

SPIRENT PLC
Form 20-F
May 17, 2002

Use these links to rapidly review the document

[Table of Contents](#)

[ITEM 18. FINANCIAL STATEMENTS](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

// **ANNUAL REPORT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE
ACT OF 1934**

or

/X/ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended: December 31, 2001

or

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

For the transition period from _____ to _____

Commission file number:

SPIRENT PLC

(Exact name of Registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Edgar Filing: SPIRENT PLC - Form 20-F

+44 (0)1293 767676

(Registrant's telephone number, including area code)

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

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

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

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of period covered by the annual report: 933,196,728 ordinary shares of 3¹/₃p.

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

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

Item 17 // Item 18 /X/

Table of Contents

ITEM 3. KEY INFORMATION

Selected Consolidated Financial Information of Spirent

Exchange Rate Information

Risk Factors

ITEM 4. INFORMATION ON THE COMPANY

Overview of Our Business

Communications Group

Network Products Group

Systems Group

Interconnection Joint Venture

Organizational Structure

Properties and Facilities

Intellectual Property

Materials

Regulatory and Other Government Requirements

Enforcement of Civil Liabilities

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

Year Ended December 31, 2001 Compared with the Year Ended December 31, 2000

Communications

Network Products

Systems

Year Ended December 31, 2000 Compared with the Year Ended December 31, 1999

Communications

Network Products

Systems

Sensing Solutions

Liquidity and Capital Resources

Foreign Exchange

Research and Development

Factors That May Affect Future Results

Inflation

Adoption of the Euro

Differences Between UK GAAP and US GAAP

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Senior Management

The Board of Directors and Committees of the Board

Compensation of Directors and Senior Management

Employees

Shares Held by Directors and Senior Management

Share Schemes and Related Information

Options to Acquire Shares

Performance Units Under the Long-Term Share Purchase Plan

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

i

ITEM 8. FINANCIAL INFORMATION

ITEM 9. THE OFFER AND LISTING

ITEM 10. ADDITIONAL INFORMATION

Memorandum and Articles of Association

Material Contracts

Exchange Controls

Taxation

Documents on Display

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES

ABOUT MARKET RISKS

ITEM 18. FINANCIAL STATEMENTS

ITEM 19. EXHIBITS

The items omitted from the index for Form 20-F are either not applicable to this annual report or we have nothing to disclose in respect of that item.

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

ITEM 3. KEY INFORMATION**Selected Consolidated Financial Information of Spirent**

The selected consolidated profit and loss account data for each of the three years in the period ended December 31, 2001 and balance sheet data as of December 31, 2001 and 2000 set forth below are derived from our audited consolidated financial statements, which are included elsewhere in this annual report. The profit and loss account data for the years ended December 31, 1998 and 1997 and the balance sheet data as of December 31, 1999, 1998 and 1997 are derived from our audited consolidated financial statements included in our registration statement on Form 20-F filed with the Commission on June 27, 2001. All of these financial statements have been audited by Ernst & Young LLP, our independent auditors. The selected consolidated financial data set forth below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects," and our consolidated financial statements and notes thereto included elsewhere in this annual report.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United Kingdom, or UK GAAP, which differ in certain respects from those generally accepted in the United States, or US GAAP. A description of the significant differences applicable to us and reconciliations of net income, shareholders' equity and cash flows are set forth in note 37 of Notes to the Financial Statements.

1

Consolidated Profit and Loss Account Data

	Year ended December 31				
	2001	2000	1999	1998	1997
	(£ millions, except per share and per ADS amounts)				
Amounts in accordance with UK GAAP					
Turnover	801.8	696.7	544.5	470.2	432.8
Operating (loss)/profit	(733.2)	110.0	81.4	70.1	60.4
Exceptional items	34.9	2.2			
Exceptional item goodwill impairment	724.6				
Goodwill amortization	86.6	25.7	8.6	0.9	
Operating profit before goodwill amortization and exceptional items	112.9	137.9	90.0	71.0	60.4
Income from interests in					
Joint venture	9.6	13.3	9.5	11.5	11.0
Associates	1.3	2.7	2.3	1.7	3.0
Amortization of goodwill on associates	(0.1)				
Profit/(loss) on disposal and closure of operations	14.5	(18.1)	(6.7)		
Profit on disposal of tangible fixed assets		3.2			
(Loss)/profit before interest	(707.9)	111.1	86.5	83.3	74.4

