitations in their manufacturing capacity could limit supply and/or increase cost.

Failed internal and external processes, systems or human error could lead to compliance issues.

If a cyberattack were to be successful it could result in loss of data, reputation, and confidential information as well as damage to Spirent's intellectual property, causing major disruption to the business. Any security vulnerabilities in our products could also adversely impact our customers. There would also be a potential impact on Spirent's credibility in the security market.

Mitigating actions

An important component of Spirent's corporate governance is its risk management strategy. IT disaster recovery plans are in place for all core business systems and ensure that the wider operations are all fully covered. In 2023, we performed the annual refresh and test of the Group Business Continuity and Disaster Recovery Policy and Procedure.

Spirent has mitigation plans for each of the TCFD physical risks identified, that have been developed as part of longstanding business continuity and disaster recovery plans. Spirent engineering centres are situated across the globe, allowing flexibility and agility should one site become affected. Where possible we have second source component supply to assist with the mitigation of interruptions in supply and regular meetings are held with contract manufacturers. In addition, the Group's largest manufacturing subcontractor has multiple worldwide sites and comprehensive business continuity plans.

The Group has appropriate business interruption insurance in place.

We are working closely with our contract manufacturers and are in frequent direct consultation with key component suppliers worldwide to mitigate the impact of the ongoing supply chain challenges. The situation is dynamic and we will take appropriate action to mitigate the supply chain risk including the careful management of planning and fulfilment.

During 2023, we continued with a programme of work to enhance processes and procedures in the area of cybersecurity. Third party providers are used in both the testing and monitoring of our security profile.

D – Customer dependence/customer investment plan

The Group sells its products and services to a wide range of companies and continually seeks to expand its customer base. In 2023, no one customer accounted for more than 10 per cent of Group revenue, although the top ten customers represented 34.4 per cent of Group revenue (2022 36 per cent).

In some of our markets certain customers have a dominant market share, which makes doing business with these customers and their suppliers 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. Therefore meeting our development obligations, producing high-quality products and being on time are vital to Spirent's reputation and success.

Changes in our major customers' priorities in technology investments can also have a significant impact on their spending on Spirent products and on those in the customers' supply chain.

The industry continues to experience consolidation which does disrupt the spending patterns of affected customers.

As a result of the current macroeconomic uncertainty, customer spending patterns remain uncertain, particularly in our telecommunication markets. The Group is taking steps to evolve its go-to-market in order to strengthen relationships with customers and diversify its customer base.

Potential impact

Loss of one or more of Spirent's major customers could have a significant impact on Spirent's financial results.

Spend on Spirent's products is often capital in nature and so customer spend can fluctuate significantly from year-to-year.

Significant failings in either quality or being able to deliver in the appropriate timescale could cause long-lasting damage to Spirent's reputation and relationships.

Over recent years there has been significant consolidation in our customer base amongst service providers and network equipment manufacturers. This trend continues and often results in delays in spending, thereby reducing demand for Spirent's solutions and services. It also reduces the potential number of customers to which those solutions and services could be sold.

Changes in our customers' technology investments can result in reduced spending on our existing solutions before customers and those in the customers' supply chains increase spending on new technologies.

Mitigating actions

Strong customer relationships are critical to Spirent. We aim to provide innovative solutions which address our customers' larger business problems with products and services and we place great emphasis on providing professional service and support.

One of the Group's strategic objectives is to invest in deepening our customer relationships and our key account management initiatives assist to ensure robust relationships with our largest customers. We place engineers on site with our customers and undertake site surveys of intended plans for the use of test solutions in their business.

We seek to establish thought leadership in our industry through participation in standards bodies and industry forums, which in turn creates additional links with customers. Our approach is to play a key part in the wider supply chain to our key service provider customers by aligning with early adopters of technology.

We also seek to broaden our customer base to mitigate customer concentration risk, investing in digital marketing, inside sales, field sales and our partner ecosystem to expand the number of new customers that we win.

E – Competition

Spirent operates in a range of highly competitive niche markets which experience rapid technological change. In order to compete effectively, it is necessary to establish and maintain technological differentiation in our solutions.

The Group faces competition from new market start-ups as well as more established and well-resourced companies.

Industry consolidation amongst our direct competitors may bring about a shift in competitive advantage.

Potential impact

Actions by competitors and increased competition can bring about pressure on Spirent's gross margin. These factors could also affect Spirent's competitive position, thereby reducing revenue and consequently affecting financial results.

Consolidation continues within our sector. The consolidation of competitors may bring opportunities for Spirent but can also change the competitive landscape as competitors are able to leverage product capabilities or sales channels.

Mitigating actions

The Group's broad solution portfolio, market-leading capabilities and customer focus continue to address this risk.

Spirent aims to maintain market-leading positions through significant investment in the development of differentiated products. We also seek opportunities for attractive inorganic investments that can strengthen our competitive advantage.

Competitor activity is closely monitored with a view to maintaining clear differentiation based on Spirent's products, services, and global reach.

Principal risks and uncertainties continued

F – Acquisitions

A key emerging element of Spirent's strategy is to develop new capabilities and technologies, and to expand our addressable markets, sometimes 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, the rate of adoption of new technologies, or sometimes deficiencies arising in the due diligence processes.

Potential impact

Underperformance by acquisitions will impact the Group's results and may lead to impairment of goodwill and/or intangible assets.

Mitigating actions

Rigorous strategic and financial evaluations of all acquisition opportunities are carried out. Detailed financial and commercial due diligence is performed. The Board will only authorise transactions after all due diligence has been successfully completed and where the financial hurdles are within the agreed guidelines.

Integration plans and processes are carefully considered prior to acquisition.

The Board reviews post-acquisition performance.

G – Employee skill base

Employees are crucial to the success of our business. Attracting and retaining highly qualified and skilled employees is essential to enable the Group to deliver on its strategy and to the success of the business.

Potential impact

Competition for personnel is faced from other companies and organisations and the loss of key employees, the failure to attract and retain other highly skilled employees, or the failure to adequately plan for succession may impair Spirent's ability to run and expand the business effectively.

Mitigating actions

Investing in people is at the core of the Group's strategy. The aim is to find, keep and engage the highest calibre of employees and encourage their contribution and development. An environment that fosters innovation and collaboration is critical to Spirent's success, as is ensuring incentive plans are competitive.

We have refined our employee value proposition and continue to make Spirent a more inclusive, diverse, and engaging place to work to attract and retain talent.

Succession planning for senior posts in the Company is reviewed periodically by the Board.

Appropriate career paths, professional development plans, and internal recognition programmes are developed for both technical and non-technical staff.

Regular reviews are performed to ensure equitable pay practices and that all elements of compensation across the Group are competitive with the market.

Non-financial & sustainability information statement

This section of the Strategic Report constitutes the Non-Financial & Sustainability Information Statement of Spirent Communications plc, produced to comply with Sections 414(C)(A) and 414(C)(B) of the Companies Act 2006. The information listed in the table below is incorporated by cross-reference.

Reporting requirement	Policies and standards which govern our approach	Additional information and risk management
Environmental matters	Group Environment Policy Group Sustainability Policy Supplier Code of Conduct	Stakeholder engagement (pages 24 to 27) Sustainability (pages 32 to 39) Task Force on Climate-related Financial Disclosures including CFD (pages 35 to 37) Sustainability Report at corporate.spirent.com
Employees	Business Ethics Policy Whistleblowing Policy Occupational Safety Policy Diversity and Inclusion Policy	Stakeholder engagement (pages 24 to 27) Sustainability (pages 32 to 39) Sustainability Report at corporate.spirent.com Audit Committee report (pages 77 to 82) Nomination Committee report (pages 74 to 76) Report on Directors' remuneration (pages 83 to 109)
Social matters	Group Environment Policy Group Sustainability Policy Diversity and Inclusion Policy Supplier Code of Conduct	Stakeholder engagement (pages 24 to 27) Sustainability (pages 32 to 39) Sustainability Report at corporate.spirent.com Nomination Committee report (pages 74 to 76) Directors' report (pages 110 to 113)
Respect for human rights	Modern Slavery Statement Diversity and Inclusion Policy	Stakeholder engagement (pages 24 to 27) Sustainability (pages 32 to 39) Sustainability Report at corporate.spirent.com Nomination Committee report (pages 74 to 76)
Anti-corruption and bribery	Business Ethics Policy Group wide Dealing Policy Supplier Code of Conduct	Sustainability (pages 32 to 39) Directors' statement on corporate governance (pages 67 to 73) Audit Committee report (pages 77 to 82) Directors' report (pages 110 to 113)
Description of the business model		Our business model (pages 16 to 17)
Description of principal risks and impact of business activity		Our business model (pages 16 to 17) Principal risks and uncertainties (pages 55 to 60) Task Force on Climate-related Financial Disclosures (pages 35 to 37)
Non-financial key performance indicators		Strategic Report (pages 1 to 61) Key performance indicators (pages 22 to 23)

The policies mentioned above form part of Spirent Communications plc's Group policies, which act as the link between our strategy, purpose and values and how we manage our day-to-day business. The Board has determined that the policies remain appropriate, are consistent with the Company's values and support its long-term sustainable success.

Approval

Pages 1 to 61 form part of the Strategic Report, which has been reviewed and approved by the Board.

Angus Iveson
Company Secretary
5 March 2024

Chairman's introduction to governance

Sir Bill Thomas
Chairman

Dear shareholder

On behalf of the Board, I am pleased to present the Governance Report for the year ended 31 December 2023. This review and the reports of the Nomination, Audit and Remuneration Committees that follow summarise the Board's activities during the year. The Board is committed to high standards of corporate governance, and decisions are made based on what the Board believes will most benefit stakeholders by promoting and maintaining the long-term success of the Company and its reputation.

Compliance with the 2018 UK Corporate Governance Code (the 2018 Code)

Our approach to governance is based on the concept that good corporate governance enhances longer-term shareholder value and sets the culture, ethics and values for the Group. Consistent with our belief in the importance of corporate governance, I am pleased to report that, throughout the year under review, the Company has been in full compliance with the principles and provisions of the 2018 Code. A copy of the 2018 Code can be found at www.frc.gov.uk. The Board notes the introduction of a new UK Corporate Governance Code in January 2024 and intends to adopt the provisions of this Code where it is able to do so.

Board composition and succession planning

During the year under review, the Nomination Committee discussed succession planning for Executive and Non-executive Directors and the progressive refreshing of the Board. Further information about the Nomination Committee's work can be found in the Nomination Committee Report.

Diversity

As at the financial year end, the Board comprised five male and three female Directors, meaning that just under 40 per cent of our Board is now female, with two Board members from ethnic minority backgrounds. The under-representation of women at all levels of Spirent and throughout the technology sector is a key challenge and there remains significant work to do in this area.

Evaluating the Board's effectiveness

Each year, the Board undertakes a formal evaluation of its effectiveness and this year we carried out an internally facilitated evaluation to assist in the development of the Board. The results of the Board evaluation confirmed that the Board continues to function effectively and that there are no significant concerns among the Directors about its effectiveness. The Board members were seen as engaged and committed while the Board's culture remains open, respectful and constructive. A number of actions were identified to further enhance the Board's effectiveness, as set out in the Directors' statement on corporate governance.

People and culture

Our business is built on the commitment, abilities and drive of our people. In the year, both the Board and management have continued to review results of our bi-annual employee engagement programme and are pleased to see we have a highly engaged workforce. Further details may be found in the Stakeholder engagement section.

Re-election of Directors

In accordance with the 2018 Code provisions and following a performance evaluation of those Directors standing for re-election at the 2024 Annual General Meeting, I can confirm that they all continue to be effective and committed to their roles and have sufficient time available to perform their duties. Accordingly, as recommended by the Nomination Committee, all Directors will be offering themselves for re-election at the Company's Annual General Meeting to be held in May 2024.

Annual General Meeting (AGM)

The AGM of the Company will take place at the offices of UBS at 5 Broadgate, London, EC2M 2QS in May 2024. All Directors routinely attend each AGM, so as to provide an opportunity for shareholders to ask questions. I look forward to meeting any shareholders who can join us at our AGM and extend my thanks to you all for your continued support as we move through 2024.

Sir Bill Thomas
Chairman
5 March 2024

Compliance with the UK Corporate Governance Code

As a premium listed company on the London Stock Exchange, the Company is reporting in accordance with the UK Corporate Governance Code (the "Code") published in July 2018. The Code sets out standards of good practice in relation to Board leadership and Company purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration. The Code is published by the UK Financial Reporting Council (FRC), a copy of which is available from the FRC website. The Board confirms that the Company is fully compliant with the Code.

Board leadership and Company purpose
The Board's ultimate objective is the long-term sustainable success of the Company. Read more about our strategy in our Strategic Report and how the Board achieves this through, amongst other things, stakeholder and workforce engagement (set out in the Stakeholder engagement section), establishing a clear and aligned Company purpose, strategy and values (see Investment case) and how the Board assesses and monitors culture (see Our people and culture).

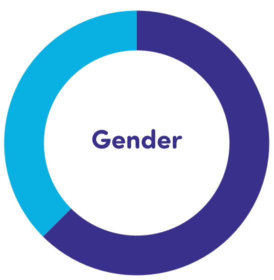
Division of responsibilities
The Board consists of two Executive Directors, five Independent Non-executive Directors and the Non-executive Chairman, who was considered independent on appointment to the Board. Additional external appointments of Board members routinely require prior Board approval. Directors' other time commitments are in line with the key institutional investor and investor body guidelines.

Composition, succession and evaluation
The Nomination Committee report describes its activities during 2023, including information on succession planning and diversity and inclusion matters. Details of the Board's effectiveness review which took place during the period and of Board composition are set out in the Directors' statement on corporate governance.

Audit, risk and internal control
The Audit Committee report describes the work of the Committee and how it discharges its roles and responsibilities. The Board, supported by the Audit Committee and its Risk Sub-Committee, completed a robust assessment of the Company's emerging and principal risks during the period under review and has well-established procedures to manage risk. The Company's disclosures regarding principal risks are set out in the Principal risks and uncertainties section.

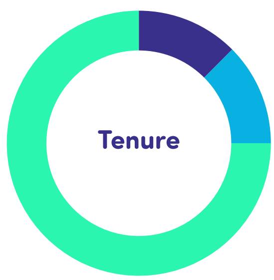
Remuneration
The Report on Directors' remuneration describes the work of the Remuneration Committee during 2023, and sets out how executive remuneration is aligned with the Company's purpose, values and strategy and how workforce remuneration and related policies have been considered in its decision making regarding executive remuneration.

Board composition



Male	5
Female	3

Director of colour	2
White	6



0–2 years	1
3–5 years	1
6–9 years	6

CORPORATE GOVERNANCE

Board of Directors

Sir Bill Thomas
Chairman

N

Appointed
Sir Bill was appointed to the Board in December 2016 as Non-executive Director and appointed Chairman in May 2017.

Skills and experience
Sir Bill brings strong commercial and management experience to the Board. His extensive international technology experience, together with his track record in leading major change in large organisations, provides valuable insight. Sir Bill stepped down as a Non-executive Director of The Co-operative Bank in October 2023 and was also previously Senior Vice President at Hewlett Packard and on the executive committee of EDS plc as Executive Vice President. Until March 2022, Sir Bill was Chairman of Clarkson PLC.

Other roles
Chairman of Node4, a private equity-owned IT services firm.

Sir Bill was awarded a knighthood in the New Year Honours 2020.

Eric Updyke
Chief Executive Officer

Appointed
Eric was appointed to the Board in May 2019 as Chief Executive Officer.

Skills and experience
Most recently, Eric was on the executive management team of Amdocs reporting directly to the CEO. In his capacity as Group President, Services at Amdocs Ltd he had global responsibility for the entire Managed Services, Testing and SI businesses. This business encompassed 10,000 employees and roughly $2 billion in revenue. Prior to that role, Eric was Division President for North America at Amdocs where he managed a $1 billion P&L and was responsible for the relationship with North American communications service providers. Prior to his time at Amdocs, he held executive roles at Nokia Siemens Networks and AT&T. Eric has a great track record of success, has functional expertise in every facet of the business and has excelled in multi-cultural global companies.

Eric has an MBA in Finance and a bachelor's degree in Electrical Engineering from Cornell University.

Other roles
Since 2019, Non-executive Director of Symend, Inc.

Paula Bell
Chief Financial & Operations Officer

Appointed
Paula was appointed to the Board in September 2016 as Chief Financial Officer.

Skills and experience
Paula has extensive PLC main board experience both as an Executive and Non-Executive Director, and in particular, working with large scale global technology, engineering and industrial businesses. Paula was previously CFO at John Menzies Plc from 2013, a £2 billion revenue business with 35,000 employees, and CFO at Ricardo Plc from 2006 to 2013.

Paula has also held senior leadership roles at BAA plc, AWG plc and Rolls-Royce Plc, with extensive breadth of responsibility, including leading business development, strategy, significant M&A activity and leading organisational change.

Paula is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant.

Other roles
Appointed as a Non-executive Director at Keller Group plc in September 2018, then Chair of Audit and Risk Committee in January 2019. Paula was also previously with Laird Plc from 2012 to 2018 as Non-executive Director, Senior Independent Director and Chair of the Audit Committee.

Jonathan Silver
Senior Independent Non-executive Director

A N R

Appointed
Jonathan was appointed to the Board in June 2015 as Non-executive Director, appointed Chair of Audit Committee in August 2015, and appointed Senior Non-executive Director in November 2016.

Skills and experience
Jonathan brings experience in finance, risk, control, governance and international business expertise. He was Chief Financial Officer at Laird plc until 2015, having held a variety of roles in his 30 years with the company.

Jonathan is a member of the Chartered Accountants of Scotland.

Other roles
Non-executive Director of Baillie Gifford China Growth Trust plc; Non-executive Director and Chairman of Audit Committee of East and North Hertfordshire NHS Trust; Non-executive Director and Chairman of Audit Committee at Henderson High Income Trust PLC.

Committee key
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Committee Chairman

Gary Bullard
Independent Non-executive Director

A N R

Maggie Buggie
Independent Non-executive Director

A N R

Wendy Koh
Independent Non-executive Director

A N R

Edgar Masri
Independent Non-executive Director

A N R

Gary Bullard

Appointed
Gary was appointed to the Board in December 2016 as Non-executive Director and appointed Chair of Remuneration Committee in May 2017.

Skills and experience
Gary brings extensive experience in senior management positions, including sales and marketing roles, at IBM and BT Group plc and was a Non-executive Director of Chloride Group plc. Until 2012 he was President at Logica UK and a member of the Executive Committee of Logica plc.

Other roles
Non-executive Chairman of Gooch & Housego PLC; Non-executive Chair of AFC Energy PLC.

Maggie Buggie

Appointed
Maggie was appointed Non-executive Director in April 2021.

Skills and experience
Prior to this role, Maggie was SVP and Chief Business Officer at SAP Customer Success Services and before that, General Manager and Global Head of Innovation Services and Solutions at SAP. She has significant experience building fast-growth digital businesses and previously led Digital Sales, Markets and Industries globally at Capgemini and Global Cloud Sales and Consulting for Fujitsu.

Maggie serves on the International Committee of the UK Chartered Management Institute and also served on the Board of Green Token by SAP, winning the "Women in the City" technology category award. She is on the next generation committee at Leap, a charity that helps young people manage conflict. She advises scale-ups in the sustainability, customer experience and enterprise AI segments.

Maggie holds both a Master of Letters and a BBS Lang in Business and French from Trinity College, Dublin. She also holds a degree from the Grande École de Commerce de Rouen, France.

Other roles
Maggie is a technology industry executive, adviser and speaker, and is currently Chief Operating Officer at Normative.

Wendy Koh

Appointed
Wendy was appointed to the Board in January 2018 as Non-executive Director.

Skills and experience
Wendy is a seasoned leader in the IT industry with 27 years of experience driving growth in the APAC region. She has a strong background in partnership strategy, relationship building, go-to-market planning, and sales & business development. In her role as Vice President Pathways, Alliance & Strategy APAC at NetApp, Wendy led APAC business partnerships and drove business value by helping partners generate opportunities in the hybrid cloud and supporting customers on their digital transformation journeys. At Juniper Networks, Wendy served as Senior Vice President Global GTM Strategy and Business Development, where she was responsible for leading transformational strategy and establishing partnerships to increase the value proposition for customers. With a strong track record of developing competitive and high-performing businesses, Wendy is an expert in driving growth and delivering outstanding service.

Wendy holds a Bachelor of Engineering in Electrical and Electronics from Nanyang Technological University and a Graduate Diploma in Marketing Management from the Singapore Institute of Management.

Other roles
Executive Vice President/ Managing Director South East Asia at Capgemini.

Edgar Masri

Appointed
Edgar was appointed to the Board in January 2018 as Non-executive Director.

Skills and experience
Edgar brings to the Board wide-ranging experience of managing companies across the technology sector with a focus on driving investment and profitability. Edgar is currently board adviser at Liqid, Inc, a leader in the design and development of GPU clustering solutions. Prior to this, Edgar was Chief Executive Officer of the Accton Group, a global leader in the design and manufacturing of networking products. Prior to this, Edgar was President and Chief Executive Officer of Qualtre, Inc., a US-based start-up acquired by Panasonic Corporation in December 2016. Prior to this, Edgar was President and CEO of 3Com Corporation, a leading global data networking company, bringing the company to record revenue and gross margins before it was taken into private ownership.

Edgar holds a Diplôme d'Ingénieur from Ecole Centrale de Paris, a Master of Science degree in Electrical Engineering from the University of California at Berkeley, and a Master of Business Administration with distinction (Arjay Miller Scholar) from Stanford University.

Other roles
Venture Partner at Sway Ventures; Chairman of the Board of Kollective Technology, Inc.

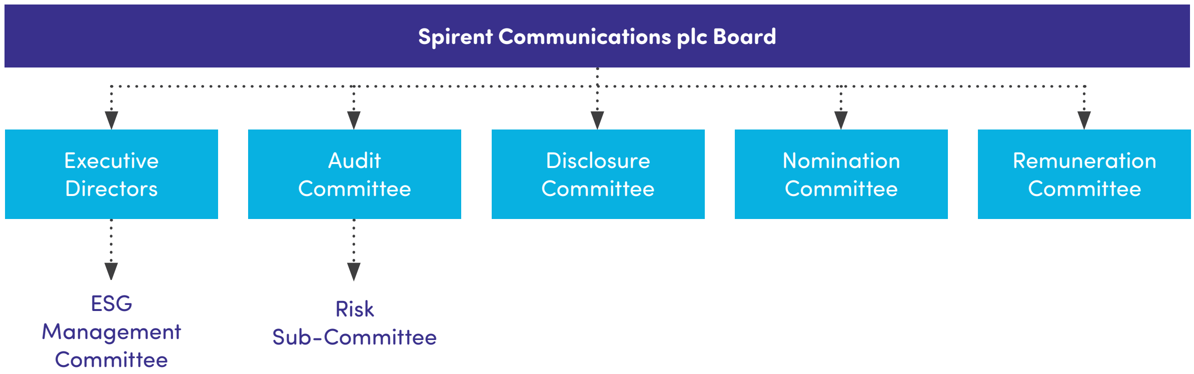
Board statements

Board statements

Requirement	Compliance statement	Where to find further information
Strategic Report	The Strategic Report was approved by the Board of Directors on 5 March 2024.	Pages 1 to 61
NFR statement	The Company has complied with the Non-Financial Reporting Directive contained in Sections 414CA and 414CB of the Companies Act 2006.	Page 61
Section 172 of the Companies Act 2006	The Board of Directors, through the Strategic Report, provides information for shareholders to help them assess how the Directors have performed their duty, under Section 172, to promote the success of the Company and, in doing so, had regard to the matters set out in that section. This includes considering the interests of other stakeholders which will have an impact on the long-term success of the Company.	Pages 24 to 27
Compliance with the UK Corporate Governance Code	In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the reporting period and at the date of this Annual Report, it was in full compliance with all relevant provisions of the 2018 UK Corporate Governance Code.	Pages 62 to 114
Going concern	After making appropriate enquiries and taking into account the matters set out in this Annual Report, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis when preparing the financial statements.	Page 113
Viability Statement	The Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three-year period under review.	Page 113
Robust assessment of the principal risks facing the Group	The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its strategy, business model and future performance. The Directors also assessed the Group's risk appetite with regard to each risk and considered how to manage and mitigate such risks.	Pages 55 to 60
Annual review of the systems of risk management and internal control	During the period ended 31 December 2023, the Audit Committee provided transparency on the Group's systems of risk management and internal control.	Pages 77 to 82
"Fair, balanced and understandable" statement	The Board agrees with the recommendation of the Audit Committee that this Annual Report, taken as a whole, is fair, balanced and understandable.	Page 77
Report on Directors' remuneration	The Directors confirm that their report on remuneration for the period ended 31 December 2023 complies with the requirements of the Listing Rules of the UK Financial Conduct Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended) and the provisions of the 2018 UK Corporate Governance Code.	Pages 83 to 109
Competition and Markets Authority	The Audit Committee considers that the Company complied with the mandatory audit processes and Audit Committee responsibility provisions of the Competition and Markets Authority Audit Order for the period ended 31 December 2023.	Page 81
Modern Slavery Act 2015	The Directors confirm, for the financial year ended 31 December 2023, that steps have been taken in relation to our responsibilities under Section 54 of the Modern Slavery Act 2015 and that the Board approved a statement setting out the steps that have been taken to combat modern slavery in the Group's supply chain.	Page 39
Task Force on Climate-related Financial Disclosures (TCFD)	The Directors confirm that the Company has complied with the recommendations of the Task Force on Climate-related Financial Disclosures as required by Listing Rules of the UK Financial Conduct Authority.	Pages 35 to 37

Directors' statement on corporate governance

Board governance framework



The Board

The Board of Directors is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success.

The Board met regularly throughout the year to approve the Group's strategic objectives, to lead the Group within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set.

There are a number of matters which are specifically reserved for the Board's approval. These are set out in a clearly defined schedule which includes: matters relating to the Group's strategic plan; approving the annual business strategy and objectives; the nature and extent of principal risks to be taken to achieve the strategic objectives; changes relating to structure and capital; approval of trading statements, half year results, final results and Annual Report and Accounts; declaring interim dividends and recommending final dividends; the Group's policies and systems of internal control and risk management; approving capital projects, acquisitions and disposals, within agreed financial parameters; and provision of adequate succession planning.

The schedule of matters reserved for the Board is typically reviewed annually.

Board composition

At the date of this Report, the Board comprises the Non-executive Chairman, five Independent Non-executive Directors and two Executive Directors.

The Chairman and the Non-executive Directors contribute entrepreneurial leadership and external expertise and experience in areas of importance to the Company, such as strategic investments including specific knowledge, understanding and experience of growth areas, corporate finance, general finance and corporate governance. They also contribute independent challenge and rigour to the Board's deliberations and assist in the development of the Company's strategy, scrutiny of the performance of management in meeting agreed goals and targets and satisfying themselves of the integrity of the Company's internal controls and risk management systems.

The Chairman holds regular discussions with the Non-executive Directors, both individually and as a group, without the Executive Directors present to ensure a free and frank exchange of views on the effectiveness of the Executive Directors and senior management.

Committees of the Board

Certain specific responsibilities are delegated to the Committees of the Board, notably the Audit, Nomination and Remuneration Committees, which operate within clearly defined terms of reference and report regularly to the Board. Further details are set out in the reports of each Committee that follow this statement.

A Disclosure Committee of the Board is also in place, to ensure that adequate procedures, systems and controls are maintained and operated to enable the Company to fully comply with its obligations regarding the timely and accurate identification and disclosure of all information to meet the legal and regulatory obligations and requirements arising from the Companies Act 2006, the FCA's Listing Rules, the Disclosure Guidance and Transparency Rules and the EU Market Abuse Regulation, as it forms part of retained EU law. The Board notes, however, that the existence of a Disclosure Committee does not absolve it from its obligations in this area. This Committee comprises the CEO, the CFO and the Company Secretary, with the Chairman and the Senior Independent Non-executive Director authorised to act as alternates in the event that a quorum of two members cannot be met. By its nature, the Disclosure Committee meets on an ad hoc basis, when circumstances require.

Membership of each Committee of the Board is typically reviewed annually, with minutes of Committee meetings made available to all Directors on a timely basis. The written terms of reference for the Audit, Disclosure, Nomination and Remuneration Committees, all of which were reviewed, updated where necessary and approved during the year, are available on the Company's website at corporate.spirent.com.

The Chairmen of the Audit, Nomination and Remuneration Committees intend to be available at the Annual General Meeting to answer questions on the work of their respective Committees.

Directors' statement on corporate governance continued

Committees of the Board continued

An Executive Director-led Management Committee has been established to lead and monitor ESG matters and co-ordinate the reporting of issues and updates to the Board. Further information on the issues dealt with by this Committee are set out in the Sustainability section of this Annual Report.

There is also a formal Risk Sub-Committee of the Audit Committee to monitor risks and uncertainties at corporate and business unit levels. Further details of this Sub-Committee can be found in the Audit Committee report.

Chairman and CEO

The roles of the Chairman and the CEO are separately held. The division of their responsibilities is clearly established, set out in writing, and agreed by the Board to ensure that no one person has unfettered powers of decision. The Chairman is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. The CEO is responsible for leading and managing the Group's business within a set of authorities delegated by the Board and the implementation of Board strategy and policy.

Authority for the operational management of the Group's business has been delegated to the CEO for execution or further delegation by him for the effective day-to-day running and management of the Group.

Senior Independent Director

The role of Senior Independent Director is to act as a sounding board for the Chairman and to serve as an intermediary for other Directors as required. He is also available to shareholders to convey concerns to the Board which they have been unable to convey through the Chairman or through the Executive Directors. During the year, led by the Senior Independent Director, the Non-executive Directors have met without the presence of the Chairman (including to appraise the Chairman's performance).

Non-executive Directors

In addition to their responsibilities for strategy and business results, the Non-executive Directors play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the Board's decision making. They each occupy, or have occupied, senior positions in industry, bringing valuable external perspective to the Board's deliberations through their experience and insight from other sectors which enables them to contribute significantly to Board decision making. The formal letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office.

Company Secretary

The Company Secretary & General Counsel is responsible for advising and supporting the Chairman and the Board on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. All Directors have access to the advice and services of the Company Secretary and can take independent professional advice in respect of their duties, at the Company's expense.

Independence

The independence of each Non-executive Director is reviewed on appointment and at least annually. The Board determined that the current Non-executive Directors are each independent in character and judgement, save for the Chairman who was deemed independent by the Board at the date of his appointment. None have been employed by the Company previously in any capacity or have any current material business relationship with any Group company.

Non-executive Directors at Spirent receive no remuneration from the Company other than their fees (detailed in the Report on Directors' remuneration). Each Non-executive Director has confirmed that they do not represent any significant shareholder in the Company. No individual or group of individuals dominates the Board's decision making and the Code requirement stating that at least half of the Board (excluding the Chairman) should comprise independent Non-executive Directors is satisfied.

Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. Details are available in the Nomination Committee report, which also provides details of the Committee's role and activities.

Commitment

The letters of appointment for the Chairman and Non-executive Directors set out the expected time commitment required of them and are available for inspection at the Company's registered office and at the Annual General Meeting.

The Board is mindful of investors' concerns on 'overboarding' and the particular attention given to the time commitment and availability of Directors. The external commitments of each Director are monitored to enable the Board to be assured that all of the Directors devote sufficient time and attention as is necessary in order to perform their duties. The list of external appointments held by Directors can be found in the Board of Directors section.

Board development

New Directors participate in an induction programme on the operations and activities of the Group, the role of the Board and the matters reserved for its decision, the Group's corporate governance practices and procedures and their duties, responsibilities and obligations as directors of a listed public limited company. This programme is normally then supplemented by visits to key locations and meetings with, and presentations by, senior executives.

Ongoing training for Directors is available as required and can be provided by means of external courses, internal computer-based training, briefings from specific consultants or in-house presentations. In addition, the Board's knowledge and understanding of the legal and regulatory environment are updated through the provision of information by the Group's advisers and by means of regular updates from the Company Secretary.

New Directors are encouraged to take advantage of opportunities to meet with major shareholders and attend presentations to analysts where possible.

Further details of the appointment and induction process are set out in the Nomination Committee report.

Board meetings

The Board meets at regular intervals during the year, as well as for ad hoc matters, as required from time to time. Discussion papers for Board and Committee meetings are provided to Directors in advance of each meeting. Should a Director be unable to participate in a meeting either in person or remotely, the Chairman will, where appropriate, solicit their views in advance of the relevant meeting, so that these can be shared at the meeting.

The attendance of the Directors at scheduled Board and Committee meetings during the year under review is shown in the table below. There was full attendance, except for Maggie Buggie, due to unavoidable diary commitments.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Sir Bill Thomas	10/10	–	3/3	–
Paula Bell	10/10	–	–	–
Eric Updyke	10/10	–	–	–
Maggie Buggie	10/8	3/3	3/3	7/7
Gary Bullard	10/10	3/3	3/3	7/7
Wendy Koh	10/10	3/3	3/3	7/7
Edgar Masri	10/10	3/3	3/3	7/7
Jonathan Silver	10/10	3/3	3/3	7/7

Information flow

The Company Secretary manages the provision of information to the Board at appropriate times in consultation with the Chairman and CEO. In addition to formal meetings, the Chairman and CEO maintain regular contact with all Directors. The Chairman also holds informal meetings with Non-executive Directors, without any of the executives being present, to discuss any issues affecting the Group, if this is thought necessary. Regular management updates are sent to Directors to keep the Non-executive Directors informed of events and developments throughout the Group between Board meetings and to ensure that they are kept fully advised of the latest issues affecting the Group.

Conflicts of interest procedures

The Company has procedures in place, which were reviewed and updated during the year, to deal with the situation where a Director has a conflict of interest.

As part of this process, the Board:

- considers each potential conflict situation separately on its particular facts;
- considers the potential conflict situation in conjunction with the rest of the Directors' duties under the Companies Act 2006;
- keeps records and Board minutes as to authorisations granted by Directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.

At the start of each Board meeting, the Directors are reminded of their duties under the Companies Act to declare any interests in the matters to be discussed and to withdraw from the meeting prior to any voting being held on any such issue. Any Director having such an interest would not be considered to form part of the quorum for discussions on that specific matter.

Directors' statement on corporate governance continued

Board activities during the year

At each Board meeting the CEO presents an update on performance, strategy and business issues such as M&A pipeline developments across the Group and the CFO presents a detailed analysis of the financial performance of the business units. Senior executives below Board level attend relevant parts of Board meetings in order to make presentations on their areas of responsibility; this gives the Board access to a broader group of executives and helps the Directors make ongoing assessments of the Group's succession plans. The Board has a rolling programme of visits to business unit locations to deepen its appreciation of the different opportunities and challenges that each unit faces.

Key issues considered by the Board during 2023

	Governance/compliance	Finance	Business/strategy
January		• CFO update • Full year trading update review	• CEO update
February		• Budget update	• CEO update • Capital markets update
Early March	• Full year compliance and Annual Report review plus Modern Slavery Statement review • AGM Notice and Proxy Card approval • Legal update	• CFO update • Full year results review • Dividend Policy review • Capital Policy review • Receive Audit Committee report on internal controls, risk management and Viability Statement	• CEO update including sales and customer briefings
Late March		• Budget review • Share Buyback Programme	
Early May		• Q1 Trading Update review	• CEO update
May AGM	• AGM voting review	• CFO update	• CEO update
June		• CFO update	• CEO update • Broker update • People update • Strategy presentations
July	• H1 corporate governance and compliance review • NED Workforce • Engagement and Board • Effectiveness • Review • Legal Update • Group Insurance Renewal	• Half year update	• CEO update
August		• CFO update • Share Buyback Programme	• CEO update • Project update
October	• Stakeholder engagement feedback (investors)	• CFO update	• CEO update • Sales update • CIO update
November	• Board and Committee effectiveness review kick-off, Director Conflicts	• CFO update • Q3 results review	• CEO update • Capital markets update • Cyber update
December	• Board Matters Reserved and Committee TORs, Board and Committee effectiveness results, NED fees	• CFO update • Preliminary Budget, Dividend and Capital Allocation Policy review	• CEO update • Strategy update

Board performance review
The effectiveness of the Board and its Committees is reviewed at least annually and conducted according to the principles of the Code and the supporting FRC Guidance on Board Effectiveness. As the 2021 review was facilitated externally, the 2023 review was conducted internally by the Chairman and Company Secretary.

Evaluation process
Following discussions between the Chairman and Company Secretary, which included the provision of internal policy documents, an initial questionnaire was developed for the Board and its Audit, Nomination and Remuneration Committees. Directors completed the confidential survey online, with their answers forming a report to be discussed by the Board. The conclusions and insights gained were discussed, with areas of focus for 2024 identified for final discussion by the Board.

Evaluation findings
The review concluded that there continued to be a firm understanding of strategy and success factors over the short, medium and longer term, as well as strengths, weaknesses, challenges and threats, with the Company's values, as defined to employees, fully aligned to strategy. Also, it was felt that the composition of the Board remained appropriate, with further additions to the Board to be in line with agreed diversity and succession plans.

Board action plan
The Board's key areas of focus for 2024 include:

- focus on the risks and opportunities arising from the merger of the CIP and LSA business units;
- explore further diversification opportunities from our traditional core markets;
- review, in detail, the strategic plans for each of the value streams in the new organisational model;
- continue to focus on ensuring a culture of innovation across the Group;
- receive further external perspectives on core markets and diversification opportunities, building on any prior year activities; and
- more deeply explore R&D, including greater correlation to new markets segments and clarity on spend.

Election and re-election of Directors
All Non-executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended and, consistent with best practice, would not go beyond nine years unless exceptional circumstances were deemed to exist.

The Board confirms that each of the Directors standing for re-election has been subject to a formal performance evaluation by the Chairman in relation to their duty to act in the long-term interests of the Company, while also having regard to other stakeholders. The evaluation of the Chairman's performance was carried out by the Senior Independent Non-executive Director.

Biographical details, including information on other roles held, can be found in the Board of Directors section; an assessment of skills held by Board members can be found in the Nomination Committee report.

Financial and business reporting
The Board recognises its responsibility to present a fair, balanced and understandable assessment of Spirent in all of its reporting obligations. This responsibility covers the Annual Report and extends to the Half Year Report and other regulatory announcements. The Directors consider this Annual Report, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy. In arriving at this position, the Board asked the Audit Committee to review and confirm a process is in place to support this assessment. The Audit Committee confirmed that a robust approach is in place to support the fair, balanced and understandable assessment, details of which can be found in the Audit Committee report.

Business model
A description of the Company's business model for sustainable growth is set out in "Our business model". This section provides an explanation of the basis on which the Group generates value and preserves it over the long term and its strategy for delivering its objectives.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, and consistent with the guidance contained in the document titled "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC, they continue to adopt the going concern basis in preparing the annual financial statements.

Internal control and risk management
The Board acknowledges its responsibilities for the Group's system of internal control in order to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Group's assets. The Directors recognise that they are responsible for providing a return to shareholders which is consistent with the responsible assessment and mitigation of risks.

Effective controls ensure that the Group's exposure to avoidable risk is minimised, that adequate accounting records are maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements. The dynamics of the Group and the environment within which it operates are continually evolving, together with its exposure to risk.

Directors' statement on corporate governance continued

Internal control and risk management continued

Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors confirm that there is an ongoing, robust process for identifying, evaluating and managing the principal risks faced by the Group and the operational effectiveness of the related controls; this has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. They also confirm that they have regularly reviewed the system of risk management and internal controls utilising the review process set out below.

The Directors confirm that a robust assessment of the principal risks facing the Company has been carried out, including those risks that would threaten its business model, future performance, solvency or liquidity. Ongoing consideration is also given to potential emerging risks and whether or not any of those identified have the potential to become a principal risk to the business in the medium to long term. More details are set out in the Principal risks and uncertainties section.

Management and control of US subsidiary

Spirent Federal Systems Inc (Spirent Federal), which contributed approximately $45.7 million to the Group's revenue in 2023 (2022 $46.1 million), operates under a Proxy agreement, as detailed below, with the remainder of the US business operating outside the Proxy regime and therefore allowing the same reporting lines and processes as the Group's other, non-regulated businesses.

Spirent Federal and the Proxy arrangement

Spirent Federal Systems Inc is a wholly owned subsidiary of Spirent in the United States. It has been placed under a Proxy arrangement as it is required by the US National Industrial Security Program to maintain facility security clearances and to be mitigated of the risks of foreign ownership, control or influence for the business it undertakes. Under the Proxy agreement, Spirent Federal and the US Department of Defense (DoD) are parties to a Proxy agreement that relates to the management and operation of Spirent Federal.

In addition to their powers as Directors, the United States Government expects the Proxy Holders to exercise independently the prerogatives of share ownership of Spirent Federal. The Proxy holders have a fiduciary duty, and agree, to perform their interests in the best interests of Spirent as a shareholder (including the legitimate economic interest), and in a manner consistent with the national security interests of the United States. Spirent may not remove the Proxy holders other than for acts of gross negligence or wilful misconduct or for breach of the Proxy agreement (and always only with the consent of the US Defense Security Service).

In terms of the power to govern, the Proxy agreement vests certain powers solely with the Proxy holders and certain powers solely with Spirent. For example, the Proxy holders cannot carry out any of the below without Spirent's express approval:

- sell or dispose of, in any manner, capital assets or the business of Spirent Federal;
- pledge, mortgage or encumber assets of Spirent Federal for purposes other than obtaining working capital or funds for capital improvements;
- merge, consolidate, reorganise or dissolve Spirent Federal; and
- file or make any petition under the federal bankruptcy laws or similar law or statute of any state or any foreign country.

Spirent can require the above to be carried out and these are, therefore, considered to be significant participative features.

Spirent maintains its involvement in Spirent Federal's activities through normal business interaction and liaison with the Chair of the Proxy Board. Members of Spirent's senior management team attend meetings of the Proxy Board periodically.

Standards

Guidelines on the minimum Group-wide requirements for health and safety and environmental standards are set out in policy documents and procedures. There are also guidelines on the minimum level of internal control that each of the business units should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action.

High-level controls

All businesses prepare annual operating plans and budgets which are supplemented by regular forecasts throughout the year. Performance against budget is monitored both at operational level and centrally, with variances being reported promptly. The cash position at Group and operational level is monitored constantly and variances from expected levels are investigated thoroughly. Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures, and delegated authority levels.

Financial reporting

Detailed management accounts are prepared every month, being consolidated in a single system and reviewed by senior management and the Board. They include a comprehensive set of financial reports and key performance indicators covering commercial and operational issues. Performance against budgets and forecasts is discussed regularly at Board meetings and at meetings between operational and Group management. The adequacy and suitability of key performance indicators is reviewed regularly.

Internal audit
All of the internal audit activities are co-ordinated by the Head of Internal Audit & Risk who has direct access to the Board Chairman and to the Audit Committee Chairman and is accountable to the Audit Committee.

All Group businesses are required to comply with the Group's financial control framework that sets out minimum control standards. A key function of the Group's internal audit resource is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate.

