LAIRD FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(EXTRACT FROM ANNUAL REPORT & ACCOUNTS 2016)

CONTENTS

INDEPENDENT AUDITOR'S REPORT

to the members of Laird PLC

OPINION ON FINANCIAL STATEMENTS OF LAIRD PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise:

- the Group Income Statement;
- the Group and Parent Company Statements of Comprehensive Income;
- the Group and Parent Company Statements of financial position;
- the Group Cash Flow Statement;
- the Group and Parent Company Statements of Changes in Equity;
- the related Group notes 1 to 35; and
- the related Parent Company notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

SUMMARY OF OUR AUDIT APPROACH

Key risks	The key risks that we identified in the current year were: • acquisition accounting, in relation to the Group's purchase of Novero; • impairment of goodwill; and • tax provisioning, in particular for transfer pricing. Within this report, any new risks are identified with ↑ and any risks which are the same as those identified by the previous auditor in the prior year identified with →.
Materiality	The materiality that we used in the current year was £2.7m based on a blended measure using a combination of profit and asset benchmarks.
Scoping	The scoping of components was performed by the Head Office audit team, and we engaged component audit teams local to the Group's operations to perform the required audit work. Components subject to a full audit scope represented 72% of the Group's revenue, 77% of the Group's operating profit before impairments and exceptional items, and 78% of total assets excluding goodwill.
Significant changes from prior year	Acquisition accounting and impairment of goodwill are new risks in the current year. Last year the previous auditor's report included revenue recognition and the recognition of exceptional items, which we have not commented on. The previous auditor determined materiality for 2015 based upon adjusted profit.

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Corporate Governance Statement on page 45.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 45 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 37 to 41 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation on page 87 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

INDEPENDENT AUDITOR'S REPORT CONTINUED

ACQUISITION OF NOVERO

Risk description	Management acquired Novero on 20 January 2016 for consideration of €65m. Acquisition accounting inherently involves judgement around the fair valuation of assets acquired. Specifically for Novero, which was acquired during the year, we considered the identification of a complete population of exposures and provisions to be a key risk due to the challenges faced by the business upon acquisition, which are described on page 6. Management engaged a third party valuation specialist to assist with the identification and valuation of intangible assets, which resulted in the recognition of intangible assets (£30.4m) and goodwill (£44.3m). Refer to the Audit Committee report on page 58, note 17 to the financial statements and the accounting policy disclosure on page 104.
How the scope of our audit responded to the risk	We assessed the design and implementation of controls around management's process for determining the fair value of assets and liabilities acquired on acquisition. We engaged our internal valuation specialists to review the identification and valuation of intangible asset performed by management's expert. We reviewed all legal provisions with and challenged management on the judgements taken in the opening balance sheet calculations by agreeing to supporting documentation including confirmations obtained directly from legal advisors and contracts with customers. We reviewed the due diligence report, the sale and purchase agreement, and the 2015 Novero Financial Statements to assist us in considering the completeness of the assets and liabilities recognised in the acquisition balance sheet.
Key observations	Based on our audit procedures we are satisfied with the fair value of the assets acquired in respect of Novero included in the 2016 accounts.

IMPAIRMENT OF GOODWILL

Risk description	Following the Group's various acquisitions, total goodwill of £466.3m is recognised on the 2016 balance sheet. Given the Group's recent trading performance we identified the impairment of goodwill as a key risk. Goodwill impairment reviews require a number of judgements to be made by management around forecast cash flows, discount rates, long-term growth rates, and working capital assumptions. The results of the impairment review are sensitive to changes in these judgements, in particular (given recent trading performance) the forecast trading cash flows. Accordingly, we consider this to be a key risk for the audit. Management has identified two groups of cash generating units as described in note 16 to the financial statements and tested both for impairment as required by IAS 36 and consequently recognised an impairment of £155.5m in the year in respect of the Wireless Systems cash generating unit. Refer to the Audit Committee report on page 57, note 16 to the financial statements and the accounting policy disclosure on page 106.
How the scope of our audit responded to the risk	We assessed the design and implementation of controls over the impairment review process, including those over the forecasts that underpin the process. We challenged the forecasts and sensitivities prepared by management that feed into the goodwill impairment reviews by considering historical forecast accuracy, benchmarking against industry trends and agreeing forecast revenues to customer contracts and orders. We tested that the forecasts used are consistent with those used to support the Group's going concern and viability assessment and deferred tax calculations. We engaged valuation specialists to assess the discount rate used by management, and challenged the long term growth rate adopted. We sought contradictory evidence through estimating a range of fair values for the Group as a whole and each cash generating unit, and compared the results of management's own impairment review against this range.
Key observations	We found the impairment recorded to be reasonable.

TAX PROVISIONING

Risk description	Provisions have been recognised in respect of tax exposures totalling £28.3m (2015: £25.4m). The global nature of the Group's operations and the presence of cross-border transactions present a complex tax environment and the potential for misstatement. The Group engages with the relevant tax authorities to ascertain the correct tax treatment. However, for certain ongoing matters tax provisions are required in respect of uncertain tax positions. Due to the high level of judgement and potential effect on the effective tax rate, we consider this to be a key risk. Refer to the Audit Committee report on page 58, note 11 to the financial statements and the accounting policy disclosure on page 106.
How the scope of our audit responded to the risk	We assessed design and implementation of key controls over the calculation of tax provisions. With the assistance of tax specialists we challenged management's assessment of risks, particularly focussing on areas where significant judgement has been applied based on the assessment of the likelihood of economic outflow to determine the provision recorded. Where amounts have been provided in relation to potential enquiries by tax authorities, we have challenged whether the recognition of a liability is appropriate based on the technical merits of the tax position. We have challenged the valuation and associated tax charges applied to the remaining exit charges in relation to the re-design of the Group's operating model (see page 20) and reviewed underlying documentation regarding the valuation prepared by third parties. Where items have been released due to the expiration of the statute of limitations, we have considered this in light of local laws and regulations. We have worked with tax specialists in the relevant jurisdictions to gain an understanding of the tax authority environment and assess whether the provisions are appropriate.
Key observations	Following our audit procedures we found the valuation of the provisions to be reasonable.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£2.7m (2015: £3.0m)
Basis for determining materiality	In determining materiality, we considered a number of benchmarks including adjusted profit before tax, underlying operating profit and net assets, and the figures derived from those, then selected a materiality within that range that we considered to be appropriate. We determined materiality for the Group to be £2.7m. This equates to 8% of profit before tax before impairment of goodwill and exceptional items (see page 94), 3% of operating profit before impairment of goodwill, amortisation and exceptional items and below 1% of net assets. In 2015, the previous auditors set materiality on the basis of 5% of profit before tax excluding non-recurring items.
Rationale for the benchmark applied	In our professional judgement we believe that use of this blended measure is appropriate because we consider that the current year loss might not represent a long term decline in the size and scale of the business and therefore solely using a profit measure would not appropriately reflect the characteristics of the underlying business operations.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135,000 (2015: the former auditors reported on differences in excess of £150,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Throughout 2016, the Group organised itself in seven Business Units, with the majority of these units using three Financial Shared Service Centres in Asia, North America and Europe. We defined our components based on Business Unit and location, giving a total of 16 components. Eight of these components were included as full scope audits (including entities in the United Kingdom, the United States, the Czech Republic, Germany, China and South Korea), and one as being subject to specified audit procedures, these being the most material components from both a qualitative and quantitative perspective.

Component materiality levels were set according to the size and scale of the relative component as well as any qualitative factors specific to the relevant component and were in the range of £1.35m to £1.62m.

In establishing our scoping of the audit, we considered the component structure and reporting mechanisms of the Group. We further considered the effectiveness of Group-wide controls, changes in the business environment (taking into account the effects of Project Ascent), acquisitions (Novero and LSR) and other risks that may be specific to the individual components such as internal audit findings, when assessing the work to be performed at each entity.

In order to direct and supervise the work of the component audit teams (Deloitte and other firms) globally, the Senior Statutory Auditor or her delegate (either the Head Office audit partner or Group Audit Director), visited each of these component teams at least once during the year to:

- discuss the audit approach and relevant financial statement risks with the component team;
- meet with local management and attend close meetings; and
- review key audit working papers on the key financial statement risk areas.

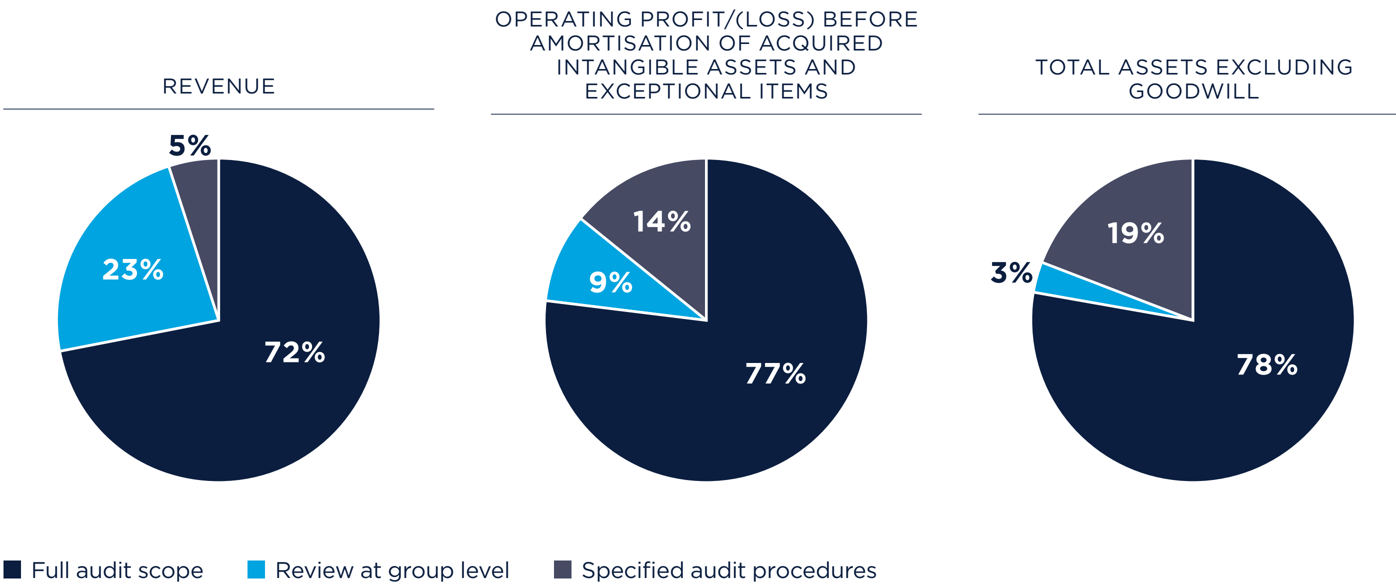
We plan to continue to visit all components at least once per year for future audits. The Group team further interacted regularly with the component teams where appropriate during the various stages of the audit (planning, interim and year end), reviewed key working papers in person and remotely, and performed additional procedures where necessary to give us appropriate evidence for our opinion on the Group financial statements.

For those entities where no component auditor was engaged, we:

- undertook review procedures over the balances to identify any unusual transactions or indicators of misstatement; and
- performed specified procedures over certain balances in respect of the Model Solution component.

At the Head office level, the Group team:

- evaluated the design and implementation of entity-level controls;
- tested the consolidation, consolidation journals, intercompany eliminations and foreign currency revaluations; and
- undertook audit procedures in respect of the Group's holding companies and other entities managed from the Group's corporate office in London, United Kingdom.



OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	We have nothing to report arising from these matters.
Corporate Governance Statement Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.	We have nothing to report arising from our review.
Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.	We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

ANNA MARKS FCA (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP

CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR
READING, UNITED KINGDOM

28 FEBRUARY 2017

GROUP INCOME STATEMENT
for the year ended 31 December 2016

Note		2016 £m	2015 £m
	Continuing operations		
4	**Revenue**		
	Performance Materials	**428.4**	394.8
	Wireless Systems	**373.2**	235.6
		801.6	630.4
	Operating profit before impairment of goodwill, amortisation of acquired intangible assets and exceptional items	**61.9**	80.7
16	Impairment of goodwill	**(155.5)**	–
16	Amortisation of acquired intangible assets	**(17.2)**	(13.2)
7	Exceptional items	**1.2**	(45.0)
6	**Operating (loss)/profit**	**(109.6)**	22.5
10	Finance income	**0.1**	0.6
10	Finance costs	**(11.1)**	(8.4)
	Financial instruments – fair value adjustments	**(1.9)**	0.5
34	Other net finance income – pension	**0.2**	0.2
	(Loss)/profit before tax	**(122.3)**	15.4
11	Taxation	**11.5**	(23.0)
	Loss for the year	**(110.8)**	(7.6)
	Attributable to:		
	Equity shareholders of the parent company	**(111.7)**	(8.3)
	Non-controlling interests	**0.9**	0.7
		(110.8)	(7.6)
12	Basic earnings per share on (loss) for the year*	**(41.3)p**	(3.1)p
12	Diluted earnings per share on (loss) for the year*	**(41.3)p**	(3.1)p
13	**Underlying profit before tax****		
	Continuing*	**51.1**	73.1
	Underlying earnings per share**		
	Basic from continuing operations*	**13.6p**	21.8p
	Diluted from continuing operations*	**13.6p**	21.6p

* Attributable to equity shareholders of the parent company
** Before impairment of goodwill, amortisation of acquired intangible assets, exceptional items (note 7), the gain or loss on disposal of businesses, the impact arising from the fair valuing of financial instruments and deferred tax on the amortisation and impairment of acquired intangible assets, goodwill and US capitalised development costs.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

Note		2016 £m	2015 £m
	Loss for the year	**(110.8)**	(7.6)
	Items that will not be reclassified subsequently to profit or loss:		
34	Net re-measurement gains on retirement benefit obligations net of tax	**0.1**	3.0
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on retranslation of overseas net investments	**131.7**	20.4
	Exchange differences on net investment hedges	**(57.6)**	(10.6)
		74.1	9.8
	Other comprehensive income for the year	**74.2**	12.8
	Total comprehensive (loss)/income for the year	**(36.6)**	5.2
	Attributable to:		
	Equity shareholders of the parent company	**(39.8)**	4.3
	Non-controlling interests	**3.2**	0.9
		(36.6)	5.2

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Note		Attributable to equity shareholders of the parent company								
		Equity share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Treasury shares £m	Other Reserve £m	Total £m	Non-Controlling Interests £m	Total £m
	for the year ended 31 December 2015									
	At 1 January 2015	75.3	271.7	27.7	101.7	(1.7)	(33.3)	441.4	8.7	450.1
	(Loss)/profit for the year	–	–	(8.3)	–	–	–	(8.3)	0.7	(7.6)
	Other comprehensive income	–	–	2.6	10.0	–	–	12.6	0.2	12.8
	Total comprehensive (loss)/income	–	–	(5.7)	10.0	–	–	4.3	0.9	5.2
	Exercise of share options	0.1	0.4	–	–	–	–	0.5	–	0.5
29	Share based payments	–	–	2.7	–	–	–	2.7	–	2.7
	Treasury shares	–	–	–	–	(5.6)	–	(5.6)	–	(5.6)
	Vesting of LTIPs/ Restricted shares	–	–	(4.6)	–	4.6	–	–	–	–
	Non-controlling interests – dividend	–	–	–	–	–	–	–	(1.1)	(1.1)
14	Dividends paid	–	–	(33.8)	–	–	–	(33.8)	–	(33.8)
	At 31 December 2015	**75.4**	**272.1**	**(13.7)**	**111.7**	**(2.7)**	**(33.3)**	**409.5**	**8.5**	**418.0**
	for the year ended 31 December 2016									
	At 1 January 2016	75.4	272.1	(13.7)	111.7	(2.7)	(33.3)	409.5	8.5	418.0
	(Loss)/profit for the year	–	–	(111.7)	–	–	–	(111.7)	0.9	(110.8)
	Other comprehensive income	–	–	0.2	71.7	–	–	71.9	2.3	74.2
	Total comprehensive (loss)/income	–	–	(111.5)	71.7	–	–	(39.8)	3.2	(36.6)
	Exercise of share options	–	0.3	–	–	–	–	0.3	–	0.3
	Issue of shares for acquisition	0.9	9.5	–	–	–	–	10.4	–	10.4
29	Share based payments	–	–	1.1	–	–	–	1.1	–	1.1
	Treasury shares	–	–	–	–	(2.2)	–	(2.2)	–	(2.2)
	Vesting of LTIPs/ Restricted shares	–	–	(2.2)	–	2.2	–	–	–	–
	Non-controlling interests – dividend	–	–	–	–	–	–	–	(3.0)	(3.0)
14	Dividends paid	–	–	(35.5)	–	–	–	(35.5)	–	(35.5)
	At 31 December 2016	**76.3**	**281.9**	**(161.8)**	**183.4**	**(2.7)**	**(33.3)**	**343.8**	**8.7**	**352.5**

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

Note		2016 £m	2015 £m (restated)	2014 £m (restated)
	Assets			
	Non-current assets			
15	Property, plant and equipment	**123.2**	83.9	91.9
16	Intangible assets	**635.1**	608.3	556.2
24	Deferred tax assets	**4.6**	3.6	4.1
27	Derivative financial instruments	**1.5**	0.7	1.1
34	Retirement benefit assets	**12.5**	10.5	8.9
	Other non-current assets	**1.9**	1.4	1.0
		778.8	708.4	663.2
	Current assets			
18	Inventories	**99.4**	66.0	60.2
19	Trade and other receivables	**209.8**	148.5	146.2
	Income tax receivable	**0.3**	0.2	1.0
	Assets held for sale	–	–	0.5
20	Cash and cash equivalents	**64.5**	68.8	64.0
		374.0	283.5	271.9
	Liabilities			
	Current liabilities			
21	Borrowings	**(0.3)**	(29.3)	(0.8)
27	Derivative financial instruments	**(2.1)**	(0.2)	(0.6)
23	Trade and other payables	**(192.0)**	(118.6)	(111.5)
	Current tax liabilities	**(33.9)**	(31.7)	(26.2)
26	Provisions	**(26.8)**	(26.1)	(1.8)
		(255.1)	(205.9)	(140.9)
	Net current assets	**118.9**	77.6	131.0
	Non-current liabilities			
21	Borrowings	**(408.8)**	(239.5)	(222.7)
27	Derivative financial instruments	**(31.0)**	(34.0)	(32.6)
24	Deferred tax liabilities	**(76.8)**	(74.5)	(69.6)
34	Retirement benefit obligations	**(13.7)**	(9.2)	(10.6)
25	Other non-current liabilities	**(0.8)**	(1.2)	(1.6)
26	Provisions	**(14.1)**	(9.6)	(7.0)
		(545.2)	(368.0)	(344.1)
	Net assets	**352.5**	418.0	450.1
	Capital and reserves			
28	Equity share capital	**76.3**	75.4	75.3
	Share premium	**281.9**	272.1	271.7
	Retained (loss)/earnings	**(161.8)**	(13.7)	27.7
30	Translation reserve	**183.4**	111.7	101.7
30	Treasury shares	**(2.7)**	(2.7)	(1.7)
	Other reserves	**(33.3)**	(33.3)	(33.3)
	Equity attributable to owners of the parent company	**343.8**	409.5	441.4
	Non-controlling interests	**8.7**	8.5	8.7
	Equity	**352.5**	418.0	450.1

2015 and 2014 have been restated to reclassify all income tax creditors from non-current liabilities to current liabilities (note 2) and 2015 has been restated for changes to the fair value of identifiable assets and liabilities of LSR acquired (note 17).

