

ARM Holdings plc
Fourth Quarter and Full Year Results
Consolidated balance sheet - IFRS

	31 December 2009 Unaudited £'000	31 December 2008 Audited £'000
Assets		
Current assets:		
Financial assets: Cash and cash equivalents	34,489	76,502
Short-term investments	105,524	471
Short-term marketable securities	1,795	1,816
Embedded derivatives	2,480	12,298
Fair value of currency exchange contracts	457	-
Accounts receivable (see note 3)	65,247	76,914
Prepaid expenses and other assets	23,635	23,134
Current tax assets	350	621
Inventories: finished goods	1,680	1,972
Total current assets	235,657	193,728
Non-current assets:		
Financial assets: Available-for-sale investments	9,432	1,167
Prepaid expenses and other assets	1,611	2,102
Property, plant and equipment	13,565	14,197
Goodwill	516,798	567,844
Other intangible assets	24,696	45,082
Deferred tax assets	42,724	24,063
Total non-current assets	608,826	654,455
Total assets	844,483	848,183
Liabilities and shareholders' equity		
Current liabilities:		
Financial liabilities: Accounts payable	2,280	6,953
Fair value of currency exchange contracts	-	18,457
Accrued and other liabilities	46,688	35,646
Current tax liabilities	16,536	15,655
Deferred revenue	39,562	29,906
Total current liabilities	105,066	106,617
Non-current liabilities:		
Deferred tax liabilities	720	1,223
Total liabilities	105,786	107,840
Net assets	738,697	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	241,950	182,008
Revaluation reserve	(155)	(285)
Cumulative translation adjustment	83,178	144,896
Total equity	738,697	740,343

ARM Holdings plc
Consolidated income statement – IFRS

	Quarter ended 31 December 2009 Unaudited £'000	Quarter ended 31 December 2008 Unaudited £'000	Year ended 31 December 2009 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Revenues				
Product revenues	80,298	90,116	286,834	282,382
Service revenues	4,884	4,251	18,188	16,552
Total revenues	85,182	94,367	305,022	298,934
Cost of revenues				
Product costs	(3,045)	(7,889)	(16,645)	(24,539)
Service costs	(2,368)	(2,341)	(8,826)	(8,339)
Total cost of revenues	(5,413)	(10,230)	(25,471)	(32,878)
Gross profit	79,769	84,137	279,551	266,056
Research and development	(30,382)	(24,538)	(112,215)	(87,588)
Sales and marketing	(16,257)	(16,813)	(61,723)	(57,448)
General and administrative	(13,559)	(20,347)	(59,999)	(61,077)
Total operating expenses	(60,198)	(61,698)	(233,937)	(206,113)
Profit from operations	19,571	22,439	45,614	59,943
Investment income	581	811	1,788	3,297
Interest payable	(30)	(11)	(143)	(51)
Profit before tax	20,122	23,239	47,259	63,189
Tax	(2,781)	(6,014)	(6,820)	(19,597)
Profit for the period	17,341	17,225	40,439	43,592
Dividends				
-final 2007 paid (on 21 May 2008) at 1.2 pence per share	–	–	–	15,267
-interim 2008 paid (on 3 October 2008) at 0.88 pence per share	–	11,116	–	11,116
-final 2008 paid (on 20 May 2009) at 1.32 pence per share	–	–	16,634	–
-interim 2009 paid (on 5 October 2009) at 0.97 pence per share	12,327	–	12,327	–
Earnings per share				
Basic and diluted earnings	17,341	17,225	40,439	43,592
Number of shares ('000)				
Basic weighted average number of shares	1,278,164	1,255,332	1,266,624	1,265,237
Effect of dilutive securities: Share options and awards	38,275	19,819	34,026	21,176
Diluted weighted average number of shares	1,316,439	1,275,151	1,300,650	1,286,413
Basic EPS (pence)	1.4	1.4	3.2	3.4
Diluted EPS (pence)	1.3	1.4	3.1	3.4
Diluted earnings per ADS (cents)	6.4	5.9	15.1	14.9

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 statement of comprehensive income - IFRS

	Year ended 31 December 2009 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Profit for the year	40,439	43,592
Other comprehensive income:		
Realised gain on available-for-sale investment (net of tax of £84,000)	–	214
Unrealised holding gain/(losses) on available-for-sale investments (net of tax of £nil)	130	(285)
Foreign exchange difference on consolidation	(61,718)	164,369
Other comprehensive (loss)/income for the year	(61,588)	164,298
Total comprehensive (loss)/income for the year	(21,149)	207,890