Senior members of the Group finance team meet with the Chairman of the Audit Committee as appropriate but at least annually, without the presence of executive management, and have direct access to the Chairman.

Remuneration
The Report on Directors' remuneration provides details of our Remuneration Policy and how it has been implemented, together with the activities of the Remuneration Committee.

Board relations with shareholders
The Board is committed to maintaining good communications with shareholders. The Chairman, CEO and CFO have regular one-to-one contact with individual institutional shareholders in order to develop an understanding of their views. These are then discussed with the Board. Key themes for discussion in 2023 have continued to include developments in the Company's growth strategy.

All Directors are offered the opportunity to develop a dialogue with major shareholders to listen to their views. Presentations are made to analysts, investors and prospective investors covering the full year and half year results. Executive Directors receive regular reports prepared by an independent capital markets advisory firm which provides comprehensive information relating to the Company's major shareholders.

The Company seeks to maintain a dialogue with the various bodies which monitor the Company's governance policies and procedures.

The Company is always keen to hear the views of its private shareholders and we encourage them to access our website at corporate.spirent.com for our Company reports and business information. Detailed enquiries can be sent to our shareholder mailbox at investor.relations@spirent.com.

Any concerns raised by shareholders or their representatives, whether expressed directly or through voting patterns at the Company's AGM, are discussed by the Directors. An appropriate response is given either specifically to the concerned party or, if it is felt to be of wider benefit, made available to all shareholders via the Company's website at corporate.spirent.com.

Board relations with workforce
Employee feedback during the year was gathered in a number of ways including two employee engagement surveys and virtual town-hall meetings for all employees and/or smaller sub-groups.

The Board continues to engage with the workforce through its local Non-executive Directors designated as the liaison point for employees in the three geographical areas in which the Company operates:

Americas – Edgar Masri;

APAC – Wendy Koh; and

EMEA – Gary Bullard.

Meetings for each of the three areas took place either in person or on a virtual basis, with feedback being reported to the Board at its regular meetings.

Annual General Meeting (AGM)
The Board continues to view the AGM as a valuable opportunity to communicate with private shareholders in particular, for whom it provides the opportunity to ask questions of the Chairman and, through him, the Chairmen of the key Committees and other Directors. The 2024 AGM is planned to take place as an in-person meeting, but notifications of any alternative arrangements that arise after the publication of this Annual Report will be published on the Company's website at corporate.spirent.com/shareholder-information/agm and by announcement via a Regulatory Information Service.

To ensure transparent representation of shareholder views, resolutions are normally subject to poll voting. This gives shareholders the ability to vote directly on the resolutions either in person at the meeting, or by submitting their proxy instructions to the Company's Registrar, in advance of the meeting.

Nomination Committee report

Sir Bill Thomas
Committee Chairman

Members

During the year under review and as at the date of this Annual Report, the Nomination Committee comprised as follows:

Sir Bill Thomas (Chairman)
Maggie Buggie
Gary Bullard
Wendy Koh
Edgar Masri
Jonathan Silver

Key duties

The terms of reference of the Nomination Committee are typically reviewed annually and are available on the Company's website at corporate.spirent.com.

In accordance with its terms of reference, the Nomination Committee's key duties include:

- regularly reviewing the Board structure, size and composition (including the skills, knowledge, independence, experience and diversity) and making recommendations to the Board about suitable candidates for the role of Senior Independent Director, and membership of the Audit and Remuneration Committees, in consultation with the Chairmen of the relevant Committees;
- considering plans for orderly succession on the Board and in the Company's senior leadership with a view to ensuring the continued ability of the organisation to compete in the marketplace; and
- leading the search process and making recommendations to the Board for the appointment of new Directors.

Board composition and succession

As part of the annual Board and Committee effectiveness review, the Committee concluded that there was no significant skills gap in the composition of the Board and it was well equipped for its role of implementing the strategy of the Company, in order to successfully deliver for stakeholders. Also, given the tenure of some Board members, preparations are ongoing to ensure a timely recruitment and succession process, with further additions to the Board also being kept under review with diversity and succession planning in mind.

The Company has begun the recruitment process for a new Audit Committee Chair and although Jonathan Silver will offer himself for re-election at the upcoming AGM, he is expected to step down from the Board later in 2024.

Time commitment

The Committee is mindful of investors' concerns on "overboarding" and the particular attention given to the time commitment and availability of Directors. The external commitments of each Director are monitored to enable the Board to be assured that all of the Directors devote sufficient time and attention as is necessary in order to perform their duties. The Director biographies in the Board of Directors section include a list of external appointments and also set out skills and experience.

Performance review

The performance of the Committee was reviewed as part of the annual Board effectiveness evaluation and the Committee was found to be operating effectively.

Re-election of Directors

All Non-executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended and, consistent with best practice, would not go beyond nine years unless exceptional circumstances were deemed to exist.

The Committee reviews the results of the annual Board effectiveness evaluation that specifically relate to the composition of the Board, and whether the time commitment of those who fulfil the roles of Chairman, Senior Independent Director and Non-executive Director was appropriate.

The Board confirms that each of the Directors standing for re-election has been subject to a formal performance evaluation by the Chairman in relation to their duty to act in the long-term interests of the Company, while also having regard to other stakeholders. The evaluation of the Chairman's performance was carried out by the Senior Independent Non-executive Director.

Succession planning for senior leadership

A key part of the Committee's role is to maintain an ongoing assessment of the senior leadership depth and improving the effectiveness of the internal talent pipeline continues to be one of the Board's priorities.

An update to the leadership development and the internal succession pipeline was undertaken during the year, with the aim of enhancing visibility and awareness of the Group's leadership talent, strengths and gaps, while also providing an open, honest leadership team dialogue on what teams contribute and how. The Committee continues to support management in recognising that understanding and deploying the Group's talent is a critical and dynamic business planning process that can help the organisation to make huge strides in cross-functional collaboration and the sharing of knowledge and experience.

Spirent's commitment to a diverse and inclusive work environment

At Spirent, we know that having a diverse and inclusive workforce is essential if we are going to deliver on our mission to be global leader and trusted partner for innovative technology test and assurance solutions. We know how critical diverse and inclusive teams are to fuel our innovation and genuinely connect with the communities in which we live and work. We embrace a culture where difference is valued and openness, mutual respect, collaboration and fairness are fundamental. Spirent does not tolerate discrimination or offensive behaviour of any kind. We are committed to creating workplaces that genuinely reflect the diversity of the world we serve and provide an environment where everyone feels empowered to bring their full, authentic self to work.

We strive to enable:

- workforce representation that reflects the talent market;
- equitable reward and advancement; and
- a culture of trust, fairness and respect.

Spirent's commitment to diversity in talent acquisition

The talent pools we recruit from determine our diversity and we have made a concerted effort to reach a wider audience when we recruit. We have developed and maintain a network of university partners and recruitment channels to help us to both recruit from groups that are currently under-represented, especially female engineers and people of colour, and support students to reach their full potential.

Nomination Committee report continued

Diversity and inclusion

The Committee, the Board of Directors and the Spirent Group as a whole continue to pay full regard to the benefits of diversity, including gender and ethnic diversity, when searching for candidates for the Board, its committees (Remuneration, Audit and Nomination) the senior management team and other appointments. We believe that better business decisions can be made by having representation from different genders and cultural backgrounds with differing skill sets, experience and knowledge, which reflect our customer base and the wider population in our markets.

Diversity of Board members is important to provide the necessary range of background experience, values and diversity of thinking and perspectives to optimise the decision making process. Gender and ethnicity are important aspects of diversity which the Chairman and the Committee consider when deciding upon the most appropriate composition of the Board.

Spirent as a whole recognises the benefits of diversity beyond that of gender, taking account of diversity of social and ethnic backgrounds and cognitive and personal strengths when considering appointments at all levels, whilst ensuring appointments are made on merit and ability to enhance the performance of the business.

At the year end, the Group's performance against the diversity targets set out under the FCA Listing Rules 9.8.6(9) and 14.3.33, are as set out below. All diversity data is collected in line with the Department for Business and Trade (DBT) FTSE 350 Companies: Ethnic Diversity Voluntary Census.

Gender identity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]
Men	5	62.5	3	5	62.5
Women	3	37.5	1	3	37.5
Not specified/prefer not to say	–	–	–	–	–

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]
White British or other White (including minority White groups)	6	75.0	4	7	87.5
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	12.5	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	12.5	–	1	12.5
Not specified/prefer not to say	–	–	–	–	–

Notes
1. Chairman, CEO, CFO and SID.
2. Excludes CEO, includes CFO and direct reports to the CEO only (excluding executive assistant and Chief of Staff).

The Committee notes that the Company has achieved each of the targets set out in the relevant Listing Rules with the exception of the Board comprising at least 40 per cent women. Two of the four most recent appointments to the Board have been women, and the Committee is committed to requiring a diverse candidate list for all future Board appointments in order to continue to improve against this target.

Sir Bill Thomas
Chairman, Nomination Committee
5 March 2024

Audit Committee report

Jonathan Silver
Committee Chairman

Fair, balanced and understandable

In making its recommendation to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable, the Committee applied robust governance arrangements, including:

- clear guidance and instruction of the disclosure requirement provided to contributors;
- comprehensive Group and subsidiary accounts processes, with written confirmations provided by each business unit;
- management teams on the health of the financial control environment;
- a verification process applied to factual content with the aim of providing the information necessary to assess the Company's performance, business model and strategy;
- reviews of the Annual Report undertaken at different levels of the Group and by the senior management team that aim to ensure consistency and overall balance;
- additional scrutiny by senior management including focused review of risk registers;
- additional Committee reviews of the draft Annual Report in advance of final sign-off; and
- oversight of the external audit process.

Final approval of the Annual Report is provided by the Board, on the recommendation of the Committee.

Dear shareholder

On behalf of the Audit Committee, I am pleased to present its report for the period ended 31 December 2023 and to recommend to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable. In making this recommendation, and in addition to the external audit review, the Committee has applied robust governance measures.

I expect this to be my last Audit Committee Report as Chairman of the Audit Committee. Although I will be offering myself for re-election at the forthcoming AGM, a search has begun for my successor as I near the limit of the period in which I will be considered independent. I will stand down from the Board and my role as Audit Chair after my successor is appointed. I have very much enjoyed my involvement with the Company in the time I have spent on the Board and would like to thank the finance team within the Company for their dedication and the support which they have given me over the years.

I look forward to meeting with shareholders at the Annual General Meeting to answer any questions on the work of the Committee.

Jonathan Silver
Chair, Audit Committee
5 March 2024

Audit Committee report continued

Members

During the year and at the date of this report, Committee members were:

Jonathan Silver (Committee Chair)
Maggie Buggie
Gary Bullard
Wendy Koh
Edgar Masri

As required, the Audit Committee is comprised of at least three members, all of whom are Independent Non-executive Directors of the Company, with the necessary range of financial and commercial expertise to challenge management. Two members may constitute a quorum.

The Code also requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies) with recent and relevant financial experience. Currently, the Committee Chair fulfils this requirement.

Key duties

In accordance with its terms of reference, the Audit Committee's key duties include:

- monitoring the integrity of the Group's financial statements and any formal announcements relating to the Company's performance by reviewing significant financial reporting judgements contained in them before their submission to the Board for approval;
- reviewing and challenging on matters of financial reporting, where necessary, the consistency of and any changes to accounting and treasury policies, for example considering whether the Group has followed appropriate accounting policies and made appropriate estimates and judgements, the clarity and completeness of disclosure, significant adjustments resulting from the audit, and the going concern assumption and compliance with auditing standards;
- at the request of the Board, reviewing the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- as requested by the Board, assisting in relation to the Board's assessment of the principal and emerging risks facing the Company and the prospects of the Company for the purposes of disclosures required in the Annual Report and Accounts;
- reviewing the effectiveness of the Group's internal financial controls, including the policies and overall process for assessing established systems of internal financial control and timeliness and the effectiveness of corrective action taken by management;
- reviewing the most appropriate fulfilment of the internal audit function and agreeing and assessing the annual internal audit plan and its effectiveness in the context of the Company's overall risk management system;
- overseeing the Group's policies, procedures and controls for preventing bribery and identifying money laundering, and the Group's arrangements for whistleblowing; and
- overseeing the relationship with the Group's External Auditor, reporting to the Board each year whether it considers the audit contract should be put out to tender taking into account any legal requirements for tendering or rotation of the audit contract, reviewing and monitoring its objectivity and independence including seeking information from the external auditor on an annual basis about its policies and procedures for maintaining independence, agreeing the scope of its work and fees paid to it for audit, assessing the effectiveness of the audit process, and agreeing the policy in relation to the provision of non-audit services.

How the Committee operates

Committee members are expected to be financially literate and to have an understanding of the following areas:

- the principles of, and developments in, financial reporting including applicable accounting standards and statements of recommended practice;
- key aspects of the Company's operations including corporate policies and the Group's internal control environment;
- matters which may influence the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management; and
- the regulatory framework for the Group's businesses.

The Committee invites the Chair, the CEO, the CFO, the Head of Internal Audit & Risk and senior representatives of the external auditor to attend its meetings in full, although it reserves the right to request any of these individuals to withdraw.

During the year, the Committee held two meetings with Deloitte LLP, and two meetings with the Head of Internal Audit & Risk, without the Executive Directors present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external Auditor.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process and in 2023 the Committee was found to be operating effectively.

The terms of reference of the Audit Committee were reviewed and approved during the year and can be viewed on the Company's website at corporate.spirent.com.

Meetings

The Audit Committee met three times during the year, with the Committee agenda typically linked to events in the Group's financial calendar.

Activities during the year

The Audit Committee's activities, again, principally related to financial reporting, internal control and risk management, preparation of the viability statement and scrutiny of the external audit. The Committee considered all material controls, including financial, operational and compliance controls and their effectiveness and monitored the internal audit plan as carried out by the Head of Internal Audit & Risk, assisted by PwC. This work also encompassed other related areas, such as the Group's approach to IT controls, site security and cybersecurity, as well as examining the disclosures in this Annual Report based on the Task Force on Climate-related Financial Disclosures. The Committee was also kept abreast of new reporting and governance requirements and preparations by management for reporting on such.

Risk Sub-Committee

During the period under review, the Audit Committee had oversight of a Sub-Committee dealing with the risks and uncertainties being dealt with on a Group and business unit level.

The Risk Sub-Committee met regularly throughout the year to monitor the Group's risk appetite and registers.

Financial reporting and significant issues

During the year, the Audit Committee:

- reviewed the full year and half year financial statements, trading updates, key accounting policies and significant financial reporting judgements contained therein (with particular reference to the critical accounting assumptions and judgements as set out in the notes of the consolidated financial statements) and recommended the financial statements to the Board for approval;
- reviewed whether the Annual Report, taken as a whole, is fair, balanced and understandable and formed an opinion thereon prior to recommending it to the Board;
- reviewed and monitored risk management processes and the potential for risks to impact on the viability of the Group;
- reviewed and considered assumptions in relation to the going concern basis for preparation of financial statements;
- reviewed, challenged and monitored the appropriateness of alternative performance measures; and
- reviewed the external auditor's report on the interim review and year end audit and management's responses to the issues raised.

The Committee Chair reports any significant findings or identified weaknesses to the Board.

Significant financial issues considered and addressed in relation to the financial statements

The Audit Committee gives careful consideration to those aspects of the financial statements that required significant accounting judgements or where there is estimation uncertainty. These areas are set out in the notes to the consolidated financial statements. The Committee received detailed reports from both the CFO and External Auditor on these areas and on many other matters which they believed should be drawn to the Committee's attention and challenged the treatment and assumptions where it was felt necessary to ensure that the judgements were robust and supportable. The external auditor's report on the financial statements was also reviewed, with particular reference to those matters reported as carrying risks of material misstatement.

Management override of controls

The Audit Committee is aware of the risk that management overrides the controls environment that is in place in order to misrepresent performance by the business. The effectiveness of internal controls is monitored and challenged by the Committee both directly and through the continuing internal audit work undertaken by the Head of Internal Audit & Risk and PwC.

The Committee is aware that International Standards on Auditing require the External Auditor to presume risk of fraud in respect of management override of controls and that as part of its audit programme Deloitte considers the higher areas of risk deriving from inappropriate posting of journals, unintentional or intentional management bias in key judgements used in material estimates and accounting for transactions outside the ordinary course of business.

Revenue recognition

The Committee is mindful of the risk that continuing pressure on management to meet certain targets and to respond to specific customer requests may drive additional deal complexity which could, in turn, lead to complex or judgemental accounting, in particular due to the impact of external factors on business sentiment. This may result in inappropriate recognition of revenue and associated balances. It is also aware of the heightened risk around the high volume of orders fulfilled around the period end, which is highlighted as an additional fraud risk as an area that could be manipulated by management.

Management updates the Committee on significant contracts in the year. The Committee also receives regular reports on management's oversight of areas where significant judgement is exercised and challenges findings to ensure compliance with accounting standards.

As part of its update to the Committee, Deloitte discussed the procedures performed in relation to reviewing specific large and judgemental transactions and revenue recognised around the period end. Deloitte and the Committee also discussed the procedures performed in relation to the Group's arrangements for sales through distributors or with the assistance of agents.

Audit Committee report continued

Adjusting items

- The Committee kept the definition and use of adjusting items under review throughout the period, in particular because of the potential impact upon the Group's reported profitability. The Committee paid close attention to the treatment of costs connected to the items related to the restructuring in 2023.

Pensions

- The Committee receives regular updates on the accounting for the funded defined benefit pension plans. The Committee monitors the approach and assumptions made by management and advisers in relation to recognition of the current surplus or deficit.

Tax accounting

- The Committee received regular updates from the VP of Global Tax and Group Financial Controller on the appropriateness of recognised tax provisions, recoverability of deferred tax assets and the key tax judgements. The Committee evaluated updates from management in respect of uncertain tax positions, the tax provision and the deferred tax position. The Committee was satisfied that management's approach to the accounting for taxation was appropriate. The Committee also noted Deloitte's use of tax specialists and considered its view on the tax accounting matters.

Goodwill impairment

- The Committee receives a report setting out the approach and outcomes of the Group's annual goodwill impairment exercise which takes place each year, together with additional reviews of the impact on the goodwill position of specific events or changes to the assumptions made.

Misstatements

Management reported to the Committee that it was not aware of any material or immaterial misstatements made intentionally to achieve a particular outcome. The External Auditor reported to the Committee misstatements it had found in the course of its work. After due consideration the Committee concurred with management that no adjustments were required.

Internal control and risk management

During the year the Audit Committee:

- monitored and reviewed internal control and risk management systems;
- reviewed and approved the internal audit programme for the year; and
- reviewed regular reports on taxation, treasury operations, health and safety and cybersecurity.

The Board is responsible for the effectiveness of the Group's system of internal control, which has been designed and implemented to meet the particular requirements of the Group and the risks to which it is exposed. Details can be found below on the Group's internal control environment, how risk is managed and the Committee's review of the effectiveness of the risk management and internal control systems.

Internal control environment

The primary aim of the Group's internal controls is to operate a system which is appropriate to the business and which can support the Group in delivering its strategic objectives, safeguard the Group's assets and, over time, enhance shareholder value. The system is designed to identify, evaluate and manage the significant risks faced by the Group rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. This is in accordance with the latest Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC.

The CFO is responsible for internal financial control and for ensuring that the finance department employs a level of management and specialists appropriate for maintaining financial records and processes that provide financial information that is relevant and reliable, complies with applicable laws and regulations, and is distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is undertaken by senior management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee prior to it being approved by the Board.

The following key elements comprise the internal control environment:

- an appropriate organisational structure with clear lines of responsibility;
- an experienced and qualified finance function which regularly assesses the possible financial impact of the risks facing the Group;
- a comprehensive annual business planning process and strategy review; systems of control procedures and delegated authorities which operate within defined guidelines, and approval limits for capital and operating expenditure together with other key business transactions and decisions;
- a robust financial control, budgeting and forecast system which includes regular monitoring, variance analysis, key performance indicator reviews and risk and opportunity assessments at Board level; procedures by which the consolidated financial statements are prepared, which are monitored and maintained through the use of internal control frameworks addressing key financial reporting risks arising from changes in the business and accounting standards;
- established policies and procedures setting out expected standards of integrity and ethical standards which reinforce the need for all employees to adhere to all legal and regulatory requirements;

- an annual internal controls compliance checklist; and
- the Head of Internal Audit & Risk, who is supported by a co-sourced internal audit resource. In 2017, the Group adopted co-source arrangements and appointed PwC, which continues to support the Head of Internal Audit & Risk to formulate and execute the Group's internal audit plan. The plan for 2023 was approved to ensure that there was appropriate coverage of the internal control environment, strategic priorities and key risks identified by the Board. At each Committee meeting the Head of Internal Audit & Risk, assisted by PwC, gives an update on the progress of the internal audit plan, which is reviewed to ensure that it is in line with the Committee's expectations.

During the year the internal audit plan was amended so that additional areas were added to the plan based on the changes that gave rise to increased levels of risk. These changes to the agreed audit plan were approved by the Committee.

The Head of Internal Audit & Risk has direct access to the Board Chair and to the Committee Chair and is accountable to the Committee, meeting regularly with both the Committee and its Chair, without the presence of management, to consider the work of internal audit.

The effectiveness of the execution of the internal audit plan is monitored at each Audit Committee meeting and also forms part of the Board's annual evaluation process.

The 2023 evaluation confirmed that the Directors are satisfied with the arrangements and approach currently in place.

Risk management

Members of the Executive Risk Committee meet to challenge and debate the assessment of risk including emerging risks, for the Group as a whole and within each business unit, which have submitted local risk registers for analysis and ranking together with Company-wide risks to form a robust corporate risk register. This corporate risk register is presented to the Audit Committee at least twice each year. Actions arising from the Audit Committee's review of the corporate risk register are fed back to the business units for their management.

Committee oversight

Day-to-day responsibility for effective internal control and risk management and monitoring rests with senior management at business unit level. During the year, the CFO and Head of Internal Audit & Risk attended all Audit Committee meetings to report on internal control and risk management and notified the Committee of any control weaknesses, control failings and risks, their impact and the actions taken to deal with the issues.

Detailed updates on specific areas, such as cybersecurity or business continuity, are provided at the Committee's request.

Business Ethics Policy

A policy that sets standards of professionalism and integrity for all employees and operations was relaunched in 2020 and is regularly refreshed. The Business Ethics Policy includes sections relating to bribery and corruption to ensure that all of Spirent's systems, controls and training comply with the anti-bribery and corruption legislation in the countries in which we operate, and that a culture of prevention and detection of all forms of bribery and corruption is in place. Anti-bribery training is required to be taken by certain employees periodically.

Acquisitions and divestments

Disciplined due diligence processes and post-acquisition integration programmes are in place.

Fraud

The Board of Directors is aware that it bears the primary responsibility for the detection and prevention of fraud. The Directors are aware of the potential for fraud and this features as an element of the Board's risk assessment and corporate governance procedures. The Audit Committee reviews these procedures to ensure that they are in place and working effectively. This oversight is supported by the work of the Head of Internal Audit & Risk and PwC as part of their internal audit work.

The Group's Business Ethics Policy, which has been communicated to all employees, makes clear that employees also have a responsibility for fraud prevention and detection and any suspicion of fraud will be reported immediately and investigated vigorously.

Raising concerns at work

The Committee aims to ensure that employees are able to raise any concern in confidence about any possible improprieties in business practices or other matters. A Group-wide Whistleblowing Policy is in place and is regularly highlighted to employees and an external third party reporting service is available to employees for the reporting of any concerns.

Disclosures under this arrangement are investigated promptly by the Company Secretary and the Head of Internal Audit & Risk, and are escalated to the Executive Directors and the Committee as appropriate, with follow-up action being taken as soon as practicable thereafter.

The Committee is satisfied that the means for employees to raise concerns at work are appropriate to the size and scale of the Group.

External audit

The Committee is responsible for overseeing the Company's relations with the External Auditor.

The Committee places great importance on ensuring that high standards of quality and effectiveness are maintained within the external audit process. It considers a number of areas in relation to the External Auditor: its performance in discharging the audit and interim review of financial statements, its independence and objectivity, and its re-appointment, remuneration and feedback on these matters is given to the External Audit Partner.

Auditor appointment

Each year the Committee assesses and reports to the Board on the qualification, expertise, resources and effectiveness, as well as the independence of the External Audit Partner and their team.

The Committee notes and confirms compliance with the Competition and Markets Authority Order 2014 (the CMA Order) in respect of statutory audit services for large companies.

Audit Committee report continued

Auditor appointment continued

Following a thorough tender process in 2020, Deloitte LLP was appointed by the Company at its Annual General Meeting in April 2021, to audit the financial statements of the Company for that and subsequent financial periods. Jane Makrakis succeeded Robert Knight as audit partner during the year.

There are no contractual obligations in existence that restrict the Company's choice of auditor.

Auditor effectiveness

The Committee assesses the effectiveness of the audit process on an ongoing basis, with particular attention to the mindset and culture, skills, character and knowledge, quality control and judgement of the External Auditor in its handling of key judgements, its responsiveness to the Committee and its commentary where appropriate on the systems of internal control.

The Committee holds regular private meetings with the External Auditor to assist with its assessment, including discussion of:

- how the External Auditor has identified and addressed potential risks to audit quality;
- the controls in place within the External Audit firm to identify risks to audit quality, including the results of internal and external inspections of the External Audit team and firm;
- whether the External Auditor has met the agreed audit plan, in particular how it has responded to any changes that have been required during the process;
- feedback from the key people involved in the audit; and
- the content of the External Auditor's management letter.

In addition, the Committee monitors the External Audit partner's involvement in their team's work to ensure sufficient oversight and direction of work was evident, in particular with regard to the audit of significant components involving judgements.

The effectiveness of the External Auditor also forms part of the Board's annual evaluation process.

Auditor independence

The Committee assesses the independence and objectivity of the External Auditor annually, taking into consideration relevant UK law, regulation, the FRC Revised Ethical Standard and other professional requirements. Deloitte has provided a letter confirming its belief that it remained independent throughout the period under review and has discussed with the Committee the threats to its independence and the safeguards applied to mitigate those threats.

As part of this review, the Committee examined in particular:

- a report from the External Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the External Auditor.

Policy on non-audit services

The Committee is responsible for pre-approving the engagement of the External Auditor for any and all non-audit services, with the objective of ensuring that the provision of such services by the External Auditor does not impair its independence or objectivity. Taking into account relevant ethical guidance, the Committee's policy precludes a number of non-audit services, including those relating to the accounting records and financial statements, internal audit, IT consulting, legal and investment services and other services deemed by regulators to be precluded.

The Committee accepts that certain work of a non-audit nature may be best undertaken by the External Auditor. The policy is reviewed annually and financial limits for the provision of non-audit services, including audit-related fees and other fees, are set on the same annual basis (2023 $0.3 million (2022 $0.3 million)). These were less than one-third of the Group's audit fee of $1.7 million (2022 $1.4 million). The Committee can confirm that no non-audit services were provided by Deloitte during the period under review other than the interim review fee of $0.1 million (2022 $0.1 million).

Report on Directors' remuneration

Gary Bullard
Committee Chairman

Compliance statement

The Report on Directors' remuneration for the year ended 31 December 2023 describes how the Board, via the Remuneration Committee (the Committee), has complied with the provisions of the 2018 UK Corporate Governance Code.

The Report is presented in two parts: the Directors' Annual Remuneration Report and the Directors' Remuneration Policy, the former setting out details of how the Remuneration Policy was implemented for the year ended 31 December 2023 and how it will be applied for the year ending 31 December 2024.

Dear shareholder

I am pleased to present the Directors' Remuneration Report for the year and our proposed Remuneration Policy which will be put to the AGM in May 2024.

As ever, the overarching duty of the Committee is to ensure the Company has a remuneration structure that allows it to recruit and retain executives of the high calibre required to run a complex global organisation and pay them in a way that is both motivational and aligned with investors' interests. Our triennial review of the Remuneration Policy (Policy) is an opportunity to assess whether our structures are working as intended and propose change where necessary. However, readers of previous reports will know that we have been acutely aware for quite some time of the tension between the exigencies of a US-led business whose operations and sales are both largely centred in the US, with the standard pay model for a UK-listed company.

Last year, we adjusted the salary for our US-based Chief Executive. Before doing so, I talked to many of our shareholders, who mostly understood the need to make this change but some of whom did not feel able to support the increase. As I signalled then, we intended to return this year to the broader question of pay structure – in particular long-term incentives – where the divergence between UK and US practice causes as many issues for competitiveness as do pay levels.

Over the course of this year, the Committee has developed proposals which I have discussed with our major shareholders in two rounds of consultation. I have been encouraged that most have come to our discussions with an open mind, willing to listen to the challenges of operating in the global market for technology talent, and to hearing our proposals for how to meet those challenges. There is no doubt that the broader conversations about the challenges faced by global companies listed in London have helped move this debate on and rightly so.

Following our consultation, we are proposing to put to the AGM in April 2024 a Policy that will give us future flexibility to use both restricted shares and performance shares, and to increase the levels of long-term incentive award. However, we have made a clear undertaking not to use either facility for this coming year. Moreover, all elements of pay for the two Executives Directors are frozen at last year's levels in recognition of the challenging year we have experienced.

I summarise below both the pay outcomes for 2023 and our proposed Policy changes; and set them out in much more detail in the rest of this report.

Executive remuneration outcomes in 2023

2023 has been a very challenging year for the telecommunications market. Turbulence in the geopolitical landscape and the current economic environment have resulted in key customers delaying their investment plans, impacting timing of order placements and contributing to ongoing uncertainty and reduced visibility in the near term. This is reflected in the remuneration outcomes for the year against the challenging targets we set ourselves. Despite this, our confidence in 5G as an enduring growth driver remains intact and actions taken by the management team in the year ensure that Spirent is well positioned to capitalise on these opportunities in the medium term.

The Annual Incentive for 2023 was based on the achievement of targets for profitability, revenue and strategic and operational priorities. For 2023, the annual bonus will pay out at between 15.5 per cent and 16.7 per cent of maximum. Full details of the specific financial and non-financial targets set and the performance against those targets can be found on pages 86 to 87. One-third of the Annual Incentive achieved for 2023 will again be deferred into shares, to be retained for a period of three years.

The Long-term Incentive Plan awards granted to the Executive Directors in 2021 were based on stretching Earnings Per Share and Absolute Total Shareholder Return performance conditions. Unfortunately, measurement against both of these elements will mean that the awards lapse in full. Full details of the targets set and the performance against those targets can be found on page 89.

The incentive outcomes above have resulted in a total single figure for the CEO of £1.4 million (2022 £2.2 million) and for the CFO of £0.8 million (2022 £1.1 million).

In the Committee's view, the Policy acted as intended in 2023 and therefore no discretion was exercised in respect of the pay outcomes.

Report on Directors' remuneration continued

Remuneration Policy

The principal proposed change under the new Policy is the implementation of a hybrid long-term incentive (LTI) plan in place of the current Performance Share Awards (PSA). This hybrid plan involves making two, distinct award grants; one element of the plan would operate as a PSA, in line with the current approach, while the other element would operate as a Restricted Share Award (RSA).

The proposed hybrid plan aligns better with market practice in the US, which represents the majority of Spirent's operations and sales, and is the home location of the majority of the Executive Committee, including our CEO. Additionally, introducing such a plan provides the opportunity in the future for consistency between our Executive Directors and a number of our senior leadership team in the US, where individuals receive RSAs alongside their PSA awards.

The Committee does not currently intend to use the additional headroom under the new Policy, nor the ability to use RSAs, for either of the two current Executive Directors and would consult with shareholders if this position changes in the future. However, the Committee believes that this structural change to the Policy is necessary to remain competitive, particularly if we were to need to recruit externally from the US market in the future.

I have set out further details on the intended operation of the structure below. Full details of how the Policy will be implemented in 2024 is set out in the 'Executive Remuneration in 2024' section below:

- **Structure:** the proposed LTI plan will incorporate both a PSA and an RSA, better aligning with the US market and to enable Executive Directors to have both an element of performance based and time based awards.
- **Award Mix:** The mix of the PSA and RSA will be determined by the Remuneration Committee each year. The Remuneration Committee will normally consult with shareholders if it intends to change the mix for executive directors from the prior year.
- **Quantum:** The maximum on-target opportunity is 200 per cent of salary, which will be made up of:
  - Performance Share Awards (PSA), for which the on-target value is half the face value, i.e. for every £1 of on-target award value, the maximum opportunity is £2.
  - Restricted Share Awards (RSA), for which the on-target value is equivalent to their face value.

The Policy allows for a maximum on-target opportunity of 200 per cent of salary to enable higher grants where these may be necessary, for example when recruiting from the US market.

- **PSA performance measures:** The Committee will review and decide on performance measures prior to the commencement of each performance cycle, taking into account business priorities.
- **RSA underpin:** The RSA will be subject to continued employment and to satisfactory assessment of a performance underpin.

Shareholder Consultation

As part of the Committee's process of reviewing the Policy, we consulted with circa 30 shareholders, who each hold over 1 per cent of the Company's share capital and who account for approximately 70 per cent of the Company's issued share capital. We were grateful to those who took the time to meet with us to discuss our proposals and were pleased that virtually all shareholders were open to the use of a hybrid plan and understood our rationale for introducing one today to give us the flexibility to use the arrangement over the duration of the new Policy cycle if it is needed. Shareholder questions primarily focused on how the Committee intends to implement the Policy in 2024, details of which are set out below.

Executive remuneration in 2024

We took the time to discuss the outcome of the vote on the remuneration report at the 2023 AGM with shareholders during the consultation and this informed the proposed implementation for the coming year.

We are not proposing to make any changes to Executive Director packages for 2024. This means that neither Executive will receive a base salary increase, which is in line with the wider employee base, where most employees received no increase at all during 2023.

For the Annual Incentive, the metrics of profitability, revenue and strategic and operational priorities remain the same, with the targets for the financial metrics updated to require growth from the achievements of 2023. The Committee believes the targets they have set to be challenging and appropriate; details of the actual targets will be disclosed in the 2024 Annual Report. One-third of the Annual Incentive achieved will be deferred into shares, to be retained for a period of three years.

No changes are proposed to the LTIP grants to the current Executive Directors for 2024, with the grant levels as follows:

- **CEO PSA:** 200 per cent of salary face value (i.e. on-target value of 100 per cent of salary).
- **CFO PSA:** 175 per cent of salary face value (i.e. on-target value of 87.5 per cent of salary).

Neither Executive Director will receive an RSA component in 2024. Given there is no change to LTI quantum for 2024, these awards are permissible under the current Policy and it is therefore the intention to make the awards at the normal time (i.e. shortly after announcement of full year results) rather than waiting until after the vote on the new Policy at the AGM. The 2024 PSA award will be assessed against an EPS growth metric for 50 per cent of the award, a relative TSR metric for 40 per cent of the award and an ESG measure for 10 per cent of the award. In line with the approach for the 2023 LTIP award, the relative TSR metric will be measured based on performance compared to the FTSE 250 index as a whole (excluding financial services and investment trusts).

I hope you find this report clear and informative. I will be available at the 2024 AGM to respond to any questions that shareholders may have with respect to the work of the Committee.

Gary Bullard
Chairman, Remuneration Committee
5 March 2024

At a glance

Performance snapshot

	Annual Incentive performance		
	Performance opportunity (%)		Achievement
Measure	CEO	CFO	(% of max)
Adjusted operating profit	50.00	50.00	–
Revenue	30.00	30.00	–
Services and solutions	6.67	6.67	50.0
ESG	6.67	6.67	100.0
Hyperscalers	6.67	–	82.0
Cash flow	–	6.67	100.0

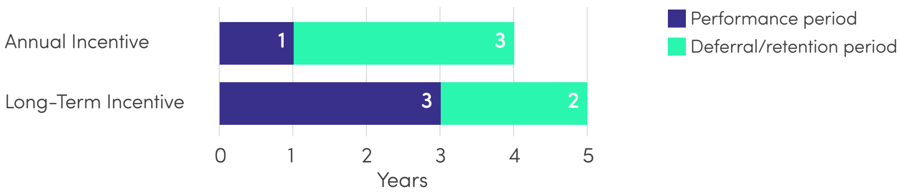
	Long-Term Incentive performance	
Measure	Performance (%)	Achievement (% of max)
Earnings per share[1]	50.00	–
Relative Total Shareholder Return[2]	50.00	–

Notes
1. Data shown relates to the EPS element of the LTIP award which will vest in May 2024, based on performance to 31 December 2023.
2. Data shown relates to the TSR element of the LTIP award which vested in May 2023.

Alignment of Executive remuneration with Group strategy

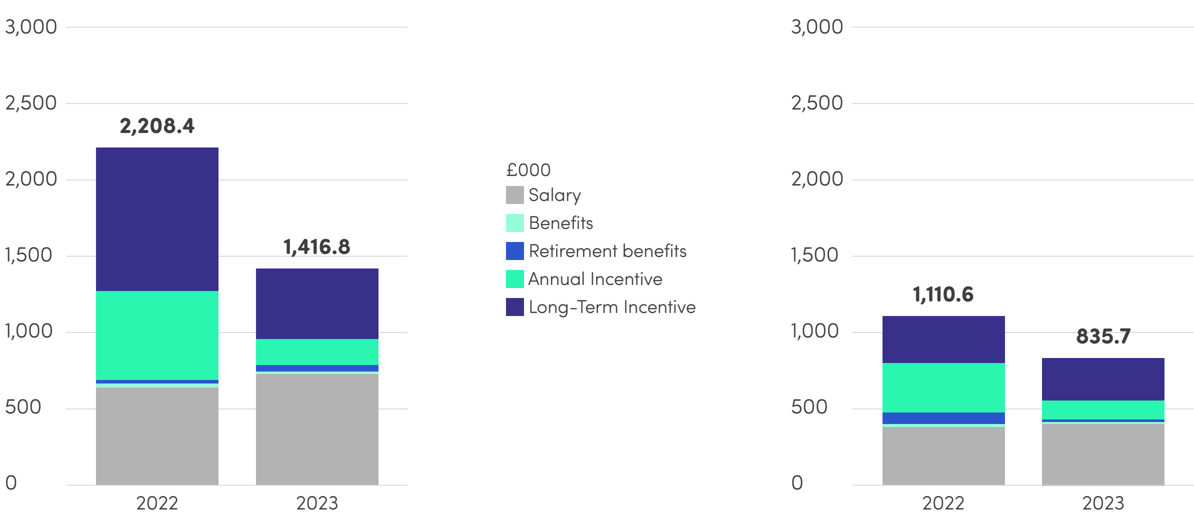
Performance measure	Annual Incentive	LTIP	Reason for selection
Adjusted operating profit	✓		A key performance indicator showing overall performance of the Group
Revenue	✓		A key performance indicator showing how successful Spirent has been in expanding its markets and growing its customer base
Strategic and operational priorities	✓		A focus on specific factors aligned with Spirent's short and medium-term strategic objectives that promote long-term performance
Adjusted EPS		✓	A key measure of underlying profitability
Relative TSR		✓	A key measure of Spirent's return to shareholders through the cycle

Incentive timelines



Total CEO remuneration £000

Total CFO remuneration £000



CORPORATE GOVERNANCE

Report on Directors' remuneration continued

Annual remuneration report

Single figure of total Executive Directors' remuneration 2023 (audited)

The tables below set out the single figure of remuneration received by the Executive Directors during 2023. Details of performance under the Annual Incentive and Long-Term Incentive Plans are set out on pages 86 to 87 and 89 respectively.

	Paula Bell £000		Eric Updyke[1] £000	
	2023	2022	**2023**	2022
Salary/fees[2]	**403.6**	384.4	**727.3**	635.8
Benefits[3]	**15.0**	16.9	**15.7**	25.4
Retirement benefits[4]	**56.5**	76.9	**43.5**	25.2
Fixed remuneration	**475.1**	478.2	**786.5**	686.4
Annual Incentive[5]	**84.1**	325.1	**168.7**	582.4
Long-Term Incentive[6]	**276.5**	307.3	**461.6**	939.6
Variable remuneration	**360.6**	632.4	**630.3**	1,522.0
Total[7]	**835.7**	1,110.6	**1,416.8**	2,208.4

Notes

1. 2023 data for Eric Updyke, who is US based and paid in US Dollars, has been converted using an exchange rate of £1.244:£1 (2022 $1.236:£1).
2. Salary/fees: cash paid in respect of the year.
3. Benefits: taxable value of all benefits in respect of the year which comprise private healthcare, permanent health insurance, life insurance and car allowance.
4. Retirement benefits: cash value in lieu of pension for Paula Bell; Company contributions to 401(k) plan and to Deferred Compensation Plan for Eric Updyke.
5. Annual Incentive: cash incentive payable in respect of performance during 2023, one-third of the value of which will be deferred into shares.
6. Long-Term Incentive: value of elements of LTIP awards vesting based on performance during 2023.
7. The total single figure of remuneration for 2022 for each Executive Director has been restated to reflect the actual Long-Term Incentive figure using the share price at the date of vesting of 174.55 pence.

Annual Incentive (audited)

During 2023, incentives were available to Executive Directors on an annual basis, with the following maximum total Annual Incentive available:

		On-target total incentive available		Maximum total incentive available	
	2023 base salary £000	Per cent of base salary	£000	Per cent of base salary	£000
Paula Bell	403.6	75.0	302.7	125.0	504.5
Eric Updyke	727.3	90.0	637.7	150.0	1,091.0

The maximum Annual Incentive which could be earned was determined by reference to growth targets in the Company's adjusted operating profit and revenue, representing 50 per cent and 30 per cent of the incentive respectively, with performance against an agreed set of strategic and operational priorities linked to improving Spirent's performance representing the remaining 20 per cent of the incentive.

Adjusted operating profit element (50 per cent of Annual Incentive)

	Target $ million	Achievement $ million
Entry point (20 per cent)	109.2	–
On target (60 per cent)	115.2	45.2
Maximum (100 per cent)	121.2	–
Achievement		0 per cent

Revenue (30 per cent of Annual Incentive)

	Target $ million	Achievement $ million
Entry point (20 per cent)	565.0	–
On target (60 per cent)	595.0	474.3
Maximum (100 per cent)	607.0	–
Achievement		0 per cent

Strategic and operational priorities (20 per cent of Annual Incentive)

Eric Updyke and Paula Bell were each set priorities at the start of 2023, with performance of each target to be equally weighted.

Services and Solutions (CEO: Eric Updyke; CFO: Paula Bell)
Objective: Driving Managed Solutions Growth.

Managed Solutions growth is a key element of our strategy, providing greater confidence over future revenue projections and helping to mitigate the impacts of technical cyclicality. Given the significant progress in terms of (i) growth of non-telco Managed Service bookings and (ii) Managed Solutions as a percentage of overall revenue, the Committee felt a 50% achievement appropriate.

	Achievement
Achievement	50.0 per cent

ESG (CEO: Eric Updyke; CFO: Paula Bell)
Objective: Submission of Spirent's implementation plan to SBTi.

Preparation of full implementation plan to SBTi.

	Status	Achievement
Achievement	Achieved	100 per cent

Cash Flow (CFO: Paula Bell)
Objective: To maintain strong cash flow conversion in line with the agreed budget.

