





# Financial highlights

	<b>6 months to 30 June 2008 £m</b>	6 months to 30 June 2007 £m	
Revenue			
– Continuing operations	<b>315.0</b>	246.7	<b>+28%</b>
– Discontinued operations	–	72.9 <sup>†</sup>	
	<b>315.0</b>	319.6	
Underlying profit before tax from continuing operations <sup>(i)</sup>	<b>34.5</b>	29.6	<b>+17%</b>
Total underlying profit before tax <sup>(i)</sup>	<b>34.5</b>	34.0	
Profit before tax from continuing operations	<b>29.1</b>	21.2	<b>+37%</b>
Profit for the period from continuing operations	<b>22.3</b>	17.3	<b>+29%</b>
Net borrowings	<b>94.4</b>	80.9	
Shareholders' funds	<b>459.0</b>	426.6	
	<b>p/share*</b>	p/share*	
Underlying earnings from continuing operations <sup>(i)</sup>	<b>15.9</b>	13.0	<b>+22%</b>
Total underlying earnings <sup>(i)</sup>	<b>15.9</b>	14.7	<b>+8%</b>
Basic earnings from continuing operations	<b>12.6</b>	8.9	<b>+42%</b>
Dividend <sup>(ii)</sup>	<b>4.0</b>	3.62	<b>+10%</b>

## Explanatory notes:

(i) Laird uses underlying results as key performance indicators. Underlying profit before tax and underlying earnings per share are stated before exceptional items, the amortisation of acquired intangible assets, deferred tax on acquired intangible assets and goodwill, the gain or loss on disposal of businesses and the impact arising from the fair valuing of financial instruments. The narrative that follows is based on underlying operating profit, profit before tax and earnings per share, as the directors believe that these provide a more consistent measure of operating performance.

(ii) Excludes a special dividend of 50p per share paid in June 2007

† 2007: four months only

\* The weighted average number of shares used to calculate earnings and dividends per share was 177.0 million in the first half of 2008 and 195.3 million in the first half of 2007, following the 8 for 9 share consolidation on 11 June 2007.

# Review of the Half Year

## Overview

Laird is a leader in the design and supply of customised, performance critical products and systems for wireless and other advanced electronic applications. We design, develop and supply the technology that allows people, organisations and electronic devices to connect effectively and efficiently, locally and globally: we provide technology for a connected world.

## Results overview

Laird has delivered another set of strong financial results for the half year.

Revenue from continuing operations in the six months to 30 June 2008 was £315.0 million, up 28% (2007, £246.7 million), driven by continuing market growth, increased customer demand for our products, new product introductions and the benefits of acquisitions. Revenue growth at constant currency was lower at 24%, of which organic revenue growth at constant currency was 19%.

We saw particularly good growth in our revenues into the cellular handset market, driven by continuing underlying market growth and greater customer penetration. Particularly strong organic growth has again come from mechanical actuation devices and antennae modules. We also saw good growth in revenues from our products for notebook PCs, plasma display panels and consumer electronics and of our telematics products.

Underlying operating profit from continuing operations was £37.9 million in the six months to 30 June 2008, up 11% (2007, £34.1 million). Operating profit growth at constant currency was 25%.

Operating margin in the period was 12.0%, compared with 13.8% in the first half of 2007. The margin change is due to a number of factors:

- Currency effects, including the appreciation of certain currencies, most notably the Czech Koruna, Swedish Krona, Japanese Yen, RMB and Euro, against Sterling, increasing our cost base when expressed in Sterling. Operating margin in the period would have been 14.0% at constant currency.
- Changes in product mix, with the higher proportion of sales of antennae modules and actuation products, which have higher material costs and higher cash contributions but a lower percentage margin.
- Increased investment in research and development and in customer engineering, as well as in strategic account management and sales generation, to enhance future growth.
- Partially offsetting the factors above were the benefits of economies of scale and higher operating margin in our base business.

Underlying profit before tax from continuing operations was £34.5 million in the six months to 30 June 2008, up 17% (2007, £29.6 million). Growth at constant currency was 33%.

Statutory profit before tax from continuing operations in the first half of 2008, after exceptional items, the amortisation of acquired intangibles, the gain or loss on the

disposal of businesses and the fair valuing of financial instruments, was 37% higher at £29.1 million (2007, £21.2 million). There were no exceptional charges in the period (2007, £3.2 million in continuing operations).

Total underlying profit before tax in the half year to 30 June 2008 was £34.5 million (2007, £34.0 million, including four months' contribution from Security Systems prior to its divestment).

Underlying earnings per share from continuing operations increased by 22% to 15.9 pence, (2007, 13.0 pence). Total underlying earnings per share in the first half of 2008 were also 15.9 pence (2007, 14.7 pence). The average number of shares in issue in the first half of 2008 was 177.0 million, compared with 195.3 million in the first half of 2007. A share consolidation, on the basis of 8 new ordinary shares for every 9 pre-consolidation shares, was effected on 11 June 2007. The average number of shares in issue for the full year 2008 is expected to be approximately 177.2 million compared with 185.9 million for 2007.

Net borrowings at 30 June 2008 were £94.4 million, representing 21% of shareholders' funds. Interest cover in the half year was 11 times, based on total underlying operating profit. We are well placed, therefore, to continue our investment programme, both for organic growth and through value-adding acquisitions.

There was an operating cash inflow in the half year of £28.1 million, representing a cash conversion of 74% after capital expenditure, compared with an inflow of £19.5 million

and cash conversion of 57% in the first half of 2007. Cash spend on acquisitions was £16.9 million (2007, £80.5 million), and cash inflow from disposals was £11.9 million (2007, £224.4 million).

## **Dividend**

The Board's dividend policy is to increase cash returns to shareholders progressively over time, considering both the underlying profitability of the Group and the cash flow requirements of the business. In line with this policy, the Board has declared an interim dividend of 4.0 pence, an increase of 10.5% (2007, 3.62 pence). A special dividend of 50 pence per share was paid on 22 June 2007, following the divestment of the Security Systems division.

## **Strategic development**

Laird is:

- The global leader in the suppression or prevention of electromagnetic interference ("EMI"), allowing devices to function effectively.
- The global leader in mobile handset antennae, modules and sub-assemblies, improving signal transmission and reception.
- A leader in actuation products, improving the physical functionality and versatility of mobile handsets.
- A leader in thermal management products, removing heat from electronic devices and allowing them to function efficiently.
- A leader in infrastructure, satellite radio and other wireless antennae and systems, optimising voice, visual and data transmission and storage.