ARM Holdings plc
Consolidated cash flow statement - IFRS

	Year ended 31 December 2009 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Operating activities		
Profit from operations	45,614	59,943
Depreciation and amortisation of tangible and intangible assets	24,953	26,952
Loss on disposal of property, plant and equipment	79	36
Compensation charge in respect of share-based payments	19,001	15,409
Impairment of available-for-sale investments	412	–
Profit on disposal of available-for-sale investments	(224)	–
Provision for doubtful debts	1,018	641
Provision for obsolescence of inventory	211	87
Movement in fair value of currency exchange contracts	(18,914)	17,961
Movement in fair value of embedded derivatives	9,818	(12,518)
Changes in working capital:		
Accounts receivable	9,531	(6,364)
Inventories	81	280
Prepaid expenses and other assets	358	(8,915)
Accounts payable	(4,673)	4,661
Deferred revenue	10,281	1,548
Accrued and other liabilities	14,564	6,831
Cash generated by operations before tax	112,110	106,552
Income taxes paid	(15,550)	(6,019)
Net cash from operating activities	96,560	100,533
Investing activities		
Interest received	1,277	3,234
Purchases of property, plant and equipment	(6,030)	(8,084)
Purchases of other intangible assets	(3,888)	(5,938)
Purchases of available-for-sale investments	(9,116)	(1,029)
Proceeds on disposal of property, plant and equipment	49	–
Proceeds on disposal of available-for-sale investments	663	6,291
Purchase of short-term investments	(104,902)	(758)
Purchases of subsidiaries, net of cash acquired	(563)	(7,371)
Net cash used in investing activities	(122,510)	(13,655)
Financing activities		
Proceeds received on issuance of shares from treasury	19,085	5,581
Purchase of own shares	–	(40,286)
Dividends paid to shareholders	(28,961)	(26,383)
Net cash used in financing activities	(9,876)	(61,088)
Net (decrease) / increase in cash and cash equivalents	(35,826)	25,790
Cash and cash equivalents at beginning of year	76,502	49,509
Effect of foreign exchange rate changes	(6,187)	1,203
Cash and cash equivalents at end of year	34,489	76,502

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 year	–	–	–	43,592	–	–	43,592
Other comprehensive income:							
Realised gain on available-for-sale investment	–	–	–	–	214	–	214
Unrealised holding losses on available-for-sale investments	–	–	–	–	(285)	–	(285)
Currency translation adjustment	–	–	–	–	–	164,369	164,369
Total comprehensive income/(expense) for the year	–	–	–	43,592	(71)	164,369	207,890
Dividends	–	–	–	(26,383)	–	–	(26,383)
Credit in respect of employee share schemes	–	–	–	15,409	–	–	15,409
Movement on tax arising on share options	–	–	–	(1,030)	–	–	(1,030)
Purchase of own shares	–	–	–	(40,286)	–	–	(40,286)
Proceeds from sale of own shares	–	–	–	5,581	–	–	5,581
	–	–	–	(46,709)	–	–	(46,709)
At 31 December 2008 (audited)	672	351,578	61,474	182,008	(285)	144,896	740,343
Profit for the year	–	–	–	40,439	–	–	40,439
Other comprehensive income:							
Unrealised holding gain on available-for-sale investments	–	–	–	–	130	–	130
Currency translation adjustment	–	–	–	–	–	(61,718)	(61,718)
Total comprehensive income/(expense) for the year	–	–	–	40,439	130	(61,718)	(21,149)
Dividends	–	–	–	(28,961)	–	–	(28,961)
Credit in respect of employee share schemes	–	–	–	19,001	–	–	19,001
Movement on tax arising on share options	–	–	–	10,378	–	–	10,378
Proceeds from sale of own shares	–	–	–	19,085	–	–	19,085
	–	–	–	19,503	–	–	19,503
At 31 December 2009 (unaudited)	672	351,578	61,474	241,950	(155)	83,178	738,697

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 31 December 2009 and 31 December 2008, consolidated income statements for the quarters and years ended 31 December 2009 and 2008, consolidated statements of comprehensive income, consolidated cash flow statements and consolidated statements of changes in shareholders' equity for the years ended 31 December 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. 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 both an income statement and a statement of comprehensive income in these results.
- *IFRS 7 (Revised), "Financial instruments: Disclosures"* This amendment forms part of the IASB's response to the financial crisis and is 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"*;
- *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"*.