The accounts were approved by the Board of Directors on 28 February 2017 and were signed on its behalf by:

A J QUINLAN **K J DANGERFIELD**
DIRECTORS

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2016

Note		2016 £m	2015 £m
31	**Cash flows from operating activities**		
	Cash generated from operations	**75.9**	101.3
	Tax paid	**(14.4)**	(15.3)
	Net cash flows from operating activities	**61.5**	86.0
	Cash flow from investing activities		
	Interest received	**0.1**	0.6
31	Acquisition of businesses (net of cash acquired)	**(39.7)**	(33.9)
	Purchase of property, plant and equipment	**(41.4)**	(15.9)
	Purchase of software	**(3.3)**	(2.5)
	Purchase of intangible assets (internally developed)	**(19.9)**	(14.7)
31	Net outflow from sale of businesses	**–**	(0.2)
	Proceeds from sales of property, plant and equipment	**–**	0.6
	Net cash flows from investing activities	**(104.2)**	(66.0)
	Cash flows from financing activities		
	Interest and other finance costs paid	**(10.5)**	(8.3)
	Net proceeds from issue of ordinary share capital	**0.3**	0.5
30	Purchase of treasury shares	**(2.2)**	(5.6)
31	Proceeds from borrowings	**114.4**	32.8
31	Repayments of borrowings	**(35.0)**	–
	Dividends paid to equity shareholders of parent	**(35.5)**	(33.8)
	Dividends paid to non-controlling interests	**(3.0)**	(1.1)
	Net cash flows from financing activities	**28.5**	(15.5)
	Effects of movements in foreign exchange rates	**9.9**	0.3
	(Decrease)/increase in cash and cash equivalents for the year	**(4.3)**	4.8
31	Cash and cash equivalents at 1 January	**68.8**	64.0
31	**Cash and cash equivalents at 31 December**	**64.5**	68.8

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

Explanatory note:
Simplifying the numbers… These notes provide additional detail and explanations on the disclosures within our Annual Report and Accounts.

The consolidated financial statements of Laird PLC (the ultimate Parent company) and all its subsidiaries (the Group) for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 28 February 2017 and the statement of financial position was signed on the Board's behalf by A J Quinlan and K J Dangerfield. Laird PLC is a public limited company incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS), and the principal accounting policies adopted by the Group, which have been consistently applied, are set out in note 2.

2 ACCOUNTING POLICIES

BASIS OF PREPARATION

Explanatory note:
This section contains details of all the basic principles used to prepare the accounts.

The consolidated financial statements have been prepared on an historical cost basis, except for derivative financial instruments and accounting for pensions, which have been measured at fair value. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand unless otherwise indicated.

SIGNIFICANT ACCOUTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the reporting periods. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill, the measurement of provisions, the measurement of defined benefit pension assets and obligations, the measurement of income and deferred taxes, the measurement of put and call options in respect of non-controlling interests in subsidiaries, acquisition accounting and capitalised development costs. Where appropriate, sensitivity analysis is included in the relevant note.

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows, estimating a growth rate used for extrapolation purposes and choosing a suitable discount rate (see note 16).

Provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. The Group exercises judgement in recognising provisions. Judgement is necessary to assess the likelihood that a liability will arise and estimation is required to quantify the possible amount of any financial settlement.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates and the selection of a suitable discount rate (see note 34).

The Group is subject to income taxes in a number of tax jurisdictions and judgements and estimation are applied in deciding the level of provisions for income taxes. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to provisions held in the period the determination is made (see note 2 Tax provisions below). Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies (see note 24).

Put and call options in respect of non-controlling interests in subsidiaries (see note 27) are stated at their fair value at each balance sheet date with changes being taken through the income statement. Estimation is required in calculating the fair values which are based on cash flow forecasts and establishing an appropriate discount rate. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments.

The fair values of the identifiable assets acquired and liabilities assumed are based on a number of assumptions and judgements. In establishing the fair value of intangible assets recognised at acquisition and their estimated useful lives the Group considers each entity acquired. Valuation estimates are used to determine the fair values of intangible assets and this includes estimation of future cash flows, weighted average cost of capital and useful lives.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

2 ACCOUNTING POLICIES CONTINUED

The Group capitalises development costs for a project in accordance with the accounting policy (see note 2 research and development below). Initial capitalisation of costs is based on the Group's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, the Group makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

The Directors continue to adopt the going concern basis for accounting in preparing the annual financial statements. Based on the success of the previously announced and fully underwritten rights issue, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The accounting policies set out below have been used to prepare the financial information.

BASIS OF CONSOLIDATION

The consolidated Group comprises Laird PLC and its subsidiary undertakings ('the Group'). The financial statements of the subsidiaries are prepared as of the same reporting date as the parent, using consistent accounting policies where appropriate. Intra-group balances and transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which the Group ceases to control them. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

All business combinations are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of any assets given, liabilities incurred or assumed, and equity instruments issued by the Group. The identifiable assets and liabilities of the acquiree are measured initially at fair value at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including those of an intangible and tangible nature and liabilities is recognised as goodwill. Acquisition related costs are expensed as incurred.

CURRENCY TRANSLATION

The financial statements for each of the Group's subsidiaries are prepared using its functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is sterling.

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date.

In the Group accounts the results and cash flows of overseas subsidiaries are translated into sterling using average rates of exchange for the period. Net investments in overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from retranslating opening net investments and the retained profits for the period of overseas subsidiaries, less exchange differences on foreign currency borrowings that provide a hedge against overseas investments, are shown as movements in equity. All other exchange differences are dealt with in the income statement for the period.

Exchange differences arising since 1 January 2004 are recognised as a separate component of shareholders' equity. On disposal of a foreign operation, any cumulative exchange differences held in shareholders' equity that relate to the disposed operation are transferred to the income statement.

REVENUE RECOGNITION

Revenue is measured at the fair value of consideration received and excludes intra-group sales and value-added taxes and represents net invoice value.

Revenue from the sale of goods is recognised on shipment of goods when the significant risks and rewards of ownership have been transferred to a third party, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of services is recognised in accounting periods in which the service is rendered. Revenue from maintenance contracts is recognised over the period of performance on a straight-line basis.

2 ACCOUNTING POLICIES CONTINUED

RETIREMENT BENEFIT OBLIGATIONS

Under IAS 19 the assets and liabilities of defined benefit pension plans are recognised at fair value in the statement of financial position and the operating and financing costs of defined benefit pension plans are recognised in the income statement as operating costs and interest costs respectively. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. The assets of defined benefit plans are recognised at fair value in the statement of financial position and the liabilities are recognised at present value using a high-quality corporate bond rate.

The Group applies IFRIC 14, which allows the Group to recognise a surplus in schemes where an unconditional right to a refund or benefit available in the form of reduced contribution rates exists.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

SHARE BASED PAYMENTS

The fair value of Long Term Incentive Plan (LTIP), Medium Term Incentive Plan (MTIP) and Restricted Share Plan (RSP) shares awarded is estimated at the date of award, using a Monte Carlo simulation technique, taking into account the terms and conditions upon which the LTIP, MTIP and RSP shares were awarded including market based performance conditions. The fair value of share options granted is estimated at the date of grant using a binomial lattice method of calculation, taking into account the terms and conditions upon which share options were granted. Non-market company performance and service conditions are not taken into account when estimating the fair value.

No expense is recognised for grants that do not vest and charges previously made are reversed except that an expense is recognised for grants where vesting is conditional upon a market condition and these are treated as vesting irrespective of whether or not the market condition is satisfied, provided all the other vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

In circumstances where the equity settled grant is cancelled or settled, it is treated as if it had vested on the date of cancellation or settlement, and any expense not yet recognised for the grant is recognised immediately.

INTANGIBLE ASSETS

Acquired intangible assets, including patents, trade secrets, brand names and customer relationships, are recognised separately from goodwill and capitalised at fair value and amortised over their estimated useful economic lives. Amortisation is charged to the income statement on a straight-line basis. The estimated useful life of an intangible asset ranges between three and 20 years depending on its nature.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

2 ACCOUNTING POLICIES CONTINUED

RESEARCH AND DEVELOPMENT

Research and development expenditure is expensed as it is incurred, except for certain development costs, which are capitalised as intangible assets when it is probable that the development project will be commercially viable, and certain criteria, including commercial and technological feasibility have been met. Intangible assets arising in this manner are amortised over their useful economic lives, from the product launch date, which is typically around four years. Intangible assets relating to products in the development phase, both internally generated and externally acquired, are subject to an impairment review at each balance sheet date, or earlier should indication of impairment arise. Any impairment losses are written off immediately to the income statement.

GOODWILL

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets.

Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Goodwill arising on acquisitions before 1 January 2004 has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill set off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

INCOME TAXES

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The majority of the Group's taxable profits arise in countries, including China, where the estimated tax liabilities are paid in on account instalments during the year to which they relate and are largely paid at the balance sheet date. The current tax liability of £33.9m (2015: £31.7m) represents £5.6m (2015: £6.3m) tax due on profits of the current and prior years as well as £28.3m (2015: £25.4m) provisions for tax uncertainties. The resolution of these tax uncertainties can take a considerable period of time to conclude.

The Group has revised its tax accounting policy to classify provisions for tax uncertainties as current liabilities. The Group believes this provides a more relevant presentation, whilst having no impact on the timing of expected cash outflows. Accordingly, the consolidated balance sheets at 31 December 2015 and 31 December 2014 have been restated to reclassify £25.4m and £23.6m respectively of current tax liabilities from non-current liabilities to current liabilities.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction effects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement or statement of comprehensive income.

TAX PROVISIONS

Laird recognises certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty where the tax treatment cannot be finally determined until a resolution has been reached by the relevant tax authority.

This amount is sensitive to the resolution of issues which are not always within the control of the Group and are often dependent on legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can take many years to resolve and assumptions on the likely outcome have therefore been made by management.

2 ACCOUNTING POLICIES CONTINUED

The nature of the assumptions made by management when calculating the provision relate to the estimated tax which could be payable as a result of decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain.

In making the estimates, management's judgement was based on various factors, including:

- the status of recent and current tax audits and enquiries;
- the results of previous claims of a similar nature;
- any changes to the relevant tax legislation or its interpretation locally; and
- any other relevant changes to the tax environment.

DIVIDENDS

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.

INTEREST

Interest is recognised in the income statement using the effective interest method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price and directly attributable costs, for example, initial delivery and handling costs and installation and assembly costs.

Freehold land and assets under construction are not depreciated. For all other property, plant, and equipment depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their useful lives as follows:

Freehold buildings	50 years or less
Leasehold buildings	50 years or the lease term if less
Plant and machinery	
Computer equipment	5 years or less
Motor vehicles	4 years
Other plant and machinery	13 years or less

A proportion of one year's depreciation is charged in the year the asset comes into service or is sold.

Residual values and useful lives are reviewed at least annually.

IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

2 ACCOUNTING POLICIES CONTINUED

LEASES

Where the Group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. All other leases are treated as operating leases, and the related charges are expensed to the income statement evenly over the lease term.

Assets held under finance leases are capitalised and included in property, plant and equipment at the lower of fair value and the present value of the minimum lease payments. Each asset is depreciated over the shorter of the lease term or the useful life of the asset. The obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under current, or non-current, trade and other payables. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

SEGMENT REPORTING

Segments are identified on the basis of management information which is presented to the Group's Chief Operating Decision Maker to assess the performance of each segment.

EXCEPTIONAL ITEMS

These items are presented within the relevant income statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance. Events which are considered to be material and infrequent in nature and therefore may give rise to the classification of items as exceptional include major restructuring of businesses and related asset impairments (including the re-design of our operating model), the transaction costs of acquiring new businesses, transaction costs of the proposed rights issue, gains or losses on the reassessment of estimated contingent consideration on acquired businesses, gains or losses on the reassessment of put and call options in respect of non-controlling interests in subsidiaries, the integration of new businesses, and gains or losses on the disposal of businesses.

The Group has amended its definition of exceptional items during the year to exclude asset impairments (other than those included in major restructurings) and to include the costs of the rights issue. This amendment has resulted in a narrower definition of exceptional items in order to provide an underlying profit figure that better represents the trading performance of the business. Prior year comparatives have not been restated since, had this new policy been applied in the prior year, underlying profit would have been the same.

FINANCIAL ASSETS

Financial assets include cash and cash equivalents and trade and other receivables. Trade and other receivables are recognised on the trade date, being the date that the Group commits to purchase or sell the asset and are measured at amortised cost less any provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable. Trade and other receivables are discounted when the time value of money is considered material.

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired.

Derivative financial assets are classified as held for trading, unless they are designated as hedging instruments. These assets are carried in the balance sheet at fair value with gains or losses in value being recognised in the income statement.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES

All financial liabilities are initially recognised at fair value less, in the case of a liability not at fair value through profit or loss, directly attributable transaction costs. Measurement after initial recognition is at amortised cost, with the changes in the carrying amount being taken through the income statement.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense. All other borrowing costs are expensed in the period they occur.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group may use derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. In accordance with the fair value hierarchy under IFRS 13, these are Level 2 derivative financial instruments.

For those contracts designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are tested, both at inception to ensure they are expected to be effective and periodically throughout their duration to assess continuing effectiveness.

Net investment hedges
These are used to hedge exposure to changes in the value of the Group's interests in the net assets of foreign operations. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity, with any ineffective portion recognised in the income statement.

Fair value measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value hierarchy is provided in note 27 and derivative financial instruments are Level 1 under IFRS 13 unless otherwise disclosed.

TREASURY SHARES

The Laird PLC shares held in the Laird 1990 Employee Benefit Trust and the Laird PLC Employee Benefit Trust are classified in shareholders' equity as 'treasury shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

2 ACCOUNTING POLICIES CONTINUED

CASH AND CASH EQUIVALENTS

Cash in the statement of financial position comprises cash at bank and in hand and short-term deposits with an original maturity in three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. For finished goods and work in progress, cost includes directly attributable costs and certain overhead expenses (principally administration costs) are excluded. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROVISIONS

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is material.

NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

The following amendments to existing standards were adopted for the financial year but with no impact on the financial statements:

IAS 1	Disclosure initiative
IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidated exception
	Annual improvements 2012-2014 cycle

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the financial period:

		Effective date year starting
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Directors anticipate that the adoption of these standards could have a material impact on the amounts reported and disclosures made on the Group's financial statements in the period of initial application and plan to adopt these standards in line with their effective dates. It is not practicable to provide a reasonable estimate of the effects until a detailed review is completed.

3 SEGMENTAL ANALYSIS

Explanatory note:
The reportable segments are the operating divisions, Performance Materials and Wireless Systems. The financial performance of each segment is shown here.

Performance Materials designs and supplies a range of EMI shielding materials, thermal management solutions, and signal integrity products to a wide variety of electronic devices and prototypes.

Wireless Systems designs and supplies a range of high specification wireless antennae, and machine-to-machine ("M2M") wireless modules for a number of markets including the infrastructure and automotive markets.

	Performance Materials		Wireless Systems		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Revenue from customers	**428.4**	394.8	**373.2**	235.6	**801.6**	630.4
Segment operating profit stated before:	**44.2**	57.5	**25.3**	30.4	**69.5**	87.9
Impairment of goodwill	**–**	–	**(155.5)**	–	**(155.5)**	–
Amortisation of acquired intangible assets	**(6.8)**	(5.3)	**(10.4)**	(7.9)	**(17.2)**	(13.2)
Exceptional items	**1.2**	(24.0)	**(1.8)**	(12.5)	**(0.6)**	(36.5)
	38.6	28.2	**(142.4)**	10.0	**(103.8)**	38.2
Unallocated costs					**(7.6)**	(7.2)
Unallocated exceptional items					**1.8**	(8.5)
Operating (loss)/profit					**(109.6)**	22.5
Finance income					**0.1**	0.6
Finance costs					**(11.1)**	(8.4)
Financial instruments – fair value adjustments					**(1.9)**	0.5
Other net finance revenue – pension					**0.2**	0.2
(Loss)/profit before tax					**(122.3)**	15.4
Taxation					**11.5**	(23.0)
Loss for the year					**(110.8)**	(7.6)

The Group did not have any inter-segment revenue in 2016 and 2015.

Revenue from one customer of the Performance Materials division and Wireless Systems division represents £105.5m (2015: £84.6m) of the Group's total revenues.

Unallocated costs are central costs related to managing the parent company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

3 SEGMENTAL ANALYSIS CONTINUED

	Performance Materials		Wireless Systems		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m (restated)	**2016 £m**	2015 £m (restated)
Segment assets	**826.8**	524.6	**282.5**	426.5	**1,109.3**	951.1
Unallocated assets	**–**	–	**–**	–	**43.5**	40.7
Total assets	**826.8**	524.6	**282.5**	426.5	**1,152.8**	991.8
Segment liabilities	**105.6**	67.0	**89.8**	43.4	**195.4**	110.4
Unallocated liabilities						
– borrowings	**–**	–	**–**	–	**409.1**	268.8
– other (see below)	**–**	–	**–**	–	**195.8**	194.6
Total liabilities	**105.6**	67.0	**89.8**	43.4	**800.3**	573.8
Other segment items						
Capital additions	**45.9**	15.8	**20.9**	16.8	**66.8**	32.6
Acquisition of businesses	**–**	–	**80.3**	38.4	**80.3**	38.4
Total additions	**45.9**	15.8	**101.2**	55.2	**147.1**	71.0
Depreciation	**16.8**	13.2	**6.1**	3.2	**22.9**	16.4
Impairment of goodwill	**–**	–	**155.5**	–	**155.5**	–
Amortisation/write downs of intangible assets	**13.0**	9.1	**21.2**	15.5	**34.2**	24.6

Unallocated assets in the above table include part of cash and cash equivalents, retirement benefits and other debtors.

Unallocated liabilities – other in the above table include liabilities for current tax, deferred tax, retirement benefits, dividends, provisions and other creditors.

GEOGRAPHIC INFORMATION

The Group managed its business segments on a global basis and the parent company is resident in the UK. The Group's operations are based in the following territories:

North America, Europe, Asia and Rest of World.

The revenue analysis in the table below is based on the location of the customer. The analysis of non-current assets is based on the location of the assets and for this purpose consists of property, plant and equipment and intangible assets.

	Revenue		Non-current assets	
	2016 £m	2015 £m	**2016 £m**	2015 £m (restated)
Continuing operations				
North America	**269.9**	219.9	**467.8**	520.1
Europe	**203.9**	97.1	**175.7**	79.9
Asia	**309.5**	292.9	**114.8**	92.2
Rest of World	**18.3**	20.5	**–**	–
	801.6	630.4	**758.3**	692.2

Revenue from UK customers (the Company's country of domicile) was £18.8m (2015: £14.5m). UK non-current assets were £12.8m (2015: £19.5m).