Strong conversion of operating profit into free cash flow allows Spirent to fund growth opportunities, both organic and inorganic, in addition to making returns to shareholders through dividends. Targets were set by the Committee at 65 per cent at entry, 69 per cent at target and 74 per cent at stretch. The free cash flow conversion also excludes exceptional items (i.e. acquisitions, dividends, share buyback, additional pension funding).

	Free cash flow %	Achievement
Achievement	83.0	100 per cent

Hyperscalers (CEO: Eric Updyke)
Objective: Demonstrate sustainable, profitable growth with Hyperscaler customers.

Cloud strategy is an important focus area to drive sustainable, profitable growth. One measure of our progress in this area is bookings growth within the Hyperscaler segment (e.g. Facebook, Apple, Google, Amazon, Microsoft, Equinix, Oracle). Growth targets for bookings with this group of customers were set by the Committee at $40.5 million at entry, $43.0 million at target and $45.0 million at stretch.

	Bookings $ million	Achievement
Achievement	44.1	82.0 per cent

Discretion

Following assessment of performance against the targets that have been set, the Committee agreed that no discretion would be exercised with regard to the outcomes for the 2023 Annual Incentive.

Report on Directors' remuneration continued

Annual Incentive (audited) continued

Summary of Annual Incentive target outcomes

	Per cent of total incentive	CFO Paula Bell Achievement as per cent of maximum opportunity	CEO Eric Updyke Achievement as per cent of maximum opportunity
Adjusted operating profit	50.0	–	–
Revenue	30.0	–	–
Strategic and operational priorities	20.0	16.7	15.5
• Services and solutions	–	50.0	50.0
• ESG	–	100.0	100.0
• Cash flow	–	100.0	–
• Hyperscalers	–	–	82.0
Total	100.0	16.7	15.5

	2023			2022		
	Per cent of maximum Annual Incentive opportunity	**Per cent of annual base salary**	**£000**	Per cent of maximum Annual Incentive opportunity	Per cent of annual base salary	£000
Paula Bell	**16.7**	**20.9**	**84.1**	67.7	84.6	325.1
Eric Updyke	**15.5**	**23.2**	**168.7**	61.0	91.5	582.4

Deferred Bonus Plan (audited)

The Remuneration Policy approved by shareholders at the 2019 AGM introduced the deferral of one-third of the incentive achieved under the Annual Incentive into shares, to be retained for a period of three years. This applies to Executive Directors employed by the Group at the date of the payment of the 2023 Annual Incentive.

The deferral element of the 2023 Annual Incentive will be applied as follows:

	Total value of Annual Incentive achieved £000	Value of Annual Incentive payable as cash £000	Value of Annual Incentive deferred into shares £000	Vesting date for deferred shares
Paula Bell	84.1	56.1	28.0	March 2027
Eric Updyke	168.7	112.5	56.2	March 2027

Total retirement entitlements (audited)

During 2023, Paula Bell received a taxable cash allowance in lieu of pension of 14 per cent of base salary; the allowance paid was £56,509 (2022 20 per cent of base salary, £76,884).

Eric Updyke is eligible to participate in the Spirent Communications, Inc 401(k) programme with a 4 per cent Company match of his own contributions, subject to any applicable IRS cap. Mr Updyke enrolled in the programme on 1 January 2020, receiving Company contributions for 2023 of £10,390 (2022 £9,871). Mr Updyke is also eligible to participate in the US Deferred Compensation Plan, a scheme which allows individuals to elect to defer compensation from the Company until a later date. A 4 per cent Company match was applied to compensation deferred in 2023, with Mr Updyke receiving £33,061 (2022 £15,310).

Long-Term Incentive Plan outcomes (audited)

In line with previous years, the operation of the LTIP is such that the EPS and absolute TSR performance measures run over different performance periods.

EPS	Absolute TSR
The performance period for EPS performance conditions starts at the beginning of the financial year in which the award is granted and ends three financial years later.	The performance period for Absolute TSR performance conditions starts shortly before the date of grant and ends three years later.

The LTIP value reported in the Single Total Figure of Remuneration on page 86 relates to measures where the performance period completed during the relevant year. Consequently, the EPS and Absolute TSR elements disclosed in the Single Total Figure of Remuneration relate to different LTIP awards. This is set out in further detail below.

Award	Performance metrics	Weighting per cent	Threshold	Maximum	Actual	Achievement per cent
2020 LTIP	EPS (2022 Single Figure)	50.00	15.5 cents	18.82	18.86	100.00
	Absolute TSR (2023 Single Figure)	50.00	17.00%	42.00%	(2.1%)	–
2021 LTIP	EPS (2023 Single Figure)	75.00	16.99 cents	20.62 cents	7.55	–
	Absolute TSR (2024 Single Figure)	25.00	20.00%	48.00%	Performance period not yet complete	

2023 LTIP Single figure reconciliation

			Absolute TSR (2020 LTIP Award)	EPS[1] (2021 LTIP Award)	2023 Single Figure
Paula Bell	Shares awarded		91.134	129,590	–
	Achievement	per cent	–	–	–
	Shares vesting		–	–	–
	Value of vested shares[2]	£000	–	–	–
	Increase in value due to share price appreciation	£000	–	–	–
Eric Updyke	Shares awarded		181,238	218,176	–
	Achievement	per cent	–	–	–
	Shares vesting		–	–	–
	Value of vested shares[2]	£000	–	–	–
	Increase in value due to share price appreciation	£000	–	–	–

Notes
1. The level of vesting for the EPS element of the 2021 award is based on the audited EPS figure published in this Annual Report 2023; the estimate value is based on the three-month average price of a Spirent Ordinary Share to 31 December 2023 of 107 pence.
2. TSR value of vested shares is calculated using the share price on the date of vesting.

External appointments (audited)

From 1 September 2018, and with the approval of the Company's Board, Paula Bell was appointed to a non-executive director role with Keller Group plc; she became chairman of the audit committee of Keller Group plc on 1 January 2019. Fees in respect of this directorship are paid directly to and retained by Ms Bell.

On appointment in 2019 the Board agreed that it was acceptable for Eric Updyke to continue with his non-executive role with Symend, Inc. Fees in respect of this directorship are paid directly to and retained by Mr Updyke.

Payments to past Directors (audited)

No payments were made to past Directors during the year under review.

Payments for loss of office (audited)

There were no payments for loss of office during the year under review.

Payments of advances, credits or guarantees (audited)

There were no payments of advances, credits or guarantees to Directors during the year under review.

Report on Directors' remuneration continued

Executive Directors' interests in share awards (audited)

The table below sets out the Executive Directors' interests in share awards. Details of the Executive Director shareholding requirements and achievements against these are set out on page 95.

		Unvested LTIP awards[1]	Unvested DBP awards[2]
Paula Bell[3]	At 1 January 2023	468,822	181,249
	Granted at 178.74 pence (face value LTIP £706,348; DBP £108,374)	395,182	60,632
	Dividend equivalents	–	4,736
	Vested/released	91,134	59,227
	Lapsed	91,134	–
	At 31 December 2023	864,014	187,390
Eric Updyke[3]	At 1 January 2023	1,298,841	308,810
	Granted at 178.74 pence (face value LTIP £1,489,748; DBP £197,531)	833,472	110,513
	Dividend equivalents	–	6,701
	Vested/released	181,238	83,783
	Lapsed	181,239	–
	At 31 December 2023	2,132,313	342,241

Notes
1. Awards under the LTIP will only vest to the extent that relevant performance conditions are met.
2. No performance conditions apply to DBP awards.
3. Face value equals number of awards at the price granted.

Share incentive interests awarded during the year (audited)

In March 2023 the Committee approved awards to Ms Bell and Mr Updyke, as shown in the table above, using an average closing share price for the five days prior to the award date, as follows:

- Restricted Stock Units under the Deferred Bonus Plan representing one-third of the value of the Annual Incentive outcome based on performance during 2023. These awards will vest on 15 March 2026, with no further performance conditions to be satisfied.
- Performance Shares under the Long-Term Incentive Plan equivalent to 175 per cent and 200 per cent of base salary respectively. The metrics and weightings for the 2023 LTIP award to Executive Directors were changed from those used in previous years, in response to feedback from shareholders.

50 per cent of the award:

Earnings per share

The EPS performance period starts at the beginning of the financial year in which the award is made, in this case on 1 January 2023, and ends after three years, in this case on 31 December 2025. The adjusted EPS figure reported for the financial period to 31 December 2022, which forms the baseline for this performance target, was 18.86 cents.

Target EPS (adjusted)	Proportion of Performance Shares vesting (per cent)
Below 21.21 cents	0
21.21 cents	25
Above 21.21 cents and below 25.79 cents	On a straight-line basis between 25 and 100
25.79 cents and higher	100

40 per cent of the award:

Relative TSR against the FTSE 250 index (excluding financial services and investment trusts)

When determining Relative TSR growth for the Company, share prices are averaged over 90-day periods immediately prior to, and at the end of, the performance period commencing 14 days prior to the date of award and ending three years later.

Relative TSR[1] – total growth	Proportion of Performance Shares vesting (%)
Below Median growth	0
Median growth	25
Above Median but below Upper Quartile growth	On a straight-line basis between 25 and 100
Upper Quartile growth or higher	100

Note
1. Growth includes re-invested dividends.

10 per cent of the award:

ESG

In 2023 produce an optimisation plan of Spirent's facilities and lab footprint in order to achieve longer-term carbon reduction goals. Implement that plan and achieve the identified carbon reduction targets, such reductions to be externally assured.

Awards made to Executive Directors under the Spirent Long-Term Incentive Plan in 2023 are subject to a post-vesting holding period of an additional two years.

Dilution (audited)

Overall shareholder dilution resulting from the Company's discretionary share incentive plans (on a rolling ten-year basis) has decreased slightly by 0.8 per cent when comparing the positions at 31 December 2023 (0.5 per cent) and 31 December 2022 (1.3 per cent). The overall number of share incentives outstanding has increased to 11.1 million at 31 December 2023 (2022 8.4 million).

Table of CEO remuneration[1]

Year	CEO	CEO single figure of total remuneration £000	Annual bonus payout against maximum opportunity per cent	Long-Term Incentive vesting rates against maximum opportunity per cent
2023	Eric Updyke	1,416.8	12.1	–
2022	Eric Updyke	2,878.1	61.0	100
2021	Eric Updyke	2,536.2	100.0	86
2020	Eric Updyke	1,867.6	83.2	100
2019	Eric Updyke[2]	968.8	85.1	–
2019	Eric Hutchinson[3]	1,548.6	85.1	89
2018	Eric Hutchinson	1,533.4	80.0	63
2017	Eric Hutchinson	1,292.6	86.8	–
2016	Eric Hutchinson	632.6	22.6	–
2015	Eric Hutchinson	497.1	–	–
2014	Eric Hutchinson	521.6	–	–

Notes
1. Data for Mr Updyke's earnings are presented in Sterling based on an average exchange rate for 2023 of $1.2705:£1. Prior year data in this table has been recalculated from US Dollars to be presented in Sterling at the following average exchange rates: 2022 $1.2360:£1; 2021 $1.3745:£1; 2020 $1.284:£1; 2019 $1.2779:£1; 2014 $1.65:£1; 2013 $1.56:£1. During the years 2018 to 2015, Mr Hutchinson's salary was paid in Sterling, so no currency calculation is required.
2. Eric Updyke took up the position of CEO on 1 April 2019.
3. Earnings disclosed are to 30 June 2019, when Eric Hutchinson retired from the Spirent Group.

Report on Directors' remuneration continued

CEO pay ratio

For the purposes of this year's disclosure, the gender pay gap data from our 5 April 2023 snapshot has been used to identify the three appropriate employees for comparison with the CEO (Option B). Further detail on the methodology is set out below.

The table below compares the 2023 single figure of remuneration for the individual who fulfilled the role of CEO during the period with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	36:1	23:1	13:1
2022	Option B	65:1	44:1	28:1
2021	Option B	54:1	38:1	22:1
2020	Option B	50:1	32:1	18:1
2019[1]	Option B	72:0	53:1	24:1

Note
1. The data provided for 2019 is the aggregate 2019 single figure of remuneration for the two individuals who fulfilled the role of CEO during the period which includes a three-month period where both individuals were receiving remuneration and Annual Incentive payments to both individuals.

The remuneration figures for all employees were determined at 31 December 2023.

Under Option B, the latest available gender pay gap data is used to identify the best equivalent for three Group employees in the UK whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group and their total pay and benefits figure for 2023 is then calculated. The identified employees are considered to be reasonably representative since the structure of their remuneration arrangements is in line with that of the majority of the UK workforce. The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary (£)	£36,000	£57,919	£91,464
Total pay and benefits (£)	£39,581	£61,815	£105,818

Each employee's pay and benefits were calculated using each employee's remuneration, consistent with the CEO remuneration, on a full-time equivalent basis. No adjustments were made and no components of pay have been omitted.

Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. In reviewing the ratios the Committee also noted that the CEO's remuneration package is weighted more heavily towards variable remuneration (including the Annual Incentive and Long-Term Incentive Plan) than the wider workforce due to the nature of the role. This means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans in each year.

The Committee notes that the 2019 ratio data covered a period during which there were two individuals in the role of CEO, one of whom (Eric Hutchinson) received a significant vesting of an LTIP award during the period; although the 2020, 2021 and 2022 data includes the vesting of the tranches of Eric Updyke's buy-out award of restricted stock, this award was at a lower quantum.

The Committee also notes that the CEO pay ratio has increased over the prior year. This is as a result of the vesting of the third and final tranche of Mr Updyke's buy-out award of restricted stock falling during the same period as the vesting of his first annual LTIP award of performance shares.

The Committee continues to believe the median pay ratio is consistent with the pay, reward and progression policies for our UK employees. The salary and total pay and benefits levels for the CEO and median representative employee are competitively positioned within the relevant markets and reflect the operation of our remuneration structures. These are effective in appropriately incentivising staff, while having regard to the Company's risk framework and risk appetite and to rewarding the approach as well as the outcome of performance.

Percentage change in remuneration of the Directors and Average Employee

The table below shows the movement in salary, benefits and Annual Incentive for each of the Directors between the current and prior years compared to the remuneration of the Average Employee[1]:

		Executive Directors		Non-executive Directors[2]					
	Average Group Employee[1]	Eric Updyke[3]	Paula Bell	Sir Bill Thomas	Maggie Buggie[3]	Gary Bullard	Wendy Koh	Edgar Masri	Jonathan Silver
Base salary									
2022–2023	**(3.3)**	**15.0**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**
2021–2022	0.2	3.0	3.0	21.2	n/a	2.6	3.1	3.1	2.6
2020–2021	4.4	3.0	3.0	3.0	–	5.6	3.0	3.0	4.1
2019–2020	4.1	3.0	3.5	3.0	–	2.6	2.9	2.9	2.4
2018–2019	4.8	n/a	3.0	9.4	–	2.5	5.7	5.7	2.5
Benefits[4]									
2022–2023	**0.6**	**17.0**	**(22.9)**	**–**	**–**	**–**	**–**	**–**	**–**
2021–2022	(0.7)	4.2	2.7	–	–	–	–	–	–
2020–2021	10.3	46.7	2.4	–	–	–	–	–	–
2019–2020	7.1	38.2	2.9	–	–	–	–	–	–
2018–2019	(6.6)	n/a	2.7	–	–	–	–	–	–
Annual Incentive[5]									
2022–2023	**(67.6)**	**(78.0)**	**(41.3)**	**–**	**–**	**–**	**–**	**–**	**–**
2021–2022	(26.2)	(37.2)	(30.3)	–	–	–	–	–	–
2020–2021	14.8	25.8	27.1	–	–	–	–	–	–
2019–2020	6.2	0.7	(3.4)	–	–	–	–	–	–
2018–2019	12.3	n/a	36.3	–	–	–	–	–	–

Notes
1. Average Group employee data is based on the employee remuneration costs and average number of employees set out in note 8 to the consolidated financial statements with costs for the CEO, CFO and Non-executive Directors removed.
2. Non-executive Directors do not receive benefits or pension payments and are not eligible for variable remuneration.
3. Where the incumbent did not serve for the full year, the calculation has not been made as it is not representative. Eric Updyke joined the Board in April 2019; Maggie Buggie joined the Board in April 2021.
4. Benefits include employer retirement benefit contributions and Company match payments, car allowance, health insurance and life assurance.
5. Total Annual Incentive includes all Annual Incentive payments and commission.

Relative importance of the spend on pay

The following table shows the total expenditure on pay for all of the Company's employees compared to distributions to shareholders by way of dividend. In order to provide context for these figures, adjusted operating profit is also shown.

	2023 $ million	2022 $ million	Per cent change
Employee remuneration costs[1]	**255.9**	267.7	(4.4)
Distributions to shareholders[2]	**46.5**	39.9	16.5
Adjusted operating profit[3]	**45.2**	129.5	(65.1)

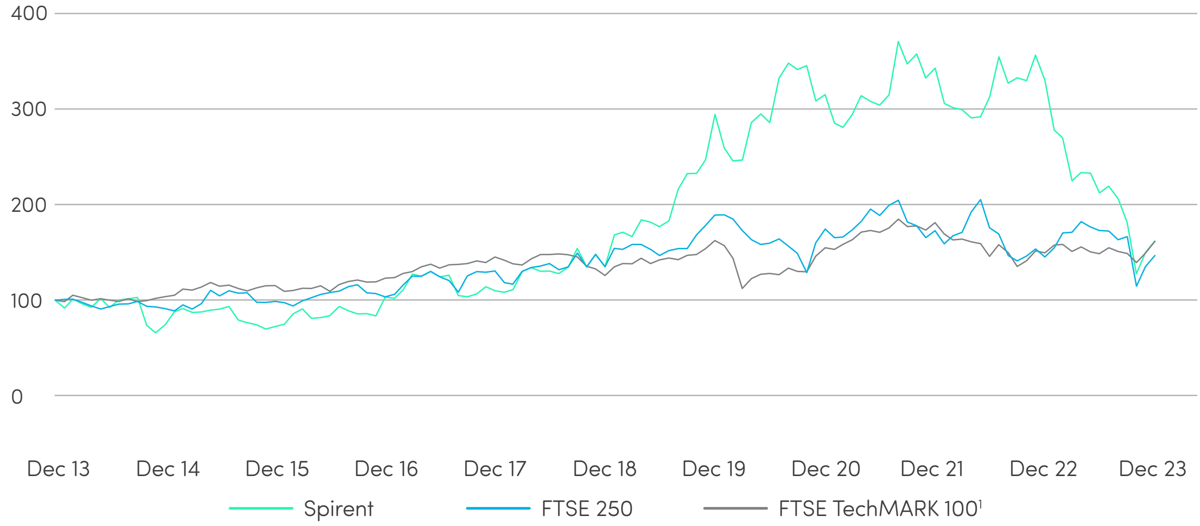
Notes
1. Remuneration, social security costs, pension and other related costs and expense of share-based payment (see note 8 to the consolidated financial statements).
2. Dividends declared and paid in the year (see note 12 to the consolidated financial statements).
3. Before acquired intangible assets, share-based payment and other adjusting items amounting to $26.8 million in total (2022 $16.8 million).

Report on Directors' remuneration continued

Total Shareholder Return (TSR) performance

The graph below shows the TSR performance for the last ten financial years of Spirent Communications plc against the FTSE 250 Index and the FTSE TechMARK 100 Index, excluding those companies which were also constituents of the FTSE 100 Index at the commencement of the period. These indices have been selected as the most relevant comparators for Spirent across the time period reflected in the graph below due to Spirent's business operations in the technology space and the Company's market capitalisation and size.

Ten-year TSR performance – Spirent vs FTSE TechMARK100 and FTSE 250



Note
1. As of 1 January 2014, excluding FTSE 100 companies.

The middle market price of an Ordinary Share at the close of business on the first and last days the London Stock Exchange was open for trading in 2023, was 265.4 pence and 123.3 pence, respectively, and during that period ranged between a high of 283.6 pence and a low of 90.1 pence.

Non-executive Director fees (audited)

Details of individual appointments are as follows:

Director	First appointed as a Director	Current appointment due to expire
Maggie Buggie	29 April 2021	2025 AGM
Gary Bullard	1 December 2016	2026 AGM
Wendy Koh	11 January 2018	2024 AGM
Edgar Masri	11 January 2018	2024 AGM
Jonathan Silver	25 June 2015	2025 AGM
Sir Bill Thomas	1 December 2016	2026 AGM

Single figure of total Non-executive Directors' remuneration 2023 (audited)

	Maggie Buggie £000		Gary Bullard £000		Wendy Koh £000		Edgar Masri £000		Jonathan Silver £000		Sir Bill Thomas £000	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Salary/fees	**58.9**	56.3	**69.9**	67.3	**58.9**	56.3	**58.9**	56.3	**70.9**	68.3	**235.7**	225.0
Benefits[1]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Retirement benefits[1]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**58.9**	56.3	**69.9**	67.3	**58.9**	56.3	**58.9**	56.3	**70.9**	68.3	**235.7**	225.0

Notes
1. Non-executive Directors do not receive benefits or pension payments and are not eligible for variable remuneration.

Statement of Directors' shareholdings and share interests (audited)

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

	At 31 December 2022 or date of appointment Ordinary Shares[1]	**At 31 December 2023 Ordinary Shares[1]**	**At 5 March 2024 Ordinary Shares[1]**
Executive Directors			
Paula Bell[2]	509,525	**593,453**	**593,881**
Eric Updyke	642,477	**933,928**	**933,928**
Non-executive Directors			
Maggie Buggie	–	**20,458**	**20,458**
Gary Bullard	78,393	**135,215**	**135,215**
Wendy Koh	–	**–**	**–**
Edgar Masri	20,000	**20,000**	**20,000**
Jonathan Silver	70,000	**100,000**	**100,000**
Sir Bill Thomas	67,442	**94,873**	**94,873**

Notes
1. Directors' beneficial interests do not form part of the remuneration provided by the Company.
2. Since 31 December 2023, Paula Bell has acquired 214 "Partnership" Ordinary Shares and received 214 "Matching" Shares under the UK Employee Share Purchase Plan at a price of 122.2 pence per share (204 shares) and 111.7 pence per share (224 shares), respectively.

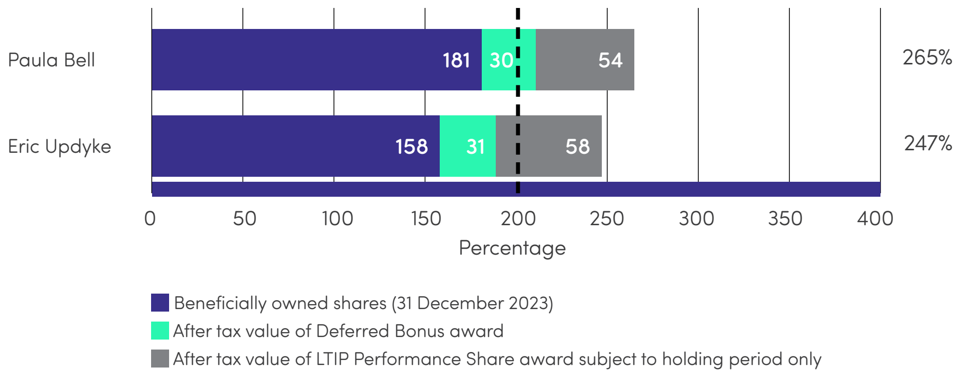
Shareholding guidelines for Executive Directors (audited)

The Committee believes that to further align their interests with those of shareholders, Executive Directors should have a significant shareholding in the Company. Under the 2021 (and proposed 2024) Remuneration Policy, the Committee requires Executive Directors to build a holding of shares equivalent in value to 200 per cent of base salary.

Under the 2021 Remuneration Policy, the current Executive Directors will not be required to hold on to beneficially owned shares after the end of their employment with the Group. However, any new Executive Directors joining the Company would be required to retain the lower of the respective in-role shareholding guideline and the accrual shareholding immediately prior to departure for a period of two years.

The chart below sets out the minimum shareholding requirements and the actual shareholdings for the individuals. The percentages are a function of base salary, shareholdings and share incentives at 31 December 2023.

Executive Director shareholdings as a percentage of 2023 base salary[1]



Note
1. For the purpose of this table, the interests have been valued using the closing share price on the last dealing day in December 2023 of 123.3 pence per share. Details of outstanding share incentive awards is set out on page 90.

CORPORATE GOVERNANCE

Report on Directors' remuneration continued

Statement of implementation of Remuneration Policy in 2024 (unaudited)

Information on how the Company intends to implement the Executive Directors' Remuneration Policy in 2024 is set out below.

Base salary

	2024	2023	Per cent change
Paula Bell	**£403,638**	£403,639	–
Eric Updyke[1]	**£727,300**	£727,300	–

Note
1. The figures shown represent the annual base salaries for Eric Updyke at an exchange rate of $1.244:£1.

Benefits

- Life insurance cover of four times annual base salary
- Permanent health insurance
- Private healthcare cover for executive and family
- Car allowance

Retirement benefits

In line with the wider workforce where the Director provides services, Eric Updyke is eligible to participate in the Spirent Communications, Inc 401(k) programme with a 4 per cent Company match of his own contributions, subject to any applicable IRS cap. Mr Updyke is also eligible to participate in the US Deferred Compensation Plan, which has a 4 per cent Company match of the participant's contributions which are not made to the participant's 401(k) account due to restrictions imposed by the IRS.

Paula Bell will receive a taxable cash sum in lieu of pension at a rate of 14 per cent of base salary.

Annual Incentive

The Committee has set targets for the year focused on adjusted operating profit, revenue and strategic and operational priorities. Although the target detail is considered commercially sensitive, the weightings for the year ended 31 December 2024 are as follows:

Adjusted operating profit	50.0 per cent
Revenue	30.0 per cent
Strategic and operational priorities	20.0 per cent

On-target and maximum Annual Incentive payments are as follows:

	On-target performance per cent of base salary	Maximum performance per cent of base salary
Paula Bell	75	125
Eric Updyke	90	150

One-third of any incentive achieved through the Annual Incentive will be deferred into shares for an additional period of three years. Details of these targets and their achievement will be disclosed in the Directors' Annual Remuneration Report 2024.

Award under Spirent Long-Term Incentive Plan

It is anticipated that the following award will be made under the LTIP in 2024 in the form of Performance Shares:

	Per cent of base salary	Anticipated value of award
Paula Bell	175	£706,367
Eric Updyke[1]	200	£1,417,142

Note
1. The figure shown represents the annual base salary for Eric Updyke at an exchange rate of $1.2705:£1.

The metrics and weightings for the 2024 LTIP award to Executive Directors are:

50 per cent of the award:

Earnings per share

The EPS performance period starts at the beginning of the financial year in which the award is made, in this case on 1 January 2024, and ends after three years, in this case on 31 December 2026. The adjusted EPS figure reported for the financial period to 31 December 2023, which forms the baseline for this performance target is 7.55 cents.

Target EPS (adjusted)	Proportion of Performance Shares vesting (per cent)
Below 7.55 cents	0
7.55 cents	25
Above 7.55 cents and below 10.32 cents	On a straight-line basis between 25 and 100
10.32 cents and higher	100

40 per cent of the award:

Relative TSR against the FTSE 250 index (excluding financial services and investment trusts)

When determining Relative TSR growth for the Company, share prices will be averaged over 90-day periods immediately prior to, and at the end of, the performance period, which will commence 14 days prior to the date of award and will end three years later.

Relative TSR[1] – total growth	Proportion of Performance Shares vesting (%)
Below Median growth	0
Median growth	25
Above Median but below Upper Quartile growth	On a straight-line basis between 25 and 100
Upper Quartile growth or higher	100

Note
1. Growth includes re-invested dividends.

10 per cent of the award:

ESG

Achievement over a three-year period of the aggregate carbon emissions reduction targets necessary to meet the Science Based Target Initiative to limit global warming to 1.5°c.

Awards made to Executive Directors under the Spirent Long-Term Incentive Plan in 2024 are subject to a post-vesting holding period of an additional two years.

Non-executive Director fees (audited)

During 2023 the Board reviewed the level of fees to be paid to Non-executive Directors from 1 January 2024, also taking into account the wider employee base, to ensure alignment. To avoid any conflict of interest, the matter was considered by the Chairman and Executive Directors in the absence of the Non-executive Directors affected.

Following consideration, no increase was made. It was also agreed that the additional fees paid to Committee Chairmen and the Senior Independent Non-executive Director would not be increased in 2024.

	2024	2023	Per cent change
Non-executive Directors	**£58,948**	£58,948	–
Audit Committee Chairman	**£12,000**	£12,000	–
Remuneration Committee Chairman	**£11,000**	£11,000	–
Senior Independent Non-executive Director[1]	**£10,000**	£10,000	–

Note
1. The current Senior Independent Non-executive Director has chosen to continue to waive this additional fee during the period under review and for 2024.

During 2023 the Remuneration Committee reviewed the level of fees to be paid to the Non-executive Chairman from 1 January 2024. To avoid any conflict of interest, the matter was considered by the Committee in the absence of the individual affected.

Following consideration, no increase was made.

	2024	2023	Per cent change
Non-executive Chairman	**£235,687**	£235,687	–

Report on Directors' remuneration continued

Share incentive interests vesting during 2024 (audited)

Deferred Bonus Plan: Restricted Stock (March 2024)

Both Ms Bell and Mr Updyke have awards of Restricted Stock under the DBP which are due to vest on 11 March 2024.

These awards are the result of the deferral of one-third of the value of the Annual Incentive achieved based on performance in 2020. As such, no further performance conditions are applicable to the awards prior to vesting.

Long-Term Incentive Plan: Performance Shares (March 2024)

Both Ms Bell and Mr Updyke have awards of Performance Shares under the LTIP which are due to vest on 16 March 2024, subject to an EPS performance condition and an Absolute TSR performance condition.

The EPS condition has not passed the growth threshold required and will lapse in full.

The Absolute TSR condition will be tested after the conclusion of the performance period. Current estimates, based on the growth in market price of a Spirent Ordinary Share between the beginning of the performance period and the date of this report, suggest it is unlikely that there will be any vesting under this element of the award.

Full details of the vesting of these awards will be disclosed in the Directors' Annual remuneration report 2024.

No new shares were issued during the year, with all exercises of share incentives being satisfied by the transfer of shares held by the Company's Employee Share Ownership Trust (ESOT). At the date of this report, the ESOT holds 6.1 million Ordinary Shares for the purpose of satisfying the exercises of current and future awards by employees and former employees of the Group.

Illustrations of the application of Remuneration Policy in 2024

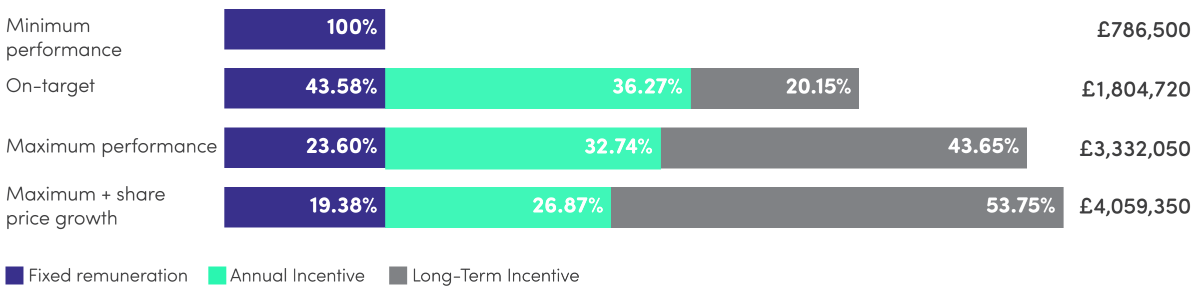
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts below show how much the Executive Directors could earn under Spirent's Remuneration Policy under different performance scenarios in the 2024 financial year. The following assumptions have been made:

		Variable remuneration	
	Fixed remuneration	Annual Incentive	Long-Term Incentive
Minimum	Base salary[1], benefits[2], pension[3]	–	–
Target	Base salary[1], benefits[2], pension[3]	On target[4]	Threshold vest (25 per cent)[6]
Maximum	Base salary[1], benefits[2], pension[3]	Maximum[5]	Full vest (100 per cent)[6]
Maximum + 50 per cent share price growth	Base salary[1], benefits[2], pension[3]	Maximum[5]	Full vest (100 per cent)[6] + 50 per cent growth in share price from date of grant

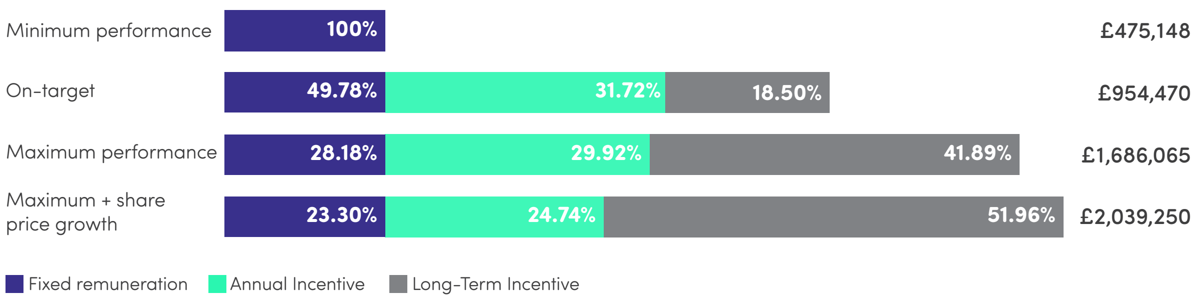
Notes

1. Base salary effective 1 January 2024.
2. Benefits as received during 2023 financial year.
3. Cash contributions to the Company's 401(k) plan and Deferred Compensation Plan during 2023 financial year for CEO and cash sum in lieu of pension equal to 20 per cent of base salary received during 2023 financial year for CFO.
4. Annual Incentive on-target payout of 90 per cent of base salary for CEO and 75 per cent of base salary for CFO.
5. Annual Incentive maximum payout of 150 per cent of base salary for CEO and 125 per cent of base salary for CFO.
6. Long-Term Incentive on-target payout of 25 per cent of award and maximum payout of 100 per cent of award.

CEO



CFO



Remuneration Committee

Members

During the year and at the date of this report, Committee members were:

- Gary Bullard (Committee Chairman);
- Maggie Buggie;
- Wendy Koh;
- Edgar Masri; and
- Jonathan Silver.

Responsibilities

The Remuneration Committee is responsible to the Board for determining:

- Remuneration Policy for the Executive Directors and Chairman, taking into account remuneration trends across the Company;
- specific terms and conditions of employment of each individual Executive Director;
- overall policy for remuneration for the Executive Directors' direct reports;
- design and monitoring of the operation of any Company share incentive plans;
- setting stretching incentive targets to encourage enhanced performance;
- an approach that rewards fairly and responsibly contribution to the Company's long-term success; and
- other provisions of the Executive Directors' service agreements, ensuring that contractual terms on termination and payments made are fair to the individual and the Company and that failure is not rewarded and loss is mitigated.

The Committee's remit is set out in detail in its terms of reference, which are reviewed regularly and were approved by the Board in December 2023.

The Committee's terms of reference are available on the Company's website at corporate.spirent.com.

Report on Directors' remuneration continued

Remuneration Committee continued

Composition of the Committee

At the date of this Report, the Remuneration Committee comprises five Independent Non-executive Directors, one of whom acts as Committee Chairman. The Company Secretary serves as Secretary to the Committee. All members are considered independent within the meaning of the 2018 UK Corporate Governance Code.

Advisers to the Committee

During the period under review the Committee consulted with the Company's Chairman, CEO, CFO and Company Secretary & General Counsel but not on matters relating to their own remuneration.

Following a formal tender Aon was appointed by the Committee in August 2018 to undertake a market review of executive remuneration practices and assist with the design and introduction of an updated Remuneration Policy that was put to shareholders at the 2019 Annual General Meeting. In July 2020, following a restructure at Aon, the lead adviser to the Committee transferred to work at PwC. The Committee has retained PwC in this role because it values the robust data and advice provided and the continuity of provision from the advisers involved. The Committee remains satisfied that PwC is independent, thoughtful and challenging. PwC is a member of the Remuneration Consultants Group and complies with its voluntary Code of Conduct in respect of the provision of remuneration consulting services, details of which can be found at www.remunerationconsultantsgroup.com.

The fees paid to PwC to carry out work for the Remuneration Committee during the period under review totalled £80,000 (2022 £144,000). Fees are based on a fixed retainer for certain services and time and materials otherwise. During the year, PwC provided other tax and advisory services to the Company. PwC did not have any other connection with the Directors of the Company.

Kepler Associates Limited, which was acquired in June 2015 by Mercer Limited, was appointed by the Committee some years ago to provide the results of TSR testing to determine the vesting of share incentives. The Committee has retained Mercer Limited in this role because it values the robust data provided and continuity of advice from the consultants involved. The Committee remains satisfied that Mercer Limited is independent, thoughtful and challenging. Mercer Limited is a member of the Remuneration Consultants Group and complies with its voluntary Code of Conduct in respect of the provision of remuneration consulting services, details of which can be found at www.remunerationconsultantsgroup.com, and has no other connection to the Company. During the year Mercer did not provide any other services to the Company and did not have any other connection with the Directors of the Company.

The fees paid to Mercer Limited to carry out work for the Remuneration Committee during the period under review totalled £2,700 (2022 £4,800) and were based on time and materials.

Statement of shareholder voting

At the 2023 AGM on 4 May 2023, the results of shareholder voting on remuneration matters were as follows:

Advisory vote regarding the Report on Directors' remuneration for the year to 31 December 2022:

Votes for[1]	Per cent	Votes against	Per cent	Votes cast	Votes withheld[2]
340,189,272	69.78	147,308,519	30.22	487,497,791	4,093,705

As announced immediately following this AGM, ''We are disappointed with the result. The Committee felt that after 3½ years of strong delivery by our CEO, that we needed to address a significant gap in his fixed pay from similarly sized companies in the UK market and accordingly awarded him a 15 per cent pay increase. We consulted with our top 25 shareholders on our proposals, which represents approximately 70 per cent of the share register. Of those shareholders who responded, we held meetings with and received support from the majority for our proposals. Those that disagreed did not dispute the performance or the significant beneficial changes made to the Company during the CEO's tenure but asked us to consider phasing any increase over a number of years. The Committee noted that input but decided to implement the increase wholly in 2023 as it wished to align pay to the market in the near term, given the performance over a number of years. As described earlier, the Committee has consulted further with shareholders as it prepared to update to its Directors' Remuneration Policy, which will be brought to the Company's 2024 AGM.

The most recent binding vote for the Company's Remuneration Policy was also approved by shareholders at the 2021 AGM and effective from 29 April 2021:

Votes for[1]	Per cent	Votes against	Per cent	Votes cast	Votes withheld[2]
480,377,721	96.40	17,920,170	3.60	498,297,891	58,844

Notes
1. The "For" vote includes those giving the Company Chairman discretion.
2. A vote withheld is not a vote in law and is not counted in the calculation of the votes "For" and "Against" the resolution.

Votes "For" and "Against" are expressed as a percentage of total votes cast.

By Order of the Board

Gary Bullard
Chairman, Remuneration Committee
5 March 2024

Directors' Remuneration Policy (unaudited)

The Committee's Policy is to set remuneration levels which ensure that the Executive Directors are fairly and responsibly rewarded in return for high levels of performance. The Remuneration Policy aims to promote value creation through transparent alignment with the agreed corporate strategy, supporting performance and encouraging the underlying sustainable financial health of the business while promoting sound risk management for the benefit of all stakeholders. The Committee believes that the aims of the Policy are achieved by ensuring that a significant proportion of executive remuneration is tied to the achievement of the agreed corporate strategy and long-term value creation. Whilst due consideration is given to wider employees as part of the Policy review, there is no formal employee consultation, although conflicts of interest are avoided by extensive shareholder consultation.

The Company's current Remuneration Policy was subject to a binding vote at the 2021 AGM, receiving 96.40 per cent of all votes cast in favour. The Policy proposed for approval at the AGM in 2024, was subject to an extensive shareholder consultation, as earlier explained and is primarily intended to introduce a hybrid LTIP approach.

Considerations of UK Corporate Governance Code principles

When determining the Remuneration Policy, the Committee was mindful of its obligations under Provision 40 of the Corporate Governance Code in order to ensure that the Policy and other remuneration practices were clear, simple, predictable, proportional and aligned to the culture of the Company and accounted for reputational and other risks linked to excessive reward. Set out below are examples of how the Committee addressed these factors:

Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee consulted with its shareholders on the proposed changes within the Policy and received positive feedback. The Committee believes that the remuneration arrangements are transparent and align to market and best practice.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Committee is not proposing any significant structural changes to the incentive plans. Spirent operates two incentive plans, which it believes are easy to communicate and for stakeholders to understand and the structure of which is aligned to market practice. The performance measures provide a clear link to business performance and business strategy.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Committee is mindful of mitigating risks in relation to excessive reward through the application of discretion, as well as through malus and clawback provisions in respect of incentive awards.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The range of possible rewards for Executive Directors is considered on page 99. The Committee has the ability to apply discretion in relation to the variable pay elements of the awards, for new joiners and for leavers, which were revisited as part of the review of the Remuneration Policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The Committee strongly believes that the awards implemented ensure continued delivery of the short and long-term goals and the business strategy. The Committee also has discretion to adjust incentive outcomes to ensure that they reflect the Company's performance over the relevant period.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The Committee believes that the incentive schemes detailed in the Remuneration Policy are consistent with Company purpose, values and strategy.

Report on Directors' remuneration continued

Policy table

This section of the Report describes the key components of each element of the remuneration arrangements for the Executive Directors.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Fixed remuneration			
Base salary			
To provide fixed remuneration for each role which reflects the size and scope of the Executive Directors' responsibilities, their individual skills and experience, and the market in which they provide services.	Base salaries are normally reviewed annually. Set at levels to recruit and retain the high-calibre talent needed to deliver the Group's strategy without paying more than is considered necessary. Salaries are typically set after considering various factors including the salary levels in companies of a similar size and complexity, the responsibilities of each individual role, internal relativities, progression within the role, individual performance and an individual's experience and with regard to market salary levels in the country in which the executive provides services. Our overall policy, having had due regard to the factors noted, is normally to target salaries at the median market level.	While there is no defined maximum salary, any increase in salary will ordinarily be (in percentage terms) in line with those of the wider workforce, having regard to the increases in the country in which the individual provides services. Increases beyond those granted to the wider workforce (in percentage terms) may be awarded in certain circumstances, for example where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Details of current salary levels are set out in the Annual Remuneration Report.	Not applicable.
Benefits			
To provide market levels of benefits on a cost-effective basis.	May include private health cover for the Executive Director and their family, life insurance cover, permanent health insurance and a car allowance. Executive Directors may participate in any all-employee share plans which may be operated by the Company on the same terms as other employees. Relocation support and any associated costs or benefits may also be provided if considered by the Committee to be appropriate and reasonable to meet the requirements of the business. Other benefits may be offered from time to time, for example to align with local market practice in the country in which the Executive Director provides services. Reasonable business-related expenses may be reimbursed (including tax thereon, if deemed to be a taxable benefit).	The overall value of benefits will depend on the individual's circumstances and therefore there is no formal maximum. Participation in all-employee share plans will be in line with relevant statutory limits. It is intended that the maximum value of benefits offered will remain broadly in line with market practice in the country in which the Executive Director provides services.	Not applicable.

