28 February 2017

LAIRD PLC (the "Company")

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

GBP£	12 months to 31/12/2016	12 months to 31/12/2015	Change
Revenue	£801.6m	£630.4m	+27%
Underlying operating profit†	£61.9m	£80.7m	-23%
Underlying profit before tax†	£51.1m	£73.1m	-30%
Underlying basic earnings per share†	13.6p	21.8p	-38%
Operating cash flow†	£28.1m	£76.4m	-48%
Statutory loss after tax & exceptional items	£(110.8)m	£(7.6)m	
Statutory basic loss per share	(41.3)p	(3.1)p	
Dividend per share – total	4.53p	13.0p	

Trading overview

- Group revenue was up 27% on a reported basis, but was marginally down -0.4% on an organic constant currency basis year on year, with organic constant currency growth of 4% in the Wireless Systems Division offset by a decline of 3% in Performance Materials.
- Group underlying operating profit† at £61.9m (2015: £80.7m) was adversely affected by weaker sales and margin pressures in the Precision Metals business, the challenging environment for the WACS business supplying wireless automation controls into the US rail freight sector and the losses related to the Novero acquisition during the initial operational and financial turnaround period.
- Underlying profit before tax† of £51.1m (2015: £73.1m) was marginally better than our previous guidance.
- Statutory loss after tax was impacted by a £155.5m non-cash impairment of goodwill within the Wireless Systems Division.
- Net debt† at year end was £344.6m (2015: £200.0m). Net debt to EBITDA† was 3.2 times (based on average exchange rates) which was within our pre-existing covenant limits.
- No final dividend will be paid in respect of 2016 as previously indicated, therefore the total dividend for 2016 will be the interim dividend of 4.53p (2015: 13.0p).

Rights Issue

- The Group has announced a Rights Issue in a separate announcement today. This is expected to raise up to £185m in gross proceeds and approximately £175m of net proceeds.
- The proceeds from the Rights Issue will be used to reduce borrowings under the revolving credit facilities and will strengthen the Group's financial position, enabling it to continue to invest in its previously announced operational improvement programme and in opportunities for future growth.

New Divisional Structure

- The Group has taken a number of steps in the last quarter of 2016 and early part of 2017 to improve the focus and management of the company. We have moved from a two division and seven business unit structure, to a simplified three division structure, effective from 1 January 2017. The new structure better reflects the different focus required in each of the divisions in order to drive value. These are outlined below:

  Performance Materials (PM)
  This new division comprises a cluster of material technologies and end markets which have been a key growth driver over recent years, with good cash generation. The technologies that will now be included in this division are Precision Metals, Electromagnetic Interference (EMI) materials, Thermal, Magnetic & Ceramic products and Model Solution (delivering rapid prototyping capabilities). By moving the engineered thermal systems business from this division into the Wireless and Thermal Systems division we have created a more focused material technologies business. A business that is better able to leverage the competitive advantages of our technologies portfolio and focus on end markets where we add most customer value.

  Connected Vehicle Solutions (CVS)
  The combination of the Telematics business and Novero creates a division focused on the fast-growing connected automotive market. CVS is a growing business which has taken a step change through recent investment, offering OEMs a full connectivity solution, from antenna to telematics control units (TCU). Visibility of sales is good and this is reflected in the growth of the pipeline since the acquisition of Novero, the next step is to ensure that we also drive operational gearing benefits to improved profitability as we deliver on this revenue growth.

  Wireless and Thermal Systems (WTS)
  The new WTS division represents several discrete but related technologies across a range of end markets and brings together industrial and commercial antennae, commercial wireless connectivity, industrial control systems and engineered thermal management systems. These four areas can generally be characterised as offering "low volume, high value-add" products and systems, providing engineered wireless solutions serving specific, high quality markets. The division will drive growth through better market and competitive insights and product integration.

- A number of senior management changes have also been made to strengthen the leadership of these divisions, including the appointments of Kevin White heading the Wireless and Thermal Systems division from January 2017 and Carmen Chua leading Performance Materials from February 2017.

Outlook

- Despite the disappointing performance in 2016 there are a number of factors which leave us well placed in 2017 including:

  - The previously announced operational improvement programme remains on track to deliver annualised savings of at least US$20m from 2018, with US$15m expected in 2017.
  - The Novero integration is now complete and Novero is expected to deliver modest profitability in 2017.
  - Actions taken to gradually improve operational efficiency and profitability in the Performance Materials division and specifically Precision Metals.
  - A review of the growth and value creation options for the Performance Materials division.

Tony Quinlan, Chief Executive Officer, commented

"2016 was a disappointing year, where challenging conditions in certain key end markets were compounded by discrete but material inefficiencies in our own operations. These overshadowed a solid performance in much of our business.

We have taken corrective actions, including putting in place a substantially new leadership team and establishing a clearer structure to optimise our strong technology and engineering. We are reducing overheads and driving a forensic approach to improving the efficiency and profitability of our operations. In the near-term, we are wholly focused on delivering a strong profit uplift alongside establishing a business model which can deliver long-term, sustainable, revenue and earnings growth. The rights issue announced today is a key step in strengthening the group balance sheet in order to support this growth."

About Laird:

Laird is a global technology company providing systems, components and solutions that protect electronics from electromagnetic interference and heat, and that enable connectivity in mission-critical wireless applications and antennae systems. Laird is a global leader in the field of innovative radio frequency ("RF") engineering.

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Final Results Presentation & Webcast

A presentation will be held today at 9.15am at The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. A live audio webcast of the presentation will be hosted on www.laird-plc.com. A replay of the webcast will also be available on our website after the event.

Publication of Final Results

The full final results for the year ended 31 December 2016 will be submitted to the UK Listing Authority for publication through the National Storage Mechanism where they will shortly be available for inspection at www.morningstar.co.uk/uk/nsm. Copies of the final results for the year ended 31 December 2016 are also available on the Company's website at www.laird-plc.com.

Notes

- †Non-IFRS. For the definition and explanation of the use of this non-IFRS information and a reconciliation to the most directly reconcilable IFRS line item, see the Appendix to this announcement.
- Earnings per share is calculated on a weighted average number of shares of 270.4m (2015: 267.2m).

PERFORMANCE REVIEW

Reflecting back over the year

The Group's performance in 2016 was disappointing. We faced substantial challenges across three of our businesses during the year, for which corrective actions have been taken:

- The Precision Metals business, within the Performance Materials division, was adversely affected by a number of factors, namely, pricing and margin pressures from a large customer, reduced volumes because of a delayed ramp-up on smartphones and our own operational inefficiencies. We have