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Chief Executive's letter

Dear Shareholder,

I am pleased to be reporting an overall improvement in the performance of your Company in 2004 as a result of our investment in and focus on growth markets.

Overall turnover increased by 9 per cent in constant currencies to £475.0 million, with strong results reported by our Performance Analysis division which achieved a substantial rise in turnover, up 31 per cent in constant currencies.

Our Service Assurance division had a difficult year and we are working to reinvigorate this business. Operating profit for the Group as a whole was up materially by 28 per cent in constant currencies to £42.8 million. Earnings per share increased by 29 per cent to 2.99 pence.

Strong cash generation enabled us to reduce debt to £26.4 million at the year end from £57.5 million. We are well positioned to build on its strengths, including its leading position in next-generation technologies, broad product portfolio, depth of expertise and our strong commitment to innovation and product development. Going forward, we will continue to leverage our expertise across our Communications group to deliver testing solutions for new and evolving telecoms technologies.

We have sharpened our focus on our customers' needs and have established strong positions in virtually all next-generation technologies that are critical to our customers' migration to packet-based networks and services. I believe the organisational changes and improvements we have implemented have laid a solid foundation from which we can progress.

In my first year as Chief Executive I am very excited about our accomplishments and our future. I would like to acknowledge and applaud the hard work and dedication of our employees around the world who make our successes possible and who are vital to our future growth.

As we look ahead, our strategy to focus on and grow our Communications group provides us with exciting opportunities and challenges. I am confident we are on the right course to achieve our objectives.

Yours faithfully,