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Retirement benefits			
To provide cost-effective and competitive post-retirement benefits.	Defined contribution scheme or cash allowance in lieu of Company pension contributions or a combination of both. Other post-retirement benefits may be offered from time to time broadly in line with local market practice in the country in which the Executive Director is employed.	The maximum Company contribution is set at 14 per cent of base salary (combined cash supplement and/or defined contribution plan). For Executive Directors, the retirement benefits are set in line with the general rates applicable to employees in the country in which the Executive Director is employed. Pension arrangements for current Executive Directors are set out in the Annual Remuneration Report.	Not applicable.

Variable remuneration

Annual Incentive

To reward and incentivise the achievement of annual financial and strategic goals which are selected to align with the strategy of the business and support enhancement of shareholder value.	Two-thirds of any bonus earned is payable in cash with the remaining one-third normally deferred into shares. The deferred bonus shares ordinarily vest after three years. Dividend equivalents may be paid on vested shares in respect of dividends arising over the period between the grant date and the vesting date. Both the cash and deferred share elements of the annual bonus are subject to clawback and malus provisions.	Maximum opportunity is capped at 150 per cent of base salary. The Annual Incentive starts accruing from threshold levels of performance, which results in 20 per cent of the maximum payout. Current maximum potential for each Executive Director is set out in the Annual Remuneration Report.	Annual incentives may be based on a mix of financial, individual and business objectives with at least 50 per cent of the weighting being given to financial metrics. The payment of any bonus is at the absolute discretion of the Committee and the Committee may exercise its discretion to override the formulaic outcome.

Report on Directors' remuneration continued

Policy table continued

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Hybrid Long-Term Incentive			
To incentivise executives to achieve the Company's long-term strategy and enhance sustainable shareholder value.	Awards may be granted annually as one or a combination of Performance Share Awards (PSAs) and Restricted Share Awards (RSAs) in the form of conditional shares or nil-cost options. Awards will ordinarily vest, subject to any performance conditions or underpin, on the third anniversary of grant and will ordinarily be subject to an additional two-year holding period post-vesting, during which time awarded shares may not ordinarily be sold (other than to settle tax liabilities incurred by the vesting of the award). Dividend equivalents may be paid on vested shares in respect of dividends arising over the period between the grant date and the vesting date (or, where an award is structured as a nil-cost option and subject to a holding period, to the expiry of the holding period or the date of exercise (if earlier)). Malus and clawback provisions will apply to all awards made under the Spirent Long-Term Incentive Plan.	Executive Directors may be granted annual LTIP awards over a target number of conditional shares or nil-cost options with a value up to 200 per cent of salary. The maximum number of conditional shares or nil-cost options that may vest under an RSA is equal to the target number. The maximum number of conditional shares or nil-cost options that may vest under a PSA is equal to two times the target number. The mix of the PSA and RSA will be determined by the Remuneration Committee each year. The Remuneration Committee will normally consult with shareholders if it intends to change the mix for Executive Directors. No more than 25 per cent of the relevant part of a PSA will vest for achieving threshold performance, increasing to full vesting for the achievement of maximum performance. Details of proposed award levels will be set out in the Annual Remuneration Report.	Award levels, performance conditions and underpins are reviewed before each award cycle to ensure they remain appropriate. PSAs are currently subject to challenging Earnings Per Share and Total Shareholder Return and ESG targets. However, different measures may be applied for future award cycles as appropriate to reflect the business strategy. RSAs will be subject to an underpin. The majority of performance conditions and underpins will be weighted towards financial metrics. A full description of the performance conditions applicable to any PSAs and the underpins applying to any RSAs will be set out in the Annual Remuneration Report. The Remuneration Committee has the discretion to override the formulaic out-turn of PSAs and RSAs if appropriate to do so to take into account the underlying financial and operational performance of the Company.

Notes to the Policy table

Performance conditions applicable to the Annual Incentive

The Annual Incentive is designed to drive and reward excellent short-term financial and operational performance. The Committee reviews the Annual Incentive plan measures each year in order to ensure that they are aligned with the Group's strategy. The Committee may alter the choice and weighting of the metrics for future Annual Incentive cycles to reflect the changing needs of the business. The Committee also retains the discretion to retrospectively amend the measures, weightings, targets and/or method of assessment for the in-year Annual Incentive to take into account changes in the business strategy, significant acquisitions or disposals, changes in accounting treatment or other exceptional events to ensure that the scheme is able to fulfil its original purpose. The payment of any Annual Incentive is at the sole discretion of the Committee.

The choice of measures may change for future Annual Incentives but is currently based on:

- adjusted operating profit – a key driver of shareholder return and a key measure of business success;
- revenue – reflecting Spirent's strategic priority of delivering top-line growth; and
- other strategic and operational priorities – these account for a minority of the Annual Incentive and ensure a rounded assessment of performance.

Performance conditions applicable to awards under the Spirent Long-Term Incentive Plan (LTIP)

Performance Share Awards (PSA)

Hybrid Long-Term Incentive awards will be granted in accordance with the rules of the LTIP and the discretions contained therein. The Committee reviews the appropriateness of performance parameters for each award under PSAs and will set stretching performance conditions in light of the Company's current and expected performance over the performance cycle.

The performance conditions for PSA awards to Executive Directors are (ordinarily) measured over a period of three years and are set using a sliding scale of targets and no more than 25 per cent of the award (under each measure) will vest for achieving the threshold performance hurdle. The choice of measures may change for future award cycles, but is currently based on:

- Relative Total Shareholder Return – generates a strong alignment of interest between executives and shareholders;

- Adjusted Earnings per Share – this provides an assessment of the profitability of the revenues delivered and aligns with the interests of shareholders. Challenging targets for earnings per share are set based on internal and external forecasts; and
- ESG - ensures that Executives are aligned with Spirent's broader sustainability commitments.

The Committee would consult with shareholders in advance of a significant change in the choice or weighting of the performance measures to be applied under the PSA grants for future award cycles. Under the rules of the LTIP, the Committee has the discretion to amend or substitute the performance conditions for in-flight awards in exceptional circumstances, providing the new targets are no less challenging than originally envisaged.

Restricted Share Awards (RSA)
Restricted Share Awards would be subject to an underpin which will be assessed by the Remuneration Committee. Should a grant be made under the RSA, details would be disclosed in the relevant Directors' Remuneration Report.

Malus and clawback

The rules of the LTIP and the Company's Annual Incentive (including any element deferred into shares) include provisions for malus and clawback to apply if the Committee concludes that:

- the relevant individual has committed misconduct;
- there has been a restatement of any member of the Group's financial results, due to inaccurate or misleading data;
- the extent to which an award was granted or has vested was based on inaccuracy or error;
- the Group (or a business unit within the Group) suffered a material financial loss as a result of circumstances that could reasonably have been risk managed;
- the Company has suffered an instance of corporate failure resulting in the appointment of a liquidator or administrator;
- a material failure of risk management and/or regulatory non-compliance resulting in damage to the Company's business or reputation; or
- any other circumstances that the Board considers to have a similar nature or effect.

Clawback may be applied for up to two years following cash payment of an Annual Incentive and vesting under the LTIP, and malus up to three years following the granting of awards under the Company's deferred bonus arrangements and unvested LTIP awards.

Shareholding requirements

The Executive Directors are required to build and maintain a shareholding in the Company are expected to retain shares vesting under the deferred annual bonus and LTIP (net of tax) until such time as the guideline shareholding has been achieved. The current such requirement is 200 per cent of salary.

New Executive Directors are required to maintain a post-cessation share ownership requirement to hold the lower of the respective in-role shareholding guideline and the actual shareholding immediately prior to departure for a period of two years.

The Company's policy in respect of vested and unvested share awards post-cessation of employment is set out below in the section on Exit Payment Policy.

Discretions retained by the Committee in operating the LTIP and other variable pay schemes

The Committee operates the Group's various incentive plans according to their respective rules and (where applicable) in accordance with relevant legislation and HMRC guidance. In order to ensure efficient administration of these plans, certain operational discretions are reserved to the Committee. These include:

- determining who may participate in the plans;
- determining the timing of grants of awards and/or payments under the plans;
- determining the quantum of any awards and/or payments (within the limits set out in the Policy table above);
- in exceptional circumstances, determining that a share-based award (or any dividend equivalent) shall be settled (in full or in part) in cash;
- determining any performance measures, targets and underpins applicable to an award (in accordance with the statements made in the Policy table above);
- where a participant ceases to be employed by the Company, determining whether "good leaver" status shall apply;
- determining the extent of vesting of an award based on assessment of any performance conditions or underpins, including discretion as to the basis on which performance is to be measured if an award vests in advance of the normal timetable (on cessation of employment as a "good leaver" or on the occurrence of corporate events);
- whether, and to what extent, pro-ration shall apply in the event of cessation of employment as a "good leaver" or on the occurrence of corporate events;
- whether malus and/or clawback shall be applied to any award and, if so, the extent to which they shall apply; and
- making appropriate adjustments to awards on account of certain events, such as major changes in the Company's capital structure.

Report on Directors' remuneration continued

Approach to recruitment remuneration

In the event that the Company recruits a new Executive Director (either from within the organisation or externally), when determining the appropriate remuneration arrangements, the Committee will take into consideration all relevant factors, (including but not limited to quantum, the type of remuneration being offered, the jurisdiction from which the candidate was recruited and in which they will provide services to the Company) to ensure that arrangements are in the best interests of both shareholders and the Company without paying more than is necessary to recruit an executive of the required calibre.

Element	Recruitment Policy
Base salary	The Committee will take into consideration a number of factors, including internal relativities, external market forces, skills and current level of pay. Salary may (but need not necessarily) be set below the normal market rate, with a series of planned increases implemented over the following few years to bring it to the desired positioning, subject to individual performance.
Benefits	Benefits provision would be in line with normal Policy. The Committee may agree that the Company will meet appropriate relocation costs.
Retirement benefits	In line with normal Policy.
Annual Incentive	Eligible to take part in the Annual Incentive, with a maximum bonus of up to 150 per cent of salary in line with Policy. Depending on the timing of the appointment, the Committee may deem it appropriate to set Annual Incentive performance metrics that are different from those that apply to the current Executive Directors for the first performance year in which the appointment falls.
Hybrid Long-Term Incentive	A normal award of conditional shares or nil cost options with a target value up to 200 per cent of salary, in line with Policy.
Buyout awards	In exceptional circumstances, the Committee may offer additional cash or share incentive awards (using Listing Rule 9.4.2, if necessary) to compensate an individual for remuneration forfeited on leaving a previous employer. The awards would not normally exceed what is felt to be a fair estimate of the remuneration forfeited and would reflect (as far as possible) the nature and time horizons attached to that remuneration and the impact of any performance conditions. The Company would normally aim to replace any forfeited cash awards with shares. Shareholders will be informed of any such payments at the time of appointment.

For an internal appointment, any remuneration terms awarded in respect of the previous role may either continue on its original terms or be adjusted to reflect the new appointment.

When recruiting Non-executive Directors, the remuneration arrangements offered would normally be in line with those paid to existing Non-executive Directors, details of which are set out in the Annual Remuneration Report.

Service contracts

Executive Directors

In normal circumstances, it is the Company's Policy that service contracts for Executive Directors have no fixed term and are capable of termination on no more than 12 months' notice from either the Company or the Executive Director. It is intended that this Policy would also apply to new appointments of Executive Directors.

Eric Updyke currently has a service agreement with Spirent Communications, Inc, and, being a US resident, his contract is in line with US employment practice and is governed by the laws of the state of New Jersey. Mr Updyke's service agreement, dated 1 April 2019, may be terminated on 12 months' notice from the Company and six months' notice from Mr Updyke.

Paula Bell currently has a service agreement with Spirent Communications plc, and, being a UK resident, her contract is in line with UK employment practice and is governed by the laws of England and Wales. Ms Bell's service agreement, dated 12 April 2016, may be terminated on 12 months' notice from the Company and six months' notice from Ms Bell.

The Company recognises that its Executive Directors may, from time to time, be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Company. Details of any such appointments are set out in the Annual Remuneration Report.

The service agreements of Executive Directors are available for inspection at the Company's registered office on request and will be available for inspection at all General Meetings of the Company.

Exit Payment Policy

The Committee is committed to ensuring that it does not pay more than is necessary when Executive Directors leave Spirent and its Policy on exit payments is and will continue to be in line with market practice in the country in which the Executive Director provides services. The current Exit Payment Policy is:

- service contracts contain provisions for the removal of the Executive Director without compensation for not performing their duties to the standard required by the Board or material misconduct;
- payment in lieu of notice may be paid under service contracts if the relevant notice period is not given to the Executive Director or if, having received notice from the Executive Director, the employer does not wish him/her to serve it. Any payment in lieu of notice shall ordinarily be paid in monthly instalments, in respect of annual base salary and pension contributions only;
- unless provided for in the service contract, the Company would seek to apply practical mitigation measures to any payment of compensation on termination, for example by reducing payments to reflect payments received in respect of alternative employment, taking into account all relevant circumstances;
- service contracts do not contain provision for additional compensation on termination following a change of control (as detailed in the Change of Control provisions set out in the Directors' Report);
- service contracts do not contain provision for liquidated damages of any kind; and
- service contracts contain appropriate provisions to protect the legitimate interests of the Company with respect to preventing any terminated Executive Director from working in a business which competes against the Company.

Element	Termination Policy
Salary, benefits and pension	Payment will be made up to the termination date in line with relevant contractual notice periods and will not exceed contractual entitlements.
Annual Incentive	Unless otherwise provided in the service contract to be consistent with market practice in the country in which the Executive Director provides services, Executive Directors are not entitled to accrued cash incentives payable following termination unless the individual is determined by the Committee to be a good leaver (defined as an individual leaving employment due to redundancy, ill health, injury or disability, retirement, death, the individual's employing company ceasing to be under the control of the Group, or a transfer of the undertaking in which the individual works ("Good Leaver")).
Deferred Share Bonus Plan	Awards will ordinarily continue to vest on the normal vesting date, unless the Committee determines that early vesting should apply. The Committee reserves the discretion to scale the awards down (including to nil) in the event of misconduct by the individual or to reflect individual performance.
Long-Term Incentive Plan	Unvested awards will generally lapse at the time of exit. For individuals determined by the Committee to be a Good Leaver (see below), the Committee will ordinarily assess any performance conditions at the end of the applicable performance period and unvested awards will ordinarily vest on the normal timetable. Exceptionally, and always in the case of death, the Committee may assess any performance conditions and underpins at the point of cessation by testing the performance conditions and underpins up to (or as close as reasonably practicable to) the date of cessation. Awards will then vest following such early assessment of performance. Except in the case of death, any shares which vest would normally be pro-rated to reflect the proportion of the vesting period actually served by the individual. For the purposes of the LTIP, a Good Leaver is any individual who leaves due to death, ill health, injury, disability, agreed retirement, redundancy, a transfer of the business for which the individual works out of the Group or for any other reason at the Committee's discretion (except where the individual is summarily dismissed). Any post-vesting holding period would normally continue to apply to a leaver's vested and unvested awards.
Legacy arrangements: Employee Incentive Plan (EIP)	Unvested awards generally lapse at the time of exit. For individuals determined by the Committee to be a Good Leaver, performance conditions are assessed by the Committee at the point of exit by testing the performance conditions up to the date of exit for TSR performance and to the end of the most recent financial period for EPS performance. Vesting is then pro-rated for the proportion of the performance period actually served and the individual has 12 months following the date of termination of employment in which to exercise them.

Report on Directors' remuneration continued

Service contracts continued

Exit Payment Policy continued

For all leavers, the Committee may also determine to make a payment in reimbursement of a reasonable level of outplacement and legal fees in connection with a settlement agreement. The Company may pay any statutory entitlements, to which an Executive Director is entitled, or settle or compromise any claims made in connection with the termination of employment or appointment of an Executive Director where the Committee considers such claims to have a reasonable prospect of success and that it is in the best interests of the Company to do so. Where appropriate, private health cover may continue for a suitable period post-cessation of employment.

The Committee has now introduced a formal Policy in respect of post-cessation shareholdings for new Executive Directors. Following the approval of this Policy and in respect of the incentive awards granted to newly appointed Executive Directors thereafter, the following will ordinarily apply:

- unvested shares under the Deferred Bonus Plan will continue to vest on the normal vesting date (i.e. up to four years post-cessation);
- unvested shares under the LTIP will, subject to the participant being a Good Leaver, continue to vest on the normal vesting date and be subject to a post-vesting holding period;
- be subject to a post-vesting holding period;
- vested shares under the LTIP will remain subject to the holding period; and
- other beneficially owned shares may be sold as long as the individual continues to maintain a shareholding at least equal to the minimum shareholding guidelines which applied during their employment.

Current Executive Directors will also be subject to this Policy, with the exception of its application to other beneficially owned shares, over which there will be no sale restrictions.

The above will ensure that the Executive Directors continue to have an interest in the Company after having left employment, promoting a culture of sustainable long-term performance. Furthermore, additional safeguards are in place through the malus and clawback provisions which can continue to be invoked irrespective of employment status.

In the event of change in control of the Company, in accordance with rules of the respective plans, any outstanding share awards will ordinarily vest on the date of such an event. For awards under the LTIP, vesting will be subject to an assessment of achievement against any applicable performance conditions and, unless the Board determines otherwise, a reduction to reflect the curtailed vesting period.

Non-executive Directors Policy

Our policy is to set fees that are competitive with companies of an equivalent size and complexity. Fees are reviewed annually, with no Non-executive Director voting on their own remuneration. All Non-executive Directors have a letter of appointment with the Company for a period of not more than three years, subject to the Company's Articles of Association. However, since 2011 and in accordance with the Code, all Directors who are not stepping down from the Board automatically stand for re-election at each AGM.

The letters of appointment of Non-executive Directors are available for inspection on request and will be available for inspection at all General Meetings of the Company. An example of a letter of appointment for a Non-executive Director is available on the Company's website at corporate.spirent.com. Details of the remuneration for Non-executive Directors are set out in the Annual report on remuneration.

Consideration of employee remuneration arrangements elsewhere in the Group

When setting the Policy for Directors' remuneration, the Committee has regard to the pay and employment conditions elsewhere within the Group, particularly in the jurisdictions in which the Executive Directors provide services. The Committee is kept informed on a regular basis of salary increases for the general employee population and takes these into account when determining salary increases for Executive Directors and the executive management team.

Where relevant, the Committee seeks to align the Remuneration Policy for Executive Directors with that for other senior managers. Selected employees are able to share in the success of the Group through participation in the Management Incentive Plan.

Executive Directors, other members of the executive management team and key employees are also eligible for participation in the Long-Term Incentive Plan.

The Committee is aware of the 2018 UK Corporate Governance Code and its requirements for increasing engagement with stakeholders including employees and details of the workforce engagement programme can be found in the Stakeholder Engagement section of this Annual Report.

Consideration of the views of shareholders in setting Remuneration Policy

The Committee is mindful of the views of shareholders in determining appropriate levels of remuneration and in ensuring that shareholder and Director interests are aligned. The Committee is committed to an ongoing dialogue with shareholders and seeks shareholder views when any significant changes are proposed to remuneration arrangements. Over the past few years, the Committee consulted with major shareholders and shareholder representatives, including over the development of this policy.

Legacy matters

For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Company to make payments and honour any commitments entered into with current or former Directors (such as the payment of pension or the unwinding of legacy share schemes) where the terms were agreed either prior to 24 April 2014 (the effective date of the first Directors' Remuneration Policy) or at a time when a previous Remuneration Policy was in force, or at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director. Details of any payments will be set out in the Annual Remuneration Report as they arise.

Dilution

The Committee is strongly committed to continuing to manage shareholder dilution in a responsible manner. Details of the Company's dilution are set out in the Annual Remuneration Report.

Directors' report

The Directors' Report for the year ended 31 December 2023 comprises pages 110 to 113 of this Annual Report, together with the sections of the Annual Report incorporated by reference. The Corporate Governance Report sections set out on pages 62 to 114 is incorporated by reference into this Directors' Report and, accordingly, should be read as part of this Directors' Report. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 1 to 61, as the Board considers them to be of strategic importance.

Specifically, these are:

- the Strategic Report on pages 1 to 61, which provides detailed information relating to the Group, its business model and strategy, operation of its businesses, future developments and the results and financial position for the year ended 31 December 2023;
- future business developments (throughout the Strategic Report);
- details of the Group's policy on addressing the principal risks and uncertainties facing the Group, which are set out in the Strategic Report on pages 55 to 60;
- information on the Group's greenhouse gas (GHG) emissions for the year ended 31 December 2023, along with our report on the Task Force on Climate-related Financial Disclosures (TCFD) on pages 35 to 37;
- how we have engaged with our workforce and stakeholders on pages 24 to 27;
- business relationships (throughout the Strategic Report); and
- the Section 172 Statement on pages 24 to 27.

The Strategic Report and the Directors' Report together form the Management Report for the purposes of the Disclosure Guidance and Transparency Rules (DTR) 4.1.8R.

Disclosures required under Listing Rule 9.8.4R

The information required to be disclosed in accordance with Listing Rule 9.8.4R of the Financial Conduct Authority's Listing Rules can be located in the following pages of this Annual Report:

Listing Rule	Detail	Page reference
9.8.4R(1-3)(5-14)(A)(B)	Not applicable	n/a
9.8.4R(4)	Long-Term Incentive Plans	83 to 109

Research and development

The Company has chosen, in accordance with the Companies Act 2006 Section 414C(II), to include the disclosure of research and development in the Strategic Report.

Results and dividends

An interim dividend of 2.76 cents was paid on 15 September 2023. The Directors are not recommending a final dividend.

Directors

Biographies of the Directors currently serving on the Board are set out in the Board of Directors section.

As set out in the Notice of Meeting, all Directors will retire at the 2024 AGM and submit themselves for election or re-election by shareholders. All Directors have been subject to a formal and rigorous performance evaluation during the period under review, further details of which can be found in the Directors' statement on corporate governance.

The powers of Directors are described in the Company's Articles of Association, which can be found on the Company's website at corporate.spirent.com.

Dates of appointment under the Executive Directors' service contracts and Non-executive Directors' letters of appointment are set out in the Report on Directors' remuneration, along with the interests of the Directors in the shares of the Company.

The Board has a documented process in place in response to conflicts, details of which are set out in the Directors' statement on corporate governance.

Insurance and indemnities

In accordance with its Articles of Association, the Company has granted a qualifying third party indemnity, to the extent permitted by law, to each Director. The Company also maintains Directors' and officers' liability insurance.

These provisions are qualifying third party indemnity provisions as defined in Section 234 of the Companies Act 2006. Neither the Company's indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Stakeholder engagement

Information on how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and other stakeholders, and the effect of that regard, is contained in the Stakeholder engagement section.

Employees

The average number of employees within the Group is shown in note 8 to the Group's consolidated financial statements. At Spirent, we know that having a diverse and inclusive workforce is essential if we are to deliver on our mission to be the global leader and trusted partner for innovative technology test and assurance solutions. Diverse and inclusive teams are critical to fuel our innovation and genuinely connect with the communities in which we live and work. We embrace a culture where difference is valued and openness, mutual respect, collaboration and fairness are fundamental. Spirent does not tolerate discrimination or offensive behaviour of any kind. We are committed to creating workplaces that genuinely reflect the diversity of the world we serve and provide an environment where everyone feels empowered to bring their full, authentic self to work.

We strive to enable:

- workforce representation that reflects the talent market;
- equitable reward and advancement; and
- a culture of trust, fairness and respect.

We all need to do more and are committed to doing so and so have completed a detailed review of our diversity and inclusion practices to inform and set clear priorities and objectives. You will find more information on the actions we are taking in our Sustainability Report 2023, available at corporate.spirent.com.

Change of control provisions

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

Share incentive plan	Change of control	Effect on vesting provisions in the rules	Performance condition
2005 Employee Incentive Plan[1]	Yes	n/a	n/a
Spirent Long-Term Incentive Plan	Yes	Pro-rated	Still applies
Spirent Deferred Bonus Plan	Yes	Full vesting	n/a

Note
1. All outstanding awards granted under the 2005 Employee Incentive Plan have now completed their performance condition performance periods and have either lapsed or have fully or partially vested.

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

Share capital

The Company has a single class of share which is divided into Ordinary Shares of 3 & 1/3 pence each. Each Ordinary Share carries one vote and all of the Ordinary Shares rank pari passu. There are no special control rights relating to any of the Ordinary Shares. At the date of this report, 578,646,363 Ordinary Shares of 3 & 1/3 pence each had been issued which are fully paid up and are listed on the London Stock Exchange. The Company also operates a Level 1 American Depositary Receipt (ADR) programme with each ADR representing four Ordinary Shares. The ADRs trade on the US over-the-counter market and BNY Mellon is the authorised depositary bank for the programme. Further details on share capital are set out in note 29 to the consolidated financial statements and note 17 to the parent Company financial statements. The rights, including those relating to voting, obligations and any restrictions on transfer relating to the Company's Ordinary Shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, a copy of which can be found on our website at corporate.spirent.com or can be obtained from Companies House or by writing to the Company Secretary.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The most recent changes to the Articles of Association were approved at the 2021 AGM, on 28 April 2021.

The Company has established two employee benefit trusts in connection with the operation of the Company's share incentive plans: the Spirent Employee Share Ownership Trust (ESOT) and the Spirent Sharesave Trust (SST). The trustees of both trusts have waived their right to receive dividends on any Ordinary Shares held by them except for a nominal amount of 1 pence other than for those Ordinary Shares held in the ESOT which are the beneficial property of an employee/shareholder.

For further details on the employee benefit trusts see "Investment in own Ordinary Shares" in note 29 to the consolidated financial statements and note 17 to the parent Company financial statements. The Trustees of both trusts do not vote their Ordinary Shares, except for those Ordinary Shares held in the ESOT that are the beneficial property of an employee/shareholder, which the trustees will vote in accordance with the instructions received from the beneficial owner.

Directors' report continued

Restrictions on share transfers

There are no restrictions on the transfer of Ordinary Shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law, for example insider trading law or as required under the Company's Remuneration Policy for Executive Directors. In accordance with the Market Abuse Regulation, certain employees are required to seek the approval of the Company prior to dealing in its securities.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights. The Company is also not aware of any contract of significance between itself or any subsidiary undertaking and a controlling shareholder.

Powers for issue of new shares

During the year to 31 December 2023 and to the date of this Report, no new Ordinary Shares have been allotted as a result of the exercise of options and rights pursuant to the Company's share incentive plans.

At each AGM the Directors seek authority to allot shares for cash and to disapply pre-emption rights within normally prescribed limits. Accordingly, at the 2024 AGM authority will be sought to allot new Ordinary Shares up to a nominal value of approximately 33.3 per cent of the Company's issued share capital.

Return of capital

On 3 April 2023, the Company announced a share buyback programme of up to £56 million. This programme was completed on 24 August 2023, following the purchase and cancellation of 33,095,525 Ordinary Shares for the maximum, as authorised.

The Company will seek renewal of the authority to repurchase up to 9.99 per cent of its issued Ordinary Shares, within certain limits, as permitted by the Company's Articles of Association, such authority typically remaining valid for a maximum of 15 months following each AGM.

Substantial shareholdings

In accordance with Listing Rule 9.8.6(2), the Company has been notified of the following significant interests in its Ordinary Shares, pursuant to Disclosure Guidance and Transparency Rule 5, including interests notified up to the date of this report, with the percentage of voting rights being calculated at the time each relevant disclosure was made:

	Total holding	Per cent of Company's total voting rights
Aviva plc	59,880,567	10.35%
Ameriprise Financial, Inc	57,321,456	9.91%
Standard Life Investments Ltd	32,370,026	5.59%
Brandes Investment Partners LP (various clients)	30,537,440	5.28%
AXA Investment Managers SA	30,515,747	5.27%
Prudential plc	30,472,411	5.27%
Aberforth Partners	30,368,910	5.25%
Neptune Investment Management Limited	29,775,214	5.15%
Artemis Investment Management Limited	29,195,146	5.05%
Martin Currie Investment Management Limited aka Franklin Templeton Fund Management Limited	28,952,823	5.00%
Schroders plc	26,986,598	4.66%
Teleios Capital Partners LLC	24,639,977	4.26%
PrimeStone Capital LLP	26,434,581	4.57%
Sun Life Assurance Company of Canada (UK) Ltd	23,382,347	4.04%
Kames Capital (fka Global AEGON Asset Management Group)	18,507,514	3.20%
Norges Bank	18,068,435	3.12%

Political donations

In accordance with the Group's Business Ethics Policy, no political donations were made during the year (2022 nil).

Going concern

After making appropriate enquiries and taking into account the matters set out in the Principal risks and uncertainties section of this Annual Report, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis when preparing the financial statements.

Viability Statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group and concluded whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.

The Board has concluded that the most appropriate period for this assessment should be three years, which is consistent with the period used in other forward-looking areas of the financial statements.

This period was selected for the following reasons:

- the Group's strategic planning cycle covers a three-year period;
- the Board reviews a three-year financial corporate plan;
- it reflects the period over which the principal risks would be realised; and
- when considering a major investment in product development, three years is considered by the Board to be a reasonable time horizon in which the product should achieve meaningful sales.

The Board's assessment has been made with reference to the Group's current financial position and prospects, the Group's long-term strategy, the Board's risk appetite and the Group's principal risks and uncertainties as set out within that section of this Annual Report.

The plans and cash flow projections used as the basis for the assessment were the three-year strategic plan. They were drawn up on the basis that the Group ends 2023 with a cash balance of $107.9 million and maintains a cash balance sufficient to fund normal operations, and that there will be no material changes to the business structure throughout the review period.

The Board has reviewed plausible and severe stress tests based on the occurrence of a combination of the principal risks to which the Group is exposed, considering the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The analysis also included a reverse stress test scenario to illustrate the revenue reduction in the 12 months following approval of the financial statements that would lead to the Group ceasing to be a going concern. Further detail on the scenarios modelled and the principal risks considered is disclosed within the Principal risks and uncertainties section.

In each of the scenarios over the three year period, the Group was able to continue operating and generating free cash flow. The reverse stress test required such an extreme reduction in revenue that the likelihood of occurrence is considered to be remote and therefore does not represent a realistic threat to the viability of the Group. In reaching this conclusion the Directors considered the three-year plan, the uncertainties arising from the macroeconomic backdrop and inflationary pressures, the magnitude of the revenue reduction and the ability of the Group to take realistic and successful mitigating actions, which are not factored into the reverse stress test scenario.

Based on this assessment and the expected successful impact of mitigating actions, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period.

Disclosure of information to auditor

Each of the Directors of the Company at the date of this Report confirms that:

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

Independent External Auditor

As described in more detail in the Audit Committee report, an audit tender process was completed during 2020, following which, at the AGM in April 2021, shareholders approved the appointment of Deloitte as auditor.

Having carried out a review of auditor effectiveness, the Audit Committee has recommended to the Board the re-appointment of Deloitte LLP, who have also indicated their willingness to continue as auditor. Accordingly, this re-appointment will be proposed at the 2024 AGM, with the Audit Committee responsible for determining the audit fee on behalf of the Board.

Annual General Meeting (AGM)

The Company's 2024 AGM will be held at the offices of UBS at 5 Broadgate, London EC2M 2QS in May 2024.

By Order of the Board

Angus Iveson
Company Secretary
5 March 2024

Spirent Communications plc
Company number 470893

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Report on Directors' remuneration, the consolidated financial statements of the Group and the financial statements of the parent Company in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements of the Group in accordance with the United Kingdom adopted International Accounting Standards. The Directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, consolidated financial statements are required to be prepared in accordance with UK adopted International Accounting Standards.

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- in respect of the consolidated financial statements of the Group, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- in respect of the parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Group and the parent Company will continue in operational business for the foreseeable future;
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Accounting Standards, and in respect of the parent Company financial statements, FRS101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent Company and enable them to ensure that parent Company and Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

Each of the Directors confirms that, to the best of their knowledge:

- the consolidated financial statements of the Group and parent Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By Order of the Board

Paula Bell
Chief Financial & Operations Officer
5 March 2024

Independent auditor's report to the members of Spirent Communications plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Spirent Communications plc (the parent Company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34 and 1 to 17 of the parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent Company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of Spirent Communications plc continued

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: Appropriateness of revenue recognition; and Classification of adjusting items (newly identified). Within this report, key audit matters are identified as follows: Newly identified Increased level of risk
Materiality	The materiality that we used for the Group financial statements was $3.4 million which was determined based on a number of metrics used by investors and other readers of the financial statements. We have historically used profit before tax as the sole benchmark for determining materiality. However, given the instability of this metric due to the challenging trading environment and high level of one-off adjusting items in the current year, we have reassessed this to be a blended materiality considering other benchmarks. These included adjusted profit before tax, profit before tax, net assets, and revenue.
Scoping	We selected six components to perform a full scope audit. We also requested component auditors to audit specific account balances and transactions at a further four reporting units. The components, which were either full or specified account balances scope in the current year, contribute 93 per cent of revenue, 87 per cent of profit before tax and 92 per cent of net assets.
Significant changes in our approach	We have identified the classification of adjusting items as a new fraud risk and key audit matter in the current year due to the significance of the strategic evaluation presented as adjusting items. The appropriateness of revenue recognition key audit matter is consistent with last year, but we have identified an increased level of risk due to the profit warnings in the period which potentially could lead to increased incentive to management to misappropriate revenue.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding management's process in performing the going concern assessment;
- evaluating the cash-flow forecasts and the scenario analysis prepared by management and evaluating the Group's ability to support itself without accessing external funding, noting that the Group is not exposed to interest rate volatility as there is no external debt financing;
- evaluating the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluating the Directors' plans for future actions. This was done through detailed assessment of the operating and non-operating cash flows for reasonableness and consistency with the underlying forecasts and plans for individual businesses;
- assessing management's sensitivity analysis to cash flows including the impact of macro-economic conditions on the business, the recent downturn in the markets in which Spirent operates and assessing whether updates to management's forecasts were in line with the trading updates issued to the market;
- performing inquiries of management regarding the assumptions used in the going concern models;
- assessing the mathematical accuracy of the forecasts produced and the historical accuracy of managements forecasts;
- evaluating analyst reports, industry data and other external financial information to determine if it provided corroborative or contradictory evidence in relation to Management's assumptions; and
- evaluating the Group's disclosures on going concern against the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

4. Conclusions relating to going concern continued

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Appropriateness of revenue recognition

Key audit matter description	The Group has recognised revenue of $474.3 million in 2023 (2022 $607.5 million). The Group's principal activity is the sale of hardware, software, support and services for the testing and assurance of networks. In general, the performance obligations align with the types of products sold with hardware and software recognised immediately, support recognised over the life of the support contract and services recognised over the period in which the sale is performed or on a milestone basis. The group also experiences significant seasonality, predominantly due to the timing of the budgetary cycles of the group's principal customers and markets. Given the nature of the Group's products and services there is judgement involved in the allocation of revenue between the different performance obligations which impacts the timing of revenue recognition and specifically there is a risk associated with cut-off given the significant seasonality, with sales peaking at each quarter end, most notably in December. The timing of revenue recognition can also be complicated by management's use of distributors or intermediary selling agents in jurisdictions where they have no physical presence or are otherwise required to use an intermediary third party. This extends the cut-off risk due to the necessity of assessing whether the fulfilment of the Group's performance obligations is determinant on delivery by the intermediary to the end customer. The transaction price in the contract is allocated across these performance obligations based on the standalone selling prices identified by management. This identification of standalone selling prices involves judgement and has a direct impact on the timing and amount of revenue recognised. Where sales are only partially delivered, management judgement is required to be exercised in the application of IFRS 15 as to whether the delivered elements qualify for recognition prior to all contractual deliverables being shipped. We assessed revenue recognition, in particular cut-off risk, as a potential risk of fraud as revenue is one of the KPIs for both external communications and management incentives. The identification of the appropriateness of revenue recognition key audit matter is consistent with last year, but we have identified risk due to the profit warnings in the period which could potentially lead to an increased incentive for management to inappropriately record revenue. Refer to page 77 (Audit Committee Report) and Notes 2 (Accounting Policies) and 3 (Operating Segments).

FINANCIAL STATEMENTS

Independent auditor's report to the members of Spirent Communications plc continued

5. Key audit matters continued

5.1. Appropriateness of revenue recognition continued

How the scope of our audit responded to the key audit matter	**Testing of relevant controls** We tested relevant controls within management's revenue recognition process. We tested relevant controls including those over key IT systems and tools used in the revenue recognition process and financial reporting. This included both the applications and infrastructure supporting these systems. **Evaluating key judgements in the revenue recognition process** In order to test the timing of revenue recognition, including for partial shipments, we tested all material orders placed around the period end and a sample of the other orders to assess whether the activity required for revenue recognition had occurred within the period under audit. This included: • confirming shipping terms, value and address match between the quote, purchase order and subsequent invoice; • obtaining an agreement where revenue has been transacted with a distributor and assessing whether there is any right to return of the goods or whether the sale is reliant upon a further onward sale by the distributor; • assessing any complexity in subsequent invoicing and whether this is indicative of a separate arrangement or agreement outside of the normal contractual agreements of the Group; • obtaining direct confirmation from the counterparty that no other agreements exist outside of the contracts that have been provided; • assessing whether any outstanding or unpaid debt is indicative of a revenue transaction not occurring and evaluating whether there is an indication of material credit notes being raised post year-end; • re-calculation of revenue based on orders listing and deferred revenue based upon the global data set and available deferral rules; • assessing whether the discount is consistent across all performance obligations and lines in the order; • testing the price list, including the underlying evidence supporting the relative pricing of multi-element contracts; • consideration of whether the arrangements included any implementation required for the customer to obtain benefit from the hardware or software provided and whether the delivery of the implementation was impactful to the timing of revenue recognition; and • performed inquiries with Spirent management as to whether any new arrangements existed whereby Spirent are re-selling or selling through products manufactured by a third party. For any new arrangements we considered whether the products being delivered were sold as complimentary to Spirent's existing offerings and whether Spirent acted as a principal in such arrangements. Specifically to address the risk of inappropriate revenue recognition due to cut-off, we have done the following procedures: • obtaining shipping records for physical items and evaluating whether the dates of shipment and receipt supported recognition of revenue in the appropriate period; • reviewing customer acceptance correspondence for completed service activities to support revenue recognition; • considering the nature of the items delivered on partially completed orders and assessing whether the performance obligations were sufficiently distinct to have independent value without the full order having been delivered; • obtaining third party purchase orders to evidence Incoterms and reviewing third party shipping records and customer confirmations to assess whether Spirent's obligations have been fulfilled at the point of recognising revenue; and • reviewing the shipping terms to third party agreements and obtaining third party shipping records to assess whether the shipping terms have been fulfilled.
Key observations	Based on the work performed we concluded that the revenue recognition is appropriate.

5. Key audit matters continued

5.2. Classification of adjusting items

Key audit matter description	In addition to the reported results, the Group continues to present adjusted profit measures which are before the impact of adjusting items. Judgements made by management regarding the classification of adjusting costs and income therefore have a significant impact on the presentation of the Group's results. In total, adjustments of $26.8 million have been made to the reported profit before tax of $22.9 million to derive adjusted profit before tax of $49.7 million. Adjusting items included: • Strategic evaluation ($13.5 million); • Acquisition related transactions ($0.7 million); • Acquired intangibles asset amortisation ($5.0 million); and • Share-based payment ($7.6 million). We identified a key audit matter in respect of the classification of items recorded as adjusting. While the key measure used by management to monitor performance is adjusted operating profit, adjusted profit before tax is also a key measure used in communication with shareholders. Judgement is exercised by management in determining whether the classification of such items is in accordance with guidance issued by the FRC and ESMA. There is a risk that costs or income may be classified as adjusting which are underlying or recurring items, and therefore distort the reported adjusted profit, whether due to manipulation or error. Consistency in the identification and presentation of the adjusted costs or income is important for the comparability of year-on-year reporting. Explanations of each adjustment are set out in note 5 to the Group financial statements, and also in note 2 to the Group financial statements in relation to the critical judgements involved in determining adjusting items. Refer also to page 80 of the Audit Committee report.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the classification of adjusting items in the financial statements. We evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within adjusted results, completing the following procedures: • assessed the consistency of items included year-on-year, the content and application of management's accounting policy, challenging the nature of these items by reference to FRC and ESMA guidance, and challenging in particular the inclusion of those items that recur annually; • tested a sample of adjusting items by agreeing to source documentation and evaluating their nature in order to assess whether they are disclosed in accordance with the Group's accounting policy, and also to assess consistency of adjusting items between periods in the Group financial statements; • agreed the amounts recorded through to underlying financial records and other audit support to test that the amounts disclosed were complete and accurate; • focused our challenge on certain categories such as strategic evaluation and acquisition costs within adjusting items where we assessed that increased level of judgement had been applied by management, and there was increased risk for fraud or error; • for any impairment of right-of-use assets relating to leases we challenged whether the areas vacated represented separate lease components that are reasonable to be individually isolated and impaired distinct from the remainder of the lease; • considered the impact of adjusting items on Directors' remuneration targets to determine if any increased fraud risk factor existed based on actual results for the period; and • assessed whether the disclosures within the Group financial statements provided sufficient detail for the reader to understand the nature of these items and how adjusted results reconcile to statutory results.
Key observations	The value of adjusting items results in a material difference between the statutory and adjusted results. Whilst we note that the majority of adjusting items recur from period to period, their classification and presentation is consistent with the Group's policy and that they are appropriately disclosed.

Independent auditor's report to the members of Spirent Communications plc continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	$3.4 million (2022 $5.9 million)	$1.2 million (2022 $2.6 million)
Basis for determining materiality	We considered the following metrics: • Adjusted Profit Before Tax • Profit Before Tax • Net Assets • Revenue	We considered the materiality for parent Company on the same basis as the Group however capped at 50 per cent of Group materiality to address the risk of aggregation when combined with other businesses (2022 50 per cent).
Rationale for the benchmark applied	We have historically used 5 per cent of profit before tax as the sole benchmark for determining materiality. However, given the instability of this metric due to the challenging trading environment and high level of one-off adjusting items in the current year, we have reassessed this to be a blended materiality considering other benchmarks. In doing so we have selected metrics which are considered key performance indicators by management and users of the financial statements, and that provide a more consistent indicator of the overall level of trading activity within the business. Materiality for the current year represents: • 0.7 per cent of Revenue (2022 1.0 per cent) • 6.8 per cent of Adjusted Profit Before Tax (2022 4.5 per cent) • 14.7 per cent of Profit Before Tax (2022 5.1 per cent) • 1.0 per cent of Net Assets (2022 1.3 per cent) Amortisation of acquired intangible assets, share-based payment and other adjusting items are recorded in arriving at profit before tax. We have considered adjusting items through our key audit matter above. We performed our audit of in scope components (see section 7) based upon a materiality range of $1.2 million–$1.7 million depending on the size and contribution of the respective component.	The parent Company includes both the UK trading entities of the group and the head office. The value of the standalone parent Company financial statement to users is in relation to the assets and equity of the business and as such net assets has been used as the principal benchmark. However, as the parent Company is also a trading entity it was also considered that this was an appropriate level relative to the revenue generation, assets and profitability of the entity.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70 per cent of Group materiality (2022 70 per cent)	70 per cent of parent Company materiality (2022 70 per cent)
Basis and rationale for determining performance materiality	In determining performance materiality, we have considered the quality of the control environment and corrected and uncorrected misstatements identified in previous audits.	

