

ARM Holdings plc
Second Quarter and First Half Results
Consolidated income statement – IFRS

	Quarter ended 30 June 2009 Unaudited £'000	Quarter ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000
Revenues				
Product revenues	60,201	60,772	135,819	124,589
Service revenues	4,576	4,243	8,861	8,314
Total revenues	64,777	65,015	144,680	132,903
Cost of revenues				
Product costs	(3,901)	(5,358)	(9,939)	(11,158)
Service costs	(2,205)	(1,971)	(4,344)	(4,013)
Total cost of revenues	(6,106)	(7,329)	(14,283)	(15,171)
Gross profit	58,671	57,686	130,397	117,732
Research and development	(27,927)	(20,509)	(54,739)	(42,048)
Sales and marketing	(14,804)	(13,305)	(30,436)	(26,808)
General and administrative	(9,828)	(12,319)	(26,414)	(25,905)
Total operating expenses, net	(52,559)	(46,133)	(111,589)	(94,761)
Profit from operations	6,112	11,553	18,808	22,971
Investment income	317	665	740	1,251
Interest payable	(26)	(12)	(76)	(27)
Profit before tax	6,403	12,206	19,472	24,195
Tax	19	(3,545)	(3,265)	(9,098)
Profit for the period	6,422	8,661	16,207	15,097
Earnings per share				
Basic and diluted earnings	6,422	8,661	16,207	15,097
Number of shares ('000)				
Basic weighted average number of shares	1,262,783	1,268,581	1,259,748	1,272,758
Effect of dilutive securities: Share options and awards	27,569	19,252	24,973	20,967
Diluted weighted average number of shares	1,290,352	1,287,833	1,284,721	1,293,725
Basic EPS (pence)	0.5	0.7	1.3	1.2
Diluted EPS (pence)	0.5	0.7	1.3	1.2
Diluted earnings per ADS (cents)	2.5	4.0	6.2	7.0

All activities relate to continuing operations.

All of the profit for the period is attributable to the equity shareholders of the parent.

ARM Holdings plc
Consolidated balance sheet - IFRS

	30 June	31 December
	2009	2008
	Unaudited	Audited
	£'000	£'000
Assets		
Current assets:		
Financial assets: Cash and cash equivalents	49,268	76,502
Short-term investments	37,180	471
Short-term marketable securities	1,769	1,816
Embedded derivatives	2,805	12,298
Fair value of currency exchange contracts	1,355	–
Accounts receivable (see note 3)	56,649	76,914
Prepaid expenses and other assets	24,601	23,134
Current tax assets	2,243	621
Inventories: finished goods	2,109	1,972
Total current assets	177,979	193,728
Non-current assets:		
Financial assets: Available-for-sale investments	3,979	1,167
Prepaid expenses and other assets	2,581	2,102
Property, plant and equipment	12,417	14,197
Goodwill	506,867	567,844
Other intangible assets	32,950	45,082
Deferred tax assets	32,695	24,063
Total non-current assets	591,489	654,455
Total assets	769,468	848,183
Liabilities and shareholders' equity		
Current liabilities:		
Financial liabilities: Accounts payable	2,610	6,953
Fair value of currency exchange contracts	–	18,457
Current tax liabilities	23,027	15,655
Accrued and other liabilities	30,969	35,646
Deferred revenue	29,627	29,906
Total current liabilities	86,233	106,617
Net current assets	91,746	87,111
Non-current liabilities:		
Deferred tax liabilities	740	1,223
Total liabilities	86,973	107,840
Net assets	682,495	740,343
Capital and reserves attributable to equity holders of the Company		
Share capital	672	672
Share premium account	351,578	351,578
Share option reserve	61,474	61,474
Retained earnings	196,803	182,008
Revaluation reserve	(144)	(285)
Cumulative translation adjustment	72,112	144,896
Total equity	682,495	740,343