(2) Share-based payment costs and acquisition-related expenses

Included within the consolidated income statement for the quarter ended 31 December 2009 are total share-based payment costs (including related payroll taxes) of £8.0 million (2008: £4.3 million), allocated £0.6 million (2008: £0.3 million) in cost of revenues, £4.8 million (2008: £2.9 million) in research and development costs, £1.5 million (2008: £0.5 million) in sales and marketing costs and £1.1 million (2008: £0.6 million) in general and administrative costs.

Included within the consolidated income statement for the year ended 31 December 2009 are total share-based payment costs (including related payroll taxes) of £24.7 million (2008: £15.9 million), allocated £1.7 million (2008: £1.1 million) in cost of revenues, £14.8 million (2008: £10.7 million) in research and development costs, £4.7 million (2008: £2.0 million) in sales and marketing costs and £3.5 million (2008: £2.1 million) in general and administrative costs.

Also included within operating costs for the quarter ended 31 December 2009 is amortisation of intangibles acquired on business combinations of £3.6 million (2008: £5.5 million), allocated £1.7 million (2008: £3.1 million) in research and development costs, £1.9 million (2008: £2.2 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 31 December 2009 are £13.0 million (31 December 2008: £17.9 million) of amounts recoverable on contracts.

(4) Segmental reporting

At 31 December 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, fabric IP and embedded software and configurable digital signal processing IP.

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 (in both GBP and USD), operating expenses, investment income, interest payable, profit/(loss) before tax, tax, profit/(loss) for the year, depreciation, amortisation of intangible assets, share-based payment costs, 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
Year ended 31 December 2009					
<i>Segmental income statement</i>					
Revenues (GBP)	£ 227,191	£44,890	£32,941	–	£305,022
Operating costs	(148,820)	(81,070)	(37,019)	7,501	(259,408)
Investment income	–	–	–	1,788	1,788
Interest payable	–	–	–	(143)	(143)
Profit/(loss) before tax	78,371	(36,180)	(4,078)	9,146	47,259
Tax	–	–	–	(6,820)	(6,820)
Profit/(loss) for the year	78,371	(36,180)	(4,078)	2,326	40,439
<i>Other segmental items</i>					
Amortisation of intangible assets (including software)	3,709	13,933	1,693	–	19,335
Share-based payment costs	10,698	4,992	3,311	–	19,001
Goodwill	135,723	366,258	14,817	–	516,798
Total assets	223,300	394,194	28,089	198,900	844,483
Revenues (USD)	\$ 365,730	\$ 72,148	\$ 51,575	–	\$ 489,453
Year ended 31 December 2008					
<i>Segmental income statement</i>					
Revenues (GBP)	£ 221,354	£ 46,432	£ 31,148	–	£ 298,934
Operating costs	(124,597)	(73,173)	(38,189)	(3,032)	(238,991)
Investment income	–	–	–	3,297	3,297
Interest payable	–	–	–	(51)	(51)
Profit/(loss) before tax	96,757	(26,741)	(7,041)	214	63,189
Tax	–	–	–	(19,597)	(19,597)
Profit/(loss) for the year	96,757	(26,741)	(7,041)	(19,383)	43,592
<i>Other segmental items</i>					
Amortisation of intangible assets (including software)	2,692	16,187	2,903	–	21,782
Share-based payment costs	8,937	3,698	2,774	–	15,409
Goodwill	143,649	407,940	16,255	–	567,844
Total assets	235,899	463,302	32,136	116,846	848,183
Revenues (USD)	\$ 403,541	\$ 84,874	\$ 57,796	–	\$ 546,211

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 payment costs and restructuring charges and profit on disposal and impairment of available-for-sale investments. Full reconciliations of Q409, Q408, Q309, FY 2009 and FY 2008 are shown in notes 5.14 to 5.18. All figures in £'000 unless otherwise stated.