4 REVENUE

Explanatory note:
This note sets out how revenue disclosed in the Group income statement was earned.

Revenue disclosed in the income statement is analysed as follows:

	2016 £m	2015 £m
Sale of goods	**775.7**	611.1
Rendering of services	**25.9**	19.3
	801.6	630.4

No revenue was derived from exchanges of goods and services (2015: £nil).

5 EXCHANGE RATES

Explanatory note:
The results and cash flows of overseas subsidiaries are translated into sterling using the average rates of exchange for the year as disclosed below.

The principal rates used were as follows:

	Average		Closing	
	2016	2015	**2016**	2015
Czech Koruna	**33.05**	37.56	**31.61**	36.64
Euros	**1.22**	1.38	**1.17**	1.36
Japanese Yen	**147.57**	185.12	**144.02**	177.22
Korean Won	**1572.80**	1728.66	**1488.03**	1731.64
Renminbi (RMB)	**8.99**	9.61	**8.59**	9.64
Swedish Krona	**11.57**	12.90	**11.22**	12.43
US Dollars	**1.36**	1.53	**1.23**	1.47

6 OPERATING (LOSS)/PROFIT

Explanatory note:
This note sets out the material components of the "Operating profit" line on our Group income statement, page 98, including a detailed breakdown of the fees we paid to our auditor, Deloitte LLP (2015: Ernst & Young LLP), in respect of services they have provided to us during the year.

	2016 £m	2015 £m
Continuing operations		
Revenue	**801.6**	630.4
Cost of sales	**(522.3)**	(375.0)
Gross profit	**279.3**	255.4
Selling, administration and other expenses	**(325.9)**	(187.1)
Research and development expenditure (net)	**(63.0)**	(45.8)
Operating profit before finance costs and tax	**(109.6)**	22.5

Notes:
(a) Included in selling, administration and other expenses is a £1.2m exceptional credit (2015: £45.0m charge) as described in note 7 and £172.7m (2015: £13.2m) of goodwill impairment and amortisation of acquired intangible assets.
(b) Included in research and development expenditure is £13.1m (2015: £6.0m) of amortisation and impairment in respect of capitalised development costs.
(c) Cost of inventories recognised as an expense within cost of sales was £340.9m (2015: £249.0m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

6 OPERATING (LOSS)/PROFIT CONTINUED

	2016 £m	2015 £m
Operating profit for the year is stated after charging the following items:		
Staff costs	**195.4**	134.4
Exceptional items		
Property, plant and equipment write downs	**–**	2.9
Software write downs	**–**	0.5
Capitalised development costs write downs	**–**	3.2
Inventory write downs	**–**	1.6
Restructuring costs	**(0.4)**	30.9
Change in valuation of put and call options in respect of Model Solution	**(3.8)**	1.8
Costs related to rights issue and covenant waiver fees	**3.0**	–
Patents litigation	**–**	0.6
Business acquisition transaction costs	**–**	3.5
	(1.2)	45.0
Research and development expenditure		
Incurred	**69.8**	54.5
Capitalised	**(19.9)**	(14.7)
Impairment of capitalised development costs	**4.9**	–
Depreciation and amortisation		
Property, plant and equipment	**22.9**	16.4
Software	**3.9**	2.2
Capitalised development costs	**8.2**	6.0
Acquired intangible assets	**17.2**	13.2
Operating lease rentals		
Hire of plant and machinery	**0.5**	0.2
Other	**11.1**	8.9
Auditor's remuneration*		
Audit fees		
– Audit of financial statements	**0.4**	0.4
– Audit of subsidiaries	**0.8**	0.7
Total audit fees	**1.2**	1.1
Audit related assurance services	**0.1**	–
Corporate finance services	**0.4**	–
Tax fees – Compliance services	**–**	0.2
Tax fees – Bilateral Advance Pricing Agreement US-China	**–**	0.7
Tax fees – Advisory services	**–**	0.1
Total non-audit services	**0.5**	1.0

* Total fees paid to the auditor were £1.7m (2015: £2.1m).

7 EXCEPTIONAL ITEMS

Explanatory note:
Exceptional items are items of income or expense incurred outside the normal course of business, and are considered to be material and infrequent in nature (defined in note 2). This note provides a detailed breakdown of the "Exceptional items" line included on the Group income statement.

	2016 £m	2015 £m
Continuing operations:		
Performance Materials		
Asset write downs:		
Property, plant and equipment	**–**	(1.9)
Capitalised development costs	**–**	(1.5)
Inventory	**–**	(0.8)
Other restructuring credits/(costs)	**1.2**	(19.8)
	1.2	(24.0)
Wireless Systems		
Asset write downs:		
Property, plant and equipment	**–**	(0.5)
Capitalised development costs	**–**	(1.7)
Inventory	**–**	(0.8)
Patents litigation	**–**	(0.6)
Other restructuring costs	**(1.8)**	(8.9)
	(1.8)	(12.5)
Unallocated (costs)/credits		
Asset write downs:		
Property, plant and equipment	**–**	(0.5)
Software	**–**	(0.5)
Business acquisition transaction costs	**–**	(3.5)
Costs related to rights issue and covenant waiver fees	**(3.0)**	–
Change in valuation of put options in respect of Model Solution (note 27)	**3.0**	(1.4)
Change in valuation of call options in respect of Model Solution (note 27)	**0.8**	(0.4)
Other restructuring credits/(costs)	**1.0**	(2.2)
	1.8	(8.5)
Net credit/(charge)	**1.2**	(45.0)

Notes:
(a) In October 2015, the Company announced a major re-design of its operating model which in particular includes the simplification of manufacturing capabilities in Europe and North America. This gave rise to asset write downs and other restructuring costs.
(b) A patent lawsuit filed against Laird in 2014 was settled during 2015 with an additional £0.6m of legal costs charged in 2015.
(c) The total cash outlay for exceptional costs in 2016 was £16.8m (2015: £7.6m).
(d) The tax effect on exceptional items in 2016 is a £3.6m tax credit (2015: £8.3m charge).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

8 DIRECTORS' REMUNERATION

Explanatory note:
This note provides a breakdown of the cost of our Executive and Non-Executive Directors. Further detail is provided in the Directors' Remuneration Report on page 60, including information regarding gains on the exercise of share options by Directors during 2016.

	2016 £m	2015 £m
Remuneration		
Fees	**0.3**	0.3
Salaries and benefits	**1.2**	1.4
Pension contributions	**0.2**	0.2
Performance incentive awards		
Bonuses	**–**	0.4
Share based payments	**0.8**	0.7
	2.5	3.0

9 EMPLOYEES

Explanatory note:
This note provides detailed information on the cost of our employees and the number in the Performance Materials and Wireless Systems divisions.

The note also includes details of the compensation of key management personnel (excluding Directors, for details of Directors see note 8). Key management personnel comprise members of the management team as defined by IAS 24 "Related Party Disclosures".

	2016 Number	2015 Number
Average number of Group employees from continuing operations		
Performance Materials	**6,942**	6,406
Wireless Systems	**2,722**	2,187
	9,664	8,593

The total number of Group employees at 31 December 2016 was 9,836 (2015: 8,478).

	2016 £m	2015 £m
Employee costs		
Wages and salaries	**168.3**	114.7
Social security costs	**21.9**	13.8
Other pension costs	**4.1**	3.2
Share based payments	**1.1**	2.7
	195.4	134.4

9 EMPLOYEES CONTINUED

Compensation of key management personnel (excluding Directors, for details of Directors see note 8).

	2016 £m	2015 £m
Short term employee benefits	**1.4**	1.8
Post employment benefits	**0.1**	–
Share based payments	**0.2**	0.5
	1.7	2.3

10 FINANCE INCOME AND COSTS

Explanatory note:
Finance costs reflect expenses incurred in managing our debt structure. This is offset by interest income that is generated through efficient use of short-term cash surpluses.

	2016 £m	2015 £m
Finance income		
Interest income	**0.1**	0.6
Finance costs		
Interest payable on bank loans and overdrafts	**(3.0)**	(5.6)
Interest payable on other loans	**(6.3)**	(1.6)
Interest payable on finance leases	**(0.7)**	–
Other finance charges	**(1.1)**	(1.2)
	(11.1)	(8.4)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

11 TAXATION

Explanatory note:
The tax charge includes both current and deferred tax. Current tax is the amount payable on this year's taxable profits (which are adjusted for items upon which we are not required to pay tax, or in some cases for items which we are required to pay additional tax in respect of tax-disallowed expenditure). Deferred tax is an accounting adjustment which reflects where more or less tax is expected to arise in the future due to differences between the accounting and tax rules.

	2016 £m	2015 £m
(a) Analysis of the tax (credit)/charge for the year		
Current tax		
Current income tax charge	**9.2**	22.1
Adjustments in respect of current income tax of previous years	**(1.7)**	(1.0)
Total current tax charge	**7.5**	21.1
Deferred tax		
Relating to origination and reversal of temporary differences	**(19.1)**	1.8
Adjustments in respect of deferred tax of previous years	**0.1**	0.1
Total tax (credit)/charge in the income statement	**(11.5)**	23.0
(b) Tax included in other comprehensive income or equity		
Tax on items charged/credited to equity	**–**	–
(c) Reconciliation of the total tax (credit)/charge for the year		
(Loss)/profit before tax from continuing operations	**(122.3)**	15.4
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 20.0% (2015: 20.25%)	**(24.5)**	3.1
Effects of:		
Items not deductible for tax purposes	**3.4**	7.3
Benefit of R&D, Hi-Tech status and local investments	**(4.2)**	(4.8)
Adjustment to current and deferred tax in respect of prior periods	**(1.6)**	0.4
Conclusion of overseas tax audit discussions	**–**	(1.3)
Utilisation of previously unrecognised tax losses and attributes	**(0.5)**	(0.4)
Current year tax losses and attributes not recognised	**11.4**	10.5
Goodwill write-off not deductible for tax purposes	**13.1**	–
Exceptional US loss (recognition)/movement	**(1.2)**	1.2
Overseas tax rate differences	**(2.2)**	0.3
Changes in tax rate	**(1.6)**	(1.6)
Tax effect of operating model re-design	**(3.6)**	8.3
Total tax (credit)/charge reported in the income statement	**(11.5)**	23.0

12 EARNINGS PER SHARE

Explanatory note:
Earnings per share (EPS) represents the amount of our earnings (post-tax losses) that are attributable to each ordinary share we have in issue. The calculation of basic and diluted earnings per share is based on the profit for the year divided by the daily average of the number of shares in issue during the year. Diluted earnings per share is based on the same profit 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.

	2016 £m	2015 £m
Profit		
Loss for the year attributable to equity shareholders of the parent company	**(111.7)**	(8.3)

	Number of shares (m)	Number of shares (m)
Weighted average shares		
Basic weighted average shares	**270.4**	267.2
Options	**1.2**	2.2
Diluted weighted average shares	**271.6**	269.4

	Pence	Pence
Earnings per share*		
Basic on (loss) for the year	**(41.3)**	(3.1)
Diluted on (loss) for the year	**(41.3)**	(3.1)

* Attributable to equity shareholders of the parent company.

The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 272.9m (2015: 269.4m)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

13 UNDERLYING RESULTS

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

Underlying tax is stated before exceptional items, deferred tax on the amortisation of acquired intangible assets, goodwill and US capitalised development costs, the gain or loss on disposal of businesses and the impact arising from the fair valuing of financial instruments. The deferred tax impact of short-term losses and current tax on the amortisation of acquired intangible assets and impairment of goodwill are included in the calculation of underlying tax.

The underlying tax charge for the year is equivalent to 24.9% (2015: 18.2%) of underlying profit before tax.

	2016 £m	2015 £m
Profit		
Operating profit before impairment of goodwill, amortisation of acquired intangible assets and exceptional items	**61.9**	80.7
Finance income	**0.1**	0.6
Finance costs	**(11.1)**	(8.4)
Other net finance income – pension	**0.2**	0.2
Underlying profit before tax	**51.1**	73.1
Tax		
The underlying tax charge is calculated as follows:		
Underlying tax	**12.7**	13.3
Underlying tax rate	**24.9%**	18.2%
Tax (credit)/charge on exceptional items	**(3.6)**	8.3
Deferred tax on goodwill, acquired intangible assets and US capitalised development costs	**(19.4)**	0.2
Exceptional US tax loss (recognition)/movement	**(1.2)**	1.2
Total tax (credit)/charge	**(11.5)**	23.0

	Pence	Pence
Earnings per share**		
Underlying earnings per share – basic	**13.6**	21.8
Underlying earnings per share – diluted	**13.6**	21.6

** Attributable to equity shareholders of the parent company.

14 DIVIDENDS PAID AND PROPOSED

Explanatory note:
Dividends are the amounts we return to our shareholders and are paid as an amount per ordinary share held.

No final dividend is proposed in respect of 2016 (2015: a final dividend of 8.6p per share). 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.

	Dividends paid		Dividends declared/ proposed*	
Total dividends	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Final 2014	**–**	22.0	**–**	–
Interim 2015	**–**	11.8	**–**	11.8
Final 2015	**23.3**	–	**–**	23.3
Interim 2016	**12.2**	–	**12.2**	–
Final 2016	**–**	–	**–**	–
	35.5	33.8	**12.2**	35.1

	Dividends paid		Dividends declared/ proposed*	
Dividends per share	**2016 Pence**	2015 Pence	**2016 Pence**	2015 Pence
Final 2014	**–**	8.23	**–**	–
Interim 2015	**–**	4.40	**–**	4.40
Final 2015	**8.60**	–	**–**	8.60
Interim 2016	**4.53**	–	**4.53**	–
Final 2016	**–**	–	**–**	–
	13.13	12.63	**4.53**	13.00

* Attributable to the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

15 PROPERTY, PLANT AND EQUIPMENT

Explanatory note:
This note shows the cost, depreciation and net book value of the physical assets controlled by us that we use in our business. The cost of an asset is what we paid to purchase or construct the asset. Depreciation is calculated by that cost, net of any residual value, to the income statement evenly over the useful economic life of the asset. An asset's net book value is its cost less any depreciation (including impairment, if required) charged to date.

Assets that are in the course of construction are not depreciated until they are ready for use in the intended location.

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2015	31.7	202.6	234.3
Additions	4.1	11.6	15.7
Acquisition of businesses in the year	1.4	1.3	2.7
Disposals	(0.4)	(6.6)	(7.0)
Reclassification of software*	–	(17.6)	(17.6)
Foreign currency adjustment	0.8	2.2	3.0
At 31 December 2015	37.6	193.5	231.1
Additions	7.7	37.2	44.9
Acquisition of businesses in the year	–	5.6	5.6
Disposals	(10.5)	(35.5)	(46.0)
Reclassification of software*	–	(1.9)	(1.9)
Foreign currency adjustment	6.7	31.6	38.3
At 31 December 2016	41.5	230.5	272.0
Accumulated depreciation			
At 1 January 2015	14.5	127.9	142.4
Charge for year	3.6	12.8	16.4
Disposals	(0.4)	(6.6)	(7.0)
Exceptional write down (note 7)	0.7	2.2	2.9
Reclassification of software*	–	(10.2)	(10.2)
Foreign currency adjustment	0.8	1.9	2.7
At 31 December 2015	19.2	128.0	147.2
Charge for year	1.8	21.1	22.9
Disposals	(9.4)	(35.0)	(44.4)
Reclassification of software*	–	(1.0)	(1.0)
Foreign currency adjustment	3.3	20.8	24.1
At 31 December 2016	14.9	133.9	148.8
Net book value at 31 December 2016	**26.6**	**96.6**	**123.2**
Net book value at 31 December 2015	18.4	65.5	83.9
Net book value at 1 January 2015	17.2	74.7	91.9

* Software was reclassified from plant and machinery to intangible assets (note 16) in 2015 and 2016.

Finance leases – the net book value of buildings held under finance leases as at 31 December 2016 was £7.7m (2015: £7.0m) and of plant and machinery was £1.1m (2015: £0.1m).

16 INTANGIBLE ASSETS

Explanatory note:
This note shows the cost, amortisation and net book value of the non-physical assets controlled by us that we recognise in our business. The cost of an asset is the cost of purchase (applies to software), the expense incurred to develop the asset internally (applies to capitalised development costs) or the cost incurred when the asset is purchased as part of a business combination (applies to all other intangible asset types). An asset's net book value is its cost less any amortisation (including impairment, if required) charged to date.

	Software £m	Capitalised development costs £m	Goodwill £m	Customer relationships £m	Other acquired intangible assets £m	Total £m
Cost						
At 1 January 2015	–	74.6	573.6	135.0	65.2	848.4
Reclassification of software*	17.6	–	–	–	–	17.6
Additions	2.5	14.7	–	–	–	17.2
Acquisition of businesses**	0.1	–	12.9	6.9	11.1	31.0
Disposals	(0.1)	–	–	–	–	(0.1)
Foreign currency adjustment	0.8	2.9	22.0	4.1	3.1	32.9
At 31 December 2015	20.9	92.2	608.5	146.0	79.4	947.0
Reclassification of software*	1.9	–	–	–	–	1.9
Additions	2.0	19.9	–	–	1.5	23.4
Acquisition of businesses	0.3	0.6	44.3	9.8	19.7	74.7
Disposals	(4.0)	(3.0)	–	(22.0)	(25.1)	(54.1)
Foreign currency adjustment	4.3	16.0	114.8	26.0	14.6	175.7
At 31 December 2016	25.4	125.7	767.6	159.8	90.1	1,168.6
Amortisation						
At 1 January 2015	–	42.3	119.3	83.5	47.1	292.2
Reclassification of software*	10.2	–	–	–	–	10.2
Charge for the year	2.2	6.0	–	10.2	3.0	21.4
Exceptional write downs	0.5	3.2	–	–	–	3.7
Disposals	(0.1)	–	–	–	–	(0.1)
Foreign currency adjustment	0.5	1.3	4.3	3.3	1.9	11.3
At 31 December 2015	13.3	52.8	123.6	97.0	52.0	338.7
Reclassification of software*	1.0	–	–	–	–	1.0
Charge for the year	3.9	8.2	–	10.8	6.4	29.3
Impairment	–	4.9	155.5	–	–	160.4
Disposals	(4.0)	(3.0)	–	(22.0)	(25.1)	(54.1)
Foreign currency adjustment	3.0	8.4	22.2	16.9	7.7	58.2
At 31 December 2016	17.2	71.3	301.3	102.7	41.0	533.5
Net book value at 31 December 2016	**8.2**	**54.4**	**466.3**	**57.1**	**49.1**	**635.1**
Net book value at 31 December 2015	7.6	39.4	484.9	49.0	27.4	608.3
Net book value at 1 January 2015	–	32.3	454.3	51.5	18.1	556.2

* Software was reclassified from plant and machinery to intangible assets in 2015 and 2016.