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $168,250 (2022 $295,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

We performed our scoping of the Group audit on the basis of our understanding of the Group and its environment, including group-wide controls, and assessing the audit risks. This exercise has considered the relative size of each reporting unit's contribution to revenue, profit before tax, net assets and adjusted profit before tax as well as other components we consider to be significant in relation to their potential risk.

The Group has three major accounting hubs located in the UK, US and Hong Kong where the local finance teams are responsible for the recording and reporting of the Group's financial performance. The UK-based finance team are responsible for the Europe, Middle East and Africa region and the Hong Kong team are responsible for the Asia Pacific region. The relative size of these geographies is set out in note 3 (Operating Segments).

This resulted in six full-scope audits being performed for the principal trading entities in the UK, Asia Pacific and the US as well as for the Group's Federal business, also based in the US.

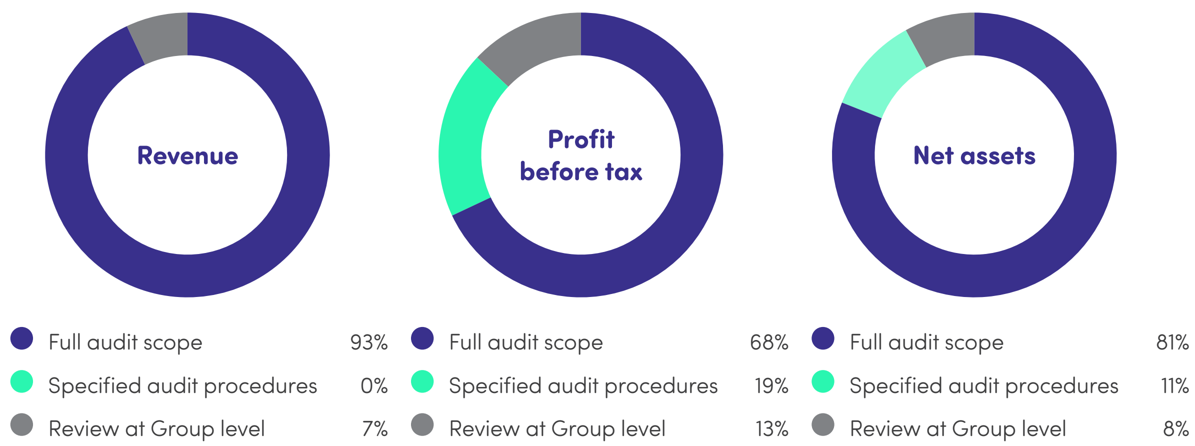
Additionally, our audit planning identified four components, located in the UK, US and China where we consider there to be a reasonable possibility of material misstatement in specific balances within the financial statements. The relevant component teams have performed audit work over these specific balances.

These components, which were either full or specified account balances scope in the current year, contribute 93 per cent (2022 94 per cent) of revenue, 87 per cent (2022 87 per cent) of profit before tax and 92 per cent (2022 94 per cent) of net assets.

The Group engagement team performed all audit work in respect of the consolidation, share-based payments, goodwill impairment, UK defined benefit pension schemes and all audit work over the parent Company entity including the group's UK trading activities.

In addition, the group engagement team reviewed the performance of all components not identified as in full scope or specified account balance scope to ensure that there were no indications of additional risks of material misstatement within the residual balances.

As each of the components maintains separate financial records, we have engaged component auditors from the Deloitte member firms in the US and Hong Kong to perform procedures under our direction and supervision.



Independent auditor's report to the members of Spirent Communications plc continued

7. An overview of the scope of our audit continued

7.2. Our consideration of the control environment

We tested general IT controls over IT systems that were key to the Group's revenue recognition process. These included principally the global instances of the Group's ERP, the system that contains the Group's general ledger, but also extended to certain tools the Group uses as complementary to those systems. We also tested relevant controls over the supporting infrastructure of those systems including databases and operating systems.

We performed detailed walkthroughs of all relevant processes and obtained an understanding of relevant controls over revenue, adjusting items and financial reporting cycles which addressed a significant risk of material misstatement. We have also obtained an understanding of controls for further relevant account balances, including inventory.

In the current year, management have implemented additional controls over revenue and continue to formalise their processes. During the course of our audit, we tested and were able to place reliance on a number of relevant revenue controls.

Where control deficiencies and improvements were identified in relation to IT systems, segregation of duties and balance sheet reconciliations, these are reported to management and the Audit and Risk Committee as appropriate. The Group continues to invest time in responding to, and addressing, our observations.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. Our risk assessment procedures included an understanding of management's process for identifying and considering climate-related risks and assessing whether the risks were consistent with our understanding of the entity.

The Group continues to focus on its assessment of the potential impacts of environmental, social and governance (ESG) related risks, including climate change, as outlined on page 35. The risks identified by management include the potential for energy costs increases in the short term and in the medium term, the potential for physical site damage, increased insurance costs and capital expenditure and the potential for supplier disruption.

As a part of our audit, we have:

- Obtained an understanding of management's climate-related risk assessment and evaluated the key assumptions;
- Held discussions with management to understand their governance process, the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements;
- Read the disclosures in the Strategic report to whether they are materially consistent with the financial statements and our knowledge obtained in the audit; and
- We have also evaluated the appropriateness of disclosures included in the financial statements.

Management has developed two climate change scenarios and determined that there is no material impact arising from climate change on the judgements and estimates made in the financial statements, as disclosed on page 36 and in note 2.

7.4. Working with other auditors

In order to direct and supervise the component auditors we held regular formal video calls with all teams to ensure that we gained a common understanding of the entity. We issued detailed referral instructions to the component auditors, reviewed and supervised their work through visits to the component auditors during the planning and performance stages of our audit, alongside frequent remote communication. We performed site visits for both the US and Hong Kong components. We also attended key client briefings on both regional and segment performance.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities including those that are specific to the Group's sectors;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team, including significant component audit teams, and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Independent auditor's report to the members of Spirent Communications plc continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1. Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: appropriateness of revenue recognition and classification of adjusting items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, the relevant tax compliance regulations in the jurisdictions in which the Group operates, the Listing Rules and pensions legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included, in particular, considering the effect of the USA's restrictions on trading with China and the necessity of licenses for various of the Group's products.

11.2. Audit response to risks identified

As a result of performing the above, we identified the appropriateness of revenue recognition and classification of adjusting items as a key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 113;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 113;
- the Directors' statement on fair, balanced and understandable set out on page 114;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 55;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 80 and 81; and
- the section describing the work of the Audit Committee set out on page 78.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Spirent Communications plc continued

14. Matters on which we are required to report by exception continued

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 28 April 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is three years, covering the years ending 31 December 2021 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR)4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Jane Makrakis FCA
For and on behalf of Deloitte LLP
Statutory Auditor
London
5 March 2024

Consolidated income statement

Year to 31 December 2023

	Notes	Year ended 31 December 2023 Adjusted $ million	Year ended 31 December 2023 Adjusting items[1] $ million	Year ended 31 December 2023 Reported $ million	Year ended 31 December 2022 Adjusted $ million	Year ended 31 December 2022 Adjusting items[1] $ million	Year ended 31 December 2022 Reported $ million
Revenue	3	**474.3**	**–**	**474.3**	607.5	–	607.5
Cost of sales		**(130.7)**	**–**	**(130.7)**	(170.4)	–	(170.4)
Gross profit		**343.6**	**–**	**343.6**	437.1	–	437.1
Product development	3	**(102.4)**	**–**	**(102.4)**	(111.3)	–	(111.3)
Selling and marketing		**(133.9)**	**–**	**(133.9)**	(138.9)	–	(138.9)
Administration		**(62.1)**	**(26.8)**	**(88.9)**	(57.4)	(16.8)	(74.2)
Operating profit		**45.2**	**(26.8)**	**18.4**	129.5	(16.8)	112.7
Adjusting items:							
Acquired intangible asset amortisation		**–**	**(5.0)**	**(5.0)**	–	(4.7)	(4.7)
Share-based payment	31	**–**	**(7.6)**	**(7.6)**	–	(8.5)	(8.5)
Other adjusting items	5	**–**	**(14.2)**	**(14.2)**	–	(3.6)	(3.6)
		–	**(26.8)**	**(26.8)**	–	(16.8)	(16.8)
Finance income	6	**5.4**	**–**	**5.4**	2.9	–	2.9
Finance costs	7	**(0.9)**	**–**	**(0.9)**	(1.0)	–	(1.0)
Profit before tax	4	**49.7**	**(26.8)**	**22.9**	131.4	(16.8)	114.6
Tax (charge)/credit	10	**(5.4)**	**7.7**	**2.3**	(16.9)	2.2	(14.7)
Profit for the year attributable to owners of the parent Company		**44.3**	**(19.1)**	**25.2**	114.5	(14.6)	99.9
Earnings per share (cents)	11						
Basic		**7.55**		**4.30**	18.86		16.46
Diluted		**7.50**		**4.26**	18.75		16.36

Note

1. Adjusting items comprise amortisation of acquired intangible assets, share-based payment, other adjusting items, tax on adjusting items and any over/under provision in respect of prior year tax.

The performance of the Group is assessed using a variety of non-GAAP alternative performance measures which are presented to provide additional financial information that is regularly reviewed by management. Adjusting items are identified and excluded by virtue of their size, nature or incidence as they do not reflect management's evaluation of the underlying trading performance of the Group. The alternative performance measures are presented on pages 196 and 197. The reported GAAP measures give the complete measure of financial performance.

The notes on pages 132 to 171 and pages 192 and 193 form part of these financial statements.

Consolidated statement of comprehensive income

Year to 31 December 2023

	Notes	**2023 $ million**	2022 $ million
Profit for the year attributable to owners of the parent Company		**25.2**	99.9
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit or loss:			
– Exchange differences on retranslation of foreign operations		**2.8**	(8.2)
Items that will not subsequently be reclassified to profit or loss:			
– Re-measurement of the net defined benefit pension asset	9	**(4.1)**	(29.0)
– Income tax effect of re-measurement of the net defined benefit pension asset	10	**(0.1)**	9.4
– Re-measurement of the deferred compensation liability	9	**(0.6)**	–
		(4.8)	(19.6)
Other comprehensive loss		**(2.0)**	(27.8)
Total comprehensive income for the year attributable to owners of the parent Company		**23.2**	72.1

The notes on pages 132 to 171 and pages 192 and 193 form part of these financial statements.

Consolidated balance sheet

At 31 December 2023

	Notes	2023 $ million	2022 $ million
Assets			
Non-current assets			
Goodwill and intangible assets	13	**206.6**	202.0
Property, plant and equipment	14	**15.8**	20.6
Right-of-use assets	15	**17.2**	19.5
Trade and other receivables	19	**5.0**	6.7
Assets recognised from costs to obtain a contract	20	**0.3**	0.5
Defined benefit pension plan surplus	9	**8.4**	9.7
Deferred tax asset	26	**43.2**	32.8
		296.5	291.8
Current assets			
Inventories	18	**43.5**	39.8
Trade and other receivables	19	**133.7**	160.8
Assets recognised from costs to obtain a contract	20	**1.0**	0.9
Current tax asset		**1.0**	2.4
Cash and cash equivalents	21	**108.1**	209.6
		287.3	413.5
Total assets		**583.8**	705.3
Liabilities			
Current liabilities			
Trade and other payables	22	**(65.9)**	(94.8)
Contract liabilities	24	**(66.6)**	(75.5)
Lease liabilities	25	**(10.7)**	(7.1)
Other financial liabilities	22	**–**	(0.1)
Current tax liability		**(0.8)**	(7.2)
Provisions	27	**(5.0)**	(5.7)
		(149.0)	(190.4)
Non-current liabilities			
Trade and other payables	22	**(0.2)**	(0.2)
Contract liabilities	24	**(33.7)**	(22.7)
Lease liabilities	25	**(10.7)**	(15.0)
Defined benefit pension plan deficit	9	**(11.4)**	(9.1)
Provisions	27	**(3.0)**	(2.7)
		(59.0)	(49.7)
Total liabilities		**(208.0)**	(240.1)
Net assets		**375.8**	465.2
Capital and reserves	29		
Share capital		**24.6**	24.7
Share premium account		**25.7**	24.4
Capital redemption reserve		**18.2**	16.0
Other reserves		**17.5**	20.9
Translation reserve		**5.5**	2.6
Retained earnings		**284.3**	376.6
Total equity attributable to owners of the parent Company		**375.8**	465.2

The notes on pages 132 to 171 and pages 192 and 193 form part of these financial statements.

Signed on behalf of the Board

Paula Bell
Director
5 March 2024

Consolidated statement of changes in equity

	Notes	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
		Attributable to the equity holders of the parent Company $ million						
At 1 January 2022		27.5	27.2	17.8	13.5	10.8	350.7	447.5
Profit for the year		–	–	–	–	–	99.9	99.9
Other comprehensive income[1]		–	–	–	–	(8.2)	(19.6)	(27.8)
Total comprehensive (loss)/income		–	–	–	–	(8.2)	80.3	72.1
Share-based payment	31	–	–	–	–	–	8.5	8.5
Tax charge on share incentives	10	–	–	–	–	–	(0.1)	(0.1)
Equity dividends	12	–	–	–	–	–	(39.9)	(39.9)
Employee Share Ownership Trust	29	–	–	–	–	–	(22.9)	(22.9)
Exchange adjustment		(2.8)	(2.8)	(1.8)	7.4	–	–	–
At 1 January 2023		**24.7**	**24.4**	**16.0**	**20.9**	**2.6**	**376.6**	**465.2**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**25.2**	**25.2**
Other comprehensive income/(loss)[2]		**–**	**–**	**–**	**–**	**2.8**	**(4.8)**	**(2.0)**
Total comprehensive income		**–**	**–**	**–**	**–**	**2.8**	**20.4**	**23.2**
Share-based payment	31	**–**	**–**	**–**	**–**	**–**	**6.8**	**6.8**
Tax charge on share incentives	10	**–**	**–**	**–**	**–**	**–**	**(1.7)**	**(1.7)**
Equity dividends	12	**–**	**–**	**–**	**–**	**–**	**(46.5)**	**(46.5)**
Share repurchase	29	**(1.4)**	**–**	**1.4**	**–**	**–**	**(71.6)**	**(71.6)**
Exchange adjustment		**1.3**	**1.3**	**0.8**	**(3.4)**	**0.1**	**0.3**	**0.4**
At 31 December 2023		**24.6**	**25.7**	**18.2**	**17.5**	**5.5**	**284.3**	**375.8**

Notes
1. The amount included in other comprehensive income/(loss) for 2022 of $19.6 million represents re-measurement losses on the net defined benefit pension asset of $29.0 million, net of a tax credit of $9.4 million. The amount included in the translation reserve of $8.2 million represents other comprehensive losses related to the translation of foreign operations.
2. The amount included in other comprehensive income/(loss) for 2023 of $4.8 million represents re-measurement losses on the net defined benefit pension asset of $4.1 million, a tax charge of $0.1 million and remeasurement losses on the deferred compensation liability of $0.6 million. The amount included in the translation reserve of $2.8 million represents other comprehensive gain related to the translation of foreign operations.

The notes on pages 132 to 171 and pages 192 and 193 form part of these financial statements.

Consolidated cash flow statement

Year to 31 December 2023

	Notes	2023 $ million	2022 $ million
Cash flows from operating activities			
Cash flow from operations	32	**45.8**	140.6
Tax paid		**(13.9)**	(22.8)
Net cash inflow from operating activities		**31.9**	117.8
Cash flows from investing activities			
Interest received		**5.4**	1.5
Purchase of property, plant and equipment	14	**(6.5)**	(8.4)
Proceeds from the sale of property, plant and equipment		**0.4**	0.2
Lease payments received from finance leases	15	**0.6**	0.6
Acquisition of business	33	**(7.8)**	–
Net cash used in investing activities		**(7.9)**	(6.1)
Cash flows from financing activities			
Lease liability principal repayments	25	**(7.9)**	(8.6)
Lease liability interest paid	25	**(0.9)**	(1.0)
Dividend paid	12	**(46.5)**	(39.9)
Share purchase into Employee Share Ownership Trust	29	**–**	(22.9)
Share repurchase	29	**(71.6)**	–
Net cash used in financing activities		**(126.9)**	(72.4)
Net (decrease)/increase in cash and cash equivalents		**(102.9)**	39.3
Cash and cash equivalents at the beginning of the year		**209.6**	174.8
Effect of foreign exchange rate changes		**1.4**	(4.5)
Cash and cash equivalents at the end of the year	21	**108.1**	209.6

The notes on pages 132 to 171 and pages 192 and 193 form part of these financial statements.

Notes to the consolidated financial statements

1. Corporate information

The Group's consolidated financial statements for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 5 March 2024. Spirent Communications plc is a public limited company incorporated and domiciled in England and Wales (registration number 470893). The registered address of the Company is Origin One, 108 High Street, Crawley, West Sussex RH10 1BD, United Kingdom.

The Company's Ordinary Shares are traded on the London Stock Exchange.

The Group financial statements have been prepared in accordance with International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Accounting Standards.

The Company has elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. These are presented on pages 172 and 173 and the accounting policies in respect of the Company are set out on pages 174 to 191.

2. Significant accounting policies

Accounting convention

The consolidated financial statements are prepared on a historical cost basis apart from certain financial instruments that have been measured at fair value and the United Kingdom defined benefit pension plan obligations which have been measured using the projected unit credit method.

Going concern basis of accounting

In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the Group's principal risks and uncertainties as set out on pages 55 to 60.

The Directors have also considered sensitivities in respect of potential downside scenarios, including stress testing the latest cash flow projections that cover a period of 12 months from the date of approval of these consolidated financial statements. In these scenarios, the Group has more than sufficient headroom in its available resources.

At 31 December 2023, the Group had cash balances of $108.1 million and external debt only in relation to its lease liabilities.

The Directors have reviewed the detailed financial projections for the period ending 31 December 2024, as well as the business plan and cash flows for the three months ending 31 March 2025. The Directors have also considered the period to the end of 2026 which forms part of the Group's longer-term viability assessment. In addition, they have considered the principal risks faced by the Group, the sensitivity analysis as described in the Viability Statement on page 113 and the Group's significant financial headroom and are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approval of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the consolidated financial statements.

New accounting standards

There have been no applicable new standards, amendments to standards and interpretations effective from 1 January 2023 that have been applied by the Group which have resulted in a significant impact on its consolidated results or financial position.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. A full list of subsidiary undertakings is provided on pages 192 and 193.

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Results of subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The separable net assets, including intangible assets of newly acquired subsidiaries, are incorporated into the consolidated financial statements based on their fair values at the effective date of control.

2. Significant accounting policies continued

Basis of consolidation continued

The Group includes a subsidiary that is operated under the management of a Proxy Board. Details of the Proxy Board arrangements and the powers of the proxy holders and Spirent's management are set out in the Corporate Governance section of this Annual Report on page 72. The Directors consider that the Group meets the requirements of IFRS 10 "Consolidated Financial Statements" in respect of control over the entity in question as Spirent maintains the following:

- rights to appoint, reassign or remove members of key management and the ability to appoint proxy holders and change directors every five years;
- rights to direct the investee to enter into, or veto any changes to, transactions; and
- decision making rights and rights to direct activities including the ability to change products, territories and customers and the ability to terminate product selling (with notice).

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

At acquisition date, the identifiable assets acquired and liabilities assumed, including intangible assets, are measured at their fair values. The cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree. Non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets.

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date, with changes in fair value recognised in profit or loss. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

Acquisition related costs are expensed and included in other adjusting items.

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

Goodwill is subject to an annual review for impairment. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are grouped and assessed in combination where this is consistent with how the chief operating decision maker reviews business performance and at a level no larger than an operating segment. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Intangible assets

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

Acquired intangible assets, being customer lists, current technology, databases, brand names and a non-compete covenant, are amortised on a straight-line basis over their estimated useful lives and the charge is included within adjusting items in the income statement. Licences are amortised over their useful lives or term, and are expensed within cost of sales or selling costs.

The estimated useful lives of intangible assets and the amortisation expiry dates are as follows:

	Useful life
Customer lists	2 to 7 years
Current technology	5 to 7 years
Brand names	3 years
Licences	3 to 5 years

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Product development

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

Development costs are expensed as incurred until the technological feasibility of the product under development has been established. Technological feasibility in Spirent's circumstances occurs when there is an expectation that the proposed product will be successfully implemented. After technological feasibility is established, costs are capitalised and amortised on a straight-line basis over the estimated useful life.

Property, plant and equipment

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

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

Business systems software is capitalised as property, plant and equipment as the software is an integral part of the related hardware.

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

Impairment of assets

Intangible assets with finite useful lives, property, plant and equipment and right-of-use assets are tested for impairment at each reporting date where there is an indication that an asset may be impaired. Goodwill and intangible assets with an indefinite useful life are assessed at least annually. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected cash flows (value in use) of the relevant cash-generating unit or asset and the fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee at the commencement date of the lease (i.e. the date the underlying asset is available for use), except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense within the income statement on a straight-line basis over the period of the lease.

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Under the modified retrospective transition method, lease liabilities are required to be discounted using the incremental borrowing rate at date of transition. The Group has set the discount rate based upon the local base rate with an additional premium to reflect various factors such as credit risk. This approach enables an appropriate rate to be set for each lease depending on geographic location and lease classification.

2. Significant accounting policies continued

Leases continued

The Group as a lessee continued

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method), and by reducing the carrying amount to reflect the lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a modification. Interest on the lease liability is presented within finance costs in the income statement.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The right-of-use assets are presented as a separate line in the consolidated balance sheet.

Lease payments for short-term leases, lease payments for low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities within the consolidated cash flow statement. The Group has classified the principal and interest portions of lease payments within financing activities.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Group subleases certain of its buildings where the subleases are classified as finance leases. In these instances, the Group derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model. The Group, as a sublessor, recognises a net investment in the sublease within trade and other receivables in the balance sheet and evaluates it for impairment. The net investment in the sublease is subsequently measured by increasing the carrying amount to reflect interest (using the effective interest method), and by reducing the carrying amount to reflect sublease income received. Interest on the net investment in the sublease is presented within finance income in the income statement.

Cash flows from the principal and interest of the finance lease receivables received are classified as investing activities within the consolidated cash flow statement.

Inventories

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

Provisions

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

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

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably measured. The Group does not recognise contingent liabilities but discloses them.

Foreign currencies

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

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

The functional currencies of the Group's operations are principally US Dollar, Pound Sterling or Euro. On consolidation, the assets and liabilities of the Group's foreign operations are translated into the Group's presentation currency at exchange rates ruling at the balance sheet date. The results of foreign operations are translated into US Dollars using average rates for the period. The exchange differences arising on retranslation are classified as a separate component of equity, the translation reserve. Such translation differences are recognised as part of the profit or loss on disposal should an operation be disposed of.

Financial instruments

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

Trade receivables

Trade receivables are non-interest bearing and are stated at original invoiced amount less an appropriate allowance for expected credit losses. At each reporting date, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. To measure the expected credit losses, the Group has established a provision matrix that is based on shared credit risk characteristics and the days past due based on the expected loss rates.

The provision matrix is initially based on payment profiles of trade receivables over a period of 12 months before 31 December of the prior year and the corresponding historical credit losses experienced within this period. At every reporting date the historical observed default rates are updated. The Group also considers the impact of regional macroeconomic factors on the likelihood of future losses.

Trade receivables are written off when there is no reasonable expectation of recovery.

A default on a trade receivable occurs when the debtor fails to make contractual payments when they fall due.

Cash and cash equivalents

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

Trade payables

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

Equity instruments

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

Derivative financial instruments

The Group uses forward foreign currency exchange contracts to manage exposures arising on receipts and payments in foreign currencies relating to firm commitments.

Forward foreign currency exchange contracts are initially recognised at fair value on the date on which the contract is entered into and are subsequently re-measured to fair value at each reported balance sheet date. The fair value of forward foreign currency exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The Group has not adopted the hedge accounting rules. Consequently all gains and losses arising from changes in fair value are taken to the income statement.

2. Significant accounting policies continued

Retirement benefits

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

For defined benefit pension plans, full actuarial valuations are carried out every three years using the projected unit credit method and updates are performed at each balance sheet date. Re-measurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if relevant) and the return on plan assets (excluding interest), is reflected immediately in the balance sheet surplus with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit pension asset, taking account of any changes in the net defined benefit pension asset during the period as a result of contribution and benefit payments. Where a refund of a surplus is expected, any applicable taxes that are not income in nature are netted off. Defined benefit pension costs are categorised as:

- service cost (including current service cost, past service cost and gains and losses on curtailments or settlements);
- net interest expense or income; and
- re-measurement.

The Group presents the first two components of defined benefit pension costs in profit or loss.

The Group also operates a deferred compensation plan in the United States. The plan has elements of a defined benefit pension retirement obligation and therefore is required to be valued in accordance with IAS 19 "Employee Benefits". For the deferred compensation plan, the gains or losses on the deemed investments that are attributed to the deferral account over time are charged or credited to the income statement whereas the re-measurement, comprising actuarial gains or losses, is reflected immediately in the balance sheet liability with a charge or credit in other comprehensive income in the period in which it occurs. Re-measurement recognised in other comprehensive income will not be reclassified to profit or loss.

Revenue

Revenue represents the transfer of promised products or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products or services.

Revenue from product sales of hardware and perpetual software licences is recognised at the point in time when the customer has obtained control of the products sold. This is usually when the products have been delivered in accordance with the contractual terms. In some instances it is not until acceptance has occurred that control of the asset is transferred to the customer. Terms of acceptance are dependent upon the specific contractual arrangement agreed with the customer. If it can be objectively determined that control has been transferred to the customer in accordance with the agreed contract specifications, customer acceptance is a formality that would not affect the determination of when the customer has obtained control of the products. However, if it cannot be objectively determined that the products delivered are in accordance with the agreed-upon contract specifications, revenue would not be recognised until customer acceptance has been granted.

For sales of software licences, the Group determines whether the licence is capable of being distinct and is separately identifiable from other promises in the context of the contract. Revenue from software subscription licences that provide the customer with a right to access the Group's intellectual property throughout the subscription period is recognised over time, throughout the subscription period. Revenue from perpetual software licences that provide the customer with a right to use the Group's intellectual property for an indefinite period of time is recognised at the point in time when the customer can first use and benefit from the software.

For the sale of services, revenue is generally recognised over time with reference to when or as the performance obligations are satisfied by transferring the service to the customer. Revenue from support and maintenance service contracts and software subscription sales is recognised over the period of performance on a straight-line basis.

Revenue from professional services is generally recognised as work progresses in accordance with agreed-upon contractual terms, based on a measure of progress towards complete satisfaction of the performance obligation. Progress is measured using either an output method (e.g. completion of a day, or for fixed price contracts revenue is recognised based on performance completed or contractual milestones reached) or an input method (e.g. actual cost of services provided as a proportion of total cost of services expected to be provided under the contract). Where applicable, the Group elects to use the practical expedient where revenue can be recognised in the amount to which the Group has a right to invoice, only if the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. Where the Group's professional services contracts contain terms of acceptance, revenue would not be recognised until customer acceptance had been obtained. Where the professional service has a pre-determined or fixed output deliverable, revenue is recognised at a point in time once the performance obligation has been satisfied and the customer has received the agreed deliverable.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Revenue continued

The Group accounts for multi-component orders as multiple performance obligations if the following criteria are met:

a) the good or service is capable of being distinct, that is, they are individually readily available and regularly sold separately to customers; and

b) the promise to transfer the good or service is distinct in the context of the contract, that is, they do not require significant integration, customisation or modification with other goods or services in the contract and are not highly interrelated or interdependent of other goods or services in the contract.

For multi-component orders where the elements are accounted for as multiple performance obligations, the transaction price and discount, if any, are allocated proportionally to all performance obligations in the contract. If either of the two criteria above are not met, and where various components in the contract are combined, bundled or pre-assembled into one or more product or equipment units to form a distinct good or service, they will be accounted for as a single performance obligation.

Virtually all of the Group's revenue is derived from the sale of its own products and services. In the instances where the Group is a reseller of third party products and services, it accounts for these transactions as a principal as it controls the product or service before it is transferred to the customer and therefore recognises revenue on a gross basis.

Cost of sales

The Group's cost of sales related to the sale of its products includes materials, payments to third party contract manufacturers, royalties and salaries and other expenses related to its manufacturing and supply operations personnel. Cost of sales related to the provision of services includes salaries and other expenses associated with technical support services and the cost of extended maintenance services.

Costs to obtain a contract

The incremental costs of obtaining a contract with a customer are capitalised as an asset if the Group expects to recover them. The Group incurs costs such as sales commissions when it enters into a new contract. Such costs are presented in the consolidated balance sheet as assets recognised from costs to obtain a contract where the related revenue is recognised over time, usually in relation to support and subscription agreements. These assets are amortised on a systematic basis consistent with how the related revenue is recognised. The amortisation is recognised in selling and marketing costs within the income statement.

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group would otherwise have recognised is one year or less.

Management is required to determine the recoverability of assets recognised from costs to obtain a contract. At each reporting date, the Group determines whether or not the assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. No assets were impaired as at 31 December 2023 or 31 December 2022.

Deferred income

Deferred income is only recognised on non-cancellable contracts that provide unconditional rights to payment from the customer for products and services that the Group has not yet completed providing or that it will provide in the near future.

Revenue from product sales of hardware and perpetual software licences is recognised at the point in time when the customer has obtained control of the products sold. In the instances where the customer has been invoiced and revenue from hardware or perpetual software licences is unable to be recognised, revenue would not be recognised until control has passed, resulting in deferred income.

Support services and software subscription agreements are generally billed at commencement of the support or subscription contract, while revenue is recognised over the period of the support or subscription agreement, resulting in deferred income.

The Group occasionally receives advance payments from customers on account, before products or services are delivered and revenue is recognised, resulting in liabilities.

Deferred income and payments received on account are reported on the consolidated balance sheet within contract liabilities on a contract-by-contract basis at the end of each reporting period.

Government grants

A government grant is recognised in the balance sheet initially within trade and other payables when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants that compensate the Group for expenses incurred are recognised as other operating income on a systematic basis in the same periods in which expenses are incurred.

Employee benefits

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

2. Significant accounting policies continued

Share-based payment

The Group operates various equity-settled and cash-settled share-based compensation plans and accounts for these awards in accordance with IFRS 2 "Share-based Payment".

For equity-settled awards, the fair value is recognised in the income statement on a straight-line basis over the vesting period together with a corresponding change in equity. The fair value is measured using the Black-Scholes model by reference to the share price, and taking into account the terms and conditions of the award, excluding non-market vesting conditions, at the date the awards were granted. The charge is reassessed at each balance sheet date to reflect the expected and actual levels of vesting, due to achievement or otherwise of non-market conditions. Awards where vesting is conditional upon satisfying a market condition or non-vesting condition are treated as vesting irrespective of whether the market or non-vesting condition has been satisfied.

Cash-settled awards are measured at fair value at the balance sheet date. The Group recognises a liability within trade and other payables at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the relative completion of the vesting period. Changes in the value of this liability are recognised in the income statement for the year.

With effect from 1 January 2019, one-third of the Annual Incentives of the Executive Directors is deferred into shares for a period of three years. This amount is an equity-settled share-based payment transaction within the scope of IFRS 2 and the related expense is charged to the income statement in the same year as the measurement period. This amount has been charged to administration expenses in the income statement and forms part of adjusted operating profit as it reflects part of the underlying trading performance of the Group.

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

Tax

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

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

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

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

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

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

Dividends paid

The interim dividend is included in the financial statements in the period in which it is paid, and any final or other dividend is included in the period in which they are approved.

Adjusting items

Adjusting items are disclosed separately in the income statement where it is necessary to do so due to their nature or amount and to provide further understanding of the Group's financial performance. The adjusted measures are also used to partly determine the employees variable element of remuneration of senior management throughout the Group and are also aligned with performance measures used by certain external stakeholders. Adjusting items comprise amortisation of acquired intangible assets, share-based payment, other adjusting items, the tax effect of these items and any over/under provision of tax in the prior year.

The Group excludes share-based payment from adjusted operating profit (except for share-based payment relating to the Executive Directors' deferred bonus plan, see share-based payment policy), as the expense can fluctuate based on the size, nature and timing of awards granted, the Group's share price and the subjective assumptions used in the calculation. Management consider the financial results of the business before the deduction of share-based payment for their operational decision making. Additionally, management believes the exclusion of share-based payment and amortisation of acquired intangible assets also allows for more meaningful comparisons of operating results with peer companies, many of which also exclude the expense from underlying results.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Adjusting items continued

Certain items are classified as other adjusting items due to their nature, amount or infrequency, such as restructuring. Such presentation is relevant to further understanding of the Group's financial statements. These items are not part of the Group's normal ongoing operations. Costs directly associated with the integration of a business acquisition are included within other adjusting items to the extent they are in accordance with the above definition.

Direct transaction costs and fees of potential or actual acquisitions are charged to the income statement in the period in which they are incurred. Such items are presented separately as other adjusting items and, due to their nature and infrequency, are excluded from the underlying trading performance of the Group.

Adjusting items are disclosed within administration expenses in the consolidated income statement as they are reviewed, managed and controlled centrally by the Group. The Group considers these costs to be functionally aligned to, and have therefore been presented alongside, corporate costs within administration expenses. This presentation is relevant to an understanding of the Group's financial performance.

Critical accounting judgements and key sources of estimation uncertainty

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

Judgements

Revenue recognition

The transaction price is allocated to each performance obligation on a relative standalone selling price basis. Where there are no observable prices, the Group generally determines the standalone selling prices of individual elements based on standalone internal list prices which are then subject to discount.

To determine the appropriate revenue recognition for contracts containing multiple elements or complex solutions that include both products and services, we evaluate whether the contract should be accounted for as a single or multiple performance obligation. This evaluation requires significant judgement and impacts the amount of revenue allocated to each performance obligation, which can affect the amount of revenue recognised and deferred income on the balance sheet.

The factors the Group considers when making this judgement are as follows:

- whether the elements of a multi-component order have a unique part number as evidenced in our product lifecycle management process;
- whether the elements of a multi-component order have a standalone selling price as evidenced in our internal price list;
- whether the elements of a multi-component order are regularly sold separately to a range of customers, based on historical information;
- whether the customer can benefit from the elements of a multi-component order on their own or with resources that are readily available to the customer, based on technical input from our product managers;
- whether the elements of a multi-component order require significant integration, modification or customisation with other elements of the multi-component contract, based on historical information and technical input from our product managers; and
- whether the elements of a multi-component order are significantly affected by one or more of the other elements of the multi-component contract and whether there is a significant two-way dependency, based on technical input from our product managers.

For professional services revenue recognised over time, a single method of measuring progress is selected and used for each performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services to be provided. The selected method is applied consistently to similar contracts in similar circumstances. This judgement impacts revenue recognised over time and the amount of deferred income on the balance sheet.

Adjusting items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items is included in significant accounting policy (Note 2).

2. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Judgements continued

Defined benefit pension plans

For the Staff Plan defined benefit pension scheme, the Group recognises a net pension scheme surplus as it is expected the liabilities will be settled over time until the last beneficiary dies and the residual surplus in the scheme can be refunded to the Group as sponsor.

The scheme Trustees only have the ability to augment benefits when the scheme is in a wind up, and it is expected they would seek the support of the Company in any case. As the scheme cannot enter wind up without the support of the Company and the intention today is not to enter into wind up until the death of the final beneficiary, this is not seen as a condition to the Group receiving a refund. As the refund would attract withholding tax of 35 per cent the surplus has been reduced by this amount.

These assumptions require judgement and affect the amount of scheme surplus recognised and whether to recognise a surplus at all.

Estimates

There are no critical accounting estimates.

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 35 to 37. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the Group over the next three years;
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill and other intangible assets; and
- carrying amount and useful economic lives of property, plant and equipment.

Whilst there is currently no material medium term financial impact expected from climate change, the Directors will assess climate-related risks at each reporting date against judgements and estimates made in preparation of the Group's financial statements.

Applicable new standards and interpretations not applied

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

International Accounting Standards (IAS/IFRS)		Effective for annual periods beginning on or after
IAS 1	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
IAS 1	Non-current Liabilities with Covenants (Amendment to IAS 1)	1 January 2024
IAS 28/IFRS 10	Sale or Contribution of Assets between Investor and its Associate, or Joint Venture (Amendments to IAS 28/IFRS 10)	1 January 2026
IAS 7/IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7/IFRS 7)	1 January 2024

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

Notes to the consolidated financial statements continued

3. Operating segments

The Group's organisational structure is based on differences in the products and services offered by each segment and information regularly reviewed by the Group's Chief Executive Officer, its chief operating decision maker, is presented on this basis. The Group's operating segments follow this structure.

The Group's reportable operating segments are Lifecycle Service Assurance and Networks & Security. The Group evaluates adjusted operating profit before acquired intangible asset amortisation, share-based payment and other adjusting items. Finance income and finance costs are not allocated to the reportable segments. Corporate is not an operating segment and costs are separately reported and not allocated to the reportable segments. Information on segment assets and segment liabilities is not regularly provided to the Group's Chief Executive Officer and is therefore not disclosed below. There is no aggregation of operating segments.

The Group disaggregates revenue from contracts with customers by nature of products and services and primary geographical markets as this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

		2023 $ million			
	Notes	Lifecycle Service Assurance	Networks & Security	Corporate	Total
Revenue					
Nature of products and services					
Sale of hardware and software		86.7	203.6	–	290.3
Maintenance and support services		112.4	71.6	–	184.0
		199.1	275.2	–	474.3
Primary geographical markets					
Americas		133.1	135.0	–	268.1
Asia Pacific		49.3	104.6	–	153.9
Europe, Middle East and Africa		16.7	35.6	–	52.3
		199.1	275.2	–	474.3
Inter-segment revenue is eliminated.					
Profit before tax					
Adjusted operating profit		16.9	39.0	(10.7)	45.2
Other adjusting items	5	(6.1)	(7.3)	(0.8)	(14.2)
Total reportable segment profit		10.8	31.7	(11.5)	31.0
Unallocated amounts:					
– Acquired intangible asset amortisation					(5.0)
– Share-based payment	31				(7.6)
Operating profit					18.4
Finance income	6				5.4
Finance costs	7				(0.9)
Profit before tax					22.9
Other information					
Product development		52.0	50.4	–	102.4
Intangible asset amortisation – other		0.1	–	–	0.1
Depreciation of property, plant and equipment	14	4.4	6.0	0.1	10.5
Depreciation of right-of-use assets	15	3.2	3.4	0.3	6.9

3. Operating segments continued

	Notes	Lifecycle Service Assurance	Networks & Security	Corporate	Total
		2022 $ million			
Revenue					
Nature of products and services					
Sale of hardware and software		146.0	276.1	–	422.1
Maintenance and support services		118.5	66.9	–	185.4
		264.5	343.0	–	607.5
Primary geographical markets					
Americas		179.7	156.6	–	336.3
Asia Pacific		61.8	144.0	–	205.8
Europe, Middle East and Africa		23.0	42.4	–	65.4
		264.5	343.0	–	607.5
Inter-segment revenue is eliminated.					
Profit before tax					
Adjusted operating profit		51.0	86.8	(8.3)	129.5
Other adjusting items	5	(0.9)	(2.1)	(0.6)	(3.6)
Total reportable segment profit		50.1	84.7	(8.9)	125.9
Unallocated amounts:					
– Acquired intangible asset amortisation					(4.7)
– Share-based payment	31				(8.5)
Operating profit					112.7
Finance income	6				2.9
Finance costs	7				(1.0)
Profit before tax					114.6
Other information					
Product development		56.6	54.7	–	111.3
Intangible asset amortisation – other		0.6	–	–	0.6
Depreciation of property, plant and equipment	14	4.7	6.2	0.1	11.0
Depreciation of right-of-use assets	15	3.4	3.6	0.3	7.3

All of the Group's revenue arose from contracts with customers.

Generally, revenue from the sale of hardware and software is recognised at a point in time and revenue from maintenance and support services is recognised over time.

Europe, Middle East and Africa includes United Kingdom revenue of $9.1 million (2022 $14.1 million).

Americas includes United States revenue of $250.4 million (2022 $317.3 million).

Asia Pacific includes China revenue of $76.3 million (2022 $110.9 million).

Revenues are attributed to regions and countries based on customer location.

No one customer accounted for 10 per cent or more of total Group revenue in 2023 or 2022.

Notes to the consolidated financial statements continued

3. Operating segments continued

	2023 $ million	2022 $ million
Non-current assets[1]		
Americas	225.1	229.2
Asia Pacific	6.8	5.0
Europe, Middle East and Africa	7.4	7.9
	239.3	242.1

Note
1. Non-current assets excludes trade and other receivables, assets recognised from costs to obtain a contract, defined benefit pension plan surplus and deferred tax asset.

Europe, Middle East and Africa includes United Kingdom non-current assets of $4.6 million (2022 $4.6 million).

Americas includes United States non-current assets of $211.3 million (2022 $215.7 million).

4. Profit before tax

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

	Notes	2023 $ million	2022 $ million
Employee benefit costs	8	255.9	267.7
Costs of inventories recognised as an expense		65.9	102.0
Write-down/(up) of inventories to net realisable value	18	2.9	(0.2)
Amortisation of intangible assets	13	5.1	5.3
Depreciation of property, plant and equipment	14	10.5	11.0
Depreciation of right-of-use assets	15	6.9	7.3
Amortisation of assets recognised from costs to obtain a contract	20	0.5	1.1
Expenses relating to short-term leases and leases of low-value assets	25	0.6	0.7
Product development costs		102.4	111.3
Net foreign exchange loss/(gain)		0.9	(0.2)

Services provided to all of the operations of the Group by the auditor, Deloitte LLP, and its associates are analysed below.

	2023 $ million	2022 $ million
Audit services		
Parent Company	1.0	0.8
Subsidiaries	0.7	0.6
	1.7	1.4
Non-audit fees		
Interim review	0.1	0.1
Total fees	1.8	1.5

A description of the work of the Audit Committee is set out in the Audit Committee Report on pages 77 to 82 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

5. Other adjusting items

	2023 $ million	2022 $ million
Restructuring	13.5	2.8
Acquisition related transactions	0.7	0.8
	14.2	3.6

5. Other adjusting items continued

Restructuring

	2023 $ million	2022 $ million
R&D engineering plan	**0.7**	1.5
Finance transformation	**1.1**	–
Organisational restructure	**8.8**	1.3
Facilities downsize	**2.9**	–
	13.5	2.8

The initiatives, with a restructuring cost of $13.5 million have driven cost savings of $14 million during 2023 and are expected to deliver further savings of circa $17 million for 2024 which will more than mitigate cost inflation. The overall payback of the change initiatives is expected to be less than two years.