ARM Holdings plc
Consolidated cash flow statement - IFRS

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000
Operating activities		
Profit from operations	18,808	22,971
Depreciation and amortisation of tangible and intangible assets	13,279	13,046
Loss on disposal of property, plant and equipment	5	3
Compensation charge in respect of share-based payments	8,309	7,733
Impairment of available-for-sale investments	412	–
Profit on disposal of available-for-sale investments	(224)	–
Provision for doubtful debts	865	49
Provision for obsolescence of inventory	211	(62)
Movement in fair value of currency exchange contracts	(19,812)	(638)
Movement in fair value of embedded derivatives	9,493	(370)
Changes in working capital:		
Accounts receivable	18,036	8,011
Inventories	(348)	98
Prepaid expenses and other assets	(1,973)	(4,009)
Accounts payable	(4,343)	117
Deferred revenue	470	1,605
Accrued and other liabilities	(3,156)	(2,907)
Cash generated by operations before tax	40,032	45,647
Income taxes paid	(5,028)	(4,541)
Net cash from operating activities	35,004	41,106
Investing activities		
Interest received	691	971
Purchases of property, plant and equipment	(2,397)	(1,920)
Purchases of other intangible assets	(1,918)	(214)
Purchases of available-for-sale investments	(3,663)	(1,029)
Proceeds on disposal of property, plant and equipment	20	–
Proceeds on disposal of available-for-sale investments	663	1,478
(Purchase)/maturity of short-term investments	(36,521)	1,533
Purchases of subsidiaries, net of cash acquired	(54)	(1,446)
Net used in investing activities	(43,179)	(627)
Financing activities		
Proceeds received on issuance of shares from treasury	4,008	3,718
Purchase of own shares	–	(28,448)
Dividends paid to shareholders	(16,634)	(15,267)
Net cash used in financing activities	(12,626)	(39,997)
Net (decrease) / increase in cash and cash equivalents	(20,801)	482
Cash and cash equivalents at beginning of period	76,502	49,509
Effect of foreign exchange rate changes	(6,433)	459
Cash and cash equivalents at end of period	49,268	50,450

ARM Holdings plc
Consolidated statement of changes in shareholders' equity – IFRS

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Reval- -uation reserve £'000	Cumulative translation adjustment £'000	Total £'000
At 1 January 2008 (audited)	672	351,578	61,474	185,125	(214)	(19,473)	579,162
Profit for the period (H1 2008)	–	–	–	15,097	–	–	15,097
Other comprehensive income:							
Realised gain on available-for-sale investment	–	–	–	–	214	–	214
Unrealised holding losses on available-for-sale investments	–	–	–	–	(87)	–	(87)
Currency translation adjustment	–	–	–	–	–	827	827
Total comprehensive income for the period (H1 2008)	–	–	–	15,097	127	827	16,051
Dividends	–	–	–	(15,267)	–	–	(15,267)
Credit in respect of employee share schemes	–	–	–	7,733	–	–	7,733
Movement on tax arising on share options	–	–	–	(1,735)	–	–	(1,735)
Purchase of own shares	–	–	–	(28,448)	–	–	(28,448)
Proceeds from sale of own shares	–	–	–	3,718	–	–	3,718
	–	–	–	(33,999)	–	–	(33,999)
At 30 June 2008 (unaudited)	672	351,578	61,474	166,223	(87)	(18,646)	561,214
At 1 January 2009 (audited)	672	351,578	61,474	182,008	(285)	144,896	740,343
Profit for the period (H1 2009)	–	–	–	16,207	–	–	16,207
Other comprehensive income:							
Unrealised holding gain on available-for-sale investments	–	–	–	–	141	–	141
Currency translation adjustment	–	–	–	–	–	(72,784)	(72,784)
Total comprehensive income for the period (H1 2009)	–	–	–	16,207	141	(72,784)	(56,436)
Dividends	–	–	–	(16,634)	–	–	(16,634)
Credit in respect of employee share schemes	–	–	–	8,309	–	–	8,309
Movement on tax arising on share options	–	–	–	2,905	–	–	2,905
Proceeds from sale of own shares	–	–	–	4,008	–	–	4,008
	–	–	–	(1,412)	–	–	(1,412)
At 30 June 2009 (unaudited)	672	351,578	61,474	196,803	(144)	72,112	682,495