** 2015 has been restated for changes to the fair values of LSR acquired intangible assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

16 INTANGIBLE ASSETS CONTINUED

CAPITALISED DEVELOPMENT COSTS

Internally generated assets arising from the capitalisation of qualifying development expenditure typically have a finite expected useful life of around four years. Capitalised development expenditure is amortised on a straight-line basis. All amortisation charges for the year have been charged against operating profits. The total amount of research and development activity incurred during 2016 is £69.8m (2015: £54.5m) of which £19.9m (2015: £14.7m) was capitalised.

GOODWILL

Goodwill is not amortised, but is reviewed annually for assessment of impairment in accordance with IAS 36. Goodwill was tested for impairment for the following groups of cash generating units ("CGUs"):

- Performance Materials division
- Wireless Systems division

Performance Materials had a goodwill balance of £303.1m at the year end (2015: £264.3m). Wireless Systems had a goodwill balance of £163.2m at the year end (2015 restated: £220.6m). All of the recoverable amounts are based on value in use.

The key assumptions were:

- A pre-tax discount rate of 14.1% (2015: 9.6%).
- Revenue growth rates for each CGU were based on relevant external market estimates and management knowledge.

The discount rate has been applied to cash flow forecasts from 2017 to perpetuity.

The forecast cash flows for 2017–2019 are based on the Board approved 2017 budget and and medium-term growth plans. Cash flows for 2020 onwards for both divisions have been increased by 3% per annum (2015: 3% per annum).

The Group performed its annual impairment test in December 2016 and 2015. The performance of Wireless Systems during the year has been impacted by the decline in sales in the US rail freight market, which had an impact on our WACS business. This decline, along with the higher level of cost required in Novero, resulted in an impairment charge to Goodwill of £155.5m (2015: £nil). Wireless Systems designs and supplies a range of high specification wireless antennae and machine-to-machine ("M2M") wireless modules for a number of markets including the infrastructure and automotive markets. It has a recoverable amount of £315.6m (2015: £606.7m).

Downside sensitivities have been applied to the cash flow estimates to assess the impact upon the headroom over the carrying value of the assets in Performance Materials and provide further comfort that no impairment is required. There are no reasonably possible changes in assumptions that would give rise to an impairment in Performance Materials. For Wireless Systems, a 1% reduction in the growth rate would increase the impairment recorded by £19m and a 1% increase in the discount rate would increase the impairment by £26m.

OTHER ACQUIRED INTANGIBLE ASSETS

Assets in this class are amortised over their estimated useful lives on a straight-line basis.

All amortisation charges for the year have been charged against operating profits.

The following useful lives have been determined for acquired intangible assets:

Brand names – 5 years

Trade secrets – 8 to 15 years

Trade marks and names – 5 to 15 years

Patents – the remaining duration of the 16-year legal right

Licence – the remaining duration of the 19-year legal right

Customer relationships – 10 to 20 years

Software – 5 to 7 years

The expected life assigned to acquired customer relationships is an estimate and is not secured by any legal obligation on the customer to continue business with the Group for any finite period. Other than goodwill, the Group does not hold any intangible assets with an indefinite life.

17 BUSINESS COMBINATIONS

Explanatory note:
This note provides both quantitative and descriptive information on acquisitions made by the Group in 2016 and 2015, including details of the acquisitions themselves, the net assets acquired and the consideration paid or payable.

ACQUISITION OF BUSINESSES IN 2016

On 20 January 2016, the Group acquired 100% of Novero, a leading Germany based integrated vehicle connectivity systems provider for a total consideration of £50.1m (€65.0m). This acquisition is expected to enhance Laird's offering of innovative wireless solutions to the automotive market. 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.

Fair values of the identifiable assets and liabilities of Novero stated at rates of exchange at the date of acquisition, were as follows:

	Fair values to the Group £m
Property, plant and equipment	5.6
Intangible assets	30.4
Inventories	7.2
Trade and other receivables	7.9
Trade and other payables	(17.4)
Income tax payable	(4.9)
Deferred tax liabilities	(6.3)
Retirement benefit obligations	(3.5)
Provisions	(13.2)
Net assets acquired	**5.8**
Goodwill arising on acquisition	44.3
Consideration	**50.1**
Consideration satisfied by:	
Cash consideration	39.4
Net overdraft acquired	0.3
Non cash consideration – shares issued	10.4
	50.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

17 BUSINESS COMBINATIONS CONTINUED

In the period following acquisition, revenue for Novero was £82.5m, there was a loss after tax of £7.6m and underlying loss before tax was £0.6m. If the acquisition had been held for the full year, Group revenues would have been £803.2m and the loss before tax would have been £1.2m worse at £123.5m. Included in the goodwill recognised above are certain assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies. Acquisition related costs of £nil (2015: £2.8m) were recorded within exceptional items in the income statement.

ACQUISITION OF BUSINESSES IN 2015

On 24 November 2015, the Group acquired 100% of LS Research (LSR), a US based leader in wireless product design and development for a total consideration of £36.5m ($55.0m). This acquisition adds new capabilities in embedded wireless solutions and services to Laird, provides us with new routes to market for our own products and most importantly, extends our reach, presence and capabilities in Enterprise Internet of Things. 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.

Fair values of the identifiable assets and liabilities of LSR stated at rates of exchange at the date of acquisition, were as follows:

	Fair values to the Group £m
Property, plant and equipment	2.9
Intangible assets	18.4
Inventories	0.5
Trade and other receivables	3.8
Trade and other payables	(1.8)
Deferred tax liabilities	–
Net assets acquired	23.8
Goodwill arising on acquisition	12.7
Consideration	36.5
Consideration satisfied by:	
Cash consideration	34.7
Net cash acquired	(0.5)
Deferred consideration	0.2
Borrowings acquired	2.1
	36.5

In the period following acquisition to 31 December 2015, revenue for LSR was £1.4m, there was a profit after tax of £nil and underlying profit before tax was £0.1m. If the acquisition had been held for the whole of 2015, Group revenues would have been £645.6m and the profit before tax would have been £1.4m higher at £16.8m. Included in the goodwill recognised above are certain assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies. Acquisition related costs of £nil (2015: £0.4m) were recorded within exceptional items in the income statement.

Subsequent to 31 December 2015, the provisional acquisition accounting was finalised. Intangible assets increased by £7.3m, deferred tax liabilities decreased by £4.3m and goodwill decreased by £11.6m. The above table and the 2015 balance sheet have been restated accordingly.

18 INVENTORIES

Explanatory note:
Inventories held consist of physical stocks used in the manufacture of goods, partially completed goods in the process of being manufactured, and finished goods ready to be sold to customers.

	2016 £m	2015 £m
Raw materials and consumables	**32.7**	20.8
Work in progress	**4.7**	2.3
Finished goods	**62.0**	42.9
	99.4	66.0

Expenses relating to inventories written down during the period totalled £1.1m (2015: £1.6m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

19 TRADE AND OTHER RECEIVABLES

Explanatory note:
Trade and other receivables represent amounts owed to us by our customers for goods or services we have provided but not yet been paid for. The note includes accrued income, which is income earned in the period but not yet invoiced, and prepayments which are amounts paid by the Group for which we are yet to receive the relevant goods or service in return.

	2016 £m	2015 £m
Trade receivables	**172.1**	123.9
Other receivables	**20.9**	13.7
Prepayments and accrued income	**16.8**	10.9
	209.8	148.5

Trade receivables are denominated in the following currencies:

	2016 £m	2015 £m
Sterling	**0.3**	0.3
Euros	**18.8**	7.2
US Dollars	**123.9**	93.8
Renminbi	**26.7**	20.1
Others	**2.4**	2.5
	172.1	123.9

Out of the carrying amount of trade receivables of £172.1m (2015: £123.9m), £62.1m (2015: £43.6m) relates to the top 10 major customers.

Trade receivables are non-interest bearing and are generally on 30–90 days' terms and are shown net of a provision for impairment. As at 31 December 2016, trade receivables at nominal value of £4.3m (2015: £1.2m) were impaired and provided for.

Movements in the provision for impairment of trade receivables were as follows:

	2016 £m	2015 £m
At 1 January	**1.2**	0.9
Charge for the year	**3.5**	0.4
Amounts written off	**(0.1)**	(0.1)
Released during the year	**(0.3)**	(0.1)
Foreign currency adjustment	**–**	0.1
At 31 December	**4.3**	1.2

The provision has been based on regular reviews of the collectability of individual customers' trade receivable balances.

19 TRADE AND OTHER RECEIVABLES CONTINUED

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30–60 days £m	60–90 days £m	More than 90 days £m
31 December 2016	172.1	153.1	15.0	1.6	0.8	1.6
31 December 2015	123.9	106.3	12.4	3.3	1.3	0.6

The credit quality of trade receivables is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used.

20 CASH AND CASH EQUIVALENTS

Explanatory note:
Cash and cash equivalents include cash held in current and other bank accounts that are accessible on demand.

	2016 £m	2015 £m
Cash and cash equivalents	**64.5**	68.8

Cash and cash equivalents (which are presented as a single class of assets in the Group statement of financial position) comprises cash at bank.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

21 BORROWINGS

Explanatory note:
Borrowings comprise private placement debt, bank loans and finance leases, with fixed maturity profiles repayable between 2016 and 2021.

			2016 £m	2015 £m
Current:	**Interest**	**Maturity**		
US Private Placement loans – USD	5.76%	2016	**–**	29.2
Other short term borrowings			**–**	0.1
Finance leases			**0.3**	–
			0.3	29.3
Non-current:				
US Private Placement loans – USD	3.69%	2020	**10.5**	8.8
US Private Placement loans – USD	4.02%	2021	**74.5**	62.2
US Private Placement loans – EURO	2.59%	2021	**12.8**	11.1
Schuldschein loans – USD		2021	**28.2**	–
Schuldschein loans – EURO		2021	**59.5**	–
Bilateral revolving bank loans			**214.5**	150.4
Finance leases			**8.8**	7.0
			408.8	239.5
Total borrowings			**409.1**	268.8

	2016 £m	2015 £m
Borrowings are repayable as follows:		
Within one year		
Bank	**–**	0.1
US Private Placement loans	**–**	29.2
Finance lease	**0.3**	–
Between one and five years		
Finance leases	**8.8**	7.0
US Private Placement and Schuldshein loans	**185.5**	8.8
Bank	**214.5**	150.4
In five years or more		
US Private Placement loans	**–**	73.3
Total borrowings	**409.1**	268.8

Notes:
(a) No borrowings are secured on the assets of subsidiary undertakings (2015: £nil).
(b) The Group had committed bilateral revolving bank loan facilities of £255.0m (2015: £255.0m). Drawings by Group companies under these facilities were £214.5m (2015: £150.4m). Although these drawings are repayable within one year they are classified as long term as they can be refinanced under the terms of the facilities.
(c) Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the term of the facility.
(d) The Group has finance leases due within one year of £0.3m (2015: £nil) for plant and machinery and due beyond one year of £8.2m (2015: £7.0m) for buildings and £0.6m (2015: £nil) for plant and machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.
(e) The Group may redeem some or all of the outstanding US Private Placement notes at any time prior to maturity at a redemption price equal to 100% of their aggregate principal amount, plus a make-whole premium, plus accrued and unpaid interest, if any, to the date of redemption.
(f) As at 31 December 2016, fixed rate borrowings carried a weighted average interest rate of 3.8% (2015: 4.3%) and floating rate borrowings carried a weighted average interest rate of 2.1% (2015: 1.3%).

22 OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

Explanatory note:
Operating lease payments are future payments that we are committed to making for the use of land and building facilities.

	2016		2015	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Commitments under non-cancellable operating leases:				
Within one year	**12.4**	**0.3**	8.9	0.1
Later than one year and less than five years	**35.6**	**0.1**	24.3	0.2
After five years	**28.2**	**–**	13.6	–
	76.2	**0.4**	46.8	0.3

23 TRADE AND OTHER PAYABLES

Explanatory note:
Trade and other payables represent amounts we owe to our suppliers (for goods and services provided), tax authorities and other creditors that are due to be paid in the ordinary course of business. We make accruals for amounts that will fall due for payment in the future as a result of our activities in the current year, and we recognise deferred income for income that has been received in the period, but not yet earned.

	2016 £m	2015 £m
Trade payables	**137.2**	80.5
Social security costs	**3.5**	2.3
Other payables	**15.3**	19.7
Accruals and deferred income	**36.0**	16.1
	192.0	118.6

24 DEFERRED TAXES

Explanatory note:
Deferred tax is an accounting adjustment which reflects where more or less tax is expected to arise in the future due to differences between the accounting and tax rules.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

24 DEFERRED TAXES CONTINUED

Movements on deferred tax liabilities during the year were:

	Accelerated tax depreciation and losses £m	Tax losses carried forward £m	Other temporary differences £m	Total £m
At 1 January 2015	(92.5)	22.0	5.0	(65.5)
(Charged)/credited to the income statement (note 11)	(1.2)	(1.1)	0.4	(1.9)
Acquisitions	(4.2)	–	–	(4.2)
Foreign currency adjustment	(4.8)	1.1	0.2	(3.5)
At 31 December 2015	(102.7)	22.0	5.6	(75.1)
Restatement on finalising acquisition fair values	4.2	–	–	4.2
At 31 December 2015 restated	(98.5)	22.0	5.6	(70.9)
Credited/(charged) to the income statement (note 11)	21.1	1.2	(3.2)	19.1
Acquisitions	(8.7)	–	2.0	(6.7)
Foreign currency adjustment	(19.2)	4.4	1.1	(13.7)
At 31 December 2016	(105.3)	27.6	5.5	(72.2)
Amounts on balance sheet				
At 31 December 2015 (restated)				
Deferred tax asset	–	0.8	2.8	3.6
Deferred tax liability	(74.5)	–	–	(74.5)
	(74.5)	0.8	2.8	(70.9)
At 31 December 2016				
Deferred tax asset	–	0.8	3.8	4.6
Deferred tax liability	(76.8)	–	–	(76.8)
	(76.8)	0.8	3.8	(72.2)

Deferred tax assets have been recognised on tax losses carried forward and other temporary differences only to the extent that it is probable that taxable profit will be available against which these deductible temporary differences can be utilised. They are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

UNRECOGNISED TAX LOSSES

Deferred tax assets have not been established on trading losses of £94.5m (2015: £37.7m) where it is unlikely that suitable future taxable profits will be available to allow the asset to be recovered. Of the unrecognised losses, £1.9m (2015: £1.8m) have expiry dates between 2016 and 2026 and £92.6m (2015: £36.4m) are available indefinitely. Deferred tax assets have not been established on capital losses of £3.6m (2015: £3.7m) where it is not considered probable that there will be future taxable gains. Deferred tax assets have not been recognised on other deductible temporary differences of £8.1m (2015: £16.8m) where it is unlikely that suitable future taxable profits will be available to allow the asset to be recovered. These temporary differences have no expiry date.

TEMPORARY DIFFERENCES ASSOCIATED WITH GROUP INVESTMENTS

Deferred tax of £2.1m (2015: £1.7m) has been recognised on the unremitted earnings of overseas subsidiaries where it is likely there will be income tax consequences attached to the payment of dividends.

No deferred tax has been recognised in respect of temporary differences of £6.9m (2015: £6.9m) relating to the unremitted earnings of foreign subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable they will not reverse in the foreseeable future. The temporary differences at 31 December 2016 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by overseas jurisdictions in which those subsidiaries operate.

24 DEFERRED TAXES CONTINUED

FACTORS AFFECTING FUTURE TAX CHARGES

The UK corporation tax rate will reduce to 19% effective 1 April 2017, with a further reduction to 17% effective 1 April 2020. Disclosure of deferred tax has been adjusted to reflect the enactment of the revised rates but with no significant impact on these financial statements.

25 OTHER NON-CURRENT LIABILITIES

Explanatory note:
This note provides further detail on other liabilities due in more than one year's time.

	2016 £m	2015 £m
Other creditors	**0.8**	0.6
Accruals and deferred income	**–**	0.6
	0.8	1.2

26 PROVISIONS

Explanatory note:
The timing and amount of cash outflows for provisions are by their nature uncertain and dependent upon the outcome of related events. The best estimates are shown in the table below.

Restructuring provisions are in respect of the major redesign of the Group's operating model as explained in note 7. Warranty claims are in respect of potential liabilities arising from the disposal of businesses. Litigation and other provisions consist primarily of amounts provided in respect of events arising from litigation, trade and various other provisions that do not fit into distinct categories.

	Restructuring £m	Warranty claims £m	Litigation and other £m	Total £m
At 1 January 2016				
Current	24.1	0.1	1.9	26.1
Non-current	5.6	0.9	3.1	9.6
	29.7	1.0	5.0	35.7
Acquisition of businesses	–	2.1	11.8	13.9
Provided	3.6	1.0	1.5	6.1
Utilised	(11.7)	(0.6)	(3.0)	(15.3)
Released	(5.0)	–	(0.1)	(5.1)
Foreign currency adjustment	4.1	0.2	1.3	5.6
At 31 December 2016	20.7	3.7	16.5	40.9
Analysed as:				
Current	17.8	2.0	7.0	26.8
Non-current	2.9	1.7	9.5	14.1
	20.7	3.7	16.5	40.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

27 FINANCIAL INSTRUMENTS

Explanatory note:
We hold a variety of derivative and non-derivative financial instruments.

An explanation of the Group's financial instrument risk and capital management objectives, policies and strategies are set out in the Chief Financial Officer's report on page 30 and in the notes to the financial statements (note 2).

The Group's derivative financial instruments are forward foreign exchange contracts to manage foreign exchange exposures and both put and call options relating to the non-controlling interest (NCI) in Model Solution (acquired April 2014). The put option is a liability that may become payable regarding the NCI in Model Solution. The call option is a financial asset that the Group has over the NCI in Model Solution.

Non-derivative financial instruments include cash and cash equivalents, and non-current and current trade and other receivables, borrowings and trade and other payables.

FINANCIAL ASSETS

The financial assets of the Group comprised:

	2016 £m	2015 £m
Current		
Cash and cash equivalents (note 20)	**64.5**	68.8
Trade and other receivables	**186.7**	133.4
	251.2	202.2
Non-current		
Other non-current receivables	**1.9**	1.4
Derivative financial instruments – call option	**1.5**	0.7
	3.4	2.1

FINANCIAL LIABILITIES

The financial liabilities of the Group comprised:

	2016 £m	2015 £m
Current		
Borrowings (note 21)	**0.3**	29.3
Derivative financial instruments	**2.1**	0.2
Trade and other payables	**187.4**	114.4
	189.8	143.9
Non-current		
Borrowings (note 21)	**408.8**	239.5
Other non-current liabilities (note 25)	**0.8**	1.2
Derivative financial instruments – put option	**31.0**	34.0
	440.6	274.7

27 FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Year ended 31 December 2016	Within 1 year	1 – 2 Years	2 – 3 Years	3 – 4 Years	4 – 5 Years	More than 5 Years	Total
Fixed rate							
$13m US Private Placement loans at 3.69% due 2020	–	–	–	10.5	–	–	10.5
$92m US Private Placement loans at 4.02% due 2021	–	–	–	–	74.5	–	74.5
€15m US Private Placement loans at 2.59% due 2021	–	–	–	–	12.8	–	12.8
Finance leases	0.3	8.5	0.3	–	–	–	9.1
Sub Total	0.3	8.5	0.3	10.5	87.3	–	106.9
Floating rate							
Cash and cash equivalents	(64.5)	–	–	–	–	–	(64.5)
$35m Schuldschein loan due 2021	–	–	–	–	28.2	–	28.2
€70m Schuldschein loan due 2021	–	–	–	–	59.5	–	59.5
Bank loans	–	–	214.5	–	–	–	214.5
Sub Total	(64.5)	–	214.5	–	87.7	–	237.7

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

Interest on the financial instruments classified as fixed rate is fixed until maturity of the instrument.