We specialise in providing products and solutions for our customers that allow their own electronic devices to operate functionally, efficiently and cost effectively. We have invested, and we continue to invest, in engineering and technology, in world class production facilities with extremely efficient operational equipment, and in a global sales force with full customer engineering support. Our aim is to be the supplier of choice to our customers, often working with them on collaborative new product designs.

### **Serving our customers in global growth markets**

The largest market for our products in the first half of 2008 was cellular handsets, accounting for some 54% of revenues. Global handset unit shipments in the first half of 2008 are estimated by Nokia to have been some 15% higher compared with the same period in 2007. Both Nokia and the industry commentator Gartner are currently forecasting global shipments in the full year 2008 to be at least 10% up on 2007, with Gartner projecting a further 10% growth in unit shipments in 2009. Our customers include all the major global Original Equipment Manufacturers ("OEMs") (Nokia, Motorola, Sony Ericsson, LG and Samsung), as well as other more local Asian OEMs and Original Design Manufacturers ("ODMs").

We saw continuing growth in sales into the IT, telecommunications and data communications markets, which in the first half of 2008 accounted for some 23% of Laird's revenues. Sales of our EMI shielding and thermal products into the PC notebook market remained strong, with

increased sales to Apple, Dell and Hewlett Packard. We also saw buoyant sales into the server, printer, networking equipment and telecommunications base station market, with increased sales to Cisco and Huawei in particular. Gartner estimates that global notebook PC shipments in the first quarter of 2008 were up some 30% compared with the same period in 2007, and project good growth for 2008 as a whole. Sales of our communications antennae for Wireless Local Area Networks and Wireless Internet Service Providers also remained buoyant.

Sales of our products into the automotive and transportation sectors increased strongly compared with 2007, and accounted for some 11% of Laird's revenues in the first half of 2008. We saw good growth in demand for our telematics antennae products into the OEM North American and European markets, predominantly for satellite digital radio and often bundled with AM/FM, Bluetooth, GPS and cellular and asset tracking antennae. We expect this growth to slow in the second half of 2008 as a result of lower vehicle sales.

Laird made further good advances in most of its other markets (including industrial, instrumentation, medical, military and consumer), which accounted for some 12% of total revenues in the first half. We saw good year-on-year growth in sales of our products into the plasma screen and liquid crystal displays for flat screen TVs to Samsung and Panasonic, and achieved improved penetration in the Microsoft Xbox and the Sony PlayStation. Thermoelectric cooler sales into the industrial, aerospace and medical markets also grew well.

## **Investment in Research and Development**

Our investment in research and development in the first half of 2008 was £16.6 million, up 41% on 2007 and approximately 5.3% of revenues (2007, 4.8%). At the end of June 2008 we employed some 769 qualified engineers and technologists (December 2007, 660).

The ownership of patents, trade secrets and trademarks are all forms of intellectual property protection that we utilise, helping us to maintain our technology leadership positions. At the end of June 2008 we owned 677 issued patents (December 2007, 610), with a further 576 pending (December 2007, 506).

Our first half investment in research and development has been focused on delivering shareholder value through increasing the capacity of our technical resources to meet growing demand from our customers. We have also invested in new technical resources to grow our business well into the future. We own an industry-leading patent portfolio, and have a global, multi-disciplined engineering skill base operating from strategically located product design centres that are increasingly valuable to our customers. We have a unique ability to exploit product convergence. All of these factors provide us with a technology based competitive advantage.

During the first half of 2008 we have developed and released 39 new product platforms, up more than 60% over the first half of 2007.

We have seen an increase of more than 4 times in the number of complex antennae module and actuator device programmes

from our customers which have resulted from increased R&D spending at our European and Asian product design centres. We have significantly strengthened our design centres in Korea, Taiwan, China and Sweden to meet this strong customer demand.

We have established ourselves as a local product design company in the heartland of wireless and networking technology in North America by expanding our product design centre in San Jose, California during the first half of this year. The San Jose design centre has enhanced the technical capability we can offer customers, by adding Radio Frequency ("RF") development equipment, environmental testing capability and several key product development resources.

In addition, we are positioning ourselves to offer a broader range of products in the future to our customers, including investments in the following key areas:

- decorative metal product and process design technology
- higher value/higher complexity thermal device assembly design and production capabilities
- increasing our competence in acoustic and electronic component technology for further integration into our antennae module products

In December 2007 we opened our new Corporate Research Laboratory in Bangalore, India providing an advanced technology research capability as well as "horizon scanning" for potential new technology opportunities.

## Operational Excellence

For Laird, operational excellence is a key differentiator, from supplying our customers “just in time” to being the lowest cost supplier. We continue to invest in additional manufacturing capacity and in further developing our operational capabilities, as well as in supply chain management and continuous improvement. Capital expenditure in the half year was £16.2 million, 5.1% of sales and 43% higher than in the first half of 2007. The majority of the increased spend was in production equipment for new handset programmes, which will also benefit us in the second half of 2008 and in 2009, with the remainder being investment in new facilities.

In the first half of 2008, 85% of revenues by origin were from Asia, Eastern Europe and Mexico (2007, 82%). At the end of June we employed approximately 14,600 employees in 15 countries of which 13,100 are in Mexico, Eastern Europe and Asia, the majority of these in China.

We have seen improvements in our manufacturing processes and product quality, as well as cost reductions through our Six Sigma Continuous Improvement Programme. We have well established systems and supporting infrastructure, and will continue to expand and broaden these initiatives across all of our sites. These initiatives are allowing us to meet the increasing demands of our customers, while remaining cost competitive and maintaining our margins.

## Antenna & Wireless Systems

Six months to 30 June	2008 £m	2007 £m	Growth
Revenue	147.4	112.0	32%
Underlying operating profit	13.7	12.1	13%
Return on sales	9.3%	10.8%	

Laird designs, develops and supplies components and systems that provide and enhance connectivity, helping the world to communicate better and faster by voice or with data.

This Division comprises our cellular antennae products, where we are the global market leader, our telematics and infrastructure antennae products, where we are the market leader in North America, and our small wireless systems activities.

The Division achieved strong revenue growth of 32% in the first half of 2008, with organic revenue growth at constant currency of 23%.

This was driven predominantly by strong growth in revenues from cellular antennae modules and sub-assemblies. These have higher average selling prices, as a result of both the technical complexity of the antennae arrays and their combination with acoustic boxes, stereophonic loudspeakers and other bought in components, but lower percentage margins.

In 2008 we benefited in handset antennae from our positions on both high volume handsets and the lower volume, but higher functionality models where our content is often greater, as well as from market growth in both emerging markets and replacement handsets. We have a strong position with, and grew sales significantly at, Nokia, the world's leading handset company, and increased antennae sales to LG, and sales were lower to Motorola and Sony Ericsson.

