Registered Number 688533

PG INTERNATIONAL plc

Report and Accounts

31 December 2004

PG INTERNATIONAL PLC

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and accounts for the year ended 31 December 2004.

RESULTS AND DIVIDENDS

The Company transferred its trade to Spirent plc on 1 January 2004, following which the Company ceased to trade. Accordingly, there was no operating income or expenditure during the period. During the year there was an impairment on investments of £673,000.

The directors do not recommend the payment of a dividend for 2004 (2003: £nil).

DIRECTORS

The Directors of the Company who served during the year and since the year end were as follows:

Mr P R Eardley (appointed 19 March 2004)
Mr T R Evans (resigned 19 March 2004)
Mr E G Hutchinson

DIRECTORS' INTERESTS

No Director had any interest in the securities of PG International plc during the year.

The notifiable interests of the Directors in respect of Spirent plc, according to the statutory register maintained under Section 325 Companies Act 1985, are set out below:

	SPIRENT plc							
	Ordinary shares				Options over Ordinary shares (1)			
	Non-beneficial shares 1 Jan 2004 (2)	Non-beneficial shares 31 Dec 2004	Beneficial shares 1 Jan 2004 (2)	Beneficial shares 31 Dec 2004	Options/ Rights 1 Jan 2004 (2)	Granted in period	Exercised/ Cancelled / Lapsed in period	Options/ Rights 31 Dec 2004
P Eardley	-	-	4,558	4,558	470,527	112,800	-	583,327
E Hutchinson	12,171	-	726,210	738,381	2,154,447	1,128,000	-	3,282,447

(1) Includes options held under the Spirent Savings Related Share Option Scheme and the Spirent Executive Share Option Scheme.

(2) As at date of appointment for Mr Eardley.

Since the period end:

Mr Hutchinson purchased 15,326 Ordinary shares of Spirent plc on 25 February 2005 taking his total holding of beneficial Ordinary shares to 753,707.

CREDITOR PAYMENT POLICY

The Company is responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Company policy that payments to suppliers are made in accordance with those terms provided that suppliers also comply with all relevant terms and conditions.

At 31 December 2004 the Company had an average of 0 days purchases outstanding in trade creditors (2003: 65 days).

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Luke Thomas

L THOMAS
SECRETARY

Registered Office:

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

Registered Number: 688533

Dated: ....10th June............2005

PG INTERNATIONAL plc
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

	NOTE	2004 £000	2003 £000
Turnover	2	-	37,128
Other Operating Costs	3	-	31,887
Net Operating Profit	4	-	5,241
Impairment of investments	9	673	-
Taxation	7	-	1,633
(Loss) / Profit retained	16	(673)	3,608

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £673,000 in the year ended 31 December 2004 and profit of £3,608,000 in the year ended 31 December 2003.

The notes on pages 5 to 12 form part of these accounts

PG INTERNATIONAL plc
BALANCE SHEET
AT 31 DECEMBER 2004

	NOTE	2004 £000	2004 £000	2003 £000	2003 £000
Fixed Assets					
Tangible assets	8		-		826
Investments	9		129		802
Current Assets					
Stocks	10	-		4,252	
Debtors	11	17,121		17,726	
Cash at bank and in hand		-		1,472	
		17,121		23,450	
Current Liabilities					
Creditors due within one year	12	1,724		8,879	
Net Current Assets			15,397		14,571
Assets less Current Liabilities			15,526		16,199
Capital and Reserves					
Called up share capital	14		2,387		2,387
Share premium account	15		1,103		1,103
Profit and loss account	17		12,036		12,709
Equity shareholders' funds			15,526		16,199

E G Hutchinson Director Date 23 June 2005

The notes on pages 5 to 12 form part of these accounts

1 Accounting Policies

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction; all exchange profits and losses arising thereby are dealt with through the profit and loss account.

Assets and liabilities denominated in foreign currencies are translated at the rates ruling at 31 December.

Turnover

Represents the amounts charged to customers for goods and services during the year excluding tax.

Product development

Expenditure is charged to profit and loss account in the year in which it is incurred.

Pension contributions

Two pension schemes are operated for the benefit of employees by the ultimate parent company. These schemes require contributions to be made to separately administered funds, based on triennial actuarial valuations. The Company accounts for, and discloses, its contributions to the schemes, as if they were defined contribution schemes, as it is unable to identify the Company's share in the scheme on a consistent and reasonable basis.