ARM Holdings plc
Consolidated statement of comprehensive income - IFRS

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000
Profit for the period	16,207	15,097
Other comprehensive income:		
Realised gain on available-for-sale investment (net of tax of £85,000)	–	214
Unrealised holding gain/(losses) on available-for-sale investments (net of tax of £nil)	141	(87)
Foreign exchange difference on consolidation	(72,784)	827
Other comprehensive (loss)/income for the period	(72,643)	954
Total comprehensive (loss)/income for the period	(56,436)	16,051

Notes to the Financial Information

(1) Basis of preparation

International Financial Reporting Standards

The financial information prepared in accordance with the Group's IFRS accounting policies comprises the consolidated balance sheets as of 30 June 2009 and 31 December 2008, consolidated income statements for the quarters and six months ended 30 June 2009 and 2008, and consolidated statements of cash flows, changes in shareholders' equity and comprehensive income for the six months ended 30 June 2009 and 2008, together with related notes. This financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting", as adopted by the European Union. In preparing this financial information management has used the principal accounting policies as set out in the Group's annual financial statements for the year ended 31 December 2008.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

- *Amendment to IFRS 2, "Share-based payments"* This clarifies what events constitute vesting conditions and also specifies that all cancellations, whether by the Group or by another party, should receive the same accounting treatment. This does not have a material impact on the Group's financial statements as it does not have a significant number of the types of options affected.
- *IAS 1 (revised), "Presentation of financial statements"* This revised standard requires entities to prepare a statement of comprehensive income. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Owner changes in equity are shown in a statement of changes in equity. Also entities making restatements or reclassifications of comparative information are required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group has disclosed a statement of comprehensive income in these interim results.
- *IFRS 7 (Revised), "Financial instruments: Disclosures"* This amendment forms part of the IASB's response to the financial crisis and addresses the G20 conclusions aimed at improving transparency and enhancing accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. This will only affect presentation in the Group's annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant to the Group:

- *Amendment to IAS 39, "Financial instruments: Recognition and measurement", and IFRS 7, "Financial instruments: Disclosures"*;
- *Amendment to IAS 32, "Financial instruments: Presentation", and IAS 1, "Presentation of financial statements on 'Puttable financial instruments and obligations arising on liquidation'"*;
- *IAS 23 (Revised), "Borrowing costs"*;
- *IFRIC 13, "Customer loyalty programmes relating to IAS 18, Revenue"*;
- *IFRIC 14, "IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction"*;
- *IFRIC 15, "Agreements for construction of real estates"*; and
- *IFRIC 16, "Hedges of a net investment in a foreign operation"*.

(2) Share-based compensation charges and acquisition-related expenses

Included within the consolidated income statement for the quarter ended 30 June 2009 are total share-based payment costs of £5.8 million (2008: £3.9 million), allocated £0.4 million (2008: £0.3 million) in cost of revenues, £3.5 million (2008: £2.6 million) in research and development costs, £1.1 million (2008: £0.5 million) in sales and marketing costs and £0.8 million (2008: £0.5 million) in general and administrative costs.

Included within the consolidated income statement for the six months ended 30 June 2009 are total share-based payment costs of £10.5 million (2008: £7.7 million), allocated £0.7 million (2008: £0.5 million) in cost of revenues, £6.3 million (2008: £5.2 million) in research and development costs, £2.0 million (2008: £1.0 million) in sales and marketing costs and £1.5 million (2008: £1.0 million) in general and administrative costs.

Also included within operating costs for the quarter ended 30 June 2009 is amortisation of intangibles acquired on business combinations of £4.0 million (2008: £4.7 million), allocated £2.0 million (2008: £2.6 million) in research and development costs, £2.0 million (2008: £1.9 million) in sales and marketing costs and £nil (2008: £0.2 million) in general and administrative costs.

(3) Accounts receivable

Included within accounts receivable at 30 June 2009 are £10.9 million (31 December 2008: £17.9 million) of amounts recoverable on contracts.