Year ended 31 December 2015	Within 1 year	1 – 2 Years	2 – 3 Years	3 – 4 Years	4 – 5 Years	More than 5 Years	Total
Fixed rate							
$43m US Private Placement loans at 5.76% due 2016	29.2	–	–	–	–	–	29.2
$13m US Private Placement loans at 3.69% due 2020	–	–	–	–	8.8	–	8.8
$92m US Private Placement loans at 4.02% due 2021	–	–	–	–	–	62.2	62.2
€15m US Private Placement loans at 2.59% due 2021	–	–	–	–	–	11.1	11.1
Finance leases at 8.5% due 2018	–	–	7.0	–	–	–	7.0
Sub Total	29.2	–	7.0	–	8.8	73.3	118.3
Floating rate							
Cash and cash equivalents	(68.8)	–	–	–	–	–	(68.8)
Bank loans	0.1	–	–	150.4	–	–	150.5
Sub Total	(68.7)	–	–	150.4	–	–	81.7

DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds forward foreign exchange contracts to manage foreign exchange exposures. The forward contracts have a principal value of £92.8m (2015: £30.6m) and are mainly denominated in US Dollar and Chinese Renminbi. They are revalued at the balance sheet date using closing exchange rates. These contracts have not been designated as cash flow hedges and the decrease in fair value during 2015 of £1.9m (2015: £0.5m increase) has been taken to the income statement. These are Level 2 derivative financial instruments and there has been no movement between levels during the year. Fair values are calculated using mark-to-market methodology.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

27 FINANCIAL INSTRUMENTS CONTINUED

PUT AND CALL OPTIONS OVER THE NON CONTROLLING INTEREST IN MODEL SOLUTION

In accordance with the Shareholders' agreement entered into between the Group and the minority shareholder of Model Solution, the Group and the minority shareholder are respectively granted call and put options which entitle the Group to purchase from minority shareholder and the minority shareholder to sell to the Group the minority shareholder's 49% interest in Model Solution. The call options can be exercised by the Group on 31 May 2018, 2019 or 2020, and the put option can be exercised by the minority shareholder on 31 May 2020 and if none of these options are exercised then the Group is committed to acquire the 49% interest in Model Solution on 31 May 2021. The exercise price for the call and put options will be determined in accordance with the Shareholders' agreement and will be between KRW 42.2bn (£28.4m) and KRW 88.9bn (£59.8m).

The put and call options are re-measured at fair value at each balance sheet date with any resulting gain or loss recognised in the consolidated income statement as an exceptional acquisition related item. In the event that the put option lapses unexercised, the liability will be derecognised with a corresponding adjustment to equity.

FINANCIAL LIABILITY – PUT OPTION

The financial liability that may become payable under the put option in respect of the non-controlling interest in Model Solution is recognised at a fair value of £31.0m (2015: £34.0m) within non-current liabilities. The decrease in the fair value during 2016 of £3.0m (2015: 1.4m increase) has been taken to the income statement.

The exercise price for the put option will be calculated by dividing the EBITDA of Model Solution for the year to 31 December 2019 by EBITDA for the year ended 31 December 2015 and applying this factor against a base price of KRW 42.2bn (£28.4m). The key assumptions in estimating the fair value are an EBITDA projection for Model Solution for the year to 31 December 2019 and a discount rate of 2.7% applied at 31 December 2016 (2015: 2.6%).

The financial liability is sensitive to changes in these assumptions. For example a 10% increase in EBITDA for the year to 31 December 2019 would result in an increase in the financial liability of £3.1m, while a 10% decrease would result in a decrease in the financial liability of £3.1m. An increase in the discount rate by 1% would result in a decrease in the financial liability of £1.0m, while a decrease in the discount rate by 1% would result in an increase in the financial liability of £1.0m. In accordance with the fair value hierarchy under IFRS 13, the put option is classified as a Level 3 derivative financial instrument. The fair value of the put option is determined by reference to the terms in the underlying agreement. It is calculated at each period end by estimating a range of potential exercise prices for the option and applying our estimate of the weighted average probabilities to each.

FINANCIAL ASSET – CALL OPTION

There is a financial asset recognised of £1.5m (2015: £0.7m) within non-current assets in respect of the call option that the Group has over the non-controlling interest in Model Solution. The increase in the fair value of £0.8m (2015: 0.4m decrease) has been taken to the income statement.

The call option can be exercised by the Group on 31 May 2018, 2019 or 2020. The exercise price for the call option will be calculated by dividing the EBITDA of Model Solution for the year to 31 December prior to the date of exercise of the call option by EBITDA for the year ended 31 December 2015 and applying this factor against a base price of KRW 42.2bn (£28.4m). The key assumptions in estimating the fair value are a range of EBITDA projections for Model Solution for the years to the end of the financial month prior to the date of exercise of the call option and a discount rate being a Korean risk-free rate over the period to exercise, determined at 31 December 2016.

The financial asset is sensitive to changes in this assumption. For example, a 10% increase in the base EBITDA scenario would result in a decrease in the financial asset of £0.4m, while a 10% decrease would result in an increase in the financial assets of £0.5m In accordance with the fair value hierarchy under IFRS 13, the call option is classified as a Level 3 derivative financial instrument. The fair value of the call option is determined by reference to the terms in the underlying agreement. It is calculated at each period end using a Black-Scholes option-pricing model based on the share price and expected exercise price, and our estimate of the likelihood of exercising the option at each date.

INTEREST RATE AND CURRENCY PROFILE

The Group's policy is to maintain an appropriate balance between variable and fixed interest rate borrowings. Interest rate swaps and similar instruments are used to manage interest costs. At 31 December 2016 approximately 26% (2015: 44%) of debt is at fixed rate. This position is reviewed on a regular basis to ensure it is still appropriate.

27 FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE RISK

The following table shows the sensitivity to a change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity. The interest rates considered are Sterling, Euro and US Dollar, being the currencies in which the Group have historically issued debt and held investments.

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes those recognised at fair value as well as all non-derivative floating rate financial instruments.

2016	Effect on profit before tax £m
50 basis points increase in US Dollar interest rates	1.1
50 basis points increase in Sterling interest rates	0.1
50 basis points increase in Euro interest rates	0.3

A 50 basis point decrease in these interest rates would have an equal and opposite effect.

2015	
50 basis points increase in US Dollar interest rates	0.7
50 basis points increase in Sterling interest rates	0.0
50 basis points increase in Euro interest rates	0.1

A 50 basis point decrease in these interest rates would have an equal and opposite effect.

CREDIT RISK

The Group's customer base is largely focused in the global electronics market where it has leading positions in its principal products with customers who themselves have significant market shares. Inevitably, this results in levels of business and trade receivables that are material in the overall Group context. The Group's maximum exposure to credit risk is equal to the carrying amount of the financial assets.

FOREIGN CURRENCY RISK

The Group is exposed to transactional currency exposures on sales and purchases denominated in currencies other than the functional currency of the subsidiary. The currencies giving rise to this risk are primarily US Dollar, Euro and Renminbi. The Group policy is to match out the sales and purchases in these currencies wherever possible and then hedge out the residual exposures.

CAPITAL RISK MANAGEMENT

The Group considers its capital to be the sum of its equity and net debt. The Group's policy is to manage a conservative Balance Sheet gearing position, with appropriate levels of debt for our business risk. Given the current high level of leverage and the limited covenant headroom, the Group have proposed to raise £185m by means of a fully underwritten rights issue (note 35).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

27 FINANCIAL INSTRUMENTS CONTINUED

The following table shows the sensitivity to a possible change in US Dollar, Euro and Renminbi exchange rates against Sterling with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets, liabilities and forward currency contracts) and the Group's equity (due to changes in the fair value of forward currency hedges and net investment hedges).

	Effect on profit before tax £m	Effect on equity £m
2016		
10% appreciation of the US Dollar	9.5	(31.0)
10% appreciation of the Euro	1.2	(7.8)
10% appreciation of the Renminbi	(3.6)	–
2015		
10% appreciation of the US Dollar	9.7	(23.6)
10% appreciation of the Euro	0.9	(2.6)
10% appreciation of the Renminbi	(1.5)	–

A 10% depreciation of the stated currencies would have an equal and opposite effect.

NET INVESTMENT HEDGING

Included in borrowings are US $383.0m (£310.4m) and €91.0m (£77.7m) of debt which have been designated as a hedge of the net investments in the United States and European subsidiaries. This is being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of the borrowings are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries.

LIQUIDITY RISK

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 and 2015 based on contractual undiscounted payments.

Year ended 31 December 2016	On demand £m	Within 1 Year £m	1 to 5 Years £m	More than 5 Years £m	Total £m
Interest bearing loans and borrowings	–	11.5	437.4	–	448.9
Derivative financial instruments – put option	–	–	31.0	–	31.0
Trade and other payables	–	156.5	–	–	156.5
Other non-current liabilities	–	–	0.8	–	0.8
Forward foreign exchange contracts	–	2.1	–	–	2.1
	–	170.1	469.2	–	639.3

Year ended 31 December 2015	On demand £m	Within 1 Year £m	1 to 5 Years £m	More than 5 Years £m	Total £m
Interest bearing loans and borrowings	0.1	34.6	180.9	76.3	291.9
Derivative financial instruments – put option	–	–	34.0	–	34.0
Trade and other payables	–	114.4	–	–	114.4
Other non-current liabilities	–	–	1.2	–	1.2
Forward foreign exchange contracts	–	0.2	–	–	0.2
	0.1	149.2	216.1	76.3	441.7

27 FINANCIAL INSTRUMENTS CONTINUED

The Group ensures that there are sufficient levels of committed facilities, cash and cash equivalents in place to meet its financial commitments as they fall due.

UNDRAWN COMMITTED BORROWING FACILITIES

The Group's financial policy is to maintain committed borrowing facilities, which provide substantial headroom over and above its day-to-day borrowing requirements.

The undrawn committed facilities available at 31 December were as follows:

	2016 £m	2015 £m
Expiring between two and three years	**40.0**	–
Expiring between four and five years	–	103.5

LOAN COVENANTS

The principal covenants in the Group's committed loan facilities and loan note agreements that place restrictions on net borrowings are set out below:

Interest cover
The interest cover covenant is for earnings before exceptional items, interest, tax and amortisation (EBITA) to be not less than 3.0 times interest payable.

Net borrowings: EBITDA ratio
Net borrowings must not exceed 3.5 times earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA).

The Group was in compliance with the covenants detailed above at 31 December 2016.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The US Private Placement loans with a book value of £97.8m (2015: £111.5m) have an estimated fair value of £98.5m (2015: £112.0m) which has been calculated by discounting cash flows at prevailing coupon rates as at 31 December 2016.

There are no material differences between fair value and book value on any of the other financial instruments.

28 ISSUED SHARE CAPITAL

Explanatory note:
Our ordinary share capital reflects the total number of shares issued, which are publicly traded on the London Stock Exchange.

	2016		2015	
Issued and fully paid	**Shares**	**£m**	Shares	£m
Ordinary shares of 28.125p each				
At 1 January	**268,088,884**	**75.4**	267,907,000	75.3
Issued for exercise of share options	**128,413**	–	181,884	0.1
Issued as consideration for acquisition	**3,228,079**	**0.9**	–	–
At 31 December	**271,445,376**	**76.3**	268,088,884	75.4

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

28 ISSUED SHARE CAPITAL CONTINUED

At 31 December 2016, options to subscribe for 40,709 ordinary shares at a price of 303p were outstanding under the Company's executive share option schemes (2015: 580,608 ordinary shares at prices between 211p and 397p). The options outstanding under the schemes are held by one individual and are exercisable between 4 March 2017 and 4 March 2018. No further options have been granted since the year end.

29 SHARE BASED PAYMENTS

Explanatory note:
The Group incurs a cost in its income statement in respect of its share option schemes. Details of the plans are set out below, along with a detailed description of each scheme and the number of options outstanding.

The Directors' Remuneration Report on pages 60 to 83 sets out the general terms and conditions for long term incentives and the vesting requirements for the 2016 awards.

PERFORMANCE CONDITIONS FOR AWARDS MADE IN 2013 UNDER THE LAIRD PLC 2013 LONG TERM INCENTIVE PLAN

Nil-cost awards will vest based on the Company's Total Shareholder Return ("TSR") performance, on a ranked basis relative to the FTSE 250 (excluding companies in the financial services sector and investment trusts) measured over a three year period as follows:

Total Shareholder Return Performance Level	Amount of nil-cost award vesting %
Upper Quartile Median to Upper Quartile Below Median	Full vesting Pro-rata between 25% and full vesting Nil

In addition, a nil-cost award will not vest unless the Remuneration Committee is satisfied that there has been a sustained improvement in the Company's underlying financial performance.

Market Value Options will vest based on the average annual growth in the Company's Earnings Per Share over a three-year period in line with the following performance schedule:

Average Annual Growth in Continuing Earnings per share	Level of market value option vesting
13% p.a. Between 8% p.a. and 13% p.a. 8% p.a.	Full vesting Pro-rata between 25% and full vesting Threshold 25% vesting

Earnings per share is calculated with reference to underlying earnings per share 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, the impact arising from the fair valuing of financial instruments and acquisition transaction costs as stated in the 2016 Annual Report and Accounts.

29 SHARE BASED PAYMENTS CONTINUED

PERFORMANCE CONDITIONS FOR AWARDS MADE IN 2014 UNDER THE LAIRD PLC 2013 LONG TERM INCENTIVE PLAN

Nil-cost awards will vest based on the Company's Total Shareholder Return ("TSR") performance, on a ranked basis relative to the FTSE 250 (excluding companies in the financial services sector and investment trusts) measured over a three year period as follows:

Total Shareholder Return Performance Level	Amount of nil-cost award vesting %
Upper Quartile Median to Upper Quartile Below Median	Full vesting Pro-rata on a straight-line basis between 25% and full vesting Nil

In addition, a nil-cost award will not vest unless the Remuneration Committee is satisfied that there has been a sustained improvement in the Company's underlying financial performance.

Market Value Options will vest based on the average annual growth in the Company's Earnings Per Share over a three year period in line with the following performance schedule:

Average Annual Growth in Continuing Earnings per share	Level of market value option vesting
12.5% p.a. Between 7.5% p.a. and 12.5% p.a. 7.5% p.a.	Full vesting Pro-rata on a straight-line basis between 25% and full vesting Threshold 25% vesting

Earnings per share is calculated with reference to underlying earnings per share 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, the impact arising from the fair valuing of financial instruments and acquisition transaction costs as stated in the 2016 Annual Report and Accounts.

PERFORMANCE CONDITIONS FOR AWARDS UNDER THE LAIRD PLC 2015 LONG TERM INCENTIVE PLAN

Shares awarded in 2015 and 2016 under The Laird PLC 2015 Long Term Incentive Plan vest three years after they have been awarded. There are vesting conditions attached to the 2015 LTIP awards which specify EPS and TSR targets. Further detail is provided in the Directors' remuneration report.

MEDIUM TERM INCENTIVE PLAN (MTIP)

Shares awarded under the MTIP vest three years after they have been awarded to the employee at nil cost, provided the employee is still employed by the Group. There are vesting conditions attached to the MTIP awards which specify EPS targets for the year to December 2017. The awards will vest based on the average annual growth in the Company's Earnings Per Share over that period as follows:

Average Annual Growth in Continuing Earnings per share	Percentage of award vesting
26% p.a. Between 10% p.a. and 26% p.a. 10% p.a. Less than 10% p.a.	Full vesting Pro-rata on a straight-line basis between 20% and full vesting Threshold 20% vesting Nil

RESTRICTED SHARE PLAN (RSP)

Shares awarded under the RSP vest three years after they have been awarded to the employee at nil cost, provided the employee is still employed by the Group. There are no other vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

29 SHARE BASED PAYMENTS CONTINUED

SPECIAL SHARE AWARDS

There were special share awards issued to Tony Quinlan in 2015. Further detail is provided in the Directors' remuneration report.

All share based payments are equity settled. An expense of £1.1m was recognised in the year (2015: £2.7m) before employer's national insurance and was based on the fair value of the LTIP shares awarded, the RSP shares awarded and the share options granted.

The following table shows the number of LTIP awards in issue at the beginning of the year, end of the year and those granted during the year.

	2016 Number	2015 Number
Outstanding as at 1 January	**785,673**	974,631
Granted during the year	**432,409**	381,077
Lapsed during the year	**(689,991)**	(190,875)
Vested and exercised during the year	**(201,804)**	(379,160)
Outstanding as at 31 December	**326,287**	785,673

The following table shows the number of MTIP awards in issue at the beginning and at the end of the year.

	2016 Number	2015 Number
Outstanding as at 1 January	**2,101,959**	557,009
Granted during the year	**198,642**	2,123,128
Lapsed during the year	**(168,994)**	(21,169)
Vested and exercised during the year	**–**	(557,009)
Outstanding as at 31 December	**2,131,607**	2,101,959

The following table shows the number of RSP awards in issue at the beginning and at the end of the year.

	2016 Number	2015 Number
Outstanding as at 1 January	**1,893,957**	1,821,822
Granted during the year	**614,872**	847,727
Lapsed during the year	**(150,051)**	(255,515)
Vested and exercised during the year	**(622,666)**	(520,077)
Outstanding as at 31 December	**1,736,112**	1,893,957

The following table shows the number of special awards in issue at the beginning and at the end of the year.

	2016 Number	2015 Number
Outstanding as at 1 January	**147,804**	–
Granted during the year	**–**	147,804
Lapsed during the year	**–**	–
Vested and exercised during the year	**(26,675)**	–
Outstanding as at 31 December	**121,129**	147,804

29 SHARE BASED PAYMENTS CONTINUED

The following table shows the number and weighted average exercise price (WAEP) of, and movements in share options issued under the 2003 Executive Share Option Plan.

	2016 Number	2016 WAEP (p)	2015 Number	2015 WAEP (p)
Outstanding as at 1 January				
Option prices 206-280p	**288,788**	**211**	737,252	223
Option prices 281-397p	**291,820**	**336**	336,507	332
	580,608	**274**	1,073,759	257
Issued	–	–	–	–
Exercised				
Option prices 115-205p	–	–	–	–
Option prices 206-280p	–	–	(181,884)	253
Lapsed	**(539,899)**	**271**	(311,267)	229
	40,709	**303**	580,608	274
Option prices 206-280p	–	–	288,788	211
Option prices 281-397p	**40,709**	**303**	291,820	336
	40,709	**303**	580,608	274
Exercisable at 31 December	–	–	102,597	397

All options in the table above were recognised in accordance with IFRS 2 as noted above. No share options were exercised in 2016 (the weighted average share price at the date of exercise in 2015 was 357p). For the share options outstanding at 31 December 2016, the weighted average remaining contractual life is 1.2 years (2015: 6.4 years).