In telematics, we saw good growth in our shipments to our major customers, and we continued to benefit from the increased penetration of our antennae in new vehicles.

We also saw growth from our communications and infrastructure antennae in North America, where our presence was bolstered by our acquisition of Cushcraft in February 2007. We are adding specialist engineers to our existing sales force in Europe and Asia, to accelerate our growth.

Our wireless systems activity, where we supply fully functioning wireless modules and which was initiated with the acquisition of AeroComm in January 2007, was enhanced further with the acquisition of Ezurio in February 2008. Together, these acquisitions give us an initial foothold in the wireless M2M (Machine to Machine) sectors such as asset management, healthcare, telematics, security and electronic point of sale.

Underlying operating profit grew by 13% in the period (37% in constant currency). Currency, product mix and investment for growth resulted in the Division's return on sales declining to 9.3% from 10.8% in 2007.

The Division's objective is to become the leader in the industrial, consumer and automotive segments of antennae and wireless communications technology, geographically diversified and with a wide spread of customers and end user markets, allowing people, organisations and electronic devices to communicate better and more effectively.

### Electronic Components & Systems

Six months to 30 June	2008 £m	2007 £m	Growth
Revenue	167.6	134.7	24%
Underlying operating profit	24.2	22.0	10%
Return on sales	14.4%	16.3%	

Laird designs, develops and supplies throughout the world the high precision, performance critical components and systems

that help electronic devices function and connect effectively, whether for voice or visual communication or for high quality data storage and transmission.

This Division designs, manufactures and markets our Electromagnetic Interference ("EMI") shielding products, in which we are the global market leader, together with our signal integrity and thermal management products, which provide vital protection for a wide range of electronic devices allowing them to function and connect effectively. In early 2007 we entered the actuation device business with the acquisition of M2sys in Korea, growing it rapidly to become the market leader in the design and supply of these devices, which improve the physical functionality and design versatility of mobile phone handsets.

The Division showed strong revenue growth of 24% in the first half of 2008, with organic revenue growth of 16%, driven particularly by strong growth in sales of actuation devices.

We also saw continuing good growth in sales of our EMI and thermal interface products into the notebook PC market, together with buoyant sales into the server, networking equipment and telecommunications base station markets. The period also saw our first significant sales of EMI shields to Samsung for mobile handsets.

The Division's percentage return on sales declined in the first half of 2008, from 16.3% to 14.4%. This was due to currency effects, the growth in sales of our high specification actuation devices which have a higher materials content (and, therefore, lower average percentage margins) than the rest of the Division's products and investment for growth.

Our largely customised, high precision products and systems are critical in maintaining and enhancing the integrity and performance of our customers' electronic devices. We expect that the increasing challenges for our customers of conducted and radiated EMI and of heat generation as the power, speed and performance of devices increases, will continue to drive demand for this Division's products, while design trends in cellular handsets should continue to drive increasing demand for our actuation products. We aim to be the market leader in all of these areas, and increasingly to exploit technology and product convergence.

### **Outlook**

Laird has delivered another set of strong results in the first half of 2008, maintaining the momentum established in recent years. While economic uncertainties continue to be widely reported, we believe that our advanced technology capabilities, our strong positions with our customers across a range of markets, our global design and sales footprint, and our well established low cost manufacturing base, position us well to make further progress during the remainder of the year.

**Nigel Keen**  
Chairman

**Peter Hill**  
Chief Executive

30 July 2008

# Finance Director's report

## Revenue

Revenue from continuing operations increased by 28% to £315.0 million in the first six months of 2008 (2007, £246.7 million). In 2007, there was £72.9 million of revenue from discontinued operations but none in 2008.

Organic growth from continuing operations is measured by restating 2008 revenue at 2007 exchange rates and comparing it to the reported revenue for 2007 but after adjusting 2007 to restate it on a pro-forma basis. The pro-forma adjustment is the addition of revenue in respect of acquisitions as if we had owned the acquisitions in 2007 for the same proportion of the year that they were owned in 2008.

On this basis, organic growth was 19%, 23% for Antenna and Wireless Systems (AWS) and 16% for Electronic Components and Systems (ECS). This is summarised in the table below:

	Antenna & Wireless Systems £m	Electronic Components & Systems £m	Total £m
2007 revenue	112.0	134.7	246.7
Adjustment for acquisitions in 2007	4.3	4.9	9.2
2007 pro-forma revenue	116.3	139.6	255.9
2008 revenue	147.4	167.6	315.0
Adjustment to restate at constant exchange rates	(4.4)	(5.8)	(10.2)
2008 revenue at 2007 exchange rates	143.0	161.8	304.8
Organic growth	23%	16%	19%

## Net Margins

Net margins for the continuing business were 12.0% in the first six months of 2008, compared with 13.8% in 2007. Margins were lower in both AWS and ECS compared with 2007 with particularly strong growth in products with higher bought-in material content and

the impact of the appreciation of a number of currencies.

In a number of non-US locations where Laird trades, local currency costs exceeded local currency revenues, in particular where a proportion of the revenues are traded in US\$. Had exchange rates remained constant in 2008 with the same period in 2007 then profit before tax would have been £4.8 million greater (of which £2.5 million reduced gross margins). Close to 40% was due to the stronger RMB.

## Profit

Profit before tax from continuing operations in the first six months of 2008 was £29.1 million (2007, £21.2 million).

In the prior period, there was a profit after tax for the year from discontinued operations of £92.4 million including a gain of £89.9 million on the sale of Laird Security Systems. There is no profit or loss from discontinued operations in 2008.

## Underlying Profit

Underlying profit before tax from continuing operations in the first six months was £34.5 million (2007, £29.6 million). Underlying profit is defined as profit before tax, exceptional items, amortisation of acquired intangible assets, the gain or loss on sale of businesses and the impact arising from the fair valuing of financial instruments, as set out in note 8.

## Exceptional Costs

There were no exceptional costs in the first six months of 2008 compared with £3.2 million in 2007. The 2007 result included an exceptional finance charge of £1.5 million on early repayment of US\$ Private Placement notes which arose due to the divestment of a

subsidiary which issued the notes as part of the divestment of Laird Security Systems.

### Finance Costs

Finance costs net of a gain on the fair valuing of financial instruments of £0.1 million were £3.4 million compared to the £4.5 million in 2007 (excluding the exceptional finance charge of £1.5 million in 2007 described above). Interest cover was 11 times, well above the minimum of 2.5 required by the covenant in the Group's principal loan agreements.

### Taxation

The continuing underlying tax charge on continuing underlying profit before tax is equivalent to an average tax rate of 18.3% compared with 14.5% for the first six months in 2007. The principal driver of the rise is the increase of corporate tax rates in China.