(4) Segmental reporting

At 30 June 2009, the Group is organised on a worldwide basis into three main business segments:

Processor Division (PD), encompassing those resources that are centred on microprocessor cores, including specific functions such as graphics IP, video IP, fabric IP and embedded software.

Physical IP Division (PIPD), concerned with the building blocks necessary for translation of a circuit design into actual silicon.

Systems Design Division (SDD), focused on the tools and models used to create and debug software and system-on-chip (SoC) designs.

This is based upon the Group's internal organisation and management structure and is the primary way in which the board of directors is provided with financial information. Whilst revenues are reported into four main revenue streams (namely licensing, royalties, development systems and services), the costs, operating results and balance sheets are only analysed into these three divisions.

The following analysis is of revenues, operating expenses, investment income, interest payable, profit/(loss) before tax, tax, profit/(loss) for the period, amortisation of intangible assets purchased through business combinations, total share-based payment costs (including the related payroll taxes), goodwill and total assets for each segment and the Group in total.

	Processor Division £000	Physical IP Division £000	Systems Design Division £000	Unallocated £000	Group £000
Six months ended 30 June 2009					
<i>Segmental income statement</i>					
Revenue	107,158	21,074	16,448	–	144,680
Operating expenses, net	(70,670)	(40,629)	(14,573)	–	(125,872)
Investment income	–	–	–	740	740
Interest payable	–	–	–	(76)	(76)
Profit/(loss) before tax	36,488	(19,555)	1,875	664	19,472
Tax	–	–	–	(3,265)	(3,265)
Profit/(loss) for the period	36,488	(19,555)	1,875	(2,601)	16,207
<i>Other segmental items</i>					
Amortisation of acquisition-related intangible assets	1,357	6,341	954	–	8,652
Share-based payment costs (including payroll taxes)	5,884	2,788	1,782	–	10,454
Goodwill	133,303	359,141	14,423	–	506,867
Total assets	208,859	397,803	29,988	132,818	769,468

	Processor Division £000	Physical IP Division £000	Systems Design Division £000	Unallocated £000	Group £000
Six months ended 30 June 2008					
<i>Segmental income statement</i>					
Revenue	95,720	21,859	15,324	–	132,903
Operating costs	(58,434)	(32,178)	(19,320)	–	(109,932)
Investment income	–	–	–	1,251	1,251
Interest payable	–	–	–	(27)	(27)
Profit/(loss) before tax	37,286	(10,319)	(3,996)	1,224	24,195
Tax	–	–	–	(9,098)	(9,098)
Profit/(loss) for the period	37,286	(10,319)	(3,996)	(7,874)	15,097
<i>Other segmental items (included in expenses above)</i>					
Amortisation of acquisition-related intangible assets	616	7,343	1,366	–	9,325
Share-based payment costs (including payroll taxes)	5,273	1,166	1,318	–	7,757
Goodwill	110,525	297,335	11,521	–	419,381

There are no inter-segment revenues. The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole. Unallocated assets include financial assets, current and deferred tax and VAT.

(5) Non-GAAP measures

The following non-GAAP measures, including reconciliations to the IFRS measures, have been used in this earnings release. These measures have been presented as they allow a clearer comparison of operating results that exclude acquisition-related charges, share-based compensation and restructuring charges and profit on disposal and impairment of available-for-sale investments. All figures in £'000 unless otherwise stated.