<i>Summary normalised figures</i>	Q4 2009	Q4 2008	Q3 2009	FY 2009	FY 2008
Revenues	85,182	94,367	75,160	305,022	298,934
Revenues (\$'000)	140,017	149,420	123,008	489,453	546,211
Gross margin	94.3%	89.5%	92.9%	92.2%	89.4%
Operating expenses	48,563	51,783	45,986	186,152	169,452
Profit from operations	31,757	32,648	23,833	95,126	97,706
Operating margin	37.3%	34.6%	31.7%	31.2%	32.7%
Profit before tax	32,308	33,448	24,263	96,771	100,952
Earnings per share (diluted)	1.79p	1.94p	1.34p	5.45p	5.66p
Cash	141,808	78,789	121,689	141,808	78,789
Cash generation	30,683	28,294	28,338	86,103	93,112
	(5.1)	(5.2)	(5.3)	(5.4)	(5.5)
	Q4 2009	Q4 2008	Q3 2009	FY 2009	FY 2008
Revenues (£'000)	85,182	94,367	75,160	305,022	298,934
ARM's effective exchange rate (\$/£)	1.64	1.58	1.64	1.60	1.83
Revenues (\$'000)	140,017	149,420	123,008	489,453	546,211
		(5.6)	(5.7)	(5.8)	
		31 December 2009	30 September 2009	31 December 2008	
Cash and cash equivalents		34,489	44,475	76,502	
Short-term investments		105,524	75,404	471	
Short-term marketable securities		1,795	1,810	1,816	
Normalised cash		141,808	121,689	78,789	
	(5.9)	(5.10)	(5.11)	(5.12)	(5.13)
	Q4 2009	Q4 2008	Q3 2009	FY 2009	FY 2008
Normalised cash at end of period (as above)	141,808	78,789	121,689	141,808	78,789
Less: Normalised cash at beginning of period	(121,689)	(66,019)	(88,217)	(78,789)	(51,323)
Add back: Cash outflow from investments and acquisitions (net of cash acquired)	4,616	5,760	1,346	9,679	8,400
Add back: Cash outflow from payment of dividends	12,327	11,116	–	28,961	26,383
Add back: Cash outflow from purchase of own shares	–	3,243	–	–	40,286
Add back: Cash outflow from restructuring and other normalised items	2,100	378	118	4,192	2,449
Less: Cash inflow from exercise of share options	(8,479)	(160)	(6,598)	(19,085)	(5,581)
Less: Cash inflow from sale of available-for-sale investments	–	(4,813)	–	(663)	(6,291)
Normalised cash generation	30,683	28,294	28,338	86,103	93,112

(5.14) Normalised income statement for Q4 2009

	Normalised £'000	Share- based payments £'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	80,298	–	80,298	–	–	–	80,298
Service revenues	4,884	–	4,884	–	–	–	4,884
Total revenues	85,182	–	85,182	–	–	–	85,182
Cost of revenues							
Product costs	(3,045)	–	(3,045)	–	–	–	(3,045)
Service costs	(1,817)	(551)	(2,368)	–	–	–	(2,368)
Total cost of revenues	(4,862)	(551)	(5,413)	–	–	–	(5,413)
Gross profit	80,320	(551)	79,769	–	–	–	79,769
<i>Gross margin</i>	<i>94.3%</i>						<i>93.6%</i>
Research and development	(23,867)	(4,781)	(28,648)	(1,734)	–	–	(30,382)
Sales and marketing	(12,733)	(1,514)	(14,247)	(1,896)	(114)	–	(16,257)
General and administrative	(11,963)	(1,116)	(13,079)	–	–	(480)	(13,559)
Total operating expenses	(48,563)	(7,411)	(55,974)	(3,630)	(114)	(480)	(60,198)
Profit from operations	31,757	(7,962)	23,795	(3,630)	(114)	(480)	19,571
<i>Operating margin</i>	<i>37.3%</i>						<i>23.0%</i>
Investment income	581	–	581	–	–	–	581
Interest payable	(30)	–	(30)	–	–	–	(30)
Profit before tax	32,308	(7,962)	24,346	(3,630)	(114)	(480)	20,122
Tax	(8,773)	4,437	(4,336)	1,348	32	175	(2,781)
Profit for the period	23,535	(3,525)	20,010	(2,282)	(82)	(305)	17,341
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,316,439		1,316,439				1,316,439
Earnings per share – pence	1.79		1.52				1.32
ADSs outstanding ('000)	438,813		438,813				438,813
Earnings per ADS – cents	8.66		7.36				6.38