The fair value of LTIP shares awarded is estimated as at the date of award, using a Monte Carlo simulation technique, taking into account the terms and conditions upon which the LTIP shares were awarded including the market based performance conditions set out in the Directors' remuneration report.

The fair value of share options granted is estimated as at the date of grant using a binomial lattice method of calculation, taking into account the terms and conditions upon which share options were granted. The non-market performance conditions set out in the Directors' remuneration report are not taken into account when estimating the fair value.

The weighted average fair value (in pence) of LTIP, MTIP, RSP, and special share awards granted during the year was as follows:

	2016	2015
LTIP	**272**	277
MTIP	**326**	211
RSP	**332**	302
Special	–	287

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

29 SHARE BASED PAYMENTS CONTINUED

The following table lists the inputs to the valuation models for the years ended 31 December 2015 and 31 December 2016.

	LTIP, MTIP RSP & SPECIAL 2016	LTIP, MTIP RSP & SPECIAL 2015
Dividend Yield (%)	**4.0**	4.0
Expected Share Price volatility (%)	**30**	30
Expected comparator volatility (%)	**9-70**	6-65
Risk-free interest rate (%)	**N/A**	N/A
Expected life of LTIP/option (years)	**3.0**	3.0
Weighted average share price (p)	**372.24**	381.33

The expected life of the share based payments is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected share price volatility is based on historical volatility; average of monthly activity over the last three years. Expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily prove to be the actual outcome. Dividends are not payable on shares prior to vesting and this is taken into account in calculating the fair value.

For the share option schemes, no allowance is considered necessary for leavers pre-vesting.

30 RESERVES

Explanatory note:
Reserves form part of shareholders' equity. They are retained in the business and not distributed to shareholders.

TRANSLATION RESERVE

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

TREASURY SHARES

The investment in Laird shares, held by the Laird 1990 Employee Benefit Trust and the Laird PLC Employee Benefit Trust, as described below, are treated as treasury shares for accounting purposes.

The Laird 1990 Employee Benefit Trust
The Trust purchases and holds shares in Laird PLC for the benefit of current and former employees. These shares may be used to satisfy options and awards. The Trust, which is financed by a loan of £5.5m from the Company, held 6,843 ordinary shares at 31 December 2016 (2015: 331,311). While shares are held within the Trust, the voting rights in respect of those shares are exercisable by the trustee, in accordance with its fiduciary duties. The shares held by the Trust had an insignificant market value at that date (2015: £1.2m).

The Laird PLC Employee Benefit Trust
The Trust purchases and holds shares in Laird PLC for the benefit of current and former employees. These shares may be used to satisfy options and awards. The Trust, which is financed by a loan of £2.0m from the Company, held 774,879 ordinary shares at 31 December 2016 (2015: 500,000). While shares are held within the Trust, the voting rights in respect of those shares are exercisable by the trustee, in accordance with its fiduciary duties. The shares held by the Trust had a total market value at that date of £1.2m (2015: £1.8m).

31 ADDITIONAL CASH FLOW INFORMATION

Explanatory note:
Cash generated from operations is the starting point of our cash flow statement on page 102. This table makes adjustments for any non-cash accounting items to reconcile our result for the year to the amount of physical cash we have generated from our continuing operations.

CASH GENERATION FROM OPERATIONS

	2016 £m	2015 £m
Loss after taxation	**(110.8)**	(7.6)
Depreciation and other non-cash items		
Depreciation of property, plant and equipment	**22.9**	16.4
Amortisation of software	**3.9**	2.2
Amortisation of capitalised development costs	**8.2**	6.0
Impairment of capitalised development costs	**4.9**	–
Amortisation of acquired intangible assets	**17.2**	13.2
Impairment of goodwill	**155.5**	–
Exceptional property, plant and equipment write downs	**–**	2.9
Exceptional software write downs	**–**	0.5
Exceptional capitalised development costs write downs	**–**	3.2
Exceptional inventory write downs	**–**	1.6
Exceptional pension curtailment gain	**(1.1)**	–
Exceptional change in valuation of put and call options	**(3.8)**	1.8
Share based payments	**1.1**	2.7
Financial instruments – fair value adjustments	**1.9**	(0.5)
Other net finance costs	**10.8**	7.6
Taxation	**(11.5)**	23.0
Changes in working capital		
Inventories	**(13.5)**	(5.9)
Trade and other receivables	**(28.8)**	3.0
Trade, other payables and provisions	**19.0**	31.2
	(23.3)	28.3
Cash generated from operations	**75.9**	101.3

Note:
(a) Changes in working capital from continuing operations include creditor decreases of £13.1m (2015: £27.4m increases) in respect of exceptional costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

31 ADDITIONAL CASH FLOW INFORMATION CONTINUED

NET CASH OUTFLOW ON ACQUISITIONS AND DISPOSALS

	2016 £m	2015 £m
Acquisition of businesses		
Consideration:		
Cash consideration	**(39.4)**	(34.4)
Net (overdraft)/cash acquired	**(0.3)**	0.5
Net cash outflow on acquisition of businesses	**(39.7)**	(33.9)
Borrowings acquired	–	(2.0)
Disposal of businesses		
Consideration:		
Net cash outflow on disposal of businesses	–	(0.2)

ANALYSIS OF MOVEMENTS IN NET BORROWINGS

Year to 31 December 2016	At 1 January 2016 £m	Cash flow £m	Acquisitions £m	Non-cash changes £m	Exchange differences £m	At 31 December 2016 £m
Cash and cash equivalents	68.8	(14.2)	–	–	9.9	64.5
Borrowings due within one year	(29.3)	35.0	–	–	(6.0)	(0.3)
Borrowings due after more than one year	(239.5)	(114.4)	–	–	(54.9)	(408.8)
Total	(200.0)	(93.6)	–	–	(51.0)	(344.6)

Year to 31 December 2015	At 1 January 2015 £m	Cash flow £m	Acquisitions £m	Non-cash changes £m	Exchange differences £m	At 31 December 2015 £m
Cash and cash equivalents	64.0	4.5	–	–	0.3	68.8
Borrowings due within one year	(0.8)	2.7	(2.0)	(28.1)	(1.1)	(29.3)
Borrowings due after more than one year	(222.7)	(35.5)	–	28.1	(9.4)	(239.5)
Total	(159.5)	(28.3)	(2.0)	–	(10.2)	(200.0)

32 CAPITAL COMMITMENTS

Explanatory note:
We have a number of financial commitments (i.e. certain contractual requirements to make cash payments in the future) that are not recorded within our balance sheet as the contract is not yet due for delivery.

	2016 £m	2015 £m
Future capital expenditure not provided in the accounts		
Contracts placed	**2.7**	0.1

33 CONTINGENT LIABILITIES

Explanatory note:
Contingent liabilities are potential future outflows of cash that are dependent on a future event that is outside of our control; timing of the payment is uncertain, cannot be measured reliably, or is considered to be unlikely.

There are legal claims against the Company or its subsidiary undertakings but none where the Board takes the view that it is likely that damages will be awarded against the Group which would have a materially adverse effect on its financial position.

34 POST EMPLOYMENT BENEFIT OBLIGATIONS

Explanatory note:
The Group operates a number of schemes of both the defined benefit and defined contribution types. Details of the schemes are included below.

The income statement charge for the defined contribution scheme represents the contributions due to be paid by the Group in respect of the current period.

PENSION AND SEVERANCE SCHEMES

Approximately 450 employees (2015: 300) are members of 6 (2015: 5) different defined benefit schemes and these schemes have approximately 1,500 (2015: 1,400) deferred and current pensioners. The employer contributions made to these schemes during the year were £1.4m (2015: £0.6m).

The total assessed value of the schemes' assets at 31 December 2016, at their market value, is estimated at £134.8m (2015: £106.0m) and the liabilities estimated at £129.3m (2015: £99.0m).

The Group has adopted IFRIC 14 which, depending on the rules of individual schemes, allows the Group to recognise pensions surpluses on the statement of financial position where there is an unconditional right to a refund or benefit available in the form of reduced contributions. The resultant aggregate net pension liability under IAS 19 is £1.2m (2015: £1.4m asset).

DESCRIPTION OF THE SCHEMES

UK

In the UK, the Group supports the Laird Pension Scheme which is a funded arrangement providing defined benefits on a final salary basis. The Group also operates an unapproved arrangement which provides unfunded defined benefits on a final salary basis to certain members who were previously subject to the HMRC pension schemes earnings cap. Both of the UK arrangements are closed to new entrants.

The Laird Pension Scheme makes up approximately 80% of the defined benefit liabilities of the Group.

The Laird Pension Scheme operates under trust law and is managed and administered by the Trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The scheme is subject to the scheme specific funding requirements as outlined in UK legislation. The most recent scheme specific funding valuation was at 1 January 2015.

The Laird Pension Scheme's investment strategy is to gradually reduce the proportion of the total assets held in return seeking assets to about 15% with 85% of the assets in bonds and annuities over the period to 31 July 2018. This strategy takes account of the scheme's liability profile whilst aiming to minimise long term costs by maximising return. The scheme's assets are held separately from those of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

34 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

Belgium

In Belgium, the Group operates the Emerson and Cuming Pension Plan which is a funded, insured lump sum defined benefit scheme and the Emerson and Cuming Pre-Pension Plan which is an unfunded plan where the employer pays a monthly indemnity until the retirement date on top of the unemployment allowances paid by the social security.

Germany

In Germany, the Group operates the Cattron-Theimeg Europe GmbH & Co. KG Pension Plan. This is a funded defined benefit scheme currently providing pension benefits to 7 pensioners (2015: 7).

The Novero GmbH Pension Arrangement provides salary-linked defined benefits and is closed to future accrual. The arrangement is partly funded via an insured support fund, and partly unfunded.

Sweden

Within Sweden, the Group operates a scheme included within a multi-employer plan for its employees which is insured with Alecta. This scheme is a defined benefit scheme, but Alecta is currently unable to provide sufficient information to report the Group's proportional share of the defined benefit commitments and the assets under management and expenses associated with the scheme. Consequently, Alecta cannot provide the information regarding the Group's proportional share of the surplus or deficit in the scheme. As a result, the scheme is accounted for as if it were a defined contribution scheme.

Korea

Within Korea, the Group operates the Model Solution severance scheme under Korean Labour law. This provides a payment to an employee in the event their service is terminated, if they resign or if they retire. On any of these events, employees will receive a lump sum approximately equal to one month of salary for each year of service. The scheme is partially funded to a level of 70% (by law at least 60% of the accrued liabilities must be funded).

The benefits provided, the approach to funding and the legal basis of the non UK plans reflect their local environments. IAS 19 requires that the discount rate is set according to the level of market yields on either corporate or government bonds in the relevant markets.

The market value of the schemes' assets, the present value of the schemes' liabilities and the net pension assets and liability under IAS 19 at 31 December were as follows:

	2016			2015		
	Schemes in surplus with a right to a refund £m	**Other schemes £m**	**Total £m**	Schemes in surplus with a right to a refund £m	Other schemes £m	Total £m
Annuities	**6.5**	–	**6.5**	6.2	–	6.2
Equities						
– UK	–	–	–	–	–	–
– Overseas	**23.5**	–	**23.5**	22.6	–	22.6
Gilts and bonds						
– Government backed	**70.2**	–	**70.2**	56.4	–	56.4
– Investment grade corporate bonds	**22.3**	–	**22.3**	16.7	–	16.7
Other including cash	**0.1**	**12.2**	**12.3**	0.5	3.5	4.0
Total market value of assets	**122.6**	**12.2**	**134.8**	102.4	3.5	105.9
Present value of scheme liabilities	**(103.4)**	**(25.9)**	**(129.3)**	(86.3)	(12.7)	(99.0)
Funded status	**19.2**	**(13.7)**	**5.5**	16.1	(9.2)	6.9
Disallowed assets	**(6.7)**	–	**(6.7)**	(5.6)	–	(5.6)
Surplus/(deficit) in the schemes	**12.5**	**(13.7)**	**(1.2)**	10.5	(9.2)	1.3

34 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

The mortality assumption used at the 2016 year end (and 2015 year end) is based on the SAPS all lives tables with a 90% multiplier for Executives and Directors and 110% for all other members, appropriate for each member's year of birth. Allowance is made for improvements in line with CMI (2014) projections with a 1.5% per annum long-term trend from 2002. The expected lifetime of a participant at 31 December 2016 who is age 65 and the expected lifetime of a participant who will be age 65 in 15 years are shown in years below based on these mortality tables:

	Other members		Executive and director members	
Age	Males	Females	Males	Females
65	22.0	24.3	23.6	26.0
65 in 15 years	23.5	26.0	25.2	27.7

For IAS 19 the schemes' liabilities have been calculated under the projected unit method and the main financial assumptions for the UK schemes were inflation of 3.45% per annum (2015: 3.20%), salary increases of 3.45% – 4.45% per annum (2015: 3.20% – 4.20%) and a discount rate for liabilities of 2.50% per annum (2015: 3.70%).

Analysis of the defined benefit cost for the year ended 31 December:

	2016 £m	2015 £m
Current service cost	**1.0**	1.4
Past service credit – restructuring-related curtailment gain	**(1.1)**	(0.1)
Total (credit)/charge to operating profit	**(0.1)**	1.3
Net interest credit on net defined benefit asset	**(0.2)**	(0.2)
Total (credit)/charge to income statement before deduction of tax	**(0.3)**	1.1

The charge in respect of defined contribution schemes was £3.2m during 2016 (2015: £2.2m).

Changes in the present value of defined benefit pension obligations are analysed as follows:

	2016			2015		
	Funded plans £m	**Un-funded plans £m**	**Total £m**	Funded plans £m	Un-funded plans £m	Total £m
As at 1 January	**92.8**	**6.2**	**99.0**	108.5	6.9	115.4
Current service cost	**1.0**	–	**1.0**	1.4	–	1.4
Interest cost	**3.5**	**0.2**	**3.7**	3.7	0.2	3.9
Actuarial gains and losses – financial assumptions	**20.1**	**1.3**	**21.4**	(3.8)	(0.3)	(4.1)
Actuarial gains and losses – experience	**(0.1)**	–	**(0.1)**	(1.2)	(0.3)	(1.5)
Actuarial gains and losses – demographic assumptions	–	–	–	(2.4)	(0.1)	(2.5)
Benefits paid by the fund	**(5.3)**	–	**(5.3)**	(12.8)	–	(12.8)
Benefits paid by the Group	**(0.3)**	**(0.2)**	**(0.5)**	(0.3)	(0.2)	(0.5)
Past service cost – curtailment	**(1.1)**	–	**(1.1)**	(0.1)	–	(0.1)
Acquisition	**9.1**	–	**9.1**	–	–	–
Settlements	**(0.1)**	–	**(0.1)**			
Currency	**2.2**	–	**2.2**	(0.2)	–	(0.2)
As at 31 December	**121.8**	**7.5**	**129.3**	92.8	6.2	99.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

34 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

Changes in the fair value of the plan assets are analysed as follows:

	2016 £m	2015 £m
As at 1 January	**106.0**	118.5
Employer contributions	**1.4**	0.6
Benefits paid by the fund	**(5.3)**	(12.8)
Interest income	**3.9**	4.1
Return/(loss) on assets excluding interest	**22.5**	(4.3)
Administration costs	**(0.3)**	–
Acquisition	**5.5**	–
Settlements	**(0.1)**	–
Currency	**1.2**	(0.2)
As at 31 December	**134.8**	105.9

The movement for the year in the statement of comprehensive income is:

	2016 £m	2015 £m
Other actuarial gains	**1.2**	3.8
Movement in disallowed assets	**(1.1)**	(0.8)
	0.1	3.0

Employer contributions included no additional payments made over and above regular contributions (2015: £nil).

EXPECTED CASH FLOWS

Over the year to 31 December 2016 the Group is expected to contribute 34.4% of pensionable salaries in respect of Ordinary Section members and 62.8% of pensionable salaries in respect of Executive Section members of the Laird Pension Scheme. In addition, the Group will meet the cost of Pension Protection Levies, death in service premiums and other administration expenses associated with the Laird Pension Scheme.

The Group estimates that the total value of contributions to the defined benefit schemes will be £1.0m in 2016.

The average duration of the liabilities of the Laird Pension Scheme is approximately 16 years.

34 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

KEY RISKS

The ultimate cost of the schemes to the Group will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the schemes may be higher (or lower) than disclosed. In general, the risk to the Group is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Group is higher than expected.

More specifically, some of the significant risks are detailed below:

- Asset volatility: The liabilities are calculated using a discount rate set with reference to corporate bond yields, whereas the schemes hold a mixture of investments; if assets underperform the corporate bond yield, this may create a deficit.
- Inflation risk: The majority of the benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.
- Changes in corporate bond yields: A fall in corporate bond yields will lead to an increase in liabilities. This will be only partially offset by an increase in the value of the corporate bonds held by the schemes.

SENSITIVITY ANALYSIS

The results in these disclosures are inherently volatile, particularly the figures shown on the balance sheet. The table below shows the approximate sensitivity of the balance sheet position to changes in assumptions to illustrate this volatility.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.5%	Increase by £8.0m
Inflation	Decrease by 0.5% Increase by 0.5%	Decrease by £4.0m Increase by £4.0m
Assumed life expectancy at age 65	0.25% reduction in the long term trend of 1.5% to 1.25%	Decrease by £1.5m

METHODS AND ASSUMPTIONS USED IN SENSITIVITY ANALYSIS

The sensitivity analysis shown above has been calculated based on approximate adjustments to the scheme liabilities using a consistent methodology with that used to calculate the liabilities. The impact on the liabilities has been rounded to the nearest £0.5m.

The sensitivity analysis to price inflation includes the impact of a change in both Retail Price Inflation and Consumer Price Inflation, as well as those assumptions which are derived relative to these measures (salary increase, revaluation of deferred pensions and increases to pensions in payment). For this purpose it has been assumed that the differences between RPI/CPI and these related assumptions remains the same unless there are any caps or floors on the pension increases, in which case these have been applied.

35 POST BALANCE SHEET

On 24 January 2017, the Group reported that it was on track to announce a fully underwritten rights issue to raise £185m (before expenses). The Rights Issue, which is subject to shareholder approval, is planned to be fully underwritten by J.P. Morgan Cazenove and Numis.