	(5.1) Q2 2009	(5.2) Q2 2008	(5.3) Q1 2009	(5.4) H1 2009	(5.5) H1 2008
Profit from operations (IFRS)	6,112	11,553	12,696	18,808	22,971

Restructuring costs	157	469	1,277	1,434	1,187
Acquisition-related charge – amortisation of intangibles	4,021	4,649	4,403	8,424	9,325
Acquisition-related charge – other payments	114	115	114	228	160
Share-based compensation and related payroll taxes	5,757	3,845	4,697	10,454	7,757
Impairment of available-for-sale security	48	–	364	412	–
Gain on disposal of available-for-sale security	(224)	–	–	(224)	–
Normalised profit from operations	15,985	20,631	23,551	39,536	41,400
As % of revenue	24.7%	31.7%	29.5%	27.3%	31.2%
	(5.6)	(5.7)	(5.8)	(5.9)	(5.10)
	Q2 2009	Q2 2008	Q1 2009	H1 2009	H1 2008
Profit before tax (IFRS)	6,403	12,206	13,069	19,472	24,195
Restructuring costs	157	469	1,277	1,434	1,187
Acquisition-related charge – amortisation of intangibles	4,021	4,649	4,403	8,424	9,325
Acquisition-related charge – other payments	114	115	114	228	160
Share-based compensation and related payroll taxes	5,757	3,845	4,697	10,454	7,757
Impairment of available-for-sale security	48	–	364	412	–
Gain on disposal of available-for-sale security	(224)	–	–	(224)	–
Normalised profit before tax	16,276	21,284	23,924	40,200	42,624
			(5.11)	(5.12)	(5.13)
			30 June	31 March	31 December
			2009	2009	2008
Cash and cash equivalents			49,268	78,815	76,502
Short-term investments			37,180	10,503	471
Short-term marketable securities			1,769	2,027	1,816
Normalised cash			88,217	91,345	78,789
	(5.14)	(5.15)	(5.16)	(5.17)	(5.18)
	Q2 2009	Q2 2008	Q1 2009	H1 2009	H1 2008
Normalised cash at end of period (as above)	88,217	50,644	91,345	88,217	50,644
Less: Normalised cash at beginning of period	(91,345)	(55,227)	(78,789)	(78,789)	(51,323)
Add back: Cash outflow from acquisitions (net of cash acquired)	1,080	1,450	2,637	3,717	2,381
Add back: Cash outflow from payment of dividends	16,634	15,267	–	16,634	15,267
Add back: Cash outflow from purchase of own shares	–	15,429	–	–	28,448
Less: Cash inflow from exercise of share options	(2,335)	(1,065)	(1,673)	(4,008)	(3,718)
Less: Cash inflow from sale of available-for-sale investments	(663)	–	–	(663)	(1,478)
Normalised cash generation	11,588	26,498	13,520	25,108	40,221
	(5.19)	(5.20)	(5.21)	(5.22)	(5.23)
	Q2 2009	Q2 2008	Q1 2009	H1 2009	H1 2008
Profit for the period (IFRS)	6,422	8,661	9,785	16,207	15,097
Restructuring costs	157	469	1,277	1,434	1,187
Acquisition-related charge – amortisation of intangibles	4,021	4,649	4,403	8,424	9,325
Acquisition-related charge – other payments	114	115	114	228	160
Share-based compensation and related payroll taxes	5,757	3,845	4,697	10,454	7,757
Impairment of available-for-sale security	48	–	364	412	–
Gain on disposal of available-for-sale security	(224)	–	–	(224)	–
Estimated tax impact of above charges	(4,036)	(2,582)	(3,048)	(7,084)	(3,152)
Normalised profit	12,259	15,157	17,592	29,851	30,374
Dilutive shares ('000)	1,290,352	1,287,833	1,277,702	1,284,721	1,293,725
Normalised diluted EPS	0.95p	1.18p	1.38p	2.32p	2.35p