(5.15) Normalised income statement for Q4 2008

	Normalised £'000	Share- based payments £'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	90,116	–	90,116	–	–	–	90,116
Service revenues	4,251	–	4,251	–	–	–	4,251
Total revenues	<u>94,367</u>	<u>–</u>	<u>94,367</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>94,367</u>
Cost of revenues							
Product costs	(7,889)	–	(7,889)	–	–	–	(7,889)
Service costs	(2,047)	(294)	(2,341)	–	–	–	(2,341)
Total cost of revenues	<u>(9,936)</u>	<u>(294)</u>	<u>(10,230)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(10,230)</u>
Gross profit	<u>84,431</u>	<u>(294)</u>	<u>84,137</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>84,137</u>
<i>Gross margin</i>	89.5%						89.2%
Research and development	(18,559)	(2,884)	(21,443)	(3,072)	(23)	–	(24,538)
Sales and marketing	(14,060)	(559)	(14,619)	(2,195)	1	–	(16,813)
General and administrative	(19,164)	(560)	(19,724)	(197)	(136)	(290)	(20,347)
Total operating expenses	<u>(51,783)</u>	<u>(4,003)</u>	<u>(55,786)</u>	<u>(5,464)</u>	<u>(158)</u>	<u>(290)</u>	<u>(61,698)</u>
Profit from operations	32,648	(4,297)	28,351	(5,464)	(158)	(290)	22,439
<i>Operating margin</i>	34.6%						23.8%
Investment income	811	–	811	–	–	–	811
Interest payable	(11)	–	(11)	–	–	–	(11)
Profit before tax	<u>33,448</u>	<u>(4,297)</u>	<u>29,151</u>	<u>(5,464)</u>	<u>(158)</u>	<u>(290)</u>	<u>23,239</u>
Tax	(8,733)	447	(8,286)	2,108	53	111	(6,014)
Profit for the period	<u>24,715</u>	<u>(3,850)</u>	<u>20,865</u>	<u>(3,356)</u>	<u>(105)</u>	<u>(179)</u>	<u>17,225</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,275,151		1,275,151				1,275,151
Earnings per share – pence	1.94		1.64				1.35
ADSs outstanding ('000)	425,050		425,050				425,050
Earnings per ADS – cents	8.52		7.19				5.94

(5.16) Normalised income statement for Q3 2009

	Normalised £'000	Share- based payments £'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	70,717	–	70,717	–	–	–	70,717
Service revenues	4,443	–	4,443	–	–	–	4,443
Total revenues	<u>75,160</u>	<u>–</u>	<u>75,160</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>75,160</u>
Cost of revenues							
Product costs	(3,661)	–	(3,661)	–	–	–	(3,661)
Service costs	(1,680)	(434)	(2,114)	–	–	–	(2,114)
Total cost of revenues	<u>(5,341)</u>	<u>(434)</u>	<u>(5,775)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,775)</u>
Gross profit	<u>69,819</u>	<u>(434)</u>	<u>69,385</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>69,385</u>
<i>Gross margin</i>	92.9%						92.3%
Research and development	(21,542)	(3,772)	(25,314)	(1,780)	–	–	(27,094)
Sales and marketing	(11,859)	(1,196)	(13,055)	(1,861)	(114)	–	(15,030)
General and administrative	(12,585)	(881)	(13,466)	(3)	–	(6,557)	(20,026)
Total operating expenses	<u>(45,986)</u>	<u>(5,849)</u>	<u>(51,835)</u>	<u>(3,644)</u>	<u>(114)</u>	<u>(6,557)</u>	<u>(62,150)</u>
Profit from operations	23,833	(6,283)	17,550	(3,644)	(114)	(6,557)	7,235
<i>Operating margin</i>	31.7%						9.6%
Investment income	467	–	467	–	–	–	467
Interest payable	(37)	–	(37)	–	–	–	(37)
Profit before tax	<u>24,263</u>	<u>(6,283)</u>	<u>17,980</u>	<u>(3,644)</u>	<u>(114)</u>	<u>(6,557)</u>	<u>7,665</u>
Tax	(6,807)	2,800	(4,007)	1,364	32	1,837	(774)
Profit for the period	<u>17,456</u>	<u>(3,483)</u>	<u>13,973</u>	<u>(2,280)</u>	<u>(82)</u>	<u>(4,720)</u>	<u>6,891</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,301,102		1,301,102				1,301,102
Earnings per share – pence	1.34		1.07				0.53
ADs outstanding ('000)	433,701		433,701				433,701
Earnings per ADS – cents	6.44		5.15				2.54