Deferred taxation

Deferred taxation is provided on an undiscounted basis on all timing differences that have originated but not reversed at the balance sheet date. Amounts provided are calculated with reference to tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Tangible assets

Depreciation is provided to write off all assets over their estimated useful lives.

Asset lives are as follows:

Freehold and leasehold properties	50 years or lease period if less
Plant and machinery	7 years
Fittings and equipment	5 - 8 years
Motor vehicles	5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

Investments are stated at cost less any provision for impairment in value.

1 Accounting Policies (continued)

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful lives. The interest element of the rentals is charged to the profit and loss account in equal instalments over the period of the lease.

Operating lease rentals are charged to profit and loss account over the period of the lease.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost includes all costs in bringing each product to its present location and condition, being the manufacturing cost on a FIFO basis, including all attributable overheads based on a normal level of activity. Net realisable value represents selling price less further costs to be incurred to completion and on sale.

2 Turnover

The turnover and loss before taxation were attributable to the company's principal activity and originate in the UK. Turnover is shown net of VAT and trade discounts.
The geographical analysis of turnover by market was:

	2004 £000	2003 £000
Europe - United Kingdom	-	2,250
- Continental	-	4,981
Americas	-	14,918
Far East	-	14,697
Australasia	-	65
Other	-	217
	-	37,128

3 Other Operating Costs

	2004 £000	2003 £000
Change in stocks of finished goods and work in progress	-	(748)
Raw materials and consumables	-	18,115
Staff Costs - Wages and Salaries	-	4,986
- Social Security Costs	-	445
- Other Pension Costs	-	313
Depreciation	-	463
Other Operating Costs	-	8,313
	-	31,887

4 Net Operating Profit

Is stated after charging:

	2004 £000	2003 £000
Operating lease costs:		
- property	-	247
- hire of plant and equipment	-	13
Product development costs	-	2,006
Auditor's remuneration	-	11

Auditors remuneration has been borne by the parent company, Spirent plc in the current and preceding period. There are no amounts payable to Ernst & Young LLP for non-audit services.

5 Employees

The average number of employees of the Company during the year was:

	2004 Number	2003 Number
Manufacturing	-	200
Selling and distribution	-	20
Administration	-	8
	-	228

Pension costs

Spirent plc group operates two United Kingdom pension plans: Spirent Staff Plan which is on a defined benefit basis and the Retirement Cash Plan which is on a defined contribution basis with a defined benefit underpin. The schemes are multi-employer schemes designed to provide retirement benefits for the majority of the Spirent plc group's UK employees. Each employer's share of the underlying assets and liabilities is not readily identifiable. PG International plc contributes to both of these pension plans. Contributions are made in accordance with the recommendations of independent professional actuaries based on pension costs across the eligible group. The pension cost is assessed in accordance with the advice of a professionally qualified actuary, who performs triennial valuations. The most recent valuation was undertaken as at 1 April 2003 by our independent actuaries. Further details of the valuation are included in the financial statements of Spirent plc, the ultimate parent undertaking of the Company. The pension costs attributable to the Company's employees in the United Kingdom for the year ended 31 December 2004 was £nil (2003: £313,000).

Financial Reporting Standard (FRS) 17 'Retirement Benefits' requires that, if possible, a pension scheme's underlying assets and liabilities be allocated to the entities sponsoring the scheme on a consistent and reasonable basis. If this is not possible, then the scheme should be accounted for as a defined contribution scheme. As mentioned above, it has not been possible to identify the Company's share of the overall assets and liabilities, therefore the scheme has been accounted for as a defined contribution scheme in these financial statements. FRS17 disclosure for the defined benefit scheme can be found in the financial statements of Spirent plc.

6 Directors' Remuneration

Directors' emoluments are not reported in these accounts for 2003 and 2004 as their services are primarily in respect of other companies within the Spirent Group and their emoluments are shared with those companies.

7 Taxation

	2004 £000	2003 £000
a) Based on the profit before taxation -		
Corporation tax at 30% (2003: 30%)	-	1,710
Prior year adjustment	-	(77)
Total current tax charge	-	1,633
Write off of deferred tax asset	-	-
Total tax charge for the year	-	1,633

b) Factors affecting the current tax charge -
The tax assessed on the profit on ordinary activities is higher than the standard rate of corporate taxation. The differences are reconciled below.