On 25 January 2017, an additional £20m bilateral bank facility was put in place between Laird PLC and JP Morgan, thereby increasing the Group's available headroom. This facility will mature once the proceeds of the rights issue are received.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

Note		2016 £m	2015 £m
	(Loss)/profit for the year	**(115.7)**	43.9
	Items that will not be reclassified subsequently to profit or loss		
11	Net re-measurement gains on retirement benefit obligations	**0.5**	1.9
	Other comprehensive income for the year	**0.5**	1.9
	Total comprehensive (loss)/income for the year	**(115.2)**	45.8

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Note		Ordinary share capital £m	Share premium £m	Retained earnings £m	Investment in own shares £m	Total £m
	for the year ended 31 December 2015					
	At 1 January 2015	75.3	271.7	186.4	(1.7)	531.7
	Profit for the year	–	–	43.9	–	43.9
	Other comprehensive income	–	–	1.9	–	1.9
	Exercise of share options	0.1	0.4	–	–	0.5
14	Share based payments	–	–	2.7	–	2.7
	Treasury shares	–	–	–	(5.6)	(5.6)
	Vesting of LTIPs	–	–	(4.6)	4.6	–
2	Dividends paid	–	–	(33.8)	–	(33.8)
	At 31 December 2015	75.4	272.1	196.5	(2.7)	541.3
	for the year ended 31 December 2016					
	At 1 January 2016	75.4	272.1	196.5	(2.7)	541.3
	Loss for the year	–	–	(115.7)	–	(115.7)
	Other comprehensive income	–	–	0.5	–	0.5
	Exercise of share options	–	0.3	–	–	0.3
	Issue of shares for acquisition	0.9	9.5	–	–	10.4
14	Share based payments	–	–	1.1	–	1.1
	Treasury shares	–	–	–	(2.2)	(2.2)
	Vesting of LTIPs	–	–	(2.2)	2.2	–
2	Dividends paid	–	–	(35.5)	–	(35.5)
	At 31 December 2016	**76.3**	**281.9**	**44.7**	**(2.7)**	**400.2**

PARENT COMPANY BALANCE SHEET

as at 31 December 2016

Note		2016 £m	2015 £m
	Fixed assets		
3	Tangible assets	**0.1**	0.2
4	Intangible assets	**0.3**	0.1
5	Investments	**1,122.2**	1,122.0
11	Retirement benefit assets	**12.5**	10.4
		1,135.1	1,132.7
	Current assets		
6	Debtors: amounts falling due within one year	**6.2**	5.6
7	Debtors: amounts falling due after more than one year	**323.9**	223.9
	Cash at bank	**6.8**	10.6
		336.9	240.1
	Creditors: amounts falling due within one year		
8	Borrowings	**–**	(29.2)
9	Other	**(10.2)**	(3.5)
	Provisions	**–**	(1.0)
		(10.2)	(33.7)
	Net current assets	**326.7**	206.4
	Total assets less current liabilities	**1,461.8**	1,339.1
	Creditors: amounts falling due after more than one year		
8	Borrowings	**(400.0)**	(232.5)
9	Other	**(654.1)**	(559.1)
		(1,054.1)	(791.6)
	Net assets excluding pension deficit	**407.7**	547.5
11	Retirement benefit liabilities	**(7.5)**	(6.2)
		400.2	541.3
	Capital and reserves		
12	Ordinary share capital	**76.3**	75.4
	Share premium account	**281.9**	272.1
	Retained earnings	**44.7**	196.5
	Treasury shares	**(2.7)**	(2.7)
	Equity shareholders' funds	**400.2**	541.3

The accounts were approved by the Board of Directors on 28 February 2017 and were signed on its behalf by:

A J QUINLAN
K J DANGERFIELD
DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

for the year ended 31 December 2016

1 ACCOUNTING POLICIES

AUTHORISATION OF FINANCIAL STATEMENTS AND COMPLIANCE WITH FRS 101

The parent company financial statements of Laird PLC (the Company) for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 28 February 2017 and the balance sheet was signed on the Board's behalf by A J Quinlan and K J Dangerfield. The Company is a public limited company, is incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. These financial statements have been prepared under the historical cost convention.

No profit and loss account has been presented by the Company as permitted by Section 408 of the Companies Act 2006.

The Company financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand unless otherwise indicated.

The results of the Company are included in the preceding Group financial statements.

BASIS OF PREPARATION

The accounting policies set out below have been used to prepare the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements in respect of paragraph 79(a) (iv) of IAS 1; paragraph 73(e) of IAS 16 Property, Plant and Equipment; paragraph 118(e) of IAS 38 Intangible Assets; and the requirement of paragraph 134 in respect of capital disclosures;
- The requirement of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 17 and 18(a) of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of IAS 8 Standards Issued But Not Effective;
- The requirements of IFRS 2 Share Based Payments;
- The requirements of IFRS 7 Financial Instruments: Disclosures; and
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

JUDGEMENT AND KEY SOURCES OF UNCERTAINTIES

Share based payments

Estimating fair value for share based transactions requires determination of the most appropriate valuation model which depends on the terms and condition of the grant. This estimation also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

Impairment

Estimation is required to determine the amount of any impairment of investments in subsidiaries or amounts owed by subsidiaries. This involves estimation of future cash flows, estimating a growth rate for extrapolation purposes, and choosing a suitable discount rate.

1 ACCOUNTING POLICIES CONTINUED

TANGIBLE FIXED ASSETS

Plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price and directly attributable costs, for example, initial delivery and handling costs and installation and assembly costs.

For all other property, plant, and equipment depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their useful lives as follows:

Computer equipment	5 years or less
Other plant and machinery	13 years or less

A proportion of one year's depreciation is charged in the year the asset comes into service or is sold.

Residual values and useful lives are reviewed at least at each financial year end.

IMPAIRMENT OF ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell, and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

PENSIONS

Under IAS 19 the assets and liabilities of defined benefit pension plans are recognised at fair value in the statement of financial position and the operating and financing costs of defined benefit pension plans are recognised in the income statement as operating costs and interest costs respectively. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. The assets of defined benefit plans are recognised at fair value in the statement of financial position and the liabilities are recognised at present value using a high quality corporate bond rate.

The Company applies IFRIC 14, which allows the Company to recognise a surplus in schemes where an unconditional right to a refund or benefit available in the form of reduced contribution rates exists.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

INVESTMENTS

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

DIVIDENDS

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.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY CONTINUED

for the year ended 31 December 2016

1 ACCOUNTING POLICIES CONTINUED

DEFERRED TAXATION

Deferred tax is recognised in respect of all temporary differences that have originated but which have not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more tax subject to the following:

(a) Deferred tax is not recognised on the revaluation of non-monetary assets such as property unless a binding sale agreement exists at the balance sheet date. Where rollover relief is available on an asset then deferred tax is not recognised.

(b) Deferred tax is not recognised on unremitted earnings of subsidiaries unless dividends have been accrued as receivable or there is a binding agreement to distribute past earnings at the balance sheet date.

(c) Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign currency assets and liabilities are translated at the rates of exchange ruling at the balance sheet date.

FINANCIAL ASSETS

Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, debtors are carried at amortised cost. Provisions are made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired.

FINANCIAL LIABILITIES

All financial liabilities are initially recognised at fair value, inclusive of any transaction costs. Measurement after initial recognition is at amortised cost, with the changes in the carrying amount being taken through the profit and loss account.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.
Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

PROVISIONS

These comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is material.

1 ACCOUNTING POLICIES CONTINUED

TREASURY SHARES

The Laird PLC shares held in the Laird 1990 Employee Benefit Trust are classified in shareholders' equity as 'treasury shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

The Laird PLC shares held in the Laird PLC Employee Benefit Trust are classified in shareholders' equity as 'treasury shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. In accordance with the fair value hierarchy under IFRS 13 these are Level 2 derivative financial instruments.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the profit and loss account.

SHARE BASED PAYMENTS

The fair value of Long Term Incentive Plan (LTIP), Medium Term Incentive Plan (MTIP) and Restricted Share Plan (RSP) shares awarded is estimated at the date of award, using a Monte Carlo simulation technique, taking into account the terms and conditions upon which the LTIP, MTIP and RSP shares were awarded including market based performance conditions. The fair value of share options granted is estimated at the date of grant using a binomial lattice method of calculation, taking into account the terms and conditions upon which share options were granted. Non-market company performance and service conditions are not taken into account when estimating the fair value.

No expense is recognised for grants that do not vest and charges previously made are reversed except that an expense is recognised for grants where vesting is conditional upon a market condition and these are treated as vesting irrespective of whether or not the market condition is satisfied, provided all the other vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms for an equity settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share based payment, or is otherwise beneficial to the employee as measured at the date of modification.

In circumstances where the equity settled grant is cancelled or settled, it is treated as if it had vested on the date of cancellation or settlement, and any expense not yet recognised for the grant is recognised immediately.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY CONTINUED

for the year ended 31 December 2016

2 DIVIDENDS PAID AND PROPOSED

No final dividend is proposed in respect of 2016 (2015: a final dividend of 8.6p per share). 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 2016 £m	Dividends paid 2015 £m	Dividends declared/proposed* 2016 £m	Dividends declared/proposed* 2015 £m
Final 2014	**–**	22.0	**–**	–
Interim 2015	**–**	11.8	**–**	11.8
Final 2015	**23.3**	–	**–**	23.3
Interim 2016	**12.2**	–	**12.2**	–
Final 2016	**–**	–	**–**	–
	35.5	33.8	**12.2**	35.1

Dividends per share	Dividends paid 2016 Pence	Dividends paid 2015 Pence	Dividends declared/proposed* 2016 Pence	Dividends declared/proposed* 2015 Pence
Final 2014	**–**	8.23	**–**	–
Interim 2015	**–**	4.40	**–**	4.40
Final 2015	**8.60**	–	**–**	8.60
Interim 2016	**4.53**	–	**4.53**	–
Final 2016	**–**	–	**–**	–
	13.13	12.63	**4.53**	13.00

* Attributable to the year

3 TANGIBLE ASSETS

The fixed assets of the Company, comprising office equipment, were acquired at a cost of £1.0m (2015: £1.1m) and have accumulated depreciation of £0.9m (2015: £0.9m) charged against them. There were no additions or disposals, and depreciation in the year was £nil (2015: £nil).

4 INTANGIBLE ASSETS

The intangible assets of the Company, comprising computer software, were acquired at a cost of £0.4m (2015: £0.2m) and have accumulated amortisation of £0.1m (2015: £0.1m) charged against them. Additions in the year were acquired at a cost of £0.2m (2015: £nil).

5 INVESTMENTS IN SUBSIDIARIES

	2016 £m	2015 £m
Shares in subsidiaries at cost	**1,207.5**	1,136.9
Less provisions for impairment	**(85.3)**	(14.9)
	1,122.2	1,122.0

Principal subsidiary undertakings at 31 December 2016 are disclosed in the Laird PLC consolidated financial statements on page 166.

The movement in the net book value of investments in subsidiaries during the year was as follows:

	2016 £m	2015 £m
At 1 January	**1,122.0**	1,122.0
Additions	**70.6**	–
Impairment	**(70.4)**	–
At 31 December	**1,122.2**	1,122.0

6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £m	2015 £m
Amounts owed by subsidiary undertakings	**5.6**	4.3
Prepayments and accrued income	**0.5**	1.2
Taxation	**0.1**	0.1
	6.2	5.6

7 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £m	2015 £m
Amounts owed by subsidiary undertakings	**323.9**	223.7
Prepayments and accrued income	**–**	0.2
	323.9	223.9

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY CONTINUED

for the year ended 31 December 2016

8 BORROWINGS

	Interest	Maturity	2016 £m	2015 £m
Current:				
US Private Placement loans – USD	5.76%	2016	**–**	29.2
			–	29.2
Non-current:				
US Private Placement loans – USD	3.69%	2020	**10.5**	8.8
US Private Placement loans – USD	4.02%	2021	**74.5**	62.2
US Private Placement loans – EURO	2.59%	2021	**12.8**	11.1
Schuldschein loans – USD		2021	**28.2**	–
Schuldschein loans – EURO		2021	**59.5**	–
Bilateral revolving bank loans			**214.5**	150.4
			400.0	232.5
Total borrowings			**400.0**	261.7
Borrowings are repayable as follows:				
Within one year				
US Private Placement loans			**–**	29.2
Between one and five years				
Bank			**214.5**	150.4
US Private Placement and Schuldschein loans			**185.5**	8.8
In five years or more				
US Private Placement loans			**–**	73.3
Total borrowings			**400.0**	261.7

The impact of foreign currency movements on Company borrowings is disclosed in the analysis of movements in net borrowings contained within note 31 to the Group Accounts.

Notes:
(a) Company borrowings are unsecured.
(b) The Company had committed bilateral revolving bank loan facilities of £255.0m (2015: £255.0m) which were underwritten in excess of four years. Drawings by Group companies under these facilities were £214.5m (2015: £150.4m). Although these drawings are repayable within one year they are classified as long term as they can be refinanced under the terms of the facilities.
(c) Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the term of the facility.
(d) The Company may redeem some or all of the outstanding US Private Placement notes at any time prior to maturity at a redemption price equal to 100% of their aggregate principal amount, plus a make-whole premium, plus accrued and unpaid interest, if any, to the date of redemption.

9 OTHER CREDITORS

	2016 £m	2015 £m
Due within one year:		
Amounts owed to subsidiary undertakings	**1.1**	0.6
Derivative financial instruments	**2.1**	0.2
Other creditors	**5.3**	1.5
Accruals and deferred income	**1.7**	1.2
	10.2	3.5
Due after more than one year:		
Amounts owed to subsidiary undertakings	**654.1**	559.1

10 DEFERRED TAXATION

Deferred tax liabilities have been recognised on other temporary differences of £nil (2015: £nil).

The amount of deferred tax that has not been provided on non-trading losses is £11.7m (2015: £8.7m) and other deductible temporary differences is £nil (2015: £nil) where it is unlikely that future relief would be available at the balance sheet date. Deferred tax assets have not been recognised on capital losses of £3.6m (2015: £3.7m) where it is unlikely that future relief would be available at the balance sheet date.

11 POST EMPLOYMENT BENEFIT OBLIGATIONS

The Company operates two defined benefit schemes.

5 employees (2015: 5) are members of these defined benefit schemes and these schemes have approximately 1,400 (2015: 1,400) deferred and current pensioners. The employer contributions made to these schemes during the year were £0.1m (2015: £0.1m).

The total assessed value of the schemes' assets at 31 December 2016 at their market value is estimated at £122.6m (2015: £102.4m) and the liabilities estimated at £110.9m (2015: £92.6m).

The Company has adopted IFRIC 14 which, depending on the rules of individual schemes, allows the Company to recognise pensions surpluses on the statement of financial position where there is an unconditional right to a refund or benefit available in the form of reduced contributions. The resultant aggregate net pension asset under IAS 19 is £5.0m (2015: £4.2m asset).

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY CONTINUED

for the year ended 31 December 2016

11 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

The market value of the schemes' assets, the present value of the schemes' liabilities and the net pension liability under IAS 19 at 31 December were as follows:

	2016			2015		
	Schemes in surplus with a right to a refund £m	**Other schemes £m**	**Total £m**	Schemes in surplus with a right to a refund £m	Other schemes £m	Total £m
Annuities	**6.5**	**–**	**6.5**	6.2	–	6.2
Equities						
– UK	**–**	**–**	**–**	–	–	–
– Overseas	**23.5**	**–**	**23.5**	22.6	–	22.6
Gilts and bonds						
– Government backed	**70.2**	**–**	**70.2**	56.4	–	56.4
– Investment grade corporate bonds	**22.3**	**–**	**22.3**	16.7	–	16.7
Other including cash	**0.1**	**–**	**0.1**	0.5	–	0.5
Total market value of assets	**122.6**	**–**	**122.6**	102.4	–	102.4
Present value of scheme liabilities	**(103.4)**	**(7.5)**	**(110.9)**	(86.4)	(6.2)	(92.6)
Funded status	**19.2**	**(7.5)**	**11.7**	16.0	(6.2)	9.8
Disallowed assets	**(6.7)**	**–**	**(6.7)**	(5.6)	–	(5.6)
Surplus/(deficit) in the schemes	**12.5**	**(7.5)**	**5.0**	10.4	(6.2)	4.2

The mortality assumption used at the 2016 year end (and 2015 year end) is based on the SAPS all lives tables with a 90% multiplier for Executives and Directors and 110% for all other members, appropriate for each member's year of birth. Allowance is made for improvements in line with CMI (2014) projections with a 1.5% p.a. long term trend from 2002. The expected lifetime of a participant at 31 December 2016 who is age 65 and the expected lifetime of a participant who will be age 65 in 15 years are shown in years below based on these mortality tables:

	Other members		Executive and director members	
Age	Males	Females	Males	Females
65	22.0	24.3	23.6	26.0
65 in 15 years	23.5	26.0	25.2	27.7

For IAS 19 the schemes' liabilities have been calculated under the projected unit method and the main financial assumptions were inflation of 3.45% per annum (2015: 3.20%), salary increases of 3.45% – 4.45% per annum (2015: 3.20% – 4.20%) and a discount rate for liabilities of 2.50% per annum (2015: 3.70%).

11 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

Analysis of the defined benefit cost for the year ended 31 December:

	2016 £m	2015 £m
Current service cost	0.1	0.1
Total charge to operating profit	0.1	0.1
Net interest on net defined asset	(0.4)	(0.2)
Total credit to profit and loss account before deduction of tax	(0.3)	(0.1)

Changes in the present value of defined benefit pension obligations are analysed as follows:

	2016			2015		
	Funded plans £m	Un-funded plans £m	Total £m	Funded plans £m	Un-funded plans £m	Total £m
As at 1 January	86.3	6.2	92.5	101.2	6.9	108.1
Current service cost	0.1	–	0.1	0.1	–	0.1
Interest cost	3.1	0.2	3.3	3.6	0.2	3.8
Actuarial gains and losses – financial assumptions	18.8	1.3	20.1	(3.5)	(0.3)	(3.8)
Actuarial gains and losses – experience	–	–	–	(1.1)	(0.3)	(1.4)
Actuarial gains and losses – demographic assumptions	–	–	–	(1.5)	(0.1)	(1.6)
Benefits paid by the fund	(4.9)	–	(4.9)	(12.4)	–	(12.4)
Benefits paid by the Company	–	(0.2)	(0.2)	–	(0.2)	(0.2)
As at 31 December	103.4	7.5	110.9	86.4	6.2	92.6

The defined benefit obligation comprises £7.5m (2015: £6.2m) arising from an unfunded plan, and £103.4m (2015: £86.4m) from a scheme that is wholly funded.

Changes in the fair value of the plan assets are analysed as follows:

	2016 £m	2015 £m
As at 1 January	102.4	114.9
Employer contributions	0.1	0.1
Benefits paid	(5.0)	(12.5)
Interest income	3.7	4.0
Administration costs	(0.3)	–
Return/(loss) on assets excluding interest	21.7	(4.1)
As at 31 December	122.6	102.4

Employer contributions of £0.1m (2015: £0.1m) during the year include £nil (2015: £nil) of additional payments made over and above regular contributions.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY CONTINUED

for the year ended 31 December 2016

11 POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

The movement for the year in the statement of comprehensive income is:

	2016 £m	2015 £m
Other actuarial gains	**1.6**	2.7
Movement in disallowed assets	**(1.1)**	(0.8)
	0.5	1.9

EXPECTED CASH FLOWS

Over the year to 31 December 2016 the Company is expected to contribute 34.4% of pensionable salaries in respect of Ordinary Section members and 62.8% of pensionable salaries in respect of Executive Section members of the Laird Pension Scheme. In addition, the Company will meet the cost of Pension Protection Levies, death in service premiums and other administration expenses associated with the Laird Pension Scheme.