(5.17) Normalised income statement for FY 2009

	Normalised £'000	Share-based payments £'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	286,834	–	286,834	–	–	–	–	286,834
Service revenues	18,188	–	18,188	–	–	–	–	18,188
Total revenues	305,022	–	305,022	–	–	–	–	305,022
Cost of revenues								
Product costs	(16,645)	–	(16,645)	–	–	–	–	(16,645)
Service costs	(7,099)	(1,727)	(8,826)	–	–	–	–	(8,826)
Total cost of revenues	(23,744)	(1,727)	(25,471)	–	–	–	–	(25,471)
Gross profit	281,278	(1,727)	279,551	–	–	–	–	279,551
<i>Gross margin</i>	<i>92.2%</i>							<i>91.6%</i>
Research and development	(89,742)	(14,817)	(104,559)	(7,656)	–	–	–	(112,215)
Sales and marketing	(48,543)	(4,697)	(53,240)	(8,027)	(456)	–	–	(61,723)
General and administrative	(47,867)	(3,458)	(51,325)	(15)	–	(188)	(8,471)	(59,999)
Total operating expenses	(186,152)	(22,972)	(209,124)	(15,698)	(456)	(188)	(8,471)	(233,937)
Profit from operations	95,126	(24,699)	70,427	(15,698)	(456)	(188)	(8,471)	45,614
<i>Operating margin</i>	<i>31.2%</i>							<i>15.0%</i>
Investment income	1,788	–	1,788	–	–	–	–	1,788
Interest payable	(143)	–	(143)	–	–	–	–	(143)
Profit before tax	96,771	(24,699)	72,072	(15,698)	(456)	(188)	(8,471)	47,259
Tax	(25,929)	10,642	(15,287)	5,869	128	53	2,417	(6,820)
Profit for the period	70,842	(14,057)	56,785	(9,829)	(328)	(135)	(6,054)	40,439
Earnings per share (assuming dilution)								
Shares outstanding ('000)	1,300,650		1,300,650					1,300,650
Earnings per share – pence	5.45		4.37					3.11
ADSs outstanding ('000)	433,550		433,550					433,550
Earnings per ADS – cents	26.39		21.15					15.06

(5.18) Normalised income statement for FY 2008

	Normalised £'000	Share-based payments £'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	282,382	–	282,382	–	–	–	282,382
Service revenues	16,552	–	16,552	–	–	–	16,552
Total revenues	<u>298,934</u>	<u>–</u>	<u>298,934</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>298,934</u>
Cost of revenues							
Product costs	(24,539)	–	(24,539)	–	–	–	(24,539)
Service costs	(7,237)	(1,102)	(8,339)	–	–	–	(8,339)
Total cost of revenues	<u>(31,776)</u>	<u>(1,102)</u>	<u>(32,878)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(32,878)</u>
Gross profit	<u>267,158</u>	<u>(1,102)</u>	<u>266,056</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>266,056</u>
<i>Gross margin</i>	89.4%						89.0%
Research and development	(65,820)	(10,694)	(76,514)	(10,854)	(220)	–	(87,588)
Sales and marketing	(47,357)	(2,037)	(49,394)	(8,056)	2	–	(57,448)
General and administrative	(56,275)	(2,075)	(58,350)	(691)	(164)	(1,872)	(61,077)
Total operating expenses	<u>(169,452)</u>	<u>(14,806)</u>	<u>(184,258)</u>	<u>(19,601)</u>	<u>(382)</u>	<u>(1,872)</u>	<u>(206,113)</u>
Profit from operations	97,706	(15,908)	81,798	(19,601)	(382)	(1,872)	59,943
<i>Operating margin</i>	32.7%						20.1%
Investment income	3,297	–	3,297	–	–	–	3,297
Interest payable	(51)	–	(51)	–	–	–	(51)
Profit before tax	<u>100,952</u>	<u>(15,908)</u>	<u>85,044</u>	<u>(19,601)</u>	<u>(382)</u>	<u>(1,872)</u>	<u>63,189</u>
Tax	(28,121)	235	(27,886)	7,471	130	688	(19,597)
Profit for the period	<u>72,831</u>	<u>(15,673)</u>	<u>57,158</u>	<u>(12,130)</u>	<u>(252)</u>	<u>(1,184)</u>	<u>43,592</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,286,413		1,286,413				1,286,413
Earnings per share – pence	5.66		4.44				3.39
ADSs outstanding ('000)	428,804		428,804				428,804
Earnings per ADS – cents	24.89		19.54				14.90