	2004 £000	2003 £000
Profit on ordinary activities before tax	-	5,241
Profit before tax multiplied by the standard rate of corporation tax of 30%	-	1,572
Expenses not deductible for tax	-	2
Movements in timing differences	-	(6)
Sheltered capital gains arising on disposal	-	142
Tax overprovided in previous years	-	(77)
Total current tax charge	-	1,633

8 Tangible Assets

	Plant & Machinery £000	Fixtures fittings and equipment £000	**Total £000**
Cost:			
At 1 January 2004	1,672	1,873	**3,545**
Transfers out	(1,672)	(1,873)	**(3,545)**
At 31 December 2004	-	-	-
Depreciation:			
At 1 January 2004	1,311	1,408	**2,719**
Transfers out	(1,311)	(1,408)	**(2,719)**
At 31 December 2004	-	-	-
Net book value at 31 December 2004	-	-	-

There are no assets held under finance leases.

9 Investment in subsidiaries

	2004 £000
Shares at Cost:	
At 1 January 2004	2,082
	-
	2,082
	-
At 31 December 2004	2,082
Provision:	
At 1 January 2004	1,280
Provided during the year	673
At 31 December 2004	1,953
Net Book Value at 31 December 2004	129

The principal subsidiary undertakings at 31 December 2004 were:

Company:	**Nature of business:**
PG Drives Technology Ltd	Measurement and control applications.
TFDC Ltd	Investment company

PG International plc owns the A ordinary voting shares in TFDC Ltd.
All other subsidiary undertakings are wholly owned and are registered in England.

In the opinion of the directors, the value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the accounts.

Group accounts have not been prepared since at 31 December 2004 the Company was itself a wholly owned subsidiary of Spirent plc.

	2004 £000	2003 £000
10 Stocks		
Raw materials	-	2,818
Work in progress	-	425
Finished goods	-	1,009
	-	4,252

	2004 £000	2003 £000
11 Debtors		
Due within one year:		
Trade debtors	-	3,493
Owed by group undertakings	-	2,631
Loan to parent company	**17,121**	11,213
Other debtors	-	269
Prepayments and accrued income	-	120
	17,121	17,726

	2004 £000	2003 £000
12 Creditors		
Due within one year:		
Trade creditors	-	5,286
Owed to group undertakings	**1,226**	1,318
Owed to parent company	**289**	289
Other creditors	-	301
Accruals and deferred income	**33**	502
Corporation tax	-	794
Dividends payable	**176**	176
Other taxes and social security	-	213
	1,724	8,879

	2004 £000	2003 £000
13 Operating lease commitments		
Annual commitments which expire:		
In respect of property:		
Over five years	-	224
In respect of plant and equipment:		
In the second to fifth year	-	31

14 Share capital

Ordinary shares of 25p each:	2004 Number '000	2003 Number '000	2004 £000	2003 £000
Authorised	**20,000**	20,000	**5,000**	5,000
Allotted, called up and fully paid	**9,550**	9,550	**2,387**	2,387

15 Share premium account

At 1 January 2004 and 31 December 2004	**1,103**

16 Profit and loss account

	£000
At 1 January 2004	12,709
Loss retained	(673)
At 31 December 2004	**12,036**

17 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2003	2,387	1,103	9,101	**12,591**
Profit for the year	-	-	3,608	**3,608**
At 1 January 2004	**2,387**	**1,103**	**12,709**	**16,199**
Loss for the year	-	-	(673)	**(673)**
At 31 December 2004	**2,387**	**1,103**	**12,036**	**15,526**

18 Cash Flow Statement

As the Company is a wholly owned subsidiary undertaking of Spirent plc, a company registered in England and Wales, which prepares a consolidated cash flow statement the Company has taken advantage of the exemption provided under the scope of FRS 1 not to prepare a cash flow statement.

19 Related Party Transaction

As the Company is a wholly owned subsidiary undertaking of Spirent plc, a company registered in England and Wales, which prepares consolidated accounts, the Company has taken advantage of the exemption provided under the scope of FRS 8 not to include details of transactions with other companies which are subsidiaries of Spirent plc. There are no other related party transactions.

20 Ultimate Holding Company

The immediate and ultimate parent company of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, is Spirent plc registered in England and Wales. Copies of its accounts can be obtained by writing to Spirent plc, Spirent House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company Law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for that financial period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have general responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TO THE MEMBERS OF PG INTERNATIONAL plc

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account and Balance Sheet, and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

ERNST & YOUNG LLP
REGISTERED AUDITOR
LONDON

Date 24/6/05

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LONDON
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