(5.24) Normalised income statement for Q2 2009

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Disposal / impairment of investments £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues								
Product revenues	60,201	–	60,201	–	–	–	–	60,201
Service revenues	4,576	–	4,576	–	–	–	–	4,576
Total revenues	<u>64,777</u>	<u>–</u>	<u>64,777</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>64,777</u>
Cost of revenues								
Product costs	(3,901)	–	(3,901)	–	–	–	–	(3,901)
Service costs	(1,795)	(410)	(2,205)	–	–	–	–	(2,205)
Total cost of revenues	<u>(5,696)</u>	<u>(410)</u>	<u>(6,106)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,106)</u>
Gross profit	<u>59,081</u>	<u>(410)</u>	<u>58,671</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>58,671</u>
Research and development	(22,487)	(3,451)	(25,938)	(1,989)	–	–	–	(27,927)
Sales and marketing	(11,571)	(1,093)	(12,664)	(2,026)	(114)	–	–	(14,804)
General and administrative	(9,038)	(803)	(9,841)	(6)	–	176	(157)	(9,828)
Total operating expenses	<u>(43,096)</u>	<u>(5,347)</u>	<u>(48,443)</u>	<u>(4,021)</u>	<u>(114)</u>	<u>176</u>	<u>(157)</u>	<u>(52,559)</u>
Profit from operations	15,985	(5,757)	10,228	(4,021)	(114)	176	(157)	6,112
Investment income	317	–	317	–	–	–	–	317
Interest payable	(26)	–	(26)	–	–	–	–	(26)
Profit before tax	<u>16,276</u>	<u>(5,757)</u>	<u>10,519</u>	<u>(4,021)</u>	<u>(114)</u>	<u>176</u>	<u>(157)</u>	<u>6,403</u>
Tax	(4,017)	2,500	(1,517)	1,505	32	(49)	48	19
Profit for the period	<u>12,259</u>	<u>(3,257)</u>	<u>9,002</u>	<u>(2,516)</u>	<u>(82)</u>	<u>127</u>	<u>(109)</u>	<u>6,422</u>
Earnings per share (assuming dilution)								
Shares outstanding ('000)	1,290,352		1,290,352					1,290,352
Earnings per share – pence	0.95		0.70					0.50
ADSs outstanding ('000)	430,117		430,117					430,117
Earnings per ADS – cents	4.69		3.45					2.46

(5.25) Normalised income statement for Q2 2008

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues							
Product revenues	60,772	–	60,772	–	–	–	60,772
Service revenues	4,243	–	4,243	–	–	–	4,243
Total revenues	65,015	–	65,015	–	–	–	65,015
Cost of revenues							
Product costs	(5,358)	–	(5,358)	–	–	–	(5,358)
Service costs	(1,705)	(266)	(1,971)	–	–	–	(1,971)
Total cost of revenues	(7,063)	(266)	(7,329)	–	–	–	(7,329)
Gross profit	57,952	(266)	57,686	–	–	–	57,686
Research and development	(15,259)	(2,578)	(17,837)	(2,567)	(105)	–	(20,509)
Sales and marketing	(10,884)	(501)	(11,385)	(1,919)	(1)	–	(13,305)
General and administrative	(11,178)	(500)	(11,678)	(163)	(9)	(469)	(12,319)
Total operating expenses	(37,321)	(3,579)	(40,900)	(4,649)	(115)	(469)	(46,133)
Profit from operations	20,631	(3,845)	16,786	(4,649)	(115)	(469)	11,553
Investment income	665	–	665	–	–	–	665
Interest payable	(12)	–	(12)	–	–	–	(12)
Profit before tax	21,284	(3,845)	17,439	(4,649)	(115)	(469)	12,206
Tax	(6,127)	651	(5,476)	1,761	38	132	(3,545)
Profit for the period	15,157	(3,194)	11,963	(2,888)	(77)	(337)	8,661
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,287,833		1,287,833				1,287,833
Earnings per share – pence	1.18		0.93				0.67
ADSs outstanding ('000)	429,278		429,278				429,278
Earnings per ADS – cents	7.03		5.55				4.02