We embarked on a strategic evaluation of our operating model taking into account the need to serve our customers with solutions involving a combination of our portfolio offerings and the need to drive cost efficiency during a challenging trading environment.

We concluded our R&D engineering site plan to relocate activities from North America to lower cost regions for our High-Speed Ethernet business. This incurred severance and retention costs of $0.7 million (2022 $1.5 million) and delivered material cost savings.

In order to embed standardised global finance processes, we moved certain accounting activities from North America to the UK incurring $1.1 million of costs including $0.5 million consultancy.

We reduced headcount by 8 per cent and incurred $8.3 million of costs mainly relating to severance and exit costs of people, and at the end of 2023, incurred an additional $0.5 million of restructure costs in relation to the organisation change to merge the High-Speed Ethernet businesses into the Lifecycle Service assurance segment to better serve our customers' requirements for portfolio solutions.

Our facilities and office sites were reviewed and we exited and downsized three of our North American facilities which gave rise to a non-cash $2.9 million impairment of assets, therefore reducing the cost of our office space going forward.

Acquisition related transactions

On 8 September 2023, the Group completed the asset purchase of a small Test Lab Automation business carve-out from NetScout® Inc. Direct acquisition transaction costs of $0.4 million and integration costs of $0.3 million were incurred during 2023.

Prior year acquisition costs reflect the Group acquisition of octoScope in 2021 which relate to direct acquisition costs of $0.6 million, acquisition related performance credit adjustment of $0.1 million and integration costs of $0.3 million.

The tax effect of other adjusting items is a credit of $2.5 million (2022 $0.9 million). There will be a total net cash outflow of $11.3 million in respect of other adjusting items charged in 2023, $10.3 million of which was in 2023 (2022 $3.6 million outflow with $1.7 million paid in 2022). The cash outflow in 2023 in respect of other adjusting items charged in 2022 was $1.9 million (2022 $0.9 million).

The total cash outflow in respect of other adjusting items is reported within cash flows from operating activities in the consolidated cash flow statement.

6. Finance income

	Note	2023 $ million	2022 $ million
Bank interest receivable		**4.8**	2.1
Net defined benefit pension plan interest	9	**0.6**	0.8
		5.4	2.9

7. Finance costs

	Notes	2023 $ million	2022 $ million
Lease liability interest	25	**0.9**	1.0

Notes to the consolidated financial statements continued

8. Employees

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

	2023 Number	2022 Number
Assembly	**388**	393
Product development	**500**	499
Selling and marketing	**513**	536
Administration	**220**	220
	1,621	1,648

Employee benefit costs, including Executive Directors, were:

	Note	2023 $ million	2022 $ million
Remuneration		**219.3**	230.4
Social security costs		**18.7**	19.0
Pension and other related costs		**10.2**	9.4
Expense of share-based payment	31	**7.7**	8.9
		255.9	267.7

Please refer to the Report on Directors' Remuneration on pages 83 to 109 and note 34 for disclosures relating to the emoluments, share incentives and pensions of the Directors.

9. Pensions

Defined benefit plans

i) Characteristics and risks associated with the Plans

The Group sponsors two funded defined benefit pension plans in the United Kingdom: the Spirent Communications plc Staff Pension & Life Assurance Plan ("Staff Plan") and the Spirent Communications plc Retirement Cash & Life Assurance Plan ("Cash Plan"). These plans are funded and have full UK HM Revenue & Customs ("HMRC") tax exempt approval. Both schemes are administered by a Trustee board which is comprised of representatives from the employer, member nominated Trustees and an independent Trustee. The Trustee board operates in accordance with the Trust Deed and Rules of each Plan and acts in the interests of all of its members.

- The Staff Plan is the Group's most significant plan, and it provides its members with retirement benefits based on their final salary and length of service. The Staff Plan is closed to new entrants.
- The Cash Plan Is complicated with multiple cohorts that allows members to benefit from a lump sum on retirement, a defined benefit contribution with a defined benefit underpin or pension. The Cash Plan is now closed to new entrants.

There is also a UK unfunded plan, which consists of a contractual obligation for the Group to top up certain former employees' benefits whose salaries exceeded the statutory earnings cap.

As with the vast majority of similar arrangements in the United Kingdom, the Group ultimately underwrites the risks relating to the defined benefit plans. These risks include investment risks and demographic risks, such as the chance of members living longer than expected.

The cash plan holds a significant proportion of their assets in equity. Strong future equity returns would be expected to reduce the Group's future cash contributions (and vice versa).

The latest triennial actuarial valuations dated 31 March 2021 indicated a combined funding deficit of £11.5 million, calculated on a technical provisions basis using more prudent assumptions than the accounting valuation, particularly in relation to the discount rate inflation and demographic. A deficit reduction plan was agreed with the trustees which required the Company to pay monthly contributions of £449,609, whilst a funding deficit remains, increasing in line with CPI each year. In September 2022, this deficit funding plan was suspended whilst the Group and trustees worked together to consider the feasibility of purchasing a bulk annuity insurance policy.

9. Pensions continued

Defined benefit plans continued

i) Characteristics and risks associated with the Plans continued

In October 2022, the Trustees, with the Company's support, purchased a bulk annuity insurance policy from specialist UK insurer Pension Insurance Corporation (PIC), in respect of the largest plan, the Staff Plan. The premium was met from the plan's assets and sufficient assets remain to meet the plan's ongoing costs. This pension buy-in secures an insurance asset from PIC that matches the remaining pension liabilities of the Staff Plan, such that the Company no longer bears any investment, inflation, longevity or other demographic risks. In 2022, an asset remeasurement loss of $7.4 million has been recorded in other comprehensive income as the premium paid was greater than the IAS 19 accounting value of the corresponding liabilities. Following the purchase of the bulk annuity insurance policy, the Group does not expect to make any further cash contributions to this plan. Cash contributions to the plan in 2023 were nil (2022 $1.1 million (£0.9 million)).

At 31 December 2023, a reserve of $3.0 million (£2.4 million) (2022 $3.6 million (£3.0 million)) is included within the accounting liabilities in respect of equalising historic GMP benefits. The trustees are currently in the process of updating member benefits with equalised GMPs and incorporating this within the bulk annuity insurance policy purchased in October 2022. The cost to equalise these benefits could be higher or lower than reserved with the difference being charged to other comprehensive income as an experience gain/loss.

The Group also operates an unfunded deferred compensation plan for employees in the United States. The plan enables participating employees to defer a portion of their salary and invest it in deemed investments, which are used to measure the gains or losses that are attributed to the deferral account over time. The plan has elements of a defined benefit pension retirement obligation and therefore is required to be valued in accordance with IAS 19.

ii) Amounts in the financial statements

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

	2023 $ million	2022 $ million
Schemes in net asset position		
UK defined benefit pension plan – Staff Plan	**12.9**	14.9
Withholding tax payable	**(4.5)**	(5.2)
	8.4	9.7
Schemes in net liability position		
UK defined benefit pension plan – Cash Plan	**(1.7)**	(1.7)
UK unfunded plan	**(0.5)**	(0.5)
US deferred compensation plan	**(9.2)**	(6.9)
	(11.4)	(9.1)
Net pension plan (deficit)/surplus on the balance sheet	**(3.0)**	0.6

Notes to the consolidated financial statements continued

9. Pensions continued

Defined benefit plans continued

ii) Amounts in the financial statements continued

a) The assets and liabilities in each plan

	2023 $ million	2022 $ million
Staff Plan		
Unquoted:		
– Insured annuities	**1.5**	1.6
– Cash and other	**17.8**	17.7
Insurance policy with PIC	**167.9**	162.0
Fair value of plan assets	**187.2**	181.3
Present value of defined benefit pension plan obligations	**(174.3)**	(166.4)
Surplus in the plan	**12.9**	14.9
Withholding tax payable	**(4.5)**	(5.2)
Surplus in the plan on the balance sheet	**8.4**	9.7
Cash Plan		
Quoted:		
– Equities	**6.0**	5.0
– Government bonds	**1.9**	2.0
Unquoted:		
– Cash and other	**1.9**	1.7
Fair value of plan assets	**9.8**	8.7
Present value of defined benefit pension plan obligations	**(11.5)**	(10.4)
Deficit in the plan	**(1.7)**	(1.7)
Total net surplus recognised	**6.7**	8.0
Unfunded plan		
Present value of unfunded obligations	**(0.5)**	(0.5)
Deferred compensation plan		
Present value of deferred compensation obligations	**(9.2)**	(6.9)
Net pension plan (deficit)/surplus on the balance sheet	**(3.0)**	0.6

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

The fair values of the quoted equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of the other assets are not. Unquoted investments are included at values provided by the fund managers and are generally valued using recent market data and external sources, with a hierarchy that follows the principles of IFRS 13 'Fair Value Measurement'.

The Group has determined that it has an unconditional right to refund of surplus assets if the schemes are run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosures before tax.

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

9. Pensions continued

Defined benefit plans continued

ii) Amounts in the financial statements continued

b) Analysis of the amounts credited to the income statement

	2023 $ million	2022 $ million
Current service cost	–	0.1
Amount charged to operating costs	–	0.1
Net interest on the net defined benefit pension surplus	(0.6)	(0.8)
Net credit to the income statement	(0.6)	(0.7)

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

	2023 $ million	2022 $ million
Re-measurement loss on plans' assets	(0.3)	(104.8)
Costs of managing plan assets paid by Company	(1.4)	(0.9)
Actuarial loss arising from experience	(1.7)	(5.5)
Actuarial gain arising from the demographic assumptions	3.2	1.1
Actuarial (loss)/gain arising from changes in financial assumptions	(4.6)	86.3
Withholding tax payable	0.7	(5.2)
Re-measurement of the net defined benefit pension surplus	(4.1)	(29.0)

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

	2023 $ million	2022 $ million
At 1 January	176.8	292.5
Current service cost	–	0.1
Interest cost	8.6	4.5
Benefit payments	(11.9)	(10.5)
Actuarial loss arising from experience	1.7	5.5
Actuarial gain arising from the demographic assumptions	(3.2)	(1.1)
Actuarial loss/(gain) arising from changes in financial assumptions	4.6	(86.3)
Exchange adjustment	9.2	(27.9)
Present value of funded defined benefit pension plans' obligations	185.8	176.8

e) Movements in the fair value of plans' assets

	2023 $ million	2022 $ million
At 1 January	190.0	330.3
Interest income on plans' assets	9.3	5.3
Employer contributions	–	1.1
Benefit payments	(11.9)	(10.5)
Re-measurement loss on plans' assets	(0.3)	(104.8)
Exchange adjustment	9.9	(31.4)
Fair value of plans' assets	197.0	190.0
Withholding tax payable	(4.5)	(5.2)
Fair value of plans' assets less irrecoverable element of pension plan surplus	192.5	184.8

In 2022, the $104.8 million loss on remeasurement of plan assets represents a $95.9 million reduction in asset values prior to the buy-in (the assets were invested to match the liability risk profile which also reduced significantly as interest rates rose), a $7.4 million loss due to the premium on buy-in exceeding the IAS 19 liability measure, a $2.5 million loss as the asset returns on the Cash Plan were lower than assumed under IAS 19 offset by a $1.0 million gain as the Staff Plan asset returns exceeded those assumed under IAS 19.

Notes to the consolidated financial statements continued

9. Pensions continued

Defined benefit plans continued

ii) Amounts in the financial statements continued

f) The key financial assumptions

The assumptions used for both plans using a weighted average were as follows:

	2023 %	2022 %
Inflation – RPI	3.1	3.3
Inflation – CPI (pre-2030)	RPI less 1.0% pa	RPI less 1.0% pa
Inflation – CPI (post-2030)	RPI less 0.1% pa	RPI less 0.1% pa
Rate of increase in pensionable salaries	CPI	CPI
Rate of increase for pensions in payment pre-2001 service	3.6	3.7
Rate of increase for pensions in payment 2001 to 5 April 2005 service	3.0	3.1
Rate of increase for pensions post-5 April 2005 service	2.1	2.1
Rate of increase in deferred pensions	CPI	CPI
Rate used to discount plan liabilities	4.5	4.8

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are such that a member currently aged 65 (2022 aged 65) will live on average for a further 21.7 years (2022 22.0 years) if they are male and for a further 24.2 years (2022 24.5 years) if they are female. For a member who retires in 2043 (2022 in 2042) at age 65 (2022 age 65), the assumptions are that they will live on average for a further 23.2 years (2022 23.6 years) after retirement if they are male and for a further 25.8 years (2022 26.2 years) after retirement if they are female.

iii) Amount, timing and uncertainty of future cash flows

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

- Reducing the discount rate by 0.1 per cent per annum would increase past service liabilities by $1.9 million (2022 $2.0 million).
- Increasing RPI inflation by 0.1 per cent would increase the plans' liabilities by $0.6 million (2022 $0.7 million).
- Increasing the life expectancy of a member by one year (by modifying the standard mortality tables using an appropriate scaling factor) would increase past service liabilities by $9.3 million (2022 $8.5 million).

The accounting valuation of the funded UK defined benefit pension plans as at 31 December 2023 gave rise to a net surplus of $11.2 million. As a result of the Staff Plan full buy-in in 2022, IAS19 assets largely equal IAS19 liabilities so any impact arising from changes to the valuation assumptions will relate mainly to the smaller Cash Plan.

There will also be an impact on the future service cost but given the small active population in these plans this is likely to be insignificant. The sensitivity analysis may not be representative of the actual change as the changes in assumptions may not occur in isolation.

The liability has the following duration and maturity:

	2023	2022
Weighted average duration of the defined benefit obligation (years)	11	11
Maturity analysis of benefit payments (non-discounted amounts) ($ million)		
Maturity ≤ 1 year	11.0	10.3
Maturity > 1 ≤ 5 years	46.2	43.3
Maturity > 5 ≤ 10 years	57.7	55.7
Maturity > 10 ≤ 20 years	98.4	98.5
Maturity > 20 ≤ 30 years	64.7	67.8
Maturity > 30 years	39.6	45.3

Deferred compensation plan

At 31 December 2023, the deferred compensation plan deficit amounted to $9.2 million (2022 $6.9 million).

During the year, $0.6 million was charged to the income statement (2022 $0.3 million credited) and there was a re-measurement loss of $0.6 million recognised directly in the statement of other comprehensive income (2022 nil). The key financial assumptions include a discount rate used to discount plan liabilities of 3.2 per cent (2022 5.2 per cent) and an expected investment yield of 5.0 per cent (2022 9.5 per cent). There is no material impact in 2023 or 2022 of changing each of the key assumptions by 0.1 per cent, in isolation.

9. Pensions continued

Defined contribution plans

United Kingdom

The Group contributes towards defined contribution pension plans for employees in the United Kingdom. Employer contributions into these plans for 2023 were $2.2 million (2022 $1.4 million).

United States

The Group maintains a defined contribution pension plan for employees of its United States subsidiaries. This plan, also known as a 401(k) Plan, allows employees to defer a percentage of their salary for retirement. In aggregate, the Group's contributions to the US plan totalled $5.0 million for 2023 (2022 $5.2 million). There were no defined benefit plans in the United States in 2023 or 2022.

Other jurisdictions

Outside the United Kingdom and the United States, employees are provided with pension arrangements determined in accordance with approved local practice and regulations. These arrangements are defined contribution plans. Total employer contributions for 2023 in respect of these plans amounted to $1.9 million (2022 $1.7 million).

Total employer contributions to defined contribution plans were $9.1 million (2022 $8.3 million).

Directors' pension arrangements

The pension arrangements of the Executive Directors are described in detail in the Report on Directors' Remuneration on pages 83 to 109.

10. Tax

	2023 $ million	2022 $ million
Tax charge in the income statement		
Current income tax		
UK tax	**3.9**	2.5
Foreign tax	**6.4**	23.9
Amounts underprovided in prior years	**(0.8)**	1.7
Total current income tax charge	**9.5**	28.1
Deferred tax		
Recognition of deferred tax assets	**(0.2)**	(1.0)
Reversal of temporary differences	**(10.8)**	(12.4)
Adjustments in respect of prior years	**(0.8)**	–
Total deferred tax credit	**(11.8)**	(13.4)
Tax (credit)/charge in the income statement	**(2.3)**	14.7

The tax credit for the year ended 31 December 2023 was $2.3 million (2022 $14.7 million tax charge). This was after a prior year tax credit of $0.8 million and a tax credit on the adjusting items of $6.1 million (2022 prior year charge of $1.7 million and tax credit on adjusting items of $3.9 million). Excluding the prior year and tax charge on adjusting items, the effective tax rate was 10.8 per cent (2022 12.9 per cent).

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

	2023 $ million	2022 $ million
Deferred tax on share incentives	**1.7**	0.7
Current tax on share incentives	**–**	(0.6)
Tax charge on share incentives	**1.7**	0.1
Deferred tax charge/(credit) on defined benefit pension plan	**0.1**	(9.4)
Deferred tax credit on deferred compensation plan	**(0.1)**	–

Notes to the consolidated financial statements continued

10. Tax continued

Reconciliation of the total tax charge

The tax charge in the income statement for the year is lower than the standard rate of corporation tax in the UK of 23.5 per cent (2022 19.0 per cent). The differences are reconciled below:

	Year ended 31 December 2023		
	Adjusted $ million	Adjusting $ million	Reported $ million
Accounting profit before tax	**49.7**	**(26.8)**	**22.9**
Accounting profit multiplied by the UK standard rate of corporation tax of 23.5 per cent	**11.7**	**(6.3)**	**5.4**
Differences in overseas rates	**0.5**	**–**	**0.5**
Non-taxable income (offshore income in Hong Kong entity)	**(0.9)**	**–**	**(0.9)**
Net state tax credits generated in current year	**(0.2)**	**–**	**(0.2)**
Utilisation of temporary differences not previously recognised	**(0.6)**	**–**	**(0.6)**
US Research and Experimental tax credit	**(2.3)**	**–**	**(2.3)**
Withholding tax	**0.4**	**(1.0)**	**(0.6)**
Hong Kong income tax credit	**–**	**–**	**–**
Permanent differences	**(3.2)**	**0.2**	**(3.0)**
Tax underprovided in prior years	**–**	**(0.6)**	**(0.6)**
Total tax credit reported in the income statement	**5.4**	**(7.7)**	**(2.3)**

	Year ended 31 December 2022		
	Adjusted $ million	Adjusting $ million	Reported $ million
Accounting profit before tax	131.4	(16.8)	114.6
Accounting profit multiplied by the UK standard rate of corporation tax of 19.0 per cent	25.0	(3.2)	21.8
Differences in overseas rates	3.5	(0.4)	3.1
Non-taxable income	(0.8)	–	(0.8)
Recognition of temporary differences previously not recognised for deferred tax	(1.8)	–	(1.8)
Utilisation of temporary differences not previously recognised	(1.0)	–	(1.0)
UK and US Research and Experimental tax credit	(2.9)	–	(2.9)
Withholding tax	0.8	–	0.8
Hong Kong income tax credit	(0.7)	–	(0.7)
Permanent differences	(5.2)	(0.3)	(5.5)
Tax overprovided in prior years	–	1.7	1.7
Total tax charge reported in the income statement	16.9	(2.2)	14.7

The Group's tax rate is sensitive to the geographic mix of profits and reflects a combination of higher statutory tax rates in certain jurisdictions, and other regions with significantly lower statutory tax rates. Regional statutory tax rates range from a high of 35 per cent to a low of 10 per cent. The UK Patent Box deduction benefit of $3.2 million (2022 $2.4 million), US Foreign-Derived intangible income deduction of $0.8 million (2022 $3.6 million), and Research and Experimental credits of $2.3 million (2022 $2.9 million) bring down the rate but items such as state taxes and withholding tax increase the tax rate.

11. Earnings per share

Basic

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

Diluted

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

	2023 $ million	2022 $ million
Profit for the year attributable to owners of the parent Company	**25.2**	99.9
	Number million	Number million
Weighted average number of Ordinary Shares in issue – basic	**586.7**	607.0
Dilutive potential of employee share incentives	**4.1**	3.7
Weighted average number of Ordinary Shares in issue – diluted	**590.8**	610.7
	Cents	Cents
Earnings per share		
Basic	**4.30**	16.46
Diluted	**4.26**	16.36

Adjusted

The Group is disclosing adjusted earnings per share 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:

- acquired intangible asset amortisation;
- share-based payment;
- other adjusting items;
- tax effect on the above items; and
- prior year tax (adjustments made to provisions in respect of prior years).

A reconciliation is provided below:

		2023		2022	
	Notes	**$ million**	**EPS (cents)**	$ million	EPS (cents)
Profit for the year attributable to owners of the parent Company		**25.2**	**4.30**	99.9	16.46
Acquired intangible asset amortisation		**5.0**		4.7	
Share-based payment	31	**7.6**		8.5	
Other adjusting items	5	**14.2**		3.6	
Tax effect on the above items	10	**(6.1)**		(3.9)	
Prior year tax (credit)/charge	10	**(1.6)**		1.7	
Adjusted basic		**44.3**	**7.55**	114.5	18.86
Adjusted diluted			**7.50**		18.75

There were no Ordinary Share transactions that occurred after 31 December that would have significantly changed the number of Ordinary Shares or potential Ordinary Shares outstanding at the period end if those transactions had occurred before the end of the reporting period in either year.

During the year, the Company repurchased and cancelled 33.1 million shares.

Notes to the consolidated financial statements continued

12. Dividends paid

	2023 $ million	2022 $ million
Declared and paid in the year		
Equity dividend on Ordinary Shares		
Final dividend 2022 of 4.94 cents (4.12 pence) per Ordinary Share (2021 4.37 cents (3.34 pence))	**31.1**	25.0
Interim dividend 2023 of 2.76 cents (2.14 pence) per Ordinary Share (2022 2.63 cents (2.16 pence))	**15.4**	14.9
	46.5	39.9

Dividends are determined in US Dollars and paid in Pound Sterling.

13. Intangible assets

		$ million						
	Note	Goodwill	Customer lists	Current technology	Brand names	Other	Licences	Total
Cost, net of accumulated amortisation and impairment losses								
At 1 January 2022		184.0	5.8	17.5	0.2	–	0.7	208.2
Amortisation for the year		–	(1.1)	(3.5)	(0.1)	–	(0.6)	(5.3)
Exchange adjustment		(0.9)	–	–	–	–	–	(0.9)
At 1 January 2023		**183.1**	**4.7**	**14.0**	**0.1**	**–**	**0.1**	**202.0**
Additions in the year		**3.9**	**2.0**	**2.3**	**–**	**1.2**	**–**	**9.4**
Amortisation for the year	4	**–**	**(1.3)**	**(3.7)**	**–**	**–**	**(0.1)**	**(5.1)**
Exchange adjustment		**0.3**	**–**	**0.1**	**(0.1)**	**–**	**–**	**0.3**
At 31 December 2023		**187.3**	**5.4**	**12.7**	**–**	**1.2**	**–**	**206.6**
At 31 December 2022								
Cost (gross carrying amount)		620.3	23.7	56.9	2.6	3.6	9.1	716.2
Amortisation and accumulated impairment losses		(437.2)	(19.0)	(42.9)	(2.5)	(3.6)	(9.0)	(514.2)
Net carrying amount		183.1	4.7	14.0	0.1	–	0.1	202.0
At 31 December 2023								
Cost (gross carrying amount)		**625.1**	**25.7**	**59.2**	**2.6**	**4.8**	**–**	**717.4**
Amortisation and accumulated impairment losses		**(437.8)**	**(20.3)**	**(46.5)**	**(2.6)**	**(3.6)**	**–**	**(510.8)**
Net carrying amount		**187.3**	**5.4**	**12.7**	**–**	**1.2**	**–**	**206.6**

Goodwill is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination.

The Group identifies CGUs at the lowest level at which cash flows are largely independent of other cash flows.

Goodwill has been allocated to two CGUs, which align with the reportable operating segments, as follows:

	2023 $ million	2022 $ million
Lifecycle Service Assurance	**114.3**	110.3
Networks & Security	**73.0**	72.8
	187.3	183.1

13. Intangible assets continued

Annual impairment test

The Group has an annual impairment testing date of 30 November. The key assumptions used in the value in use calculations were:

- revenue growth rates;
- gross margin;
- operating expenses;
- discount rate; and
- growth rate used to extrapolate cash flows beyond the five-year period covered by management's projections.

The cash flows are derived from the most recent financial budgets for the next financial year, as approved by management, and the Group's three-year strategic plan.

Cash flows in years four and five are extrapolated based on long range plans. Cash flows in subsequent years have been extrapolated using a steady 2.5 per cent for all CGUs (2022 2.5 per cent for all CGUs), which management estimates to be the approximate average long-term growth rate for the industries in which these units operate. Fundamentally, this long-term growth is based on a proxy for global long-term inflation taking into consideration more developed and developing markets. The growth rates used in the value in use calculations are set at the same level for each CGU as both CGUs operate within similar markets which share the same growth drivers and characteristics.

The discount rates incorporate the specific risks relating to each CGU.

The discount rate applied to the cash flows is based on the weighted average cost of capital of comparable companies by taking the risk free rate for 30-year government bonds and making an adjustment to reflect the increased risk of investing in equities. In making this adjustment, the inputs required are the equity market risk premium, beta, and the risk adjustment applied to reflect the systematic risk of Spirent and the specific CGUs, taking into account factors such as size and the territories in which each CGU operates.

The cash flows have been discounted using the following pre-tax discount rates:

	2023 %	2022 %
Lifecycle Service Assurance	**13.1**	13.5
Networks & Security	**12.7**	12.6

For Spirent the key factor in relation to the cash flow forecasts is the ability to forecast revenue. All CGUs operate in the data technology market and generate a high gross profit (gross margin); consequently changes in revenue can have a significant impact on the operating profit and cash flows. Revenue growth rates used in the projections are based on management's estimate of growth in the markets served and take into account historical levels of growth, expected future developments in products and technology, industry forecasts and macro-economic conditions in the territories in which the CGUs operate. Gross margin and operating expenses are based on historical values adjusted for the effect of revenue growth, changes in product mix, expectations of investment and cost reduction actions committed prior to the impairment testing date.

Management expects revenue growth in the forecast period at Lifecycle Service Assurance from the continued build out and deployment of a leading active assurance platform for 5G and next-generation service assurance, as well as the automation of critical test activities and leverage of existing product offerings. The shift to the Cloud, particularly in relation to mobile edge computing and private 5G, as well as 5G/WiFi convergence opportunities are expected to drive growth. O-RAN platform adoption provides opportunities for the creation of end-to-end next-generation RAN testing, reducing our dependency on core emulation as it will enable access to a broader customer base. The individual business units in Lifecycle Service Assurance are expected to work together to deliver the three-year plan to meet changes in customer needs and the competitive landscape.

Within Networks & Security, Cloud and IP is expected to benefit from the emergence of artificial intelligence technology to drive growth in high-speed Ethernet, and this together with growth in network virtualisation, is expected to drive earnings. Further growth in Networks & Security is expected at Positioning driven by the emergence of other sensors together with existing GNSS momentum and business from the low earth orbit satellite and automotive markets.

The recoverable amount of each CGU was calculated on a value in use basis and was in excess of its carrying value. Consequently, no impairment has been recognised.

Sensitivity to changes in key assumptions

The Directors believe that no reasonable possible change in any of the key assumptions used, in isolation, would cause the value in use of the Lifecycle Service Assurance or Networks & Security CGUs to fall below the carrying value.

Notes to the consolidated financial statements continued

13. Intangible assets continued

Other intangible assets

There was no impairment charge in respect of the other intangible assets in either 2023 or 2022.

Within Networks & Security, Cloud and IP is expected to maintain its leadership position in high-speed Ethernet, and this together with optimised 400G volumes (and introduction of 800G), growth in network virtualisation and emerging technologies, is expected to drive earnings. Further growth in Networks & Security is expected at Positioning driven by the emergence of other sensors. Management expects that the security business will benefit in the longer term from the move to a subscription-based model together with expansion in the cloud-native security market. Cybersecurity is expected to benefit from synergies with Positioning and continued expansion in complementary solutions with Cloud and IP.

The recoverable amount of each CGU was calculated on a value in use basis and was in excess of its carrying value. Consequently, no impairment has been recognised.

Sensitivity to changes in key assumptions

The Directors believe that no reasonable possible change in any of the key assumptions used, in isolation, would cause the value in use of the Lifecycle Service Assurance or Networks & Security CGUs to fall below the carrying value.

Other intangible assets

There was no impairment charge in respect of the other intangible assets in either 2023 or 2022.

14. Property, plant and equipment

	Note	$ million			
		Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
Cost, net of accumulated depreciation and accumulated impairment					
At 1 January 2022		5.7	13.0	5.0	23.7
Additions		0.1	6.6	1.7	8.4
Disposals		–	(0.2)	–	(0.2)
Depreciation charge for the year		(1.9)	(6.9)	(2.2)	(11.0)
Exchange adjustment		(0.1)	(0.1)	(0.1)	(0.3)
At 1 January 2023		**3.8**	**12.4**	**4.4**	**20.6**
Additions		**–**	**5.3**	**1.2**	**6.5**
Disposals		**(0.1)**	**(0.1)**	**(0.2)**	**(0.4)**
Impairment[1]		**–**	**(0.3)**	**(0.1)**	**(0.4)**
Inter-class transfers		**–**	**0.1**	**(0.1)**	**–**
Depreciation charge for the year	4	**(1.6)**	**(7.0)**	**(1.9)**	**(10.5)**
At 31 December 2023		**2.1**	**10.4**	**3.3**	**15.8**
At 31 December 2022					
Cost		22.8	85.6	39.6	148.0
Accumulated depreciation and accumulated impairment		(19.0)	(73.2)	(35.2)	(127.4)
Net carrying amount		3.8	12.4	4.4	20.6
At 31 December 2023					
Cost		**22.8**	**87.0**	**40.0**	**149.8**
Accumulated depreciation and accumulated impairment		**(20.7)**	**(76.6)**	**(36.7)**	**(134.0)**
Net carrying amount		**2.1**	**10.4**	**3.3**	**15.8**

Note
1. Impairment of $0.4 million is included in adjusting items (see note 5).

15. Leases

Right-of-use assets (Group as a lessee)

	Note	Land and buildings ($ million)	Motor vehicles ($ million)	Total ($ million)
Cost, net of accumulated depreciation and accumulated impairment				
At 1 January 2022		25.8	0.2	26.0
Additions		0.3	0.1	0.4
Re-measurement		1.0	–	1.0
Depreciation charge for the year		(7.2)	(0.1)	(7.3)
Exchange adjustment		(0.6)	–	(0.6)
At 1 January 2023		**19.3**	**0.2**	**19.5**
Additions		**4.9**	**0.2**	**5.1**
Re-measurement		**2.1**	**–**	**2.1**
Impairment[1]		**(2.5)**	**–**	**(2.5)**
Depreciation charge for the year	4	**(6.7)**	**(0.2)**	**(6.9)**
Exchange adjustment		**(0.1)**	**–**	**(0.1)**
At 31 December 2023		**17.0**	**0.2**	**17.2**
At 31 December 2022				
Cost		65.6	0.6	66.2
Accumulated depreciation and accumulated impairment		(46.3)	(0.4)	(46.7)
Net carrying amount		19.3	0.2	19.5
At 31 December 2023				
Cost		**66.7**	**0.8**	**67.5**
Accumulated depreciation and accumulated impairment		**(49.7)**	**(0.6)**	**(50.3)**
Net carrying amount		**17.0**	**0.2**	**17.2**

Note
1. Impairment of $2.5 million is included in adjusting items (see note 5).

The related lease liabilities are disclosed in note 25.

Finance lease receivables (Group as a lessor)

The Group subleases an office building that it leased in 2015. The Group has classified the sublease as a finance lease, because the sublease transfers substantially all of the risks and rewards incidental to ownership of the head lease to the sub lessee.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2023 $ million	2022 $ million
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**0.3**	0.6
One to two years	**–**	0.2
Two to three years	**–**	–
Total undiscounted lease payments receivable	**0.3**	0.8
Unearned finance income	**–**	–
Net investment in the lease	**0.3**	0.8

During the year, $0.6 million (2022 $0.6 million) was received in respect of finance leases.

The net investment in the lease has been included within trade and other receivables (note 19), as follows:

	2023 $ million	2022 $ million
Current	**0.3**	0.6
Non-current	**–**	0.2
	0.3	0.8

Notes to the consolidated financial statements continued

16. Capital commitments

The Group had capital commitments in relation to property, plant and equipment of $0.1 million at 31 December 2023 (31 December 2022 $0.4 million).

17. Subsidiaries

A list of subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given on pages 192 and 193 of these financial statements.

18. Inventories

	2023 $ million	2022 $ million
Raw materials	**29.2**	24.9
Work in progress	**2.5**	2.2
Finished goods	**11.8**	12.7
	43.5	39.8

An expense of $2.9 million (2022 $0.2 million release) has been charged (2022 credited) to the income statement in the year for inventory write-downs. There were no reversals of prior period inventory write-downs (2022 nil).

No inventories are carried at fair value less costs to sell (2022 nil). The Directors consider there is no material difference between the net book value of inventories and their replacement cost.

Inventories also include $1.4 million from the acquisition of NetScout's® Test Lab Automation business.

19. Trade and other receivables

	2023 $ million	2022 $ million
Non-current		
Other receivables	**4.6**	4.3
Prepayments	**0.4**	2.4
	5.0	6.7
Current		
Trade receivables	**113.3**	142.4
Other receivables	**7.5**	5.4
Prepayments	**12.9**	13.0
	133.7	160.8
	138.7	167.5

The trade receivables are stated net of an allowance for expected credit losses. The movement in the allowance was as follows:

	2023 $ million	2022 $ million
At 1 January	**1.4**	0.7
Charge for the year	**1.1**	1.1
Released in the year	**(0.5)**	(0.4)
At 31 December	**2.0**	1.4

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

The balance of the non-current other receivables balance that relates to the net investment in the lease is nil for 2023 (2022 $0.2 million) (note 15). All of the non-current other receivables balance relates to corporate-owned life insurance.

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

20. Assets recognised from costs to obtain a contract

	2023 $ million	2022 $ million
Non-current	**0.3**	0.5
Current	**1.0**	0.9
	1.3	1.4

These assets relate to capitalised incremental costs to obtain a contract, being sales commissions, arising on contracts with customers of over one year in length.

During the year, amortisation of $0.5 million was charged to the income statement (2022 $1.1 million).

No assets were impaired or derecognised during the current year or prior year.

21. Cash and cash equivalents

	2023 $ million	2022 $ million
Cash at bank and in hand	**103.6**	103.8
Short-term bank deposits	**4.5**	105.8
	108.1	209.6

Cash at bank and in hand earns interest at floating interest rates.

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

At the end of 2023, the currency split of cash and cash equivalents was US Dollar 47 per cent (2022 83 per cent), Pound Sterling 34 per cent (2022 7 per cent) and other currencies 19 per cent (2022 10 per cent).

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

22. Trade and other payables

	Note	2023 $ million	2022 $ million
Current			
Trade payables		**19.3**	33.6
Other taxes and social security costs		**3.2**	5.3
Other payables		**0.1**	0.3
Accruals		**42.2**	54.4
Government grants	23	**1.1**	1.2
		65.9	94.8
Non-current			
Other payables		**0.2**	0.2
		66.1	95.0

Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms. Other payables are non-interest bearing.

The Directors consider that the carrying amount of trade payables and other payables approximates their fair value.

Other financial liabilities – current

	2023 $ million	2022 $ million
Other financial liabilities	**–**	0.1

Other financial liabilities comprises forward foreign currency exchange contracts.

Notes to the consolidated financial statements continued

23. Government grants

The following government grants are included within trade and other payables:

	2023 $ million	2022 $ million
At 1 January	**1.2**	1.4
Received during the year	**0.1**	0.1
Released to the income statement	**(0.3)**	(0.2)
Exchange adjustment	**0.1**	(0.1)
At 31 December	**1.1**	1.2

All government grants are expected to be recognised in the next 12 months.

Government grants have been received to accelerate and support research and development in the vulnerability of global navigation satellite systems and other high technology projects.

24. Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers. The Group does not have any contract assets.

	Note	2023 $ million	2022 $ million
Trade receivables	19	**113.3**	142.4
Contract liabilities			
Current			
Payments received on account		**7.4**	6.2
Deferred income		**59.2**	69.3
		66.6	75.5
Non-current			
Deferred income		**33.7**	22.7
Total contract liabilities		**100.3**	98.2
Revenue recognised in the period from amounts included in contract liabilities at the beginning of the period		**75.5**	72.1

There was no revenue recognised in 2023 or 2022 from performance obligations satisfied in previous periods.

The timing of revenue recognition, invoicing and cash collections results in trade receivables, deferred income and advance customer payments received on account on the balance sheet.

The Group receives payments from customers based on a billing schedule, as established in the contract. Trade receivables are recognised when the right to consideration becomes unconditional. Contract liabilities are recognised as revenue as (or when) the Group performs under the contract.

The Group also recognises incremental costs incurred to obtain a contract as an asset if it expects to recover those costs. Such costs are presented in the balance sheet as assets recognised from costs to obtain a contract and disclosed in note 20.

Expected realisation of remaining performance obligations at year end

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

24. Contract balances continued

Expected realisation of remaining performance obligations at year end continued

For contracts that exceed one year, deferred income that relates to unsatisfied or partially satisfied performance obligations at year end is expected to be recognised as revenue in the future as follows:

	2023 $ million	2022 $ million
Within one year	**13.3**	28.6
Greater than one year	**33.7**	22.7
	47.0	51.3

The above information represents the revenue the Group will recognise when it satisfies the remaining performance obligations in the contracts. The amounts presented do not include orders for which neither party has performed.

Revenue from the sale of hardware and software generally arises from contracts less than one year in length. Consequently, the above amounts predominantly relate to the sale of maintenance and support services.

Virtually all of the revenue will be recognised within three years.

The Group provides standard warranties on its products and services. The nature of these warranties is considered to provide customers with assurance that the related product or service will function as intended in accordance with the agreed specification, and does not contain or imply any additional service obligation to the customer. Warranty obligations are estimated and recognised as liabilities based on the probable outflow of resources.

25. Lease liabilities

Total lease liabilities included in the balance sheet at 31 December:

		$ million		
	Note	Land and buildings	Motor vehicles	Total
At 1 January 2022		29.6	0.2	29.8
Additions		0.3	0.1	0.4
Re-measurement		1.0	–	1.0
Repayments		(9.5)	(0.1)	(9.6)
Interest		1.0	–	1.0
Exchange adjustment		(0.5)	–	(0.5)
At 1 January 2023		**21.9**	**0.2**	**22.1**
Additions		**4.8**	**0.2**	**5.0**
Re-measurement		**2.1**	**–**	**2.1**
Repayments		**(8.6)**	**(0.2)**	**(8.8)**
Interest		**0.9**	**–**	**0.9**
Exchange adjustment		**–**	**0.1**	**0.1**
At 31 December 2023		**21.1**	**0.3**	**21.4**

	2023 $ million	2022 $ million
Current	**10.7**	7.1
Non-current	**10.7**	15.0
	21.4	22.1

$0.3 million (2022 $0.8 million) of the lease liability included in the balance sheet relates to a building the Group subleases; see note 15 for further details.

	2023 $ million	2022 $ million
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**10.8**	7.7
One to five years	**9.3**	12.6
More than five years	**1.7**	3.5
Total undiscounted lease liabilities at 31 December	**21.8**	23.8

Notes to the consolidated financial statements continued

25. Lease liabilities continued

	Note	2023 $ million	2022 $ million
Amounts recognised in the income statement			
Interest on lease liabilities	7	**0.9**	1.0
Expenses relating to short-term leases		**0.3**	0.3
Expenses relating to leases of low-value assets, excluding leases of short-term low-value assets		**0.3**	0.4
Amounts recognised in the cash flow statement			
Lease liability principal repayment		**7.9**	8.6
Lease liability interest paid		**0.9**	1.0

Cash payments of $0.6 million (2022 $0.7 million) relating to short-term leases and leases of low-value assets are classified within cash flows from operating activities in the consolidated cash flow statement.

Extension options

Some leases of buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	2023 $ million		2022 $ million	
	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)
Buildings	**4.2**	**23.3**	4.6	23.3

26. Deferred tax

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

		$ million				
	Notes	Temporary differences	Tax losses	Tax credits	UK pension plans	Total
At 1 January 2022		12.2	3.6	4.2	(9.4)	10.6
Charged/(credited) in the year	10	13.1	(0.8)	1.5	(0.4)	13.4
Deferred tax on defined benefit pension plan	10	–	–	–	9.4	9.4
Deferred tax on share incentives recognised in equity	10	(0.7)	–	–	–	(0.7)
Exchange adjustment		(0.8)	–	–	0.9	0.1
At 1 January 2023		**23.8**	**2.8**	**5.7**	**0.5**	**32.8**
Charged in the year	10	**11.4**	**0.3**	**0.1**	**–**	**11.8**
Deferred tax on defined benefit pension plan	10	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Deferred tax on deferred compensation plan	10	**0.1**	**–**	**–**	**–**	**0.1**
Deferred tax on share incentives recognised in equity	10	**(1.7)**	**–**	**–**	**–**	**(1.7)**
Exchange adjustment		**0.3**	**(0.1)**	**–**	**0.1**	**0.3**
At 31 December 2023		**33.9**	**3.0**	**5.8**	**0.5**	**43.2**
Amounts on the balance sheet:						
At 31 December 2022						
Deferred tax asset		23.8	2.8	5.7	0.5	32.8
Deferred tax liability		–	–	–	–	–
		23.8	2.8	5.7	0.5	32.8
At 31 December 2023						
Deferred tax asset		**33.9**	**3.0**	**5.8**	**0.5**	**43.2**
Deferred tax liability		**–**	**–**	**–**	**–**	**–**
		33.9	**3.0**	**5.8**	**0.5**	**43.2**

26. Deferred tax continued

A net deferred tax asset of $43.2 million has been recognised at 31 December 2023 (2022 $32.8 million). $37.3 million is in the United States (2022 $27.6 million), $1.8 million is in France (2022 $1.7 million), $3.0 million is in the rest of the world (2022 $2.4 million), and $1.1 million is in the United Kingdom (2022 $1.1 million).

The deferred tax asset includes $2.1 million (2022 $3.3 million) in respect of the tax deduction which may be available on the future exercise of share incentives, $4.6 million (2022 $5.4 million) in respect of the future tax deduction on provisions, $5.6 million (2022 $7.5 million) in respect of the future tax deduction on the deferral of compensation and $16.2 million (2022 $5.6 million) in amortisation. These amounts are presented within temporary differences.

The Group has non-trading tax losses arising in the United Kingdom of $27.6 million (2022 $27.7 million), which are available for offset against suitable future non-trading taxable profits. The Group also has trading losses arising in the United Kingdom of $0.7 million (2022 $0.8 million) and in Hong Kong of $3.7 million (2022 nil). Additionally, there are short-term timing differences in the United Kingdom of $2.7 million (2022 $2.5 million), and the rest of the world of $6.9 million (2022 $7.1 million), Scientific Research and Experimental qualifying expenditure in Canada of $5.4 million (2022 $5.2 million) and tax credits in the rest of the world of $1.1 million (2022 $1.4 million). A deferred tax asset has not been recognised in respect of these items as their future recovery is not probable.