Profits in the USA are subject to a relatively low charge and should remain so for many years in part due to tax deductions for amortised goodwill resulting from acquisitions. A significant proportion of profits are also from jurisdictions with low tax rates or with tax incentives. An analysis of the total tax charge is given in note 8.

Going forward, the average tax rate is likely to rise given the increases in tax rates in China and this could mean an underlying rate of around 20-22% in the medium term.

### Underlying Earnings

Underlying continuing profit after tax for the first six months of 2008 was 11% up on 2007. Continuing underlying earnings per share of 15.9p were up by 22% (note 8) in the first six months of 2008. There were fewer shares in issue in 2008 following the share consolidation in June 2007. Underlying earnings are based on underlying profit less

underlying tax and exclude deferred tax on acquired intangible assets and goodwill.

### Cash Flow

<i>Analysis of cash flow</i>	£m
	Continuing
Operating profit	37.9
Depreciation / asset disposal gain	5.5
Other non-cash	0.3
	<hr/>
	43.7
Decrease in working capital*	0.5
Capital expenditure less disposals	(16.1)
	<hr/>
Operating cash flow	28.1
Finance costs	(5.0)
Taxation	(10.2)
	<hr/>
Trading cash flow surplus	12.9
Dividends	(14.0)
Acquisitions	(16.9)
Disposals	11.9
Exceptional costs	(3.4)
Share issues	0.9
Other	0.4
Exchange translation movement	(0.8)
	<hr/>
Increase in net borrowings	(9.0)

\* after adjusting for creditor decreases on exceptional items of £3.4 million.

Despite the strong organic growth, there was a small decrease of £0.5 million in working capital which benefited in part due to better than expected cash receipts prior to the June month end.

Capital expenditure of £16.2 million in the continuing business was over twice the level of depreciation largely due to the continuing expansion in capacity to meet demand, with most of the expenditure occurring in Asia, Mexico and India.

### Net borrowings and debt facilities

Overall, there was a £9.0 million increase in net borrowings to £94.4 million. The trading cash flow surplus was offset largely by dividends and the net spend on acquisitions and disposals. Trading cash flows tend to be stronger in the second half of the year.

Net borrowings were 1.0 times earnings before exceptional items, interest, tax, depreciation and amortisation, 29% of the maximum permitted of 3.5 times in the principal loan covenants.

A key consideration for financial planning is to maintain sufficient headroom between borrowings and the ceiling set by the covenants.

Due regard is given to maintaining committed loan finance which exceeds one year and ensuring that committed finance is available that exceeds the Group's expected borrowing requirements. In August 2007, the Group extended the term of its 5 year bilateral revolving credit facilities of £195 million from August 2011 to August 2012 and this year has entered into two more bilateral facilities amounting to £70 million which also expire in August 2012. These facilities, together with the US\$ private placement facilities, the vast majority of which expire between 2008 and 2016, provide committed facilities totalling approximately £345 million.

### **Pensions**

IFRIC 14 was adopted in 2007 and allows pension surpluses to be taken onto the balance sheet dependant on the rules of individual schemes. There is an overall defined benefit pension scheme net surplus at 30 June 2008 of £2.0 million, compared to a net surplus of £8.1 million at 31 December 2007.

There was a change in the assumption used to calculate the liabilities: the bond rate used to discount the liabilities was 6.5% at 30 June 2008 compared to 5.7% at 31 December 2007, which increased the surplus by £11.1 million. The main items that offset this increase are a change in the inflation assumption which reduced the surplus by approximately £5.0 million, a reduction in the

asset values of £7.1 million and an IFRIC 14 adjustment of £3.3 million in respect of pension fund surplus taxation.

### **Principal risks**

Laird operates globally in varied markets. The principal risks and uncertainties that are or may be faced are disclosed in the 2007 Annual Report, (Directors' report), and these are expected to continue to be relevant for the remaining six months of the year.

The risks set out in the Annual Report, include the competitive markets in which we operate, the need to respond to technological change, the dependency on a small number of major customers, exposure to increases in commodity prices and the requirement to meet increasingly stringent environmental laws and regulations. Also referred to are the risks associated with changes in the overall growth and demand for our products which could be influenced by the less certain macro economic climate.

### **Currency**

The average and period end exchange rates are set out in note 4. A significant proportion of revenues are in US\$ or currencies which are linked to the US\$. The majority of the Group's assets are held overseas and these are hedged in part by foreign currency loans.

### **Shareholders' Funds**

Shareholders' funds at 30 June 2008 were £459.0 million (31 December 2007, £448.5 million). The reconciliation is set out in note 11.

**Jonathan Silver**  
Finance Director

30 July 2008

# Statement of directors' responsibilities

The directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report set out on pages 1-12 herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules. The Board of directors of Laird PLC that served during the six months to 30 June 2008 and their respective responsibilities are listed on page 52 of the Laird PLC 2007 Annual Report.

By Order of the Board:

**P J Hill**, Chief Executive

**J C Silver**, Finance Director

30 July 2008

# Interim review report to Laird PLC

## **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2008 which comprises the Group income statement, Group balance sheet, Group cash flow statement, Statement of recognised income and expense and the related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

## **Review work performed**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Review conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP  
London  
30 July 2008

## Group income statement (unaudited)

note	6 months to 30 June 2008 £m	6 months to 30 June 2007 (restated) £m	12 months to 31 December 2007 £m
<b>Continuing operations</b>			
03 Revenue	315.0	246.7	564.3
<b>Operating profit before amortisation of acquired intangible assets and exceptional items</b>			
	37.9	34.1	80.0
Amortisation of acquired intangible assets	(5.5)	(5.2)	(10.2)
05 Exceptional items	-	(1.7)	(10.4)
<b>Operating profit</b>			
	32.4	27.2	59.4
Finance revenue	0.3	2.3	2.8
Finance costs	(4.3)	(7.1)	(11.2)
Financial instruments – fair value adjustment	0.1	-	1.2
Other finance revenue – pension	0.6	0.3	0.8
05 Exceptional finance costs	-	(1.5)	(1.5)
<b>Profit before tax from continuing operations</b>			
	29.1	21.2	51.5
08 Taxation	(6.8)	(3.9)	(11.8)
<b>Profit for the period from continuing operations</b>			
	22.3	17.3	39.7
<b>Discontinued operations</b>			
06 Profit for the period from discontinued operations	-	92.4	88.0
<b>Profit for the period</b>			
	22.3	109.7	127.7
<b>07 Earnings per share</b>			
Basic from continuing operations	12.6p	8.9p	21.4p
Diluted from continuing operations	12.5p	8.8p	21.2p
Basic on profit for the period	12.6p	56.2p	68.7p
Diluted on profit for the period	12.5p	55.7p	68.0p
<b>08 Underlying profit before tax*</b>			
Continuing	34.5	29.6	72.4
Total	34.5	34.0	76.8
<b>Underlying basic earnings per share*</b>			
Continuing	15.9p	13.0p	33.1p
Total	15.9p	14.7p	34.9p
<b>09 Dividends declared</b>			
Dividends	7.1	106.1	120.1
Dividend per share	4.0p	53.62p	61.5p