(5.26) Normalised income statement for H1 2009

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Disposal / impairment of investments £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues								
Product revenues	135,819	–	135,819	–	–	–	–	135,819
Service revenues	8,861	–	8,861	–	–	–	–	8,861
Total revenues	<u>144,680</u>	<u>–</u>	<u>144,680</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>144,680</u>
Cost of revenues								
Product costs	(9,939)	–	(9,939)	–	–	–	–	(9,939)
Service costs	(3,602)	(742)	(4,344)	–	–	–	–	(4,344)
Total cost of revenues	<u>(13,541)</u>	<u>(742)</u>	<u>(14,283)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(14,283)</u>
Gross profit	<u>131,139</u>	<u>(742)</u>	<u>130,397</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>130,397</u>
Research and development	(44,333)	(6,264)	(50,597)	(4,142)	–	–	–	(54,739)
Sales and marketing	(23,951)	(1,987)	(25,938)	(4,270)	(228)	–	–	(30,436)
General and administrative	(23,319)	(1,461)	(24,780)	(12)	–	(188)	(1,434)	(26,414)
Total operating expenses	<u>(91,603)</u>	<u>(9,712)</u>	<u>(101,315)</u>	<u>(8,424)</u>	<u>(228)</u>	<u>(188)</u>	<u>(1,434)</u>	<u>(111,589)</u>
Profit from operations	39,536	(10,454)	29,082	(8,424)	(228)	(188)	(1,434)	18,808
Investment income	740	–	740	–	–	–	–	740
Interest payable	(76)	–	(76)	–	–	–	–	(76)
Profit before tax	<u>40,200</u>	<u>(10,454)</u>	<u>29,746</u>	<u>(8,424)</u>	<u>(228)</u>	<u>(188)</u>	<u>(1,434)</u>	<u>19,472</u>
Tax	(10,349)	3,405	(6,944)	3,157	64	53	405	(3,265)
Profit for the period	<u>29,851</u>	<u>(7,049)</u>	<u>22,802</u>	<u>(5,267)</u>	<u>(164)</u>	<u>(135)</u>	<u>(1,029)</u>	<u>16,207</u>
Earnings per share (assuming dilution)								
Shares outstanding ('000)	1,284,721		1,284,721					1,284,721
Earnings per share – pence	2.32		1.77					1.26
ADs outstanding ('000)	428,240		428,240					428,240
Earnings per ADS – cents	11.48		8.77					6.23

(5.27) Normalised income statement for H1 2008

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues							
Product revenues	124,589	–	124,589	–	–	–	124,589
Service revenues	8,314	–	8,314	–	–	–	8,314
Total revenues	<u>132,903</u>	<u>–</u>	<u>132,903</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>132,903</u>
Cost of revenues							
Product costs	(11,158)	–	(11,158)	–	–	–	(11,158)
Service costs	(3,478)	(535)	(4,013)	–	–	–	(4,013)
Total cost of revenues	<u>(14,636)</u>	<u>(535)</u>	<u>(15,171)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(15,171)</u>
Gross profit	<u>118,267</u>	<u>(535)</u>	<u>117,732</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>117,732</u>
Research and development	(31,571)	(5,210)	(36,781)	(5,124)	(143)	–	(42,048)
Sales and marketing	(21,932)	(1,001)	(22,933)	(3,876)	1	–	(26,808)
General and administrative	(23,364)	(1,011)	(24,375)	(325)	(18)	(1,187)	(25,905)
Total operating expenses	<u>(76,867)</u>	<u>(7,222)</u>	<u>(84,089)</u>	<u>(9,325)</u>	<u>(160)</u>	<u>(1,187)</u>	<u>(94,761)</u>
Profit from operations	41,400	(7,757)	33,643	(9,325)	(160)	(1,187)	22,971
Investment income	1,251	–	1,251	–	–	–	1,251
Interest payable	(27)	–	(27)	–	–	–	(27)
Profit before tax	<u>42,624</u>	<u>(7,757)</u>	<u>34,867</u>	<u>(9,325)</u>	<u>(160)</u>	<u>(1,187)</u>	<u>24,195</u>
Tax	(12,250)	(856)	(13,106)	3,535	54	419	(9,098)
Profit for the period	<u>30,374</u>	<u>(8,613)</u>	<u>21,761</u>	<u>(5,790)</u>	<u>(106)</u>	<u>(768)</u>	<u>15,097</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,293,725		1,293,725				1,293,725
Earnings per share – pence	2.35		1.68				1.17
ADs outstanding ('000)	431,242		431,242				431,242
Earnings per ADS – cents	14.02		10.04				6.97