Edgar Filing: SPIRENT PLC - Form 20-F

Year ended December 31

Net interest (payable)/receivable	(22.8)	(29.3)	(12.8)	(2.1)	0.4
(Loss)/profit before taxation	(730.7)	81.8	73.7	81.2	74.8
Taxation	32.6	30.6	30.2	27.3	23.5
Minority interest	0.2	0.5			0.1
(Loss)/profit for the financial period	(763.5)	50.7	43.5	53.9	51.2
Basic (loss)/earnings per share (pence)(1)	(83.43)	7.40	6.67	8.33	8.16
Headline earnings per share (pence)(1)	7.76	12.61	9.18	8.47	8.16
Diluted (loss)/earnings per share (pence)(1)	(83.43)	7.18	6.39	8.29	8.15
Dividend per share (pence)	4.35	4.35	4.13	3.82	3.49
Dividend per share (US cents)	6.36	6.33	6.38	6.10	5.79
Dividend per ADS (pence)	17.40	17.40	16.52	15.28	13.96
Dividend per ADS (US cents)	25.44	25.32	25.52	24.40	23.16
Turnover by segment					
Continuing operations					
Performance Analysis Solutions Division	245.5	283.7	114.7	52.4	30.8
Service Assurance Solutions Division	185.1	5.5			
Communications	430.6	289.2	114.7	52.4	30.8
Network Products	170.4	181.4	158.1	149.2	142.8
Systems	124.0	135.4	149.6	149.2	150.5
Discontinued operations	725.0	606.0	422.4	350.8	324.1
	76.8	90.7	122.1	119.4	108.7
	801.8	696.7	544.5	470.2	432.8
Operating profit before goodwill amortization and exceptional items					
Continuing Operations					
Performance Analysis Solutions Division	38.7	97.1	43.0	18.4	9.3
Service Assurance Solutions Division	44.7	1.5			
Communications	83.4	98.6	43.0	18.4	9.3
Network Products	15.3	25.3	21.8	20.7	20.5
Systems	6.1	2.7	10.8	16.2	16.3
	104.8	126.6	75.6	55.3	46.1

Edgar Filing: SPIRENT PLC - Form 20-F

Year ended December 31

Discontinued operations	8.1	11.3	14.4	15.7	14.3
	112.9	137.9	90.0	71.0	60.4

Footnote on following page.

2

Amounts in accordance with US GAAP

Year ended December 31

	2001	2000	1999	1998
	(£ millions, except per share and per ADS amounts)			
Net (loss)/income	(773.7)	(39.6)	2.2	28.7
Net (loss)/income per share(1)				
Basic (pence)				
Continuing operations	(89.17)	(6.10)	(1.15)	3.53
Discontinued operations	4.62	0.32	1.49	0.90
Net (loss)/income	(84.55)	(5.78)	0.34	4.43
Diluted (pence)				
Continuing operations	(89.17)	(6.10)	(1.11)	3.51
Discontinued operations	4.62	0.32	1.44	0.90
Net (loss)/income	(84.55)	(5.78)	0.33	4.41
Dividend per share (pence)	4.35	4.24	3.91	3.58
Dividend per share (US cents)	6.33	6.29	6.22	5.93
Net (loss)/income per ADS(1)				
Basic (pence)				
Continuing operations	(356.68)	(24.40)	(4.60)	14.12
Discontinued operations	18.48	1.28	5.96	3.60
Net (loss)/income	(338.20)	(23.12)	1.36	17.72
Diluted (pence)				
Continuing operations	(356.68)	(24.40)	(4.44)	14.06

Edgar Filing: SPIRENT PLC - Form 20-F

Year ended December 31

Discontinued operations	18.48	1.28	5.76	3.58
Net (loss)/income	(338.20)	(23.12)	1.32	17.64
Dividend per ADS (pence)	17.40	16.96	15.64	14.32
Dividend per ADS (US cents)	25.32	25.16	24.88	23.72

3

Other financial data

Year ended December 31

	2001	2000	1999	1998
	(£ millions)			
Amounts in accordance with UK GAAP				
Goodwill and other intangible amortization	86.6	25.7	8.7	0.9
In-process research and development				
Stock compensation	0.4	1.4		
Profit/(loss) on disposal of operations	14.5	(18.1)	(6.7)	
Amounts in accordance with US GAAP				
Goodwill and other intangible amortization	189.9	74.8	39.2	21.6
In-process research and development		27.4	11.2	
Stock compensation (credit)/expense	(17.9)	27.5	12.4	0.5
(Loss)/profit on disposal of operations	(37.1)	(4.2)	9.7	

(1) Headline earnings per share has been calculated to exclude all exceptional items and attributable taxation.