The Company estimates that the total value of contributions to the defined benefit schemes will be £0.1m in 2016.

The average duration of the liabilities of the Laird Pension Scheme is approximately 16 years.

KEY RISKS

The ultimate cost of the schemes to the Company will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the schemes may be higher (or lower) than disclosed. In general, the risk to the Company is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected.

More specifically, some of the significant risks are detailed below:

- Asset volatility: The liabilities are calculated using a discount rate set with reference to corporate bond yields whereas the schemes hold a mixture of investments; if assets underperform the corporate bond yield, this may create a deficit.
- Inflation risk: The majority of the benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.
- Changes in corporate bond yields: A fall in corporate bond yields will lead to an increase in liabilities. This will be only partially offset by an increase in the value of the corporate bonds held by the schemes.

SENSITIVITY ANALYSIS

The results in these disclosures are inherently volatile, particularly the figures shown on the balance sheet. The table below shows the approximate sensitivity of the balance sheet position to changes in assumptions to illustrate this volatility.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.5%	Increase by £8.0m
Inflation	Decrease by 0.5% Increase by 0.5%	Decrease by £4.0m Increase by £4.0m
Assumed life expectancy at age 65	0.25% reduction in the long term trend of 1.5% to 1.25%	Decrease by £1.5m

METHODS AND ASSUMPTIONS USED IN SENSITIVITY ANALYSIS

The sensitivity analysis shown above has been calculated based on approximate adjustments to the scheme liabilities using a consistent methodology with that used to calculate the liabilities. The impact on the liabilities has been rounded to the nearest £0.5m.

The sensitivity analysis to price inflation includes the impact of a change in both Retail Price Inflation and Consumer Price Inflation, as well as those assumptions which are derived relative to these measures (salary increase, revaluation of deferred pensions and increases to pensions in payment). For this purpose it has been assumed that the differences between RPI/CPI and these related assumptions remains the same unless there are any caps or floors on the pension increases, in which case these have been applied.

12 ISSUED SHARE CAPITAL

Issued and fully paid	2016 Shares	2016 £m	2015 Shares	2015 £m
Ordinary shares of 28.125p each				
At 1 January	**268,088,884**	**75.4**	267,907,000	75.3
Issued for exercise of share options	**128,413**	**–**	181,884	0.1
Issued as consideration for acquisition	**3,228,079**	**0.9**	–	–
At 31 December	**271,445,376**	**76.3**	268,088,884	75.4

271,445,376 ordinary shares of 28.125p each were in issue at the year end (2015: 268,088,884 shares of 28.125p each).

At 31 December 2016, options to subscribe for 40,709 ordinary shares at a price of 303p were outstanding under the Company's executive share option schemes (2015: 580,608 ordinary shares at prices between 211p and 397p). The options outstanding under the schemes are held by one individual and are exercisable between 4 March 2017 and 4 March 2018. No further options have been granted since the year end.

13 CONTINGENT LIABILITIES

At 31 December 2016 the Company had contingent liabilities in respect of guarantees relating to the performance of contracts of subsidiary undertakings.

There are legal claims against the Company but none where the Board takes the view that it is likely that damages will be awarded against the Company which would have a materially adverse effect on its financial position.

14 SHARE BASED PAYMENTS

The Company operates a number of share based payment schemes details of which are disclosed in note 29 of the Group accounts.

15 AUDITOR'S REMUNERATION

Fees paid to Deloitte LLP and its associates for audit and non-audit services to the Company itself are not disclosed in the individual accounts of Laird PLC because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

DEFINITIONS

Group	Laird PLC and its subsidiary undertakings
Laird	Laird PLC and its subsidiary undertakings
Company	Laird PLC

RELATED UNDERTAKINGS

The following were the related undertakings at 31 December 2016. All related undertakings are wholly owned (with the exception of Model Solution Co. Ltd and its wholly owned subsidiary ModelSolution Inc.) and are held by a subsidiary undertaking (with the exception of those marked with an asterix, which are held directly by the parent company). Unless stated otherwise all the related undertakings operate principally in the country of incorporation or registration and the share class of each undertaking comprises ordinary shares only.

Company	Registered Office Address	Nature of business
ABC Number 52 Limited*	No. 2 Lochrin Square | 96 Fountainbridge | Edinburgh | EH3 9QA | UNITED KINGDOM	Dormant company
Altoflex Iberica S.L.	Eguilior | 20 Laredo | Cantabria | SPAIN	Dormant company
Bahamas Legacy Limited	GTC Corporate Services Limited | Sassoon House | Shirley Street and Victoria Avenue | Nassau | THE BAHAMAS	Holding company
BMI Metronics International SPRL	Avenue du Bourget 40 | 1130 Bruxelles | BELGIUM	Dormant company
Caroline Vermoegensverwaltungsgesellschaft mbH	Äußere Oberaustr. 22 | 83026 Rosenheim | GERMANY	Holding company
Cattron-Theimeg Africa (Pty) Limited	24, O'Rielly Merry Road | Rynfield | Benoni | Gauteng, 1518 | SOUTH AFRICA	Wireless and Thermal systems
Cayman Legacy Holding Limited	190 Elgin Avenue | George Town | Grand Cayman KY1-9005 | CAYMAN ISLANDS	Holding company
Centurion Wireless Components (M) SDN BHD	Plot 522, Lorong Perusahaan Baru 3 | Perai Industrial Estate | 13600 Prai | Penang | MALAYSIA	Wireless and Thermal systems
Draftex S.A.	1 Moulin de la Chausée | BP 12 | 44310 St-Philbert-de-Grand-Lieu | FRANCE	Dormant company
Drico LLC	Corporation Service Company | 2711 Centerville Road | Suite 4000 | Wilmington | New Castle County | Delaware 19808 | USA	Dormant company
E&C Microwave Materials Asia Pacific Ltd	Unit 2507 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Dormant company
Emerson & Cuming Microwave Products India Private Limited	3-2-177 & 189, 4th Floor, Vajra Plaza | Kalasiguda | Secunderabad – 500003 | INDIA	Dormant company
Geranium International Limited	Ground Floor | One Welches | Welches | St Thomas BB22025 | BARBADOS	Holding Company
Isco S.A.S.	1 Moulin de la Chausée | BP 12 | 44310 St-Philbert-de-Grand-Lieu | FRANCE	Dormant company
Isocel S.A.	1 Moulin de la Chausée | BP 12 | 44310 St-Philbert-de-Grand-Lieu | FRANCE	Dormant company
K & C Corporation	TrustNet Chambers | Lotemau Centre | P.O. Box 1225 | Apia | SAMOA	Dormant company
Kunshan Cateron Electronics Co., Ltd	28# Huanghe South Road | Kunshan Economic & Technical Development Zone | Jiangsu Province | CHINA	Wireless and Thermal Systems
Laird (Finance) Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Finance Company
Laird (No 1) Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company
Laird (Nominees) Limited*	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Holding company
Laird (Shanghai) Enterprise Management Consulting Co. Limited	No. 8 Pengfeng Road | Dagang Industrial Park | Songjiang District | Shanghai City | CHINA	Performance Materials
Laird America Inc	Corporation Service Company | 2711 Centerville Road | Suite 4000 | Wilmington | New Castle County | Delaware 19808 | USA	Holding company
Laird Asia Holdings Limited[1]	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Holding company

Company	Registered Office Address	Nature of business
Laird Asia Limited	Unit 2507 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Holding company
Laird Brasil Comercio Ltda	Rod. SP – 340 | KM 142 + 100M | Santo Antônio de Posse | SP CEP 13830-000 | BRASIL	Wireless and Thermal systems
Laird C. I. Holdings Limited	190 Elgin Avenue | George Town | Grand Cayman KY1-9005 | CAYMAN ISLANDS	Holding company
Laird Connectivity UK Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant
Laird Controls Canada Ltd	3850 Griffith Street | St. Laurent | QC H4T 1A7 | CANADA	Wireless and Thermal systems
Laird Controls Europe GmbH	Europapark Fichtenhain A, 13a | 47807 Krefeld | GERMANY	Wireless and Thermal systems
Laird Controls Holdings Inc	140 West Shenango Street | Sharpsville | PA 16150 | USA	Holding company
Laird Controls North America Inc.	140 West Shenango Street | Sharpsville | PA 16150 | USA	Wireless and Thermal systems
Laird Controls UK Limited	Saturn House Mercury Park | Wycombe Lane | Wooburn Green | Buckinghamshire | HP10 0HH | UNITED KINGDOM	Wireless and Thermal systems
Laird Dabendorf GmbH	Märkische Straße 72 | 15806 Zossen OT Dabendorf | GERMANY	Connected Vehicle Solutions
Laird Group Limited*	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company
Laird Holding Germany GmbH	Daimlerring 31 | 31135 Hildesheim | GERMANY	Holding company
Laird Holdings Limited	No. 2 Lochrin Square | 96 Fountainbridge | Edinburgh | EH3 9QA | UNITED KINGDOM	Holding company
Laird Hong Kong Holdings (3) Limited	Unit 2508 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Dormant
Laird Hong Kong Holdings (4) Limited	Unit 2508 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Holding company
Laird Hong Kong Holdings (5) Limited	Unit 2508 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Holding company
Laird Hong Kong Holdings Limited	Unit 2508 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Holding company
Laird Industries G.I.E.	1 Moulin de la Chausée | BP 12 | 44310 St-Philbert-de-Grand-Lieu | FRANCE	Dormant company
Laird Luxembourg S.a.r.L.	46, Boulevard Grande-Duchesse Charlotte | L-1330 | LUXEMBOURG	Holding Company
Laird Management (Shenzhen) Co Ltd	3F, North Block, Factory Zone No 1 | Fuyuanyi Road, Heping Community | Fuyong Town, Bao An District | Shenzen City | Guangdong Province, 518103 | CHINA	Performance materials
Laird Management SA*	rue de la Serre 4 | 2000 Neuchatel | SWITZERLAND	Finance company
Laird Management UK Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Holding Company
Laird Mexico Distribution S. de R.L. de C.V.	Avenida Industrial Drive | Edificio 10 Numero B | Prologis Park | Reynosa, Tamaulipas 88780 | MEXICO	Connected Vehicle Solutions
Laird Nominees (No. 7) Limited	No. 2 Lochrin Square | 96 Fountainbridge | Edinburgh | EH3 9QA | UNITED KINGDOM	Dormant company
Laird Nominees (No.1) Limited	No. 2 Lochrin Square | 96 Fountainbridge | Edinburgh | EH3 9QA | UNITED KINGDOM	Dormant company

RELATED UNDERTAKINGS CONTINUED

Company	Registered Office Address	Nature of business
Laird NV	Bell Telephonelaan 2B | 2440 Geel | BELGIUM	Performance Materials
Laird Overseas Holdings Limited*	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Holding company
Laird Production Shenzen Company Limited	2nd floor, No. 1 Workshop | Dejin Industrial Park | Fuyuanyi Road, Heping Community | Fuyong Town, Bao An District | Shenzhen City | Guangdong Province | CHINA	Multiple products
Laird S.R.O.*	Liberec | Průmyslova 497 | Postal Code: 462 11 | CZECH REPUBLIC	Performance Materials and Wireless and Thermal Systems
Laird Technologies (Chongqing) Co Ltd	No. 108 Junfeng Road | Jiulongpo District | Chongqing City | CHINA	Performance Materials
Laird Technologies (Holdings) AB	Kryptongatan 20 | 41 53 Molndal | SWEDEN	Holding company
Laird Technologies (Holdings) II AB	Kryptongatan 20 | 41 53 Molndal | SWEDEN	Holding company
Laird Technologies (M) SDN BHD	Plot 522, Lorong Perusahaan Baru 3 | Perai Industrial Estate | 13600 Prai | Penang | MALAYSIA	Wireless and Thermal systems
Laird Technologies (SEA) PTE Limited	24 Raffles Place #15-00 Clifford Centre | 048621 | SINGAPORE	Performance Materials
Laird Technologies (SG) Private Limited	24 Raffles Place #15-00 Clifford Centre | 048621 | SINGAPORE	Holding company
Laird Technologies (Shanghai) Limited	Building No. 3, No. 398, Yuandian Road | Xinzhuang Industry Zone | Shanghai City | CHINA	Wireless and Thermal Systems
Laird Technologies (Shenzhen) Limited	No. 1 Workshop, Dejin Industrial Park | Fuyuanyi Road, Heping Community | Fuyong Town, Bao An District | Shenzen City | Guangdong Province, 518103 | CHINA	Performance Materials and Wireless and Thermal Systems
Laird Technologies AB	Kryptongatan 20 | 41 53 Molndal | SWEDEN	Thermal products
Laird Technologies GmbH	Daimlerring 31 | DE. 31135 | Hildesheim | GERMANY	Wireless systems
Laird Technologies GmbH	Borsigstr.1 | 24568 Kaltenkirchen | GERMANY	Thermal products
Laird Technologies Gothenburg AB	Kryptongatan 20 | 41 53 Molndal | SWEDEN	Wireless and Thermal Systems
Laird Technologies Inc.	Corporation Service Company | 2711 Centerville Road | Suite 4000 | Wilmington | New Castle County | Delaware 19808 | USA	All Divisions
Laird Technologies India Private Limited	Plot No.22 | Abhi-Ani Terrace, First Floor, RF-6, Gangai Amman Koil 4th Street | Vadapalani | Chennai | Chennai TN 600026 | INDIA	Dormant company
Laird Technologies Japan, Inc.	Shin Yokohama Business Centre Building 7F 2-6 | Shin Yokohama 3-come | Kohoku-ku | Yokohama-shi | Kanagawa 222-0033 | JAPAN	Performance Materials
Laird Technologies Korea Y.H.	A-3rd floor, Woolim Lions Valley A., | 371-28, Gasan-dong, Geomcheon-gu | Seoul 153-786| KOREA	Performance Materials
Laird Technologies Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company
Laird Technologies S. de R. L. de C. V.	Avenida Industrial Sin Numero | Prologis Park | Reynosa, Tamaulipas 88780 | MEXICO	All Divisions
Laird Technologies Taiwan, Inc.*	7F, No.94, 7F, No 92 | Shi-Wei St | San Chung City | Taipei | Hsien | TAIWAN	All Divisions
Laird Vietnam LLC	Factories K10 | Que Vo IP | Nam Son Commune | Bac Ninh City | Bac Ninh Province | VIETNAM	EMI products

Company	Registered Office Address	Nature of business
Laird Wireless Shanghai Limited	No. 1 Workshop Dejin Industrial Park | Fuyuanyi Road, Heping Community | Fuyong Town, Bao An District | Shenzen City | Guangdong Province, 518103 | CHINA	Wireless and Thermal systems
Lairdlink Ltd	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company
Lairdtai Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Finance company
Model Solution Co Ltd (51%)	24, Beotkkot-ro 20-gil | Geumcheon-gu | Seoul 153-828 | KOREA	Prototyping
ModelSolution Inc (51%)	Corporation Service Company | 2711 Centerville Road | Suite 4000 | Wilmington | New Castle County | Delaware 19808 | USA	Prototyping
Novero GmbH	Meesmannstraße 103 | 44807 Bochum | GERMANY	Connected Vehicle Solutions
R&F Products, Inc.	185 Diamond Street | San Marcos | CA 92063 | USA	Performance Materials
RecepTec Corp.	Corporation Service Company | 2711 Centerville Road | Suite 4000 | Wilmington | New Castle County | Delaware 19808 | USA	Connected Vehicle Solutions
Steward (Foshan) Magnetic Materials Co., Ltd.	Lot 12-1, Fuan Industrial Zone | Leliu Town, Shunde District | Foshan City | Guangdong Province 528322 | CHINA	Performance Materials
Steward (Foshan) Magnetics Co. Ltd	Fuan Industrial Zone | Leliu Town, Shunde District | Foshan City | Guangdong Province 528322 | CHINA	Performance Materials
Steward Limited*	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company
Steward Pte Limited	750e Chai Chee Road #03-07/08 | Viva Business Park | 469005 | SINGAPORE	Performance Materials
Tarada	Trustnet Chambers | Lotemau Centre | P.O. BOX 1225 | Apia | SAMOA	Dormant company
Telemotive UK Ltd*	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Holding company
Tianjin Laird Technologies Limited	C3 & C4 Hongtai Industry Park | No 87 Taifeng Road | TEDA Tianjin, 300457 | CHINA	Performance Materials
Transport Engineering Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company
Warth International Holdings Limited*	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Dormant company

In jurisdictions in which we operate where share classes are not defined, for the purpose of disclosure we have classified these holdings as ordinary shares.

Note:
1. Ordinary and preference shares

FIVE YEAR SUMMARY

Trading results	2016 £m	2015[1] £m	2014 £m	2013 £m	2012 £m
Revenue					
– continuing operations	**801.6**	630.4	564.9	537.0	520.2
– discontinued operations	**–**	–	–	–	21.4
Total revenue	**801.6**	630.4	564.9	537.0	541.6
Operating profit					
– continuing operations	**61.9**	80.7	71.2	67.2	68.1
– discontinued operations	**–**	–	–	–	1.5
	61.9	80.7	71.2	67.2	69.6
Impairment of goodwill	**(155.5)**	–	–	–	–
Amortisation of acquired intangible assets	**(17.2)**	(13.2)	(13.3)	(13.6)	(13.9)
Exceptional items	**1.2**	(45.0)	0.7	(4.4)	(1.7)
Profit on disposal of businesses	**–**	–	–	0.4	11.0
Finance costs (net)	**(10.8)**	(7.6)	(8.0)	(7.1)	(7.4)
Financial instruments – fair value adjustments	**(1.9)**	0.5	(2.5)	1.3	0.4
Profit/(loss) before tax	**(122.3)**	15.4	48.1	43.8	58.0
Taxation	**11.5**	(23.0)	2.1	(13.0)	(11.5)
(Loss)/profit after tax	**(110.8)**	(7.6)	50.2	30.8	46.5
Underlying profit before tax	**51.1**	73.1	63.2	60.1	60.7
Non-current assets	**778.8**	708.4	663.2	594.6	598.8
Current assets	**374.0**	283.5	271.9	231.4	237.4
Net borrowings	**344.6**	200.0	159.5	109.5	106.8
Total equity	**352.5**	418.0	450.1	436.1	440.9
Basic earnings per share	**(41.3)p**	(3.1)p	18.8p	11.6p	17.5p
Basic underlying earnings per share	**13.6p**	21.8p	19.1p	18.6p	19.1p
Dividends per share	**4.53p**	13.0p	12.5p	12.0p	10.0p
Dividend cover*	**3.0**	1.7	1.5	1.6	1.9

* Based on underlying earnings.

Note:
1. Comparative figures for 2015 have been restated for changes to the fair value of identifiable assets and liabilities of LS Research (acquired in 2015).