\*before amortisation of acquired intangible assets, exceptional items, deferred tax on acquired intangible assets and goodwill, the gain or loss on disposal of businesses, and the impact arising from the fair valuing of financial instruments

## Statement of recognised income and expense (unaudited)

note	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007 (restated)	12 months to 31 December 2007
	<b>£m</b>	£m	£m
Profit for the period	<b>22.3</b>	109.7	127.7
<b>14</b> Actuarial (losses)/gains on retirement benefit obligations	<b>(6.6)</b>	6.5	3.0
Deferred tax on actuarial losses/gains	<b>1.7</b>	(1.8)	(1.7)
Exchange differences on retranslation of overseas net investments	<b>7.1</b>	(10.7)	3.2
Exchange losses transferred to discontinued in income statement	-	19.5	19.5
Exchange differences on net investment hedges	<b>(2.4)</b>	4.1	1.7
Tax on exchange differences	-	(0.4)	0.7
<b>Total income and expense recognised directly in equity</b>	<b>(0.2)</b>	17.2	26.4
<b>Total income and expense recognised for the period</b>	<b>22.1</b>	126.9	154.1

## Group balance sheet (unaudited)

note	As at 30 June 2008	As at 30 June 2007 (restated)	As at 31 December 2007
	£m	£m	£m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	90.2	66.2	76.1
Intangible assets	463.1	450.8	451.0
Deferred tax assets	2.7	0.2	1.4
Retirement benefit assets	6.2	13.1	12.3
Other non-current assets	0.5	3.2	0.7
	<b>562.7</b>	533.5	541.5
<b>Current assets</b>			
Inventories	65.1	43.4	55.4
Trade and other receivables	128.6	125.6	159.9
Income tax receivable	2.4	4.3	2.0
Cash	43.4	53.0	32.8
	<b>239.5</b>	226.3	250.1
<b>Liabilities</b>			
<b>Current liabilities</b>			
13 Borrowings	(12.5)	(3.4)	(9.4)
Trade and other payables	(119.1)	(110.6)	(132.8)
Current tax liabilities	(6.4)	(4.1)	(9.1)
Provisions	(6.5)	(0.4)	(7.1)
	<b>(144.5)</b>	(118.5)	(158.4)
<b>Net current assets</b>			
	<b>95.0</b>	107.8	91.7
<b>Non-current liabilities</b>			
13 Borrowings	(125.3)	(130.5)	(108.8)
Derivative financial instruments	–	(1.2)	–
Income tax payable	(20.9)	(18.6)	(22.0)
Deferred tax liabilities	(44.4)	(48.0)	(43.9)
14 Retirement benefit obligations	(4.2)	(4.8)	(4.2)
Other non-current liabilities	(0.2)	(5.8)	(2.1)
Provisions	(3.7)	(5.8)	(3.7)
	<b>(198.7)</b>	(214.7)	(184.7)
<b>Net assets</b>			
	<b>459.0</b>	426.6	448.5
<b>Capital and reserves</b>			
Equity share capital	49.9	49.8	49.8
Share premium	269.7	268.8	268.9
Retained earnings	131.7	118.9	128.4
Translation reserve	7.9	(8.2)	3.3
Treasury shares	(0.2)	(2.7)	(1.9)
11 <b>Total shareholders' equity</b>	<b>459.0</b>	426.6	448.5

## Group cash flow statement (unaudited)

note	6 months to 30 June 2008 £m	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m
<b>12 Cash flows from operating activities</b>			
Cash generated from operations	40.8	14.0	42.4
Tax paid	(10.2)	(3.8)	(7.7)
<b>Net cash flows from operating activities</b>	<b>30.6</b>	10.2	34.7
<b>Cash flow from investing activities</b>			
Interest received	0.3	2.7	2.9
12 Acquisition of businesses (net of cash acquired)	(16.9)	(80.5)	(81.4)
Purchase of property, plant and equipment	(16.2)	(13.4)	(27.9)
12 Inflow from sale of businesses	11.9	224.4	219.9
Proceeds from sales of property, plant and equipment	0.1	0.2	0.5
<b>Net cash flows from investing activities</b>	<b>(20.8)</b>	133.4	114.0
<b>Cash flows from financing activities</b>			
Interest and other finance costs paid	(5.3)	(9.0)	(12.5)
Net proceeds from issue of ordinary share capital	0.9	3.2	3.2
Movement in treasury shares	0.4	–	–
Increase/(decrease) in borrowings	17.5	(15.0)	(32.3)
Dividends paid to shareholders	(14.0)	(113.6)	(120.0)
<b>Net cash flows from financing activities</b>	<b>(0.5)</b>	(134.4)	(161.6)
Effects of movements in foreign exchange rates	1.7	(0.3)	1.3
<b>13(a) Increase/(decrease) in cash and cash equivalents for the period</b>	<b>11.0</b>	8.9	(11.6)
Cash and cash equivalents brought forward	32.4	44.0	44.0
<b>Cash and cash equivalents carried forward</b>	<b>43.4</b>	52.9	32.4

# Notes to the Interim Report (unaudited)

## note

### 01 Authorisation of interim financial statements

The Group's interim financial statements for the period ended 30 June 2008 were authorised for issue by the Board of Directors on 30 July 2008. Laird PLC is a public limited company (formerly known as The Laird Group PLC until its change of name on 9 May 2008) incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

The comparative financial information for the period to 30 June 2007 and the year ended 31 December 2007 has been extracted from the published financial statements of Laird PLC. The consolidated interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. These interim results are unaudited but have been reviewed by the Group's auditors. The statutory accounts for the year ended 31 December 2007 have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain the statements under section 237(2) or (3) of the Companies Act 1985.

Further copies of the Interim Report may be obtained from Laird PLC's registered office at 100 Pall Mall, London SW1Y 5NQ.

### 02 Basis of preparation

Laird PLC prepares its Annual Report and Accounts on the basis of IFRS as adopted for use by the EU. The financial information presented in this Interim Report has been prepared in accordance with the accounting policies expected to be used in preparing the 2008 Annual Report and Accounts which do not differ significantly from those used in the preparation of the 2007 Annual Report and Accounts.

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the EU.