4

Consolidated Cash Flow Data

As at December 31

	2001	2000	1999	1998
	(£ millions)			
Amounts in accordance with UK GAAP				
Net cash inflow from operating activities	141.2	125.7	101.7	77.2

Edgar Filing: SPIRENT PLC - Form 20-F

As at December 31

Acquisitions and disposals	149.6	(536.6)	(232.9)	(28.1)
Financing	(152.8)	480.2	284.2	6.8
Amounts in accordance with US GAAP				
Cash inflow from operating activities	96.4	83.9	72.9	52.3
Cash inflow/(outflow) on investing activities	91.9	(596.1)	(272.7)	(64.9)
Cash (outflow)/inflow from financing activities	(192.6)	452.5	258.7	(8.9)

Consolidated Balance Sheet Data

As at December 31

	2001	2000	1999	1998	1997
--	------	------	------	------	------

(£ millions)

Amounts in accordance with UK GAAP

Intangible assets	987.7	1,816.8	321.3	25.7	
Other investments	34.1	33.4	12.3	5.7	5.0
Current assets	264.4	375.5	270.5	186.6	197.2
Total assets	1,486.4	2,415.5	757.9	357.2	315.1
Total liabilities	389.6	577.1	503.7	175.9	177.4
Current liabilities	178.0	219.4	269.6	93.7	99.6
Creditors due after more than one year	210.1	355.6	233.4	78.1	77.8
Shareholders' funds	1,094.4	1,834.7	250.3	178.9	135.1

Amounts in accordance with US GAAP

Intangible assets	907.8	1,803.5	430.0		
Other investments					
Current assets	266.0	377.2	275.8		
Total assets	1,374.5	2,376.4	874.8		
Total liabilities	407.4	587.4	480.3		
Current liabilities	151.6	187.3	213.4		
Creditors due after more than one year	219.9	358.5	266.9		
Shareholders' funds	964.7	1,785.3	390.6		

Exchange Rate Information

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

US Dollar

The noon buying rate on May 14, 2002, was \$1.45 = £1.00. The following table sets forth the high and low rate for each month of the previous six months.

Edgar Filing: SPIRENT PLC - Form 20-F

	<u>High</u>	<u>Low</u>
	(US dollar per pound sterling)	
April 2002	1.46	1.43
March 2002	1.43	1.41
February 2002	1.43	1.41
January 2002	1.45	1.41
December 2001	1.46	1.42
November 2001	1.47	1.41

The following table sets forth information about the noon buying rate for the last five years. The average rates for each year are calculated by using the rate on the last business day of each month during the relevant year.

<u>Year ended December 31</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>End of year</u>
	(US dollar per pound sterling)			
2001	1.50	1.37	1.44	1.45
2000	1.65	1.40	1.51	1.50
1999	1.68	1.55	1.61	1.62
1998	1.72	1.61	1.66	1.66
1997	1.71	1.58	1.64	1.64

Fluctuations in the exchange rate between pounds sterling and US dollars affect the US dollar equivalent of the pound sterling denominated prices of our shares and, as a result, affect the market price of our ADSs in the United States.

Euro

The euro rate on May 14, 2002, was E1.60 = £1.00. The following table sets forth the high and low rate for each month of the previous six months.

	<u>High</u>	<u>Low</u>
	(euro per pound sterling)	
April 2002	1.64	1.62
March 2002	1.64	1.61
February 2002	1.64	1.62
January 2002	1.64	1.60
December 2001	1.64	1.59
November 2001	1.64	1.60

The following table sets forth information about the euro rate for the last three years. The average rates for each year are calculated by using the rate on the last business day of each month during the relevant year.

<u>Year ended December 31</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>End of year</u>
	(euro per pound sterling)			
2001	1.67	1.56	1.61	1.64
2000	1.74	1.56	1.64	1.60
1999	1.61	1.40	1.52	1.60

The euro rates were fixed permanently against euro-zone currencies, including the German Mark, at January 1, 1999. We present information about the German Mark for 1997 and 1998 below. The