The Group has capital losses carried forward of $1,048.4 million (2022 $996.4 million) for which no deferred tax asset has been recognised on the balance sheet. This change is due to foreign exchange movements. These capital losses have no expiry date.

The temporary difference associated with investments in the Group's subsidiaries for which a deferred tax liability has not been recognised in the periods presented are $203.6 million in aggregate (2022 $251.6 million). The Group does not expect a significant amount of the undistributed profits, subject to withholding tax, to be distributed in the foreseeable future, but has recognised a deferred tax liability of $0.2 million (2022 $0.4 million) on the expected distribution of $3.3 million (2022 $5.8 million) of earnings from its China, Korea and Taiwan subsidiaries.

Changes in tax rates

The Group's future tax charge, and the effective tax rate, could be affected by several factors including tax reform in countries around the world and the geographical mix of profits.

Following the enactment of the United Kingdom Finance Bill 2021, the main corporation tax rate has increased to 25 per cent effective 1 April 2023. As such, the United Kingdom temporary differences have been recognised at the rate at which the temporary differences are expected to unwind.

27. Provisions

	$ million			
	Lease provisions	Restructuring provisions	Other provisions	Total
At 1 January 2022	3.5	0.2	4.2	7.9
Charged in the year	–	1.4	0.1	1.5
Released in the year	–	–	(0.2)	(0.2)
Utilised in the year	–	(0.3)	(0.3)	(0.6)
Exchange difference	(0.1)	–	(0.1)	(0.2)
At 1 January 2023	**3.4**	**1.3**	**3.7**	**8.4**
Charged in the year	**0.2**	**1.6**[1]	**–**	**1.8**
Utilised in the year	**(0.1)**	**(1.9)**	**(0.3)**	**(2.3)**
Exchange difference	**–**	**–**	**0.1**	**0.1**
At 31 December 2023	**3.5**	**1.0**	**3.5**	**8.0**

Note
1. Included with adjusting items (note 5).

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27. Provisions continued

	2023 $ million	2022 $ million
Current	**5.0**	5.7
Non-current	**3.0**	2.7
	8.0	8.4

The lease provisions are for the continuing obligations under leases in respect of property dilapidation and reinstatement provisions. Where material, lease obligations are discounted. The Group expects these provisions to be utilised over one to eight years.

The restructuring provisions are largely for employee separation costs in relation to the strategic restructuring initiatives (note 5).

Other provisions comprise environmental provisions related to property disposed of, provisions relating to legal claims and a provision relating to a Notice of Recovery received from French Customs, discussed below. The Group expects these provisions to be utilised in less than one year.

In 2018, the Group made a provision for $8.9 million following the receipt of a Notice of Recovery from the Direction Générale des Douanes et Droits Indirects (French Customs) in relation to the valuation and classification of duty on certain imports into France. This dispute commenced with enquiries in 2011. During the period in question, Spirent adopted a duty tariff based on World Customs Organization guidelines which conflicted with European Union regulation. In 2019, the Group paid $6.5 million in relation to this claim, of which $2.3 million was later recovered. The import regulations changed on 1 January 2017 and no liability exists after that date. Spirent has provided for the liability up until the date of the change, which encompasses the period covered by the Notice of Recovery.

28. Financial instruments and financial risk management

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

The Group's financial assets and liabilities are as follows:

	Measurement category under IFRS 9	Notes	2023 $ million	2022 $ million
Non-current trade and other receivables[1]	Financial assets at amortised cost	19	**4.6**	4.3
Cash and cash equivalents	Financial assets at amortised cost	21	**108.1**	209.6
Current trade and other receivables	Financial assets at amortised cost	19	**120.8**	147.8
Financial assets			**233.5**	361.7
Non-current other payables	Financial liabilities at amortised cost	22	**0.2**	0.2
Current trade payables, other payables and accruals	Financial liabilities at amortised cost	22	**61.6**	88.3
Current other financial liabilities[2]	Derivatives designated at FVTPL	22	**–**	0.1
Lease liabilities, current and non-current	Financial liabilities at amortised cost	25	**21.4**	22.1
Contractual provisions	Financial liabilities at amortised cost	27	**3.5**	3.4
Financial liabilities			**86.7**	114.1

Notes
1. Includes $3.6 million (2022 $3.4 million) in relation to corporate owned life insurance that is designated as financial assets at fair value through profit or loss.
2. Relates to forward foreign currency exchange contracts.

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

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

28. Financial instruments and financial risk management continued

a) Market risk

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

Interest rate risk

The Group has external debt in relation to its lease liabilities (note 25) but has limited exposure to interest rate risk as the incremental borrowing rate used to discount these lease liabilities is fixed at the lease commencement date. The Group's excess funds are principally held in the United Kingdom and the United States and invested in on-demand or short-term bank deposits. It therefore has some exposure to interest rate risk arising on changes in Pound Sterling and US Dollar interest rates.

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

Short-term bank deposits and forward foreign currency exchange contracts mature within three months. The financial instruments bear the following interest rates:

		2023		2022	
	Note	**Effective interest rate %**	**$ million**	Effective interest rate %	$ million
Floating rate					
Cash at bank	21		**103.6**		103.8
Fixed rate					
Fixed deposits	21	**0.80**	**4.5**	4.23	105.8

All cash at bank and fixed deposits are held with reputable financial institutions around the world. The minimum credit rating of material cash held with these institutions are "A".

Interest rates on financial instruments classified as fixed rate are fixed until the maturity of the instrument. All fixed rate deposits mature within three months after which date they will be exposed to floating rates of interest. Interest rates on cash at bank are not fixed and are based on prevailing rates subject to market conditions.

Interest receivable for the year (note 6) was $4.8 million (2022 $2.1 million) and is under the effective interest method.

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

A movement of 25 basis points in interest rates based on level of investment at 31 December would increase or reduce interest income and equity by $0.1 million (2022 $0.4 million).

Exchange rate risk

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

The Group has the majority of its operations in the United States and presents its consolidated financial statements in US Dollars. The parent Company's functional currency is Pound Sterling and its share capital is denominated in Pound Sterling; the Group also has operations in Europe and Asia and therefore its results and assets and liabilities are affected on translation by movements in exchange rates in relation to the US Dollar. The Group does not enter into instruments to hedge the translation exposure of the operating results or net assets of its overseas subsidiaries since these are considered accounting and not cash exposures.

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters using forward foreign currency exchange contracts.

The main exposures arise in relation to the retranslation of foreign operations to US Dollar, on non-local currency denominated transactions and on non-local currency denominated cash balances. These exposures predominantly arise on Sterling, Euro and Chinese Yuan transactions and balances. A 10 per cent appreciation or depreciation of these currencies against the US Dollar would decrease or increase profit before tax based on the activity in the period and balances at the reporting date as follows: Sterling $4.4 million, Euro $nil and Chinese Yuan $1.9 million (2022 Sterling $0.6 million, Euro $0.1 million and Chinese Yuan $1.0 million). A 10 per cent currency fluctuation represents management's assessment of the reasonably possible change in foreign exchange rates.

b) Credit risk

Investment counterparties are subject to pre-approval by the Board with pre-approved limits set for each bank to avoid any concentrations of credit risk.

The maximum credit exposure at the balance sheet date under financial instruments in relation to cash and bank deposits is equal to the carrying value of $108.1 million (2022 $209.6 million).

Trade receivables, which generally have 30 to 90 day terms, are carried at original invoice amount less an allowance for expected credit losses. Trade receivable exposures are managed in the business units where they arise.

Notes to the consolidated financial statements continued

28. Financial instruments and financial risk management continued

b) Credit risk continued

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit loss at each reporting date. To measure the expected credit losses, the Group has established a provision matrix that is based on shared credit risk characteristics and the days past due based on the expected loss rates.

The provision matrix is initially based on payment profiles of trade receivables over a period of 12 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. At every reporting date the historical observed default rates are updated. The Group also considers the impact of regional macroeconomic factors.

The Group has no significant concentration of credit risk attributable to its trade receivables as the exposure is spread over a large number of customers with no one customer accounting for more than 7 per cent of total Group trade receivables. The maximum credit exposure at the balance sheet date in relation to trade receivables is equal to the carrying value of $113.2 million (2022 $142.4 million).

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

	2023			2022		
	Gross trade receivables $ million	**Provision $ million**	**Net trade receivables $ million**	Gross trade receivables $ million	Provision $ million	Net trade receivables $ million
Not past due	**95.7**	**–**	**95.7**	125.5	(0.3)	125.2
Past due:						
– Less than 30 days overdue	**9.3**	**(0.2)**	**9.1**	13.8	(0.1)	13.7
– 30 to 60 days	**3.0**	**–**	**3.0**	1.9	–	1.9
– Over 60 days	**7.3**	**(1.8)**	**5.5**	2.6	(1.0)	1.6
Trade receivables	**115.3**	**(2.0)**	**113.3**	143.8	(1.4)	142.4

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

The receivables' provision is based on expected credit losses. The movement on the provision during the year is given in note 19. For all other financial assets, the maximum exposure to credit risk is represented by the carrying amount.

c) Liquidity risk

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

At 31 December 2023, the Group had cash and cash equivalents of $108.1 million (2022 $209.6 million), all available on demand.

During 2023, the Group generated $27.1 million of cash from operating activities (2022 $117.8 million) and considers that, with current cash resources, debt only in relation to its lease liabilities and positive cash flow from its operating activities, it has adequate resources available to it to remain in operational existence for the foreseeable future.

The Group has entered into forward foreign currency exchange contracts at 31 December, all of which mature within three months. The gross settlement amounts of these contracts are as follows:

	2023 $ million	2022 $ million
Sale of US Dollars against Pound Sterling	**3.1**	4.7

The Group has external debt in relation to its lease liabilities (note 25) but is otherwise debt free and does not have loans payable. Financial liabilities are trade and other payables, the majority of which are due to be settled within one year, and contractual provisions (note 27).

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

d) Fair value of financial instruments

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

Derivative financial instruments are stated at fair value although the amounts at 31 December 2023 and 2022 were immaterial.

Corporate owned life insurance is stated at fair value and is at Level 1 in the fair value hierarchy as the valuation of the linked investments is based on quoted prices in active markets.

28. Financial instruments and financial risk management continued

e) Capital management

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

The Group manages its capital structure and intends to maintain a cash positive balance sheet over the medium to long term. This should allow the Group to maintain a strong capital position in the face of business risks, trading fluctuations and working capital demands.

Spirent's policy on the payment of dividends to shareholders is to maintain a progressive dividend policy. To the extent the Group has excess cash, it will consider returning such cash to shareholders.

29. Equity

a) Issued share capital

Issued and fully paid Ordinary Shares of 3¹⁄₃ pence each:

	Number of Ordinary Shares[1] million	$ million
At 1 January 2022	611.7	27.5
Exchange adjustment		(2.8)
At 1 January 2023	**611.7**	**24.7**
Share repurchase/share buyback	**(33.1)**	**(1.4)**
Exchange adjustment		**1.3**
At 31 December 2023	**578.6**	**24.6**

Note
1. Includes shares held in the Employee Share Ownership Trust and Spirent Sharesave Trust.

b) Equity and reserves

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

- Share premium account: this reserve records the consideration premium for shares issued at a value that exceeds their nominal value.
- Capital redemption reserve: this reserve arises in relation to share capital cancellation.
- Other reserves: share capital, share premium account and capital redemption reserve are translated into US Dollars at the rates of exchange at the balance sheet date and the resulting exchange differences are included in other reserves.
- Translation reserve: this reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Investment in own Ordinary Shares

During the year, no shares were purchased and placed into the Employee Share Ownership Trust (2022 7.1 million shares purchased and placed at a cost of $22.9 million). 2.7 million shares were transferred from the Employee Share Ownership Trust in the year to satisfy options exercised under the Spirent employee share plans (2022 2.7 million shares transferred).

At 31 December 2023, the Employee Share Ownership Trust held 6.3 million Ordinary Shares (2022 8.9 million Ordinary Shares) to satisfy awards under various share incentive plans. At 31 December 2023, the Spirent Sharesave Trust held 0.5 million Ordinary Shares (2022 0.5 million Ordinary Shares) to satisfy awards made to United Kingdom based employees under an all-employee share scheme. The market value of own Ordinary Shares held in trust, being in total 6.8 million Ordinary Shares (2022 9.4 million Ordinary Shares), at 31 December 2023 was $9.8 million (2022 $29.6 million).

Both the Employee Share Ownership Trust and the Spirent Sharesave Trust are an extension of the parent Company.

Share Buyback Programme

On 3 April 2023, the Company commenced a Share Buyback Programme of $71.6 million (£56.0 million) which was successfully completed on 24 August 2023. These 33.1 million shares, representing circa 5.4 per cent of the Company's issued share capital, have been cancelled.

Notes to the consolidated financial statements continued

30. Employee share plans

Movements in share incentives over a two-year period ending on 31 December 2023 are shown below:

	2005 Employee Incentive Plan[1]		Spirent Long-Term Incentive Plan[2]	
	Number of share incentives million	Weighted average exercise price pence	Number of share incentives million	Weighted average exercise price pence
Incentives outstanding at 1 January 2022	0.3	89	7.2	–
Exercised	–	89	(2.6)	–
Granted	–	–	4.0	–
Forfeited	–	–	(0.4)	–
Incentives outstanding at 31 December 2022	**0.3**	**89**	**8.2**	**–**
Exercised	**–**	**89**	**(2.7)**	**–**
Granted	**–**	**–**	**6.2**	**–**
Forfeited	**–**	**–**	**(0.9)**	**–**
Incentives outstanding at 31 December 2023	**0.3**	**89**	**10.8**	**–**
Incentives exercisable				
At 31 December 2022	0.3	89	–	–
At 31 December 2023	**0.3**	**89**	**10.8**	**–**

Notes
1. Figures for the 2005 Employee Incentive Plan include share options, stock appreciation rights and Performance Shares in aggregate. No exercise price is payable on the vesting of a Performance Share.
2. Figures for the Spirent Long-Term Incentive Plan include restricted stock and Performance Shares in aggregate. No exercise price is payable on the vesting of a Performance Share.

The weighted average share price at exercise date was 171 pence (2022 233 pence).

The following information relates to outstanding share incentives at 31 December 2023:

			2023			2022		
Share plan	Exercise period (as at 31 December)	Exercise price pence	**Weighted average exercise price pence**	**Number of share incentives outstanding million**	**Weighted average remaining contractual life years**	Weighted average exercise price pence	Number of share incentives outstanding million	Weighted average remaining contractual life years
2005 Employee Incentive Plan	23.03.18 23.03.25	89	**89**	**0.3**	**1.2**	89	0.3	2.2
Spirent Long-Term Incentive Plan	15.03.24–15.12.26	–	**–**	**10.8**	**1.0**	–	8.2	1.1
				11.1			8.5	

Discretionary plans

Spirent Long-Term Incentive Plan (LTIP)

Under the LTIP, awards of shares are granted to Executive Directors and certain employees. The release of these shares is generally conditional upon continued employment and, for more senior individuals, some awards are conditional on the achievement of certain performance targets measured over a three-year period.

Further information on the performance conditions for LTIP share incentives is set out in the Report on Directors' Remuneration.

2005 Employee Incentive Plan (EIP)

The EIP closed for new awards following the 2016 AGM and was replaced by the Spirent Long-Term Incentive Plan. Awards granted under the EIP expire on the tenth anniversary of their grant unless they have previously lapsed or been exercised.

30. Employee share plans continued

All-employee plans

UK Employee Share Purchase Plan (UK ESPP)

The UK ESPP is an all-employee HMRC approved share plan open to employees based in the UK. Employees can elect to invest up to £125 each month (£1,500 per year), deducted from their gross salary, which is used to purchase shares at market value as "partnership" shares. The Company offers participants "matching" shares, which are subject to forfeiture for three years, on the basis of one free matching share for each partnership share purchased.

UK Sharesave Plan (Sharesave)

The Sharesave is an all-employee HMRC approved share plan open to employees based in the UK. Employees can elect to invest up to £250 each month, deducted from their post-tax salary, which is then held in a savings account for three years. At the conclusion of the savings period, the employee can opt to receive the accumulated funds as cash or use them to buy Spirent shares at a discounted option price that is 15 per cent below the three-day average of Spirent's mid-market share price immediately before the invitation date.

US Employee Stock Purchase Plan (US ESPP)

The US ESPP is available to all employees based in the US. Employees can elect to save up to $8,000 per year, deducted from their post-tax salary, for a 12-month period. The savings are then used to purchase shares at an effective 15 per cent discount to the prevailing market share price at the end of the savings period (the discount being funded by the Company).

Global All-Employee Share Purchase Plan (GAESPP)

The GAESPP is available to employees in countries other than the UK and US, on a share-settled or cash-settled basis, depending on local regulations. Employees can elect to save funds, deducted from their post-tax salary, for a 12-month period. In the share-settled model, these savings are then used to purchase shares at an effective 15 per cent discount to the prevailing market share price at the end of the savings period (the discount being funded by the Company); in the cash-settled model, these savings are then returned to the participant, along with an additional cash enhancement equal to a 15 per cent discount to the prevailing market share price at the end of the savings period, had the funds been used to purchase Spirent shares (the enhancement being funded by the Company).

Employees participating in the GAESPP during the period under review included those based in Canada, France, Germany, China, Hong Kong, India, Spain, Japan and South Korea.

31. Share-based payment

	2023 $ million	2022 $ million
Charged to adjusting items		
Spirent Long-Term Incentive Plan[1]	**7.2**	8.2
Spirent All-Employee Share Purchase Plans (ESPP)[2]	**0.4**	0.3
	7.6	8.5
Charged to administration expenses		
Executive deferred bonus plan	**0.1**	0.4
	7.7	8.9

Notes
1. 2023 includes $0.2 million (2022 $0.3 million) relating to cash-settled schemes.
2. 2023 includes $0.2 million (2022 $0.1 million) relating to cash-settled schemes.

All schemes are primarily equity-settled with elements cash settled pursuant to local legislation.

In 2023, $0.1 million (2022 $0.4 million) being one-third of the Executive Directors' Annual Incentive has been deferred into shares for an additional period of three years. This amount has been charged to administration expenses in the income statement and is included within adjusted operating profit as it reflects part of the underlying trading performance of the Group.

Notes to the consolidated financial statements continued

31. Share-based payment continued

6.2 million share incentives were granted during 2023 (2022 4.0 million). The fair value of share incentives has been estimated as at the date of grant using the Black-Scholes binomial model. The following table gives the assumptions made in arriving at the share-based payment charge and the fair value:

	2023	2022
Weighted average share price (pence)	**178.7**	241.0
Weighted average exercise price (pence)	**0.0**	0.0
Weighted average fair value (pence)	**171.7**	229.0
Expected volatility (%)	**31.3-40.3**	30.7–37.7
Option life (years):		
– Performance Shares	**1.0-3.0**	1.0–3.0
– Options and SARs	**10.0**	10.0
Risk free rate (%)	**3.30-5.15**	1.33–3.11
Dividend yield (%)	**2.0**	2.5

The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years which management considers to be the period which is likely to be most representative of future volatility. The risk free rate is calculated by reference to UK government bonds.

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

	2023 $ million	2022 $ million
Profit before tax	**22.9**	114.6
Adjustments for:		
Finance income	**(5.4)**	(2.9)
Finance costs	**0.9**	1.0
Intangible asset amortisation	**5.1**	5.3
Depreciation of property, plant and equipment	**10.5**	11.0
Depreciation of right-of-use assets	**6.9**	7.3
Impairment of property, plant and equipment	**0.4**	–
Impairment of right-of-use assets	**2.5**	–
Share-based payment	**7.7**	8.9
Changes in working capital:		
Increase in inventories	**(2.0)**	(14.4)
Decrease in receivables	**27.7**	3.2
(Decrease)/increase in payables	**(29.9)**	8.1
(Decrease)/increase in contract liabilities	**(0.7)**	0.2
(Decrease)/increase in provisions	**(0.4)**	0.7
Defined benefit pension plan employer contributions net of plan administration expenses paid by the plan	**(1.7)**	(2.0)
Deferred compensation plan	**1.9**	0.2
Non-cash movements	**(0.6)**	(0.6)
Cash flow from operations	**45.8**	140.6

33. Business combinations

On 8 September 2023, the Group completed the asset purchase of a small Test Lab Automation business carve-out from NetScout® Inc. for a final cash consideration of $7.8 million. The transaction was funded by surplus cash in the Group. The business carve-out from NetScout® acquired by Spirent is a US-based technology business that develops and manufactures Layer-1 switches and control software.

33. Business combinations continued

	2023 $ million		
	Book value	Fair value adjustment	Fair value
Intangible assets	–	4.3	4.3
Property, plant and equipment	0.2	–	0.2
Inventories	1.4	–	1.4
Contract liabilities	(2.0)	–	(2.0)
Total identifiable net assets	(0.4)	4.3	3.9
Goodwill on acquisition			3.9
Total consideration			7.8
Satisfied by			
Cash consideration			7.8
Cash flows			
Cash consideration			7.8

The fair values of the identifiable net assets acquired are set out in the table above. The fair value adjustments arose in relation to the recognition of acquired intangible assets. The intangible assets acquired represent current technology and customer relationships. These intangible assets have been assigned a useful life of six years. The goodwill arising of $3.9 million consists largely of the synergies and commercial opportunities expected from the combination, together with intangible assets not qualifying for separate recognition, such as workforce in place. Direct acquisition related costs of $0.4 million and $0.3 million of integration costs have been expensed to other adjusting items within the income statement in 2023 (note 5). From the date of acquisition to 31 December 2023, NetScout® acquired business contributed $4.1 million of revenue and $2.1 million of profit before tax to the results of the Group before charging $0.4 million of direct acquisition related costs, $0.3 million of integration costs and $0.2 million of acquired intangible asset amortisation.

There were no business combinations in 2022.

34. Related party transactions

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

Remuneration of key management personnel

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

	2023 $000	2022 $000
Short-term employee benefits	2,639.1	3,346.8
Share-based payment	850.6	2,545.2
	3,489.7	5,892.0

No Director received compensation for loss of office (2022 nil).

There were gains of $591,335 (2022 $2,621,747) on the exercise of options by key management personnel in 2023.

For further details refer to the Report on Directors' Remuneration on pages 83 to 109.

Parent Company balance sheet

At 31 December 2023

	Notes	2023 £ million	2022 £ million
Fixed assets			
Intangible assets	4	**3.2**	3.3
Tangible assets	5	**1.2**	1.3
Right-of-use assets	6	**1.3**	1.6
Investments	7	**491.1**	451.5
		496.8	457.7
Current assets			
Stocks	8	**8.5**	8.4
Debtors: amounts falling due within one year	9	**30.0**	28.3
Debtors: amounts falling due after more than one year	9	**7.5**	8.8
Cash at bank and in hand		**30.3**	13.4
		76.3	58.9
Creditors: amounts falling due within one year	10	**(124.3)**	(127.6)
Net current liabilities		**(48.0)**	(68.7)
Total assets less current liabilities		**448.8**	389.0
Creditors: amounts falling due after more than one year	11	**(3.2)**	(3.0)
Defined benefit pension plan deficit	3	**(1.7)**	(1.8)
Deferred tax liability	15	**–**	–
Net assets		**443.9**	384.2
Capital and reserves	17		
Called up share capital		**19.3**	20.4
Share premium account		**20.2**	20.2
Capital redemption reserve		**14.2**	13.1
Profit and loss account		**390.2**	330.5
Shareholders' funds – equity		**443.9**	384.2

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. In 2023, the profit for the year amounted to £150.8 million (2022 £73.4 million).

The notes on pages 174 to 191 form part of these financial statements.

Signed on behalf of the Board

Paula Bell
Director
5 March 2024

Parent Company statement of changes in equity

	Notes	Attributable to the equity holders of the parent Company				£ million
		Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
At 1 January 2022		20.4	20.2	13.1	318.6	372.3
Profit for the year		–	–	–	73.4	73.4
Other comprehensive losses[1]		–	–	–	(15.9)	(15.9)
Total comprehensive income		–	–	–	57.5	57.5
Share-based payment		–	–	–	7.2	7.2
Tax charge on share incentives		–	–	–	(0.1)	(0.1)
Employee Share Ownership Trust	17	–	–	–	(19.3)	(19.3)
Equity dividends	16	–	–	–	(33.4)	(33.4)
At 1 January 2023		**20.4**	**20.2**	**13.1**	**330.5**	**384.2**
Profit for the year		**–**	**–**	**–**	**150.8**	**150.8**
Other comprehensive losses[2]		**–**	**–**	**–**	**(3.2)**	**(3.2)**
Total comprehensive income		**–**	**–**	**–**	**147.6**	**147.6**
Share-based payment		**–**	**–**	**–**	**6.0**	**6.0**
Tax charge on share incentives		**–**	**–**	**–**	**–**	**–**
Share repurchase		**(1.1)**	**–**	**1.1**	**(56.7)**	**(56.7)**
Equity dividends	16	**–**	**–**	**–**	**(37.2)**	**(37.2)**
At 31 December 2023		**19.3**	**20.2**	**14.2**	**390.2**	**443.9**

Notes
1. The amount included in other comprehensive losses for 2022 of £15.9 million represents re-measurement losses on the net defined benefit pension asset of £23.5 million, net of a tax credit of £7.6 million.
2. The amount included in other comprehensive losses for 2023 of £3.2 million represents re-measurement losses on the net defined benefit pension asset of £3.2 million, net of a tax credit of nil.

The notes on pages 174 to 191 form part of these financial statements.

Notes to the parent Company financial statements

1. Significant accounting policies

Corporate information

Spirent Communications plc (the "Company") is a public limited company incorporated and domiciled in England and Wales (registration number 470893). The registered address of the Company is Origin One, 108 High Street, Crawley, West Sussex RH10 1BD, United Kingdom.

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006.

In preparing these financial statements, the Company has set out below the FRS 101 disclosure exemptions that have been taken in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 "Share-based Payment" in respect of Group-settled share-based payments;
- certain disclosures required by IAS 36 "Impairment of Assets" in respect of the impairment of goodwill and indefinite life intangible assets; and
- the disclosures required by IFRS 7 "Financial Instruments Disclosures" and IFRS 13 "Fair Value Measurement" regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value.

As the Company is included in the consolidated financial statements, made up to 31 December each year, it is not required to present a separate profit and loss account as provided by Section 408 of the Companies Act 2006. Information on fees for non-audit services in respect of the parent Company accounts have not been disclosed as the Company prepares Group accounts which disclose information on fees for non-audit services on a consolidated basis.

Accounting convention

The financial statements are prepared on a historical cost basis apart from certain financial instruments that have been measured at fair value, and the defined benefit pension asset/liability which has been measured using the projected unit credit method.

Going concern basis of accounting

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Company's principal risks and uncertainties as set out on pages 55 to 60.

The Directors have also considered sensitivities in respect of potential downside scenarios, including stress testing the latest cash flow projections that cover a period of 12 months from the date of approval of these financial statements. In these scenarios, the Company has more than sufficient headroom in its available resources.

The Directors have reviewed the detailed financial projections for the period ending 31 December 2024, as well as the business plan and cash flows for the three months ending 31 March 2025. The Directors have also considered the period to the end of 2026 which forms part of the Company's longer-term viability assessment. In addition, they have considered the principal risks faced by the Company, the sensitivity analysis and the Company's significant financial headroom and are satisfied that the Company has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approval of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the financial statements.

New accounting standards

There have been no applicable new standards, amendments to standards and interpretations effective from 1 January 2023 that have been applied by the Company which have resulted in a significant impact on its results or financial position.

1. Significant accounting policies continued

Business combinations and goodwill

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

At acquisition date, the identifiable assets acquired and liabilities assumed, including intangible assets, are measured at their fair values. The cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree.

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

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the profit and loss account.

The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the Directors, its useful economic life. However, under IFRS 3 "Business Combinations" goodwill is not amortised. Consequently the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a "true and fair view override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Had the Company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. There would have been an impact of £0.1 million (2022 £0.1 million) to profit in the year had goodwill been amortised.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Separately identifiable intangible assets such as current technology are capitalised on the balance sheet only when the value can be measured reliably, or the intangible asset is purchased as part of the acquisition of a business. Such intangible assets are amortised over their useful economic lives on a straight-line basis. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Acquired intangible assets, being current technology, are amortised on a straight-line basis over their estimated useful lives and the charge is included within the profit and loss account.

The estimated useful life of the current technology intangible asset is five years and the expiry date is 2024.

Product development

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

Development costs are expensed as incurred until the technological feasibility of the product under development has been established. Technological feasibility in Spirent's circumstances occurs when there is an expectation that the proposed product will be successfully implemented. After technological feasibility is established, costs are capitalised and amortised on a straight-line basis over the estimated useful life.

Tangible assets

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

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

Business systems software is capitalised as tangible assets as the software is an integral part of the related hardware.

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

Notes to the parent Company financial statements continued

1. Significant accounting policies continued

Impairment of assets

Intangible assets with finite useful lives and tangible assets and right-of-use assets are tested for impairment at each reporting date where there is an indication that an asset may be impaired. Goodwill with an indefinite useful life is assessed at least annually. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected cash flows (value in use) of the relevant cash-generating unit or asset and the fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

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

Investments

Investments in subsidiaries are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee at the commencement date of the lease (i.e. the date the underlying asset is available for use), except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments within the profit and loss account on a straight-line basis over the period of the lease.

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Under the modified retrospective transition method, which is the method the Company adopted on transition to IFRS 16 "Leases" on 1 January 2019, lease liabilities are required to be discounted using the incremental borrowing rate at date of transition. The Company has set the discount rate based upon the local base rate with an additional premium to reflect various factors such as credit risk.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

The lease liability is presented within creditors in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method), and by reducing the carrying amount to reflect the lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are presented as a separate line in the balance sheet.

Stocks

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

1. Significant accounting policies continued

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

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

Foreign currencies
The financial statements are presented in Pound Sterling, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling at the balance sheet date. All exchange gains and losses are taken to the profit and loss account.

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

Trade debtors
Trade debtors are non-interest bearing and are stated at original invoiced amount less an appropriate allowance for expected credit losses. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. To measure the expected credit losses, the Company has established a provision matrix that is based on shared credit risk characteristics and the days past due based on the expected loss rates.

The provision matrix is initially based on payment profiles of trade debtors over a period of 12 months before 31 December of the prior year and the corresponding historical credit losses experienced within this period. At every reporting date the historical observed default rates are updated. The Company also considers the impact of regional macroeconomic factors on the likelihood of future losses.

Trade debtors are written off when there is no reasonable expectation of recovery.

A default on a trade debtor occurs when the debtor fails to make contractual payments when they fall due.

Cash at bank and in hand
Cash at bank and in hand in the balance sheet comprises cash at bank and in hand and short-term deposits which have an original maturity of three months or less. There are no bank overdrafts.

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

Loans and borrowings
Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method, and in respect of financial assets, less any impairment losses.

Impairment losses are based on lifetime expected credit losses.

Equity instruments
Equity instruments are recorded at the proceeds received, net of direct issue costs. Spirent Communications plc Ordinary Shares held by the Company are classified in equity as treasury shares and are recognised at cost and included as a deduction from the profit and loss account reserve. Consideration received for the sale of such treasury shares is also recognised in equity.

Derivative financial instruments
The Company uses forward foreign currency exchange contracts to manage exposures arising on receipts and payments in foreign currencies relating to firm commitments.

Forward foreign currency exchange contracts are initially recognised at fair value on the date on which the contract is entered into, and are subsequently re-measured to fair value at each reported balance sheet date. The fair value of forward foreign currency exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The Company has not adopted the hedge accounting rules. Consequently all gains and losses arising from changes in fair value are taken to the profit and loss account.

Notes to the parent Company financial statements continued

1. Significant accounting policies continued

Pensions

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

For defined benefit pension plans, full actuarial valuations are carried out every three years using the projected unit credit method, and updates are performed at each balance sheet date. Re-measurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if relevant) and the return on plan assets (excluding interest), is reflected immediately in the balance sheet surplus with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit pension asset, taking account of any changes in the net defined benefit pension asset during the period as a result of contribution and benefit payments. Where a refund of a surplus is expected, any applicable taxes that are not income in nature are netted off. Defined benefit pension costs are categorised as:

- service cost (including current service cost, past service cost and gains and losses on curtailments or settlements);
- net interest expense or income; and
- re-measurement.

The Company presents the first two components of defined benefit pension costs in profit or loss.

Revenue

Revenue represents the transfer of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services.

Revenue from product sales of hardware and perpetual software licences is recognised at the point in time when the customer has obtained control of the products sold. This is usually when the products have been delivered in accordance with the contractual terms. In some instances it is not until acceptance has occurred that control of the asset is transferred to the customer. Terms of acceptance are dependent upon the specific contractual arrangement agreed with the customer. If it can be objectively determined that control has been transferred to the customer in accordance with the agreed contract specifications, customer acceptance is a formality that would not affect the determination of when the customer has obtained control of the products. However, if it cannot be objectively determined that the products delivered are in accordance with the agreed-upon contract specifications, revenue would not be recognised until customer acceptance has been granted.

For sales of software licences, the Company determines whether the licence is capable of being distinct and is separately identifiable from other promises in the context of the contract. Revenue from software subscription licences that provide the customer with a right to access the Company's intellectual property throughout the subscription period is recognised over time, throughout the subscription period. Revenue from perpetual software licences that provide the customer with a right to use the Company's intellectual property for an indefinite period of time is recognised at the point in time when the customer can first use and benefit from the software.

For the sale of services, revenue is generally recognised over time with reference to when or as the performance obligations are satisfied by transferring the service to the customer. Revenue from support and maintenance service contracts and software subscription sales is recognised over the period of performance on a straight-line basis.

Revenue from professional services is generally recognised as work progresses in accordance with agreed-upon contractual terms, based on a measure of progress towards complete satisfaction of the performance obligation. Progress is measured using either an output method (e.g. completion of a day, or for fixed price contracts revenue is recognised based on performance completed or contractual milestones reached) or an input method (e.g. actual cost of services provided as a proportion of total cost of services expected to be provided under the contract). Where applicable, the Company elects to use the practical expedient where revenue can be recognised in the amount to which the Company has a right to invoice, only if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. Where the Company's professional services contracts contain terms of acceptance, revenue would not be recognised until customer acceptance had been obtained. Where the professional service has a pre-determined or fixed output deliverable, revenue is recognised at a point in time once the performance obligation has been satisfied and the customer has received the agreed deliverable.

The Company accounts for multi-component orders as multiple performance obligations if the following criteria are met:

a) the good or service is capable of being distinct, that is, they are individually readily available and regularly sold separately to customers; and

b) the promise to transfer the good or service is distinct in the context of the contract, that is, they do not require significant integration, customisation or modification with other goods or services in the contract and are not highly interrelated or interdependent of other goods or services in the contract.

1. Significant accounting policies continued

Revenue continued

For multi-component orders where the elements are accounted for as multiple performance obligations, the transaction price and discount, if any, are allocated proportionally to all performance obligations in the contract. If either of the two criteria above are not met, and where various components in the contract are combined, bundled or pre-assembled into one or more product or equipment units to form a distinct good or service, they will be accounted for as a single performance obligation.

Cost of sales

The Company's cost of sales related to the sale of its products includes materials, payments to third party contract manufacturers, royalties and salaries and other expenses related to its manufacturing and supply operations personnel. Cost of sales related to the provision of services includes salaries and other expenses associated with technical support services and the cost of extended maintenance services.

Costs to obtain a contract

The incremental costs of obtaining a contract with a customer are capitalised as an asset if the Company expects to recover them. The Company incurs costs such as sales commissions when it enters into a new contract. Such costs are presented within debtors in the balance sheet as assets recognised from costs to obtain a contract where the related revenue is recognised over time, usually in relation to support and subscription agreements. These assets are amortised on a systematic basis consistent with how the related revenue is recognised.

The Company applies the practical expedient in paragraph 94 of IFRS 15 and recognises incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Company would otherwise have recognised is one year or less.

Management is required to determine the recoverability of assets recognised from costs to obtain a contract. At each reporting date, the Company determines whether or not the assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. No assets were impaired as at 31 December 2023 or 31 December 2022.

Deferred income

Deferred income is only recognised on non-cancellable contracts that provide unconditional rights to payment from the customer for products and services that the Company has not yet completed providing or that it will provide in the near future.

Revenue from product sales of hardware and perpetual software licences is recognised at the point in time when the customer has obtained control of the products sold. In the instances where the customer has been invoiced and revenue from hardware or perpetual software licences is unable to be recognised, revenue would not be recognised until control has passed, resulting in deferred income.

Support services and software subscription agreements are generally billed at commencement of the support or subscription contract, while revenue is recognised over the period of the support or subscription agreement, resulting in deferred income.

The Company occasionally receives advance payments from customers on account, before products or services are delivered and revenue is recognised, resulting in liabilities. Deferred income and payments received on account are reported as contract liabilities within creditors on the balance sheet on a contract-by-contract basis at the end of each reporting period.

Government grants

A government grant is recognised in the balance sheet initially within creditors when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. Grants that compensate the Company for expenses incurred are recognised as other operating income on a systematic basis in the same periods in which expenses are incurred.

Employee benefits

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

Share-based payment

The Company operates various equity-settled share-based compensation plans and accounts for these awards in accordance with IFRS 2 "Share-based Payment".

The fair value of these awards is recognised in the profit and loss account (or as an addition to the cost of investment in the subsidiary in which the relevant employees work) on a straight-line basis over the vesting period together with a corresponding change in equity. The fair value is measured using the Black-Scholes model by reference to the share price, and taking into account the terms and conditions of the award, excluding non-market vesting conditions, at the date the awards were granted. The charge is reassessed at each balance sheet date to reflect the expected and actual levels of vesting, due to achievement or otherwise of non-market conditions. Awards where vesting is conditional upon satisfying a market condition or non-vesting condition are treated as vesting irrespective of whether the market or non-vesting condition has been satisfied.

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

Awards are capitalised as an investment, where a subsidiary is receiving the employee service and a corresponding adjustment to equity in the parent Company.

Notes to the parent Company financial statements continued

1. Significant accounting policies continued

Tax

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

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

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

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

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

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

Dividends paid

The interim dividend is included in the financial statements in the period in which it is paid, and the final dividend and special dividend in the period in which it is approved by the shareholders at an Annual General Meeting.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported. Such estimates and assumptions are based on management's best knowledge of current facts, circumstances and future events. Actual results may differ, possibly significantly, from those estimates. The areas requiring a high degree of judgement are revenue recognition and defined benefit pension plans (see Group Accounting Policies). There are no critical accounting estimates. Please refer to note 2 of Notes to the consolidated financial statements on pages 132 to 141 for detailed disclosures.

2. Employees

Please refer to the Report on Directors' Remuneration on pages 83 to 109 and note 34 of Notes to the consolidated financial statements on page 171 for disclosures relating to the emoluments, share incentives and Long-Term Incentive interests and pensions of the Directors.

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

	2023 Number	2022 Number
Assembly	**47**	50
Product development	**79**	72
Selling and marketing	**70**	71
Administration	**43**	38
	239	231

Employee benefit costs were:

	2023 £ million	2022 £ million
Remuneration	**21.9**	21.0
Social security costs	**2.6**	2.7
Pension and other related costs	**2.6**	2.0
Expense of share-based payment	**0.6**	1.5
	27.7	27.2

3. Pensions

Defined benefit plans

i) Characteristics and risks associated with the Plans

The Company sponsors two funded defined benefit pension plans in the United Kingdom: the Spirent Communications plc Staff Pension & Life Assurance Plan ("Staff Plan") and the Spirent Communications plc Retirement Cash & Life Assurance Plan ("Cash Plan"). These plans are funded and have full UK HM Revenue & Customs ("HMRC") tax-exempt approval. Both schemes are administered by a Trustee board which is comprised of representatives from the employer, member nominated Trustees and an independent Trustee. The Trustee board operates in accordance with the Trust Deed and Rules of each Plan and acts in the interests of all of its members.

- The Staff Plan is the Company's most significant plan, and it provides its members with retirement benefits based on their final salary and length of service. The Staff Plan is closed to new entrants.
- The Cash Plan is complicated with multiple cohorts that allows members to benefit from a lump sum on retirement, a defined benefit contribution with a defined benefit underpin or pension. The Cash Plan is closed to new entrants.

There is also a UK unfunded plan, which consists of a contractual obligation for the Company to top up certain former employees' benefits whose salaries exceeded the statutory earnings cap.

As with the vast majority of similar arrangements in the United Kingdom, the Company ultimately underwrites the risks relating to the defined benefit plans. These risks include investment risks and demographic risks, such as the chance of members living longer than expected.

The Cash Plan holds a significant proportion of its assets in equity. Strong future equity returns would be expected to reduce the Company's future cash contributions (and vice versa).

The latest triennial actuarial valuations dated 31 March 2021 indicated a combined funding deficit of £11.5 million, calculated on a technical provisions basis using more prudent assumptions than the accounting valuation, particularly in relation to the discount rate inflation and demographic. A deficit reduction plan was agreed with the trustees which required the Company to pay monthly contributions of £449,609, whilst a funding deficit remains, increasing in line with CPI each year. In September 2022, this deficit funding plan was suspended whilst the Company and trustees worked together to consider the feasibility of purchasing a bulk annuity insurance policy.

In October 2022, the Trustees, with the Company's support, purchased a bulk annuity insurance policy from specialist UK insurer Pension Insurance Corporation (PIC), in respect of the largest plan, the Staff Plan. The premium was met from the plan's assets and sufficient assets remain to meet the plan's ongoing costs. This pension buy-in secures an insurance asset from PIC that matches the remaining pension liabilities of the Staff Plan, such that the Company no longer bears any investment, inflation, longevity or other demographic risks. An asset remeasurement loss of £6.0 million has been recorded in other comprehensive income as the premium paid was greater than the IAS 19 accounting value of the corresponding liabilities. Following the purchase of the bulk annuity insurance policy, the Company does not expect to make any further cash contributions to this plan. Cash contributions to the plan in 2023 amounted to nil (2022 £0.9 million).

At 31 December 2023, a reserve of $3.0 million (£2.4 million) is included within the accounting liabilities in respect of equalising historic GMP benefits. The trustees are currently in the process of updating member benefits with equalised GMPs and incorporating this within the bulk annuity insurance policy purchased in October 2022. The cost to equalise these benefits could be higher or lower than reserved with the difference being charged to other comprehensive income as an experience gain/loss.

ii) Amounts in the financial statements

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

	2023 £ million	2022 £ million
Schemes in net asset position		
UK defined benefit pension plan – Staff Plan	**10.1**	12.3
UK defined benefit pension plan – Cash Plan	**–**	–
	10.1	12.3
Withholding tax payable	**(3.5)**	(4.3)
	6.6	8.0
Schemes in net liability position		
UK defined benefit plan – Cash Plan	**(1.3)**	(1.4)
UK unfunded plan	**(0.4)**	(0.4)
	(1.7)	(1.8)
Net pension plan surplus on the balance sheet	**4.9**	6.2

Notes to the parent Company financial statements continued

3. Pensions continued

Defined benefit plans continued

ii) Amounts in the financial statements continued

a) The assets and liabilities in each plan

	2023 £ million	2022 £ million
Staff Plan		
Unquoted		
– Insured annuities	**1.2**	1.3
– Cash and other	**14.0**	14.6
Insurance policy with PIC	**131.8**	133.9
Fair value of plan assets	**147.0**	149.8
Present value of defined benefit pension plan obligations	**(136.9)**	(137.5)
Surplus in the plan	**10.1**	12.3
Withholding tax payable	**(3.5)**	(4.3)
Surplus in the plan on the balance sheet	**6.6**	8.0
Cash Plan		
Quoted:		
– Equities	**4.7**	4.1
– Government bonds	**1.5**	1.7
Unquoted:		
– Cash and other	**1.5**	1.4
Fair value of plan assets	**7.7**	7.2
Present value of defined benefit pension plan obligations	**(9.0)**	(8.6)
Deficit in the plan	**(1.3)**	(1.4)
Total net surplus recognised	**5.3**	6.6
Unfunded plan		
Present value of unfunded obligations	**(0.4)**	(0.4)
Net pension plan surplus on the balance sheet	**4.9**	6.2

These funds have a wide investment remit and as such the investments of the funds may or may not be listed on recognised exchanges and markets and will be without restriction as to geographical, industrial or sectoral exposure. These funds may take both long and short positions and may utilise a broad range of derivatives. The funds' investments may include sub-investment grade securities, corporate debt securities, gilts, sale and repurchase agreements, loans, and emerging markets debt and currencies.

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

The fair values of the quoted equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of the other assets are not. Unquoted investments are included at values provided by the fund managers and are generally valued using recent market data and external sources, with a hierarchy that follows the principles of IFRS 13 "Fair Value Measurement".

The Company has determined that it has an unconditional right to refund of surplus assets if the schemes are run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosures before tax.

For the purposes of the following disclosures, the Staff Plan and Cash Plan have been combined as the Cash Plan is immaterial to these financial statements.

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

	2023 £ million	2022 £ million
Current service cost	**–**	0.1
Amount charged to operating costs	**–**	0.1
Net interest on the net defined benefit pension surplus	**(0.5)**	(0.6)
Net credit to the profit and loss account	**(0.5)**	(0.5)

3. Pensions continued

Defined benefit plans continued

ii) Amounts in the financial statements continued

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

	2023 £ million	2022 £ million
Re-measurement loss on plans' assets	**(0.2)**	(84.7)
Costs of managing plan assets paid by Company	**(1.4)**	(0.7)
Actuarial loss arising from experience	**(1.3)**	(4.4)
Actuarial gain arising from the demographic assumptions	**2.5**	1.0
Actuarial (loss)/gain arising from changes in financial assumptions	**(3.6)**	69.6
Withholding tax payable	**0.8**	(4.3)
Re-measurement of the net defined benefit pension surplus	**(3.2)**	(23.5)

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

	2023 £ million	2022 £ million
At 1 January	**146.1**	217.0
Current service cost	**–**	0.1
Interest cost	**6.8**	3.7
Benefit payments	**(9.4)**	(8.5)
Actuarial loss arising from experience	**1.3**	4.4
Actuarial gain arising from the demographic assumptions	**(2.5)**	(1.0)
Actuarial loss/(gain) arising from changes in financial assumptions	**3.6**	(69.6)
Present value of funded defined benefit pension plans' obligations	**145.9**	146.1

e) Movements in the fair value of plans' assets

	2023 £ million	2022 £ million
At 1 January	**157.0**	245.0
Interest income on plans' assets	**7.3**	4.3
Employer contributions	**–**	0.9
Benefit payments	**(9.4)**	(8.5)
Re-measurement loss on plans' assets	**(0.2)**	(84.7)
Fair value of plans' assets	**154.7**	157.0
Withholding tax payable	**(3.5)**	(4.3)
Fair value of plans' assets less irrecoverable element of pension plan surplus	**151.2**	152.7

f) The key financial assumptions

The assumptions used for both plans using a weighted average were as follows:

	2023 %	2022 %
Inflation – RPI	**3.1**	3.3
Inflation – CPI (pre-2030)	**RPI less 1.0% pa**	RPI less 1.0% pa
Inflation – CPI (post-2030)	**RPI less 0.1% pa**	RPI less 0.1% pa
Rate of increase in pensionable salaries	**CPI**	CPI
Rate of increase for pensions in payment pre-2001 service	**3.6**	3.7
Rate of increase for pensions in payment 2001 to 5 April 2005 service	**3.0**	3.1
Rate of increase for pensions post-5 April 2005 service	**2.1**	2.1
Rate of increase in deferred pensions	**CPI**	CPI
Rate used to discount plan liabilities	**4.5**	4.8

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are such that a member currently aged 65 (2022 aged 65) will live on average for a further 21.7 years (2022 22.0 years) if they are a male and for a further 24.2 years (2022 24.5 years) if they are female. For a member who retires in 2043 (2022 in 2042) at age 65 (2022 aged 65) the assumptions are that they will live on average for a further 23.2 years (2022 23.6 years) after retirement if they are male and for a further 25.8 years (2022 26.2 years) after retirement if they are female.

Notes to the parent Company financial statements continued

3. Pensions continued

Defined benefit plans continued

iii) Amount, timing and uncertainty of future cash flows

The approximate impact to past service liabilities of these changes to the main assumptions, which are considered reasonably possible, is as follows:

- Reducing the discount rate by 0.1 per cent per annum would increase past service liabilities by £1.5 million (2022 £1.6 million).
- Increasing RPI inflation by 0.1 per cent would increase the plans' liabilities by £0.5 million (2022 £0.6 million).
- Increasing the life expectancy of a member by one year (by modifying the standard mortality tables using an appropriate scaling factor) would increase past service liabilities by £7.3 million (2022 £6.9 million).

The accounting valuation of the funded UK defined pension plans as at 31 December 2023 gave rise to a net surplus of £8.8 million (2022 £10.9 million). Future changes to the valuation assumptions noted above may cause material impacts to the pension liability calculations, for example, the discount rate experienced a change of 3.0 per cent between 2023 and 2024.

There will also be an impact on the future service cost but given the small active population in these plans this is likely to be insignificant. The sensitivity analysis may not be representative of the actual change as the changes in assumptions may not occur in isolation.

The liability has the following duration and maturity.

	2023	2022
Weighted average duration of the defined benefit obligation (years)	**11**	11
Maturity analysis of benefit payments (non-discounted amounts) (£ million)		
Maturity ≤ 1 year	**8.6**	8.5
Maturity > 1 ≤ 5 years	**36.3**	35.7
Maturity > 5 ≤ 10 years	**45.3**	46.0
Maturity > 10 ≤ 20 years	**77.3**	81.4
Maturity > 20 ≤ 30 years	**50.8**	56.0
Maturity > 30 years	**31.1**	37.5

Defined contribution plans

The Company contributes to defined contribution pension plans for employees. Employer contributions for 2023 were £1.8 million (2022 £1.2 million).

4. Intangible assets

	£ million		
	Goodwill	Current technology	Total
Cost			
1 January and 31 December 2023	**7.5**	**0.8**	**8.3**
Accumulated amortisation and impairment losses			
At 1 January 2023	**4.4**	**0.6**	**5.0**
Amortisation for the year	**–**	**0.1**	**0.1**
At 31 December 2023	**4.4**	**0.7**	**5.1**
Net book value at 31 December 2022	3.1	0.2	3.3
Net book value at 31 December 2023	**3.1**	**0.1**	**3.2**

The carrying value of goodwill has been tested by reference to the value in use of the Networks & Security CGU as identified in the consolidated financial statements; please refer to note 13 of Notes to the consolidated financial statements on pages 154 to 156 for detailed disclosures. No impairment of goodwill was required.

The goodwill arose on the acquisition of the Positioning business and on the acquisition of Integrated Navigation Systems Limited in 2019, both within the Networks & Security CGU.

5. Tangible assets

	£ million			
	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
Cost				
At 1 January 2023	**0.7**	**4.9**	**1.4**	**7.0**
Additions	**–**	**0.1**	**0.2**	**0.3**
Disposals	**–**	**(0.3)**	**(0.1)**	**(0.4)**
At 31 December 2023	**0.7**	**4.7**	**1.5**	**6.9**
Accumulated depreciation and impairment				
At 1 January 2023	**0.3**	**4.0**	**1.4**	**5.7**
Depreciation charge for the year	**0.1**	**0.2**	**0.1**	**0.4**
Disposals	**–**	**(0.3)**	**(0.1)**	**(0.4)**
At 31 December 2023	**0.4**	**3.9**	**1.4**	**5.7**
Net book value at 31 December 2022	0.4	0.9	–	1.3
Net book value at 31 December 2023	**0.3**	**0.8**	**0.1**	**1.2**

6. Right-of-use assets

The Company leases office buildings.

	Land and buildings £ million
Cost, net of accumulated depreciation and accumulated impairment	
At 1 January 2022	1.8
Additions	0.1
Depreciation charge for the year	(0.3)
At 1 January 2023	**1.6**
Additions	**–**
Depreciation charge for the year	**(0.3)**
At 31 December 2023	**1.3**
At 31 December 2022	
Cost	2.6
Accumulated depreciation and accumulated impairment	(1.0)
Net carrying amount	1.6
At 31 December 2023	
Cost	**2.5**
Accumulated depreciation and accumulated impairment	**(1.2)**
Net carrying amount	**1.3**

The related lease liabilities are disclosed in note 14.

Notes to the parent Company financial statements continued

7. Investments

	£ million		
	Shares in subsidiaries	Loans to subsidiaries	Total
Cost			
At 1 January 2023	**1,195.2**	**2.9**	**1,198.1**
Additions	**34.1**	**–**	**34.1**
Share-based payment	**5.5**	**–**	**5.5**
At 31 December 2023	**1,234.8**	**2.9**	**1,237.7**
Amounts provided			
At 1 January 2023 and 31 December 2023	**743.7**	**2.9**	**746.6**
Net book value at 31 December 2022	451.5	–	451.5
Net book value at 31 December 2023	**491.1**	**–**	**491.1**

The recoverability of the carrying value of investments in subsidiaries has been assessed by reference to value in use.

During the year, capital contributions of £34.1 million were paid to subsidiaries (2022 £13.8 million). Additionally, capital contributions were made to subsidiaries in relation to share-based payment of £5.5 million (2022 £5.7 million).

8. Stocks

	2023 £ million	2022 £ million
Work in progress	**1.9**	1.6
Finished goods	**6.6**	6.8
	8.5	8.4

There were no stock write-downs recognised in the period (2022 nil) and there were no reversals of prior period stock write-downs (2022 nil).

No stock is carried at fair value less costs to sell (2022 nil).

9. Debtors

	Note	**2023 £ million**	2022 £ million
Due within one year			
Trade debtors	12	**9.0**	12.1
Owed by subsidiaries		**17.4**	12.8
Other debtors		**0.5**	0.4
Prepayments		**1.5**	1.4
Current tax asset		**1.5**	1.5
Assets recognised from costs to obtain a contract		**0.1**	0.1
		30.0	28.3
Due after one year			
Defined benefit pension plan surplus	3	**6.6**	8.0
Deferred tax asset	15	**0.9**	0.8
		7.5	8.8

The Directors consider that the carrying amount of trade debtors, amounts owed by subsidiaries and other debtors approximates their fair value.

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

Assets recognised from costs to obtain a contract relate to capitalised incremental costs to obtain a contract, being sales commissions arising on contracts with customers of more than one year in length. No assets were impaired or derecognised during the current year or prior year.

10. Creditors: amounts falling due within one year

	Notes	2023 £ million	2022 £ million
Trade creditors		**3.0**	3.2
Owed to subsidiaries		**112.5**	113.7
Accruals		**3.6**	4.6
Contract liabilities	12	**5.2**	5.6
Government grants	13	**–**	0.2
Lease liabilities	14	**–**	0.2
Other taxes and social security costs		**–**	0.1
		124.3	127.6

Trade creditors are non-interest bearing and are normally settled on 30 to 60-day terms. Other creditors are non-interest bearing.

The Directors consider that the carrying amount of trade creditors and amounts owed to subsidiaries approximates their fair value.

11. Creditors: amounts falling due after more than one year

	Notes	2023 £ million	2022 £ million
Contract liabilities	12	**1.9**	1.6
Lease liabilities	14	**1.3**	1.4
		3.2	3.0

12. Contract balances

The following table provides information about trade debtors and contract liabilities from contracts with customers. The Company does not have any contract assets.

	Notes	2023 £ million	2022 £ million
Trade debtors	9	**9.0**	12.1
Contract liabilities			
Current			
Payments received on account		**–**	0.7
Deferred income		**5.2**	4.9
	10	**5.2**	5.6
Non-current			
Deferred income	11	**1.9**	1.6
Total contract liabilities		**7.1**	7.2
Revenue recognised in the period from amounts included in contract liabilities at the beginning of the period		**5.6**	3.9

There was no revenue recognised in 2023 or 2022 from performance obligations satisfied in previous periods.

The timing of revenue recognition, invoicing and cash collections results in trade debtors, payments received on account and deferred income on the balance sheet.

The Company receives payments from customers based on a billing schedule, as established in the contract. Trade debtors are recognised when the right to consideration becomes unconditional. Contract liabilities are recognised as revenue as (or when) the Company performs under the contract.

The Company also recognises incremental costs incurred to obtain a contract as an asset if it expects to recover those costs. Such costs are presented within debtors in the balance sheet as assets recognised from costs to obtain a contract and disclosed in note 9.

Notes to the parent Company financial statements continued

12. Contract balances continued

Expected realisation of remaining performance obligations at year end

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

For contracts that exceed one year, deferred income that relates to unsatisfied or partially satisfied performance obligations at year end is expected to be recognised as revenue in the future as follows:

	2023 £ million	2022 £ million
Within 1 year	**1.8**	1.6
Greater than 1 year	**1.9**	1.6
	3.7	3.2

The above information represents the revenue the Company will recognise when it satisfies the remaining performance obligations in the contracts. The amounts presented do not include orders for which neither party has performed.

Revenue from the sale of hardware and software generally arises from contracts less than one year in length. Consequently, the above amounts predominantly relate to the sale of maintenance and support services.

Virtually all of the revenue will be recognised within three years.

The Company provides standard warranties on its products and services. The nature of these warranties is considered to provide customers with assurance that the related product or service will function as intended in accordance with the agreed specification, and does not contain or imply any additional service obligation to the customer. Warranty obligations are estimated and recognised as liabilities based on the probable outflow of resources.

13. Government grants

The following government grants are included within creditors:

	2023 £ million	2022 £ million
At 1 January	**0.2**	0.3
Received during the year	**–**	–
Released to the profit and loss account	**(0.2)**	(0.1)
At 31 December	**–**	0.2

All government grants are expected to be recognised in the next 12 months.

Government grants have been received to accelerate and support research and development in the vulnerability of global navigation satellite systems and other high technology projects.

14. Lease liabilities

Total lease liabilities included in the balance sheet at 31 December:

	Buildings £ million
At 1 January 2022	1.7
Additions	0.1
Repayments	(0.3)
Interest	0.1
At 1 January 2023	**1.6**
Additions	**–**
Repayments	**(0.5)**
Interest	**0.2**
At 31 December 2023	**1.3**

	Notes	**2023 £ million**	2022 £ million
Current	10	**–**	0.2
Non-current	11	**1.3**	1.4
		1.3	1.6

14. Lease liabilities continued

	2023 £ million	2022 £ million
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**0.1**	0.3
One to five years	**1.1**	1.0
More than five years	**0.3**	0.5
Total undiscounted lease liabilities at 31 December	**1.5**	1.8

In 2023, the total cash outflow for leases was £0.3 million (2022 £0.3 million).

Extension options
Some leases of buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	2023	2022
	Lease liabilities recognised (discounted) £ million	Lease liabilities recognised (discounted) £ million
Buildings	**1.0**	1.0

15. Deferred tax

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

		£ million			
	Notes	Temporary differences	Tax losses	UK pension plans	Total
At 1 January 2022		0.2	0.4	(6.9)	(6.3)
Charged in the year		0.1	(0.3)	(0.3)	(0.5)
Deferred tax on defined benefit pension plan		–	–	7.6	7.6
At 1 January 2023		**0.3**	**0.1**	**0.4**	**0.8**
Charged in the year		**–**	**0.1**	**–**	**0.1**
Deferred tax on defined benefit pension plan		**–**	**–**	**–**	**–**
At 31 December 2023	9	**0.3**	**0.2**	**0.4**	**0.9**

In 2023 and 2022, the deferred tax liability and asset have been offset on the balance sheet as they related to income taxes raised by the same authority on the same taxable entity.

The Company has tax losses of £22.2 million (2022 £22.9 million) and short-term timing differences of £0.3 million (2022 £0.3 million) that are available for offset against suitable future taxable profits.

A deferred tax asset has not been recognised in respect of these losses as their future recovery is uncertain as the losses are non-trading losses that can only be offset by future non-trading profits. These losses can be carried forward indefinitely.

The Company also has capital losses carried forward of £823.3 million (2022 £823.3 million) for which no deferred tax asset has been recognised on the balance sheet. These capital losses have no expiry date.

Notes to the parent Company financial statements continued

16. Dividends

	2023 £ million	2022 £ million
Declared and paid in the year		
Equity dividend on Ordinary Shares		
Final dividend 2022 of 4.12 pence per Ordinary Share (2021 3.34 pence)	**24.8**	20.3
Interim dividend 2023 of 2.14 pence per Ordinary Share (2022 2.16 pence)	**12.4**	13.1
	37.2	33.4

Dividends are determined in US Dollars and paid in Pound Sterling.

17. Capital and reserves

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

	Number of Ordinary Shares[1] million	£ million
Issued and fully paid Ordinary Shares of 3 1/3 pence each at 1 January 2023 and 31 December 2023	**578.6**	**19.3**

Note
1. Includes shares held in the Employee Share Ownership Trust and Spirent Sharesave Trust.

Please refer to note 29 of the Notes to the consolidated financial statements on page 167 for disclosures relating to the nature and purpose of each reserve within equity.

Investment in own Ordinary Shares

During the year, no shares were purchased and placed into the Employee Share Ownership Trust (2022 7.1 million shares purchased and placed at a cost of £19.3 million). 2.7 million shares were transferred from the Employee Share Ownership Trust in the year to satisfy options exercised under the Spirent employee share plans (2022 2.7 million shares transferred).

At 31 December 2023, the Employee Share Ownership Trust held 6.3 million Ordinary Shares (2022 8.9 million Ordinary Shares) to satisfy awards under various share incentive plans. At 31 December 2023, the Spirent Sharesave Trust held 0.5 million Ordinary Shares (2022 0.5 million Ordinary Shares) to satisfy awards made to United Kingdom-based employees under an all-employee share scheme. The market value of own Ordinary Shares held in trust, being in total 6.8 million Ordinary Shares (2022 9.4 million Ordinary Shares), at 31 December 2023 was £8.3 million (2022 £24.5 million).

Both the Employee Share Ownership Trust and the Spirent Sharesave Trust are an extension of the Company.

Share Buyback Programme

On 3 April 2023, the Company commenced a Share Buyback Programme of £56.0 million which was successfully completed on 24 August 2023. These 33.1 million shares, representing circa 5.4 per cent of the Company's issued share capital, have been cancelled.

17. Capital and reserves continued

Employee share plans

The Company operates a number of employee share incentive plans which are described in note 30 of Notes to the consolidated financial statements.

The share incentives over Ordinary Shares under these plans that have been granted and remain outstanding at 31 December 2023, held by employees of the Company, are as follows:

			2023			2022		
Share plan	Exercise period (as at 31 December)	Exercise price pence	Weighted average exercise price pence	Number of share incentives outstanding million	Weighted average remaining contractual life years	Weighted average exercise price pence	Number of share incentives outstanding million	Weighted average remaining contractual life years
Spirent Long-Term Incentive Plan[1]	05.03.24–15.09.26	–	**–**	**1.8**	**1.5**	–	1.7	1.7
				1.8			1.7	

Note
1. Figures for the Spirent Long-Term Incentive Plan include restricted stock and Performance Shares in aggregate. No exercise price is payable on the vesting of a Performance Share.

The weighted average share price at exercise date was 167 pence (2022 227 pence).

Full list of subsidiary undertakings

A full list of subsidiaries of Spirent Communications plc at 31 December 2023 is set out below. The country of incorporation and the effective percentage of equity owned (if less than 100 per cent) is also detailed below. Unless otherwise noted, the share capital comprises Ordinary Shares which are indirectly held by Spirent Communications plc.

Company name	Registered in	Registered office address	Notes
Spirent Communications of Ottawa Limited	Canada	100 King Street West, 41st Floor, 1 First Canadian Place, Toronto, Ontario M5X 1B2	
Spirent Communications Technology (Beijing) Limited	China	Suite 1302, Shining Tower, No 35 Xue Yuan Road, Haidian District, Beijing 100083	Held directly
Bowthorpe Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Cambridge Analytical Group Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Earlynow Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	
Inclex No 3 Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Inclex No 5 Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Inclex No 6 Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	
Inclex No 7 Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	
PG International Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Shipbrick Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	54.55 per cent held directly, 45.45 per cent held indirectly
Spirent Capital Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Spirent Financial Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Spirent Holdings Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Spirent Investment Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Spirent Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Spirent Sharesave Trust Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	Held directly
Spirent Systems Limited	England	Origin One, 108 High Street, Crawley, West Sussex RH10 1BD	100 per cent "A" shares held indirectly, 100 per cent "B" shares held directly
Spirent Communications SAS	France	Gaia, 9 Parc Ariane, Boulevard des Chenes, 78280 Guyancourt	Held directly
Spirent Communications GmbH	Germany	Konrad-Zuse Platz 10, House H, 3rd Floor, 81829 Munich	
Spirent (Overseas) Limited	Guernsey	Suite 6, Provident House, Havilland Street, St Peter Port GY1 2QE	
Spirent Communications (Asia) Limited	Hong Kong	Suites 1603-05, 16th Floor, 625 King's Road, North Point	

Company name	Registered in	Registered office address	Notes
Spirent Communications (India) Pvt Limited	India	2nd Flr Umiya Business Bay Tower, 1 Cessna Business Park, Marathahalli-Sarjapur Ring Road, Kadubeesanahalli, Bangalore 560103 Karnataka	
Spirent Communications Japan KK	Japan	4th Floor Kyodotsushin Kaikan, 2-2-5, Toranomon, Minato-ku, Tokyo 105-0001	
Spirent Communications Singapore Pte Limited	Singapore	101 Thomson Road, #30-01 United Square, Singapore 307591	
Spirent Communications Korea Inc	South Korea	(Seocho-dong, Boutique Monaco) R/M 1609, 397 Seochodaero, Seocho-gu, Seoul 06616	
Spirent Communications Taiwan Limited	Taiwan	10F, No 66, Sec 1, Neihu Road, Neihu District, Taipei City 11493	
Netcom Systems Holdings Corporation	US (Delaware)	1209 Orange Street, Wilmington, Delaware 19801	
Spirent Communications Inc	US (Delaware)	1209 Orange Street, Wilmington, Delaware 19801	
Spirent Federal Systems Inc	US (Delaware)	1209 Orange Street, Wilmington, Delaware 19801	
Spirent Holdings Corporation	US (Delaware)	1209 Orange Street, Wilmington, Delaware 19801	
Spirent Communications Hawaii LLC	US (Hawaii)	1209 Orange Street, Wilmington, Delaware 19801	

Financial history

	$ million				
	2023	2022	2021	2020	2019
Summary income statement					
Revenue	**474.3**	607.5	576.0	522.4	503.6
Cost of sales	**(130.7)**	(170.4)	(151.3)	(139.0)	(135.0)
Gross profit	**343.6**	437.1	424.7	383.4	368.6
Product development	**(102.4)**	(111.3)	(113.3)	(103.1)	(96.5)
Selling and marketing	**(133.9)**	(138.9)	(140.7)	(123.4)	(129.2)
Administration	**(62.1)**	(57.4)	(52.2)	(53.4)	(50.0)
Adjusting items	**(26.8)**	(16.8)	(14.3)	(7.8)	(4.3)
Operating profit	**18.4**	112.7	104.2	95.7	88.6
Net finance income/(costs)	**4.5**	1.9	(0.6)	0.1	1.0
Gain on divestment	**–**	–	–	–	–
Profit before tax	**22.9**	114.6	103.6	95.8	89.6
Tax credit/(charge)	**2.3**	(14.7)	(14.4)	(11.4)	(11.6)
Profit for the year	**25.2**	99.9	89.2	84.4	78.0
Summary balance sheet					
Intangible assets	**206.6**	202.0	208.2	159.9	160.3
Property, plant and equipment	**15.8**	20.6	23.7	25.8	29.5
Right-of-use assets	**17.2**	19.5	26.0	23.3	26.0
Working capital (excluding cash and deferred tax)	**17.3**	10.6	11.4	2.3	16.0
Operating assets	**256.9**	252.7	269.3	211.3	231.8
Net funds including long-term cash	**108.1**	209.6	174.8	241.2	183.2
Lease liabilities	**(21.4)**	(22.1)	(29.8)	(28.2)	(33.0)
Provisions	**(8.0)**	(8.4)	(7.9)	(9.8)	(8.2)
Deferred tax	**43.2**	32.8	10.6	21.7	22.4
Defined benefit pension plan (deficit)/surplus	**(3.0)**	0.6	30.5	6.6	6.1
Net assets	**375.8**	465.2	447.5	442.8	402.3
Total equity	**375.8**	465.2	447.5	442.8	402.3
Summary cash flows					
Cash flow from operating activities	**31.9**	117.8	102.9	121.2	119.3
Interest received	**5.4**	1.5	0.4	1.5	2.6
Net capital expenditure	**(6.1)**	(8.2)	(9.8)	(9.0)	(11.9)
Net lease payments	**(8.2)**	(9.0)	(9.5)	(11.1)	(9.9)
Acquisition related other adjusting items and one-off contributions to UK pension scheme	**0.7**	1.7	7.9	–	–
Free cash flow	**23.7**	103.8	91.9	102.6	100.1
Acquisitions, disposals and investment in associate	**(7.8)**	–	(51.3)	–	(1.9)
Share purchase into Employee Share Ownership Trust	**–**	(22.9)	(15.1)	(11.9)	(8.6)
Share buyback	**(71.6)**	–	–	–	–
Dividend paid	**(46.5)**	(39.9)	(84.1)	(33.6)	(28.6)
Acquisition related other adjusting items and one-off contributions to UK pension scheme	**(0.7)**	(1.7)	(7.9)	–	–
Net (decrease)/increase in cash and cash equivalents	**(102.9)**	39.3	(66.5)	57.1	61.0

	$ million				
	2023	2022	2021	2020	2019
Other information					
Expenditure on property, plant and equipment	**6.5**	8.4	10.2	9.5	10.9
Depreciation of property, plant and equipment	**10.5**	11.0	12.4	12.2	14.7
Depreciation of right-of-use assets	**6.9**	7.3	7.9	8.4	7.5
Product development	**102.4**	111.3	113.3	103.1	96.5
Share information					
Earnings per share (cents)					
Basic	**4.30**	16.46	14.67	13.84	12.79
Diluted	**4.26**	16.36	14.54	13.71	12.63
Adjusted basic[1,2]	**7.55**	18.86	16.59	14.68	13.40
Dividend per Ordinary Share (cents)	**2.76**	7.57	6.76	6.04	5.39
Special dividend per Ordinary Share (cents)	**–**	–	–	7.50	–
Fully paid Ordinary Shares in issue at year end (number, million)	**578.6**	611.7	611.7	611.7	611.7
Segmental analysis					
Revenue					
Lifecycle Service Assurance	**199.1**	264.5	261.6	219.3	190.6
Networks & Security	**275.2**	343.0	314.4	303.1	313.0
	474.3	607.5	576.0	522.4	503.6
Adjusted operating profit[1]					
Lifecycle Service Assurance	**16.9**	51.0	63.1	50.7	28.7
Networks & Security	**39.0**	86.8	63.5	62.0	72.8
Corporate – non-segmental	**(10.7)**	(8.3)	(8.1)	(9.2)	(8.6)
Adjusted operating profit[1]	**45.2**	129.5	118.5	103.5	92.9
Acquired intangible asset amortisation	**(5.0)**	(4.7)	(4.2)	(0.5)	(1.2)
Share-based payment	**(7.6)**	(8.5)	(5.6)	(4.2)	(3.5)
Other adjusting items	**(14.2)**	(3.6)	(4.5)	(3.1)	0.4
Operating profit	**18.4**	112.7	104.2	95.7	88.6
Geographical information					
Revenue by geographical market					
Americas	**268.1**	336.3	324.6	276.2	266.1
Asia Pacific	**153.9**	205.8	185.1	189.2	187.8
Europe, Middle East and Africa	**52.3**	65.4	66.3	57.0	49.7
	474.3	607.5	576.0	522.4	503.6

Notes
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items.
2. Before gain on divestment, items in note 1, tax effect of items in note 1 and over/under provisions in respect of prior year tax.

Alternative performance measures

The performance of the Group is assessed using a variety of alternative performance measures (APMs) which are presented to provide users with additional financial information that is regularly reviewed by management. The APMs presented are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

In management's view, the APMs reflect the underlying performance of the Group and provide an alternative basis for evaluating how the Group is managed and measured on a day-to-day basis. Such APMs are non-GAAP measures and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The APMs and key performance indicators are aligned to the Group's strategy and collectively are used to measure the performance of the Group and form the basis of the metrics for Director and management remuneration. The Group's key performance indicators are presented within the Strategic Report of its 2023 Annual Report.

Order intake

Order intake represents commitments from customers to purchase goods and/or services from Spirent that will ultimately result in recognised revenue. Where there can reasonably be changes to the scope or duration of an order, the Group exercises judgement on the amount of the order that is booked.

Order intake is a measure of operating performance used by management to assess whether future activity levels are increasing or slowing and therefore how effective we have been in the execution of our strategy. Order intake is a key performance indicator used to measure Group, operating segment and regional performance for internal reporting purposes.

Orderbook

Orderbook comprises the value of all unsatisfied orders from customers and provides an indication of the amount of revenue that has been secured and will be recognised in future periods. Orderbook represents the transaction price allocated to wholly and partially unsatisfied performance obligations, including amounts held in contract liabilities at the period end. There is no comparable IFRS measure.

Book to bill

Book to bill is the ratio of orders booked to revenue recognised in the year and is a measure of the visibility of future revenues at current levels of activity. Book to bill is a key performance indicator used to measure Group and operating segment performance for internal reporting purposes.

Adjusted operating profit

Adjusted operating profit is reported operating profit excluding amortisation of acquired intangible assets, share-based payment and other adjusting items including restructuring. Management uses adjusted operating profit, in conjunction with other GAAP and non-GAAP financial measures, to evaluate the overall operating performance of the Group as well as each of the operating segments and believes that this measure is relevant to understanding the Group's financial performance, as specific items (adjusting items) are identified and excluded by virtue of their size, nature or incidence, as they are not considered part of the Group's normal ongoing operations and therefore can lead to period-on-period fluctuations that can make it difficult to assess financial performance.

Specifically, items are excluded from adjusted operating profit if they are acquisition related in nature, including acquired intangible asset amortisation which is dependent on being able to identify intangible assets and assessing their useful economic lives, or if their exclusion allows for more meaningful comparisons with peer companies such as share-based payment which can fluctuate from period to period. The exclusion of adjusting items from adjusted operating profit is consistent from period to period.

Adjusted operating profit is also used in setting Director and management remuneration targets and in discussions with the investment analyst community.

Adjusted operating margin

Adjusted operating margin is adjusted operating profit as a percentage of revenue. It is a measure of the Group's overall profitability and how successful we are in executing on our overall strategy, and demonstrates our ability to improve margin through efficient operations and cost management, whilst being mindful of the need to invest for the future.

Effective tax rate

Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax. The adjusted tax charge is the reported tax charge excluding the tax effect on adjusting items and adjustments made to provisions in respect of prior year tax.

Adjusted basic earnings per share

Adjusted basic earnings per share (EPS) is adjusted earnings attributable to owners of the parent Company divided by the weighted average number of Ordinary Shares outstanding during the year. Adjusted earnings is reported profit before tax excluding amortisation of acquired intangible assets, share-based payment, other adjusting items, tax on adjusting items and over/under provisions in respect of prior year tax.

Adjusted basic EPS is a measure of how successful we are in executing on our strategy and ultimately delivering increased value for shareholders. Adjusted basic EPS is also used in setting Director and management remuneration targets and in discussions with the investment analyst community. The Group sets out the calculation of adjusted basic EPS in note 11 of Notes to the consolidated financial statements.

Product development spend as a percentage of revenue

Product development as a percentage of revenue in the year. It is a measure of how much the Group is investing to support further organic growth initiatives in line with the strategic objectives, whilst driving improved productivity and effectiveness.

Free cash flow

Free cash flow is cash flow generated from operations, less tax and net capital expenditure, lease liability principal repayments and lease liability interest paid, add interest received and lease payments received from finance leases, excluding acquisition related other adjusting items and one-off employer contributions to the UK pension scheme.

Free cash flow is a measure of the quality of the Group's earnings and reflects the ability to convert profits into cash and ultimately to generate funds for future investment. It gives us financial strength and flexibility and the ability to pay sustainable dividends to our shareholders. Free cash flow is an important indicator of overall operating performance as it reflects the cash generated from operations after capital expenditure, financing and tax which are significant ongoing cash flows associated with investing in the business and financing operations.

Free cash flow excludes corporate level cash flows that are independent of ongoing trading operations such as dividends, acquisitions and disposals and share repurchases and therefore is not a measure of the funds that are available for distribution to shareholders.

A reconciliation of cash generated from operations, the closest equivalent GAAP measure, to free cash flow is provided within the Financial Review on page 53.

Free cash flow conversion

Free cash flow conversion is the ratio of free cash flow to adjusted earnings, presented as a percentage.

Free cash flow conversion is a measure used in conjunction with free cash flow to assess the Group's ability to convert profit into cash and ultimately to generate funds for future investment.

Shareholder information

Financial calendar 2024

5 March 2024	Full year results and dividend announcement
May	Annual General Meeting
30 June	Half year end
August	Half year results and dividend announcement
31 December 2024	Financial year end
February/March 2025	2024 full year results and dividend announcement

Ordinary Shares and American Depositary Receipts

The Company's Ordinary Shares are traded on the London Stock Exchange (ticker: SPT). The Company operates a Level 1 American Depositary Receipt (ADR) programme with each ADR representing four Ordinary Shares. The ADRs trade on the US over-the-counter market (symbol: SPMYY; CUSIP: 84856M209). BNY Mellon is the authorised depositary bank for the Company's ADR programme.

The ADRs are quoted on the OTC Pink electronic quotation service which can be found at www.otcmarkets.com/corporate-services.

Annual General Meeting

The Company's 2024 Annual General Meeting (2024 AGM) will be held at the offices of UBS at 5 Broadgate, London EC2M 2QS in May 2024.

Company's registrar

Enquiries concerning shareholdings, change of address or other particulars should be directed in the first instance to the Company's registrar, Equiniti, on +44 (0)371 384 2126 (please use the country code when calling from outside the UK). When you call, please quote your 11 digit Shareholder Reference number. Lines are open from 8.30am to 5.30pm (UK time) Monday to Friday, excluding public holidays in England and Wales. You can also contact us by using the Relay UK website at www.relayuk.bt.com.

Equiniti also provides a range of online shareholder information services at www.shareview.co.uk, where shareholders can check their holdings and find practical help on transferring shares or updating their details.

Dividends

Shareholders are able to choose to receive their dividends direct to their bank account, reinvested in Ordinary Shares through the Company's Dividend Reinvestment Plan (see below), paid by cheque or paid in foreign currencies. To change how you receive your dividends please contact the Company's registrar, Equiniti, on +44 (0)371 384 2126 (please use the country code when calling from outside of the UK) or log on to www.shareview.co.uk.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan (DRIP) delivered by Equiniti Financial Services Limited. The DRIP allows eligible shareholders to use their cash dividend to buy additional shares in the Company, so increasing their shareholding. If you would like additional information, please contact the Company's registrar, Equiniti, on +44 (0)371 384 2268 (please use the country code when calling from outside of the UK) or log on to www.shareview.co.uk.

Shareholder security

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports about the Company.

Details of any share dealing facilities that the Company endorses will be included in the Company's mailings or on our website.

More detailed information can be found at www.fca.org.uk/consumers.

Glossary

4G (Fourth Generation)	Fourth generation of mobile communications that delivers data rates of tens to hundreds of megabits per second.
5G Core/5G Core Network	The heart of a standalone 5G network, providing data and control plane operations. The 5G core aggregates data traffic, communicates with devices, delivers essential network services and provides extra layers of security, among many other functions.
5G (Fifth Generation)	Fifth generation of cellular technology, engineered to greatly increase the speed and responsiveness of wireless networks, capable of multiple gigabit per second data rates and very low latency.
6G (Sixth Generation)	The future standard for wireless communications technologies supporting cellular data networks. As the planned successor to 5G, it is expected to be capable of much higher data speeds and to support new business models.
Artificial Intelligence (AI)	The simulation of human intelligence processes by machines, especially computer systems. Specific applications of AI include expert systems, natural language processing, speech recognition and machine vision.
Automotive Ethernet	A form of Ethernet network with a physical layer adapted to automotive use cases, capable of meeting automotive electromagnetic compatibility and immunity requirements.
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.
Communications Service Provider (CSP)	An umbrella term for a company that offers communications and information-related services. This can include telephone companies, internet providers, or satellite cable companies, as well as media entities.
Continuous Integration/Continuous Delivery (CI/CD)	A culture, operating principles, and set of practices that application development teams use to deliver software code changes more frequently and reliably.
Data Centre	A centralised location where computing resources critical to an organisation are maintained in a highly controlled environment.
Doppler	A change in the frequency with which waves (as of sound or light) from a given source reach an observer when the source and the observer are in motion with respect to each other so that the frequency increases or decreases according to the speed at which the distance is decreasing or increasing.
Edge/Edge Computing	A network architecture concept that enables cloud computing capabilities and an IT service environment at the edge of the cellular network and, more generally, at the edge of any network.
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.
Fixed Wireless Access (FWA)	A method of providing wireless connectivity through radio links between two fixed points that enables "last mile" wireless broadband access to homes or businesses without the need to lay fibre or cable.
Global Navigation Satellite System (GNSS)	The standard generic term for satellite navigation systems that provide autonomous geospatial 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.
Hyperscaler	The operator of data centres that offer scalable cloud computing services. Examples include Amazon Web Services (AWS), Microsoft Azure and Google Cloud Platform.
Internet of Things (IoT)	A network of physical objects or "things" embedded with electronics, software, sensors and connectivity to enable data exchange with the manufacturer, the operator and/or other connected devices. Each thing is uniquely identifiable through its embedded computing system but is able to interoperate within existing internet infrastructure.
Internet Protocol (IP)	The primary network protocol used on the internet and on other network devices to facilitate and control the flow of data.
Low Earth Orbit (LEO)	An orbit that is relatively close to Earth's surface, generally at an altitude of less than 2,000 kilometres (1,200 miles).
Machine Learning (ML)	A branch of artificial intelligence (AI) and computer science which focuses on the use of data and algorithms to imitate the way that humans learn, gradually improving its accuracy.

Glossary continued

Multi-Access Edge Computing (MEC)	MEC moves the computing of traffic and services from a centralised cloud to the edge of the network and closer to the customer. Instead of sending all data to a cloud for processing, the network edge analyses, processes, and stores the data.
Network Equipment Manufacturers (NEMs)	Developers and suppliers of products and services to communication service providers such as fixed or mobile operators, as well as to enterprise customers.
Non-Standalone (NSA) 5G	An architecture used in initial 5G network rollouts to provide customers with higher data transfer speeds by pairing a 5G Radio Access Network (RAN) with an existing 4G Evolved Packet Core (EPC).
Non-Terrestrial Networks (NTN)	Networks that provide connectivity through spaceborne vehicles (satellite), airborne platforms, including airships and balloons, or UAS (unmanned aircraft system) platforms, including drones.
Open Radio Access Network (Open RAN/O-RAN)	The concept of interoperability of open hardware, software and interfaces for cellular wireless access networks.
Open RAN Radio Unit (RU) and Distributed Unit (DU)	Two of the main building blocks of a disaggregated Open RAN environment. The RU is where the radio frequency signals are transmitted, received, amplified, and digitised. The DU sends the digitalised radio signal into the network.
Over-the-Air Testing	A testing method used to test the performance and reliability of a wireless device in the real world. The device under test can be tested out in the real-world or placed inside a test chamber where real-world environments are simulated and is subject to a variety of test conditions.
Positioning, Navigation and Timing (PNT)	"Positioning" is the ability to determine the geographic location of a person, object or signal. "Navigation" is the ability to calculate a route to a desired position from a current position. "Timing" is essential to synchronisation of modern networks, providing the only frame of reference between all devices.
Secure Access Service Edge (SASE)	A security framework for enabling secure and rapid cloud adoption, and for helping to ensure that both users and devices have secure cloud access to applications, data and services anywhere, any time.
Standalone (SA) 5G	Use of 5G cells for both signalling and information transfer. It includes new 5G packet core architecture instead of relying on the 4G evolved packet core. SA deployment is expected to have lower cost and better efficiency, and to assist development of new use cases.
System-on-Chip (SoC)	A system on a chip or system-on-chip is an integrated circuit that integrates most or all components of a computer or other electronic system.
Test-as-a-Service (TaaS)	The outsourcing of testing activities to a third party that focuses on simulating real-world testing environments as specified in the client requirements.
Virtualisation	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.
Wi-Fi 6/Wi-Fi 6E/Wi-Fi 7	Wi-Fi 6 is the latest generation and standard for wireless internet, providing lower latency and more efficient data transfer compared with earlier generations. Wi-Fi 6E extends the capabilities of Wi-Fi 6 into the 6 GHz band in certain countries. Wi-Fi 7 is the next generation of Wi-Fi standards, currently in development.
Zero Trust (ZT)/Zero Trust Framework (ZTF)	An architectural approach and goal for network security that assumes that every transaction, entity, and identity is untrusted until trust is established and maintained over time, in contrast with the legacy view that a network is secure unless security systems identify a breach.

Contact details

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Website: www.dentonsglobaladvisors.com

Cautionary statement regarding forward-looking statements

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

Spirent Communications plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Magno Satin, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company.
Both the printer and the paper mill are registered to ISO 14001.

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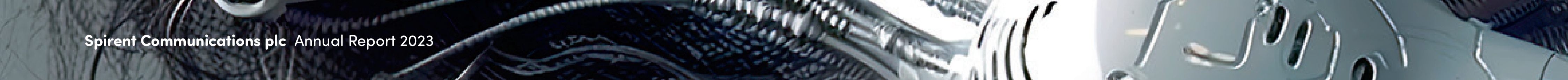
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