The Group adopted IFRIC 14 during 2007, which allows the Group to recognise a surplus in pension schemes where a right to a refund exists. This was a change in accounting policy and prior year comparatives have been restated to reflect this.

Certain prior period amounts have been reclassified to conform to the 2008 presentation.



## Notes to the Interim Report (unaudited)

### note

#### 04 Exchange rates

The results and cash flows of overseas subsidiaries are translated into sterling using weighted average rates of exchange for the period. The principal rates used were as follows:

	6 months to 30 June 2008	Average 6 months to 30 June 2007	12 months to 31 December 2007	At 30 June 2008	Closing At 30 June 2007	At 31 December 2007
Czech Koruna	32.58	41.75	40.60	30.24	42.69	36.20
Euros	1.29	1.48	1.46	1.26	1.49	1.36
Japanese Yen	207.16	236.81	235.64	211.39	247.77	222.38
Renminbi ("RMB")	13.95	15.21	15.22	13.67	15.28	14.54
Swedish Krona	12.12	13.66	13.51	11.91	13.76	12.87
US Dollars	1.97	1.97	2.00	1.99	2.01	1.99

#### 05 Exceptional items

	6 months to 30 June 2008 £m	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m
<b>Continuing operations:</b>			
Antenna and Wireless Systems			
Asset write downs	-	-	(0.2)
Other restructuring	-	(0.4)	(0.9)
Acquisition related payments	-	-	(0.6)
Electronic Components and Systems			
Asset write downs	-	-	(2.9)
Other restructuring	-	(1.3)	(5.8)
	-	(1.7)	(10.4)
Finance costs incurred on the early repayment of Private Placement notes			
	-	(1.5)	(1.5)
<b>Discontinued operations:</b>			
Laird Security Systems			
Restructuring costs	-	(0.6)	(0.6)
	-	(3.8)	(12.5)

## Notes to the Interim Report (unaudited)

note

### 06 Discontinued operations

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007 (restated)	12 months to 31 December 2007
	<b>£m</b>	£m	£m
<b>Results from discontinued operations:</b>			
Revenue	-	72.9	72.9
Segment profit before:	-	4.4	4.4
Amortisation of acquired intangible assets	-	(0.3)	(0.3)
Exceptional items	-	(0.6)	(0.6)
Operating profit	-	3.5	3.5
Taxation	-	(1.0)	(1.1)
Profit after tax from discontinued operations	-	2.5	2.4
<b>Profit on disposal of businesses:</b>			
Profit before transfer from translation reserve	-	109.4	108.8
Transfer from translation reserve	-	(19.5)	(19.5)
Profit before tax on current period disposals	-	89.9	89.3
Loss before tax on prior year disposals*	-	-	(4.0)
Taxation	-	-	0.3
Profit after tax on disposals	-	89.9	85.6
Profit from discontinued operations	-	92.4	88.0

\* These relate to other business segments disposed of in years prior to 2007.

## Notes to the Interim Report (unaudited)

note

### 07 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the period divided by the daily average of the number of shares in issue during the period. Diluted earnings per share is based on the same profits but with the number of shares increased to reflect the daily average effect of relevant share options granted but not yet exercised where performance conditions have been met and shares contingently issuable.

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007 (restated)	12 months to 31 December 2007
	<b>£m</b>	£m	£m
<b>Profit</b>			
Profit after tax from continuing operations	<b>22.3</b>	17.3	39.7
Profit from discontinued operations	–	92.4	88.0
Profit for the period	<b>22.3</b>	109.7	127.7
	<b>Number of shares (m)</b>	Number of shares (m)	Number of shares (m)
<b>Weighted average shares</b>			
Basic weighted average shares	<b>177.0</b>	195.3	185.9
Options	<b>1.5</b>	1.7	1.8
Diluted weighted average shares	<b>178.5</b>	197.0	187.7
	<b>Pence</b>	Pence (restated)	Pence
<b>Earnings per share</b>			
Basic from continuing operations	<b>12.6</b>	8.9	21.4
Diluted from continuing operations	<b>12.5</b>	8.8	21.2
Basic from discontinued operations	–	47.3	47.3
Diluted from discontinued operations	–	46.9	46.9
Basic on profit for the period	<b>12.6</b>	56.2	68.7
Diluted on profit for the period	<b>12.5</b>	55.7	68.0

## Notes to the Interim Report (unaudited)

note

### 08 Underlying results and taxation

Underlying profit and earnings per share are shown as the Board considers them to be relevant guides to the performance of the Group.

	<b>6 months to 30 June 2008 £m</b>	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m
<b>Profit</b>			
Continuing operating profit before amortisation of acquired intangible assets and exceptional items	<b>37.9</b>	34.1	80.0
Finance revenue	<b>0.3</b>	2.3	2.8
Finance costs	<b>(4.3)</b>	(7.1)	(11.2)
Other finance revenue – pension	<b>0.6</b>	0.3	0.8
Continuing underlying profit before tax	<b>34.5</b>	29.6	72.4
Discontinued operating profit before amortisation of acquired intangible assets and exceptional items	–	4.4	4.4
Total underlying profit before tax	<b>34.5</b>	34.0	76.8
<b>Tax</b>			
The underlying tax charge is calculated as follows:			
Underlying tax on continuing operations	<b>6.3</b>	4.3	10.8
Underlying tax on discontinued operations	–	1.0	1.1
Total underlying tax	<b>6.3</b>	5.3	11.9
Continuing underlying tax rate	<b>18.3%</b>	14.5%	14.9%
Total underlying tax rate	<b>18.3%</b>	15.6%	15.5%
Tax relief on exceptional items	–	(1.2)	(1.6)
Deferred tax on goodwill and acquired intangible assets	<b>0.5</b>	0.8	2.2
Tax on prior period discontinued operations	–	–	(0.3)
Tax on fair value movement financial instruments	–	–	0.4
Total tax charge	<b>6.8</b>	4.9	12.6
Analysis of tax charge:			
Tax on profit from continuing operations	<b>6.8</b>	3.9	11.8
Tax on discontinued operations	–	1.0	0.8
Total tax charge	<b>6.8</b>	4.9	12.6
<b>Earnings per share</b>			
	<b>Pence</b>	Pence	Pence
Continuing underlying earnings per share – basic	<b>15.9</b>	13.0	33.1
Total underlying earnings per share – basic	<b>15.9</b>	14.7	34.9
Total underlying earnings per share – diluted	<b>15.7</b>	14.6	34.6

The tax charge for the period has been based on the estimated tax rate for the full year and the amount of overseas tax charged in the period was £6.8m (June 2007, £4.9m, December 2007, £12.6m).

## Notes to the Interim Report (unaudited)

### note

#### 09 Dividends paid and proposed

On 30 July 2008 the Board declared an interim dividend of 4.0p per share (2007, 3.62p). The interim dividend will be paid on 7 November 2008 to shareholders registered on 10 October 2008. Dividends paid are charged to retained earnings on the earlier of the date of payment or the date on which they become a legal liability of the Company.

Total Dividends	Dividends paid			Dividends declared/proposed*		
	<b>6 months to 30 June 2008 £m</b>	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m	<b>6 months to 30 June 2008 £m</b>	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m
Final 2006	-	13.9	13.9	-	-	-
Special 2007	-	99.7	99.7	-	99.7	99.7
Interim 2007	-	-	6.4	-	6.4	6.4
Final 2007	<b>14.0</b>	-	-	-	-	14.0
Interim 2008	-	-	-	<b>7.1</b>	-	-
	<b>14.0</b>	113.6	120.0	<b>7.1</b>	106.1	120.1

Dividends per share	Dividends paid			Dividends declared/proposed*		
	<b>6 months to 30 June 2008 Pence</b>	6 months to 30 June 2007 Pence	12 months to 31 December 2007 Pence	<b>6 months to 30 June 2008 Pence</b>	6 months to 30 June 2007 Pence	12 months to 31 December 2007 Pence
Final 2006	-	6.95	6.95	-	-	-
Special 2007	-	50.00	50.00	-	50.00	50.00
Interim 2007	-	-	3.62	-	3.62	3.62
Final 2007	<b>7.88</b>	-	-	-	-	7.88
Interim 2008	-	-	-	<b>4.0</b>	-	-
	<b>7.88</b>	56.95	60.57	<b>4.0</b>	53.62	61.50

\*attributable to the period

## Notes to the Interim Report (unaudited)

### note

#### 10 Business combinations

##### Acquisition of businesses in 2008

In February 2008, Ezurio Limited, a UK based supplier of machine to machine solutions for wireless data applications was acquired for a total consideration of £13.2m. This purchase has been accounted for as an acquisition and all intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

Book and fair values of the net assets of the business acquired were as follows:

	Book values £m	<b>Provisional fair values to the Group £m</b>
Property, plant and equipment	0.1	<b>0.1</b>
Intangible assets	0.1	<b>5.1</b>
Inventories	0.7	<b>0.7</b>
Trade and other receivables	1.0	<b>1.0</b>
Trade and other payables	(0.9)	<b>(0.9)</b>
Deferred tax liabilities	–	<b>(1.4)</b>
<b>Net assets acquired</b>	<b>1.0</b>	<b>4.6</b>
Goodwill arising on acquisition		<b>8.6</b>
<b>Consideration</b>		<b>13.2</b>
<b>Consideration satisfied by:</b>		
Cash consideration (including transaction costs)		<b>(13.2)</b>
Deferred cash consideration		<b>(0.3)</b>
Net cash acquired		<b>0.3</b>
		<b>(13.2)</b>

As permitted under IFRS 3, the fair values assigned to acquisitions made in the period are provisional and may change.

The Group has acquired a 100% interest in the acquisition noted above. Underlying loss before tax for the entity acquired in the period totals £0.5m since acquisition.

## Notes to the Interim Report (unaudited)

note

### 10 Business combinations (continued)

#### Acquisition of businesses in 2007

The Group purchased three businesses during 2007 for a total consideration of £83.4m in cash, all of these purchases have been accounted for as acquisitions. All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill in the financial statements.

Book and fair values of the net assets of businesses acquired, stated at rates of exchange at the date of acquisition were as follows:

	Book values £m	Fair values to the Group £m
Property, plant and equipment	1.3	<b>1.3</b>
Intangible assets	–	<b>31.1</b>
Inventories	3.3	<b>3.3</b>
Trade and other receivables	7.8	<b>7.5</b>
Income tax recoverable/(payable)	0.3	<b>(1.2)</b>
Trade and other payables	(6.3)	<b>(6.3)</b>
Deferred tax liabilities	(1.0)	<b>(10.3)</b>
<b>Net assets acquired</b>	<b>5.4</b>	<b>25.4</b>
Goodwill arising on acquisition		<b>58.0</b>
<b>Consideration</b>		<b>83.4</b>
<b>Consideration satisfied by:</b>		
Cash consideration (including transaction costs)		<b>(82.4)</b>
Deferred cash consideration		<b>(2.6)</b>
Net cash acquired		<b>1.6</b>
		<b>(83.4)</b>

In January 2007, AeroComm Inc, a USA based supplier of wireless communications solutions was acquired for a consideration of £19.1m. In February 2007, Cushcraft Holdings Corporation, a USA based designer and manufacturer of antennae and accessory products was acquired for a consideration of £45.9m. Also in February 2007, M2sys Co., Ltd, a South Korean based supplier of actuation devices, was acquired for £17.0m. The Group has acquired a 100% interest in all of the acquisitions noted above. Underlying profit before tax for the entities acquired in 2007 totals £11.9m since acquisition. If all of the acquisitions noted above had been held for the full year, revenues would have been £7.8m higher at £572.1m and profits would have been £1.4m higher, at £52.9m.

## Notes to the Interim Report (unaudited)

note

### 11 Reconciliation of movements in equity

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007 (restated)	12 months to 31 December 2007
	<b>£m</b>	£m	£m
Opening balance for the period	<b>448.5</b>	409.2	409.2
Total recognised income and expense for the period	<b>22.1</b>	126.9	154.1
Exercise of share options	<b>0.9</b>	3.2	3.2
Share based payments	<b>1.1</b>	0.9	2.0
Treasury shares	<b>0.4</b>	–	–
Dividends paid	<b>(14.0)</b>	(113.6)	(120.0)
<b>Total shareholders' equity</b>	<b>459.0</b>	426.6	448.5

On 11 June 2007 a consolidation of the Company's share capital took effect whereby every nine of the issued and unissued Ordinary Shares of the Company with a nominal value of 25 pence each were consolidated into eight New Ordinary Shares in the Company with a nominal value of 28.125p each. The purpose of the share consolidation was to ensure that (subject to normal market movements) the market price of each New Ordinary Share was approximately the same as the market price of each existing Ordinary Share (thereby allowing comparability in earnings per share and share prices with prior financial periods) following the payment of the special dividend of 50p per share on 22 June 2007.

## Notes to the Interim Report (unaudited)

note

### 12 Additional cash flow information

#### Cash generation from operations

##### Continuing operations

	<b>6 months to 30 June 2008 £m</b>	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m
Net profit after taxation	<b>22.3</b>	17.3	39.7
Depreciation and other non-cash items			
Depreciation	<b>5.5</b>	4.8	10.3
Amortisation of capitalised development costs	<b>1.2</b>	0.9	2.0
Exceptional fixed asset write downs	<b>-</b>	-	3.1
Loss on disposal of fixed assets	<b>-</b>	-	0.1
Capitalised development costs	<b>(2.2)</b>	(1.6)	(3.8)
Share based payments	<b>1.1</b>	0.9	1.8
Amortisation of acquired intangible assets	<b>5.5</b>	5.2	10.2
Financial instruments – fair value adjustment	<b>(0.1)</b>	-	(1.2)
Pension charges/(income)	<b>0.4</b>	(0.4)	0.2
Other net finance costs	<b>3.4</b>	6.0	9.1
Taxation	<b>6.8</b>	3.9	11.8
Pension contributions	<b>(0.2)</b>	(11.5)	(14.1)
Changes in working capital			
Inventories	<b>(6.9)</b>	(9.6)	(19.6)
Trade and other receivables	<b>25.0</b>	(14.8)	(41.5)
Trade, other payables and provisions	<b>(21.0)</b>	18.2	39.5
	<b>(2.9)</b>	(6.2)	(21.6)
<b>Cash generated from continuing operations</b>	<b>40.8</b>	19.3	47.6
<b>Discontinued operations</b>			
Net profit after taxation	<b>-</b>	92.4	88.0
Profit on disposal of businesses before taxation	<b>-</b>	(89.9)	(85.3)
Depreciation and other non-cash items			
Depreciation	<b>-</b>	1.8	1.7
Amortisation of acquired intangible assets	<b>-</b>	0.3	0.3
Taxation	<b>-</b>	1.0	0.8
Changes in working capital	<b>-</b>	(10.9)	(10.7)
<b>Cash flow from discontinued operations</b>	<b>-</b>	(5.3)	(5.2)
<b>Cash generated from operations</b>	<b>40.8</b>	14.0	42.4

Changes in working capital from continuing operations are after creditor decreases of £3.4m (June 2007, £1.4m increases) in respect of exceptional costs of redundancy and restructuring.

## Notes to the Interim Report (unaudited)

note

### 12 Additional cash flow information (continued)

#### Net cash outflow on acquisitions and disposals

	<b>6 months to 30 June 2008 £m</b>	6 months to 30 June 2007 £m	12 months to 31 December 2007 £m
<b>Acquisition of businesses</b>			
Consideration:			
Cash consideration	<b>(13.2)</b>	(81.5)	(80.6)
Net cash acquired	<b>0.3</b>	1.6	1.6
	<b>(12.9)</b>	(79.9)	(79.0)
Deferred consideration paid	<b>(4.0)</b>	(0.6)	(2.4)
Net cash outflow on acquisition of businesses	<b>(16.9)</b>	(80.5)	(81.4)
<b>Disposal of businesses</b>			
Consideration:			
Net cash consideration			
Current year disposals	–	223.9	219.4
Prior year disposals	<b>11.9</b>	(0.2)	(0.2)
Net cash consideration	<b>11.9</b>	223.7	219.2
Cash disposed of	–	(0.1)	(0.1)
Borrowings disposed of	–	0.8	0.8
Net cash inflow on disposal of businesses	<b>11.9</b>	224.4	219.9

## Notes to the Interim Report (unaudited)

note

### 13 Borrowings

#### (a) Reconciliation of net borrowings

	<b>At 30 June 2008 £m</b>	At 30 June 2007 £m	At 31 December 2007 £m
Increase/(decrease) in cash and cash equivalents (net of bank overdrafts) during the period	<b>11.0</b>	8.9	(11.6)
Movement in borrowings	<b>(17.5)</b>	15.0	32.3
Borrowings of businesses disposed of	–	0.8	0.8
Differences on exchange on borrowings	<b>(2.5)</b>	3.5	2.2
Movement in net borrowings during the period	<b>(9.0)</b>	28.2	23.7
Net borrowings brought forward	<b>(85.4)</b>	(109.1)	(109.1)
Net borrowings carried forward	<b>(94.4)</b>	(80.9)	(85.4)
Cash and cash equivalents (net of bank overdrafts)	<b>43.4</b>	52.9	32.4
Other current borrowings	<b>(12.5)</b>	(3.3)	(9.0)
Non-current borrowings	<b>(125.3)</b>	(130.5)	(108.8)
Net borrowings carried forward	<b>(94.4)</b>	(80.9)	(85.4)

#### (b) Committed borrowing facilities

The Group had total committed loan facilities of £351.0m at 30 June 2008 (June 2007, £283.0m), of which £340.2m (June 2007, £269.8m) was available for more than four years and £137.2m was drawn at 30 June 2008 (June 2007, £132.9m). Committed facilities include £4.5m (June 2007, £7.0m) of promissory notes issued to third parties in part satisfaction of acquisition consideration.

## Notes to the Interim Report (unaudited)

### note

#### 14 Retirement benefit obligations

A review of the main assumptions affecting the Group's defined benefit obligations was carried out at 30 June 2008, by the Group's actuaries.

There are minor variations in the assumptions used by the different actuaries employed to value the separate schemes. The expected long term rates of return on gilts and bonds are estimated at 4.9% per annum (December 2007, 4.9%) and those for equities at 8.4% per annum (December 2007, 8.4%).

The mortality assumption used at 30 June is the same as that used at 31 December 2007. This is based on 92 series tables with an allowance for improvements in line with the medium cohort based on each member's year of birth.

For IAS 19 the schemes' liabilities have been calculated under the projected unit method and the main financial assumptions were inflation of 4.0% per annum (December 2007, 3.4%), salary increases of 5.0% per annum (December 2007, 4.4%) and a discount rate for liabilities of 6.5% per annum (December 2007, 5.7%).

The change in the overall net surplus/(deficit) and the impact of these changes can be seen below:

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007 (restated)	12 months to 31 December 2007
	<b>£m</b>	£m	£m
Defined benefit net surplus/(deficit) at period start	<b>8.1</b>	(10.9)	(10.9)
Net pension income	<b>0.2</b>	0.5	0.6
Employer contributions	<b>0.3</b>	11.0	14.1
Benefits paid directly by Company	<b>-</b>	0.7	0.7
Actuarial (loss)/gain	<b>(7.2)</b>	7.5	3.5
Currency impact	<b>-</b>	-	0.1
Asset ceiling adjustment	<b>0.6</b>	(0.5)	-
Defined benefit net surplus at period end	<b>2.0</b>	8.3	8.1

The charge of £6.6m recognised in the SORIE for the period is comprised of the £7.2m loss recognised on actuarial assumptions, less the £0.6m asset ceiling adjustment. The £7.2m loss includes £3.3m of assumed tax on the surpluses recognised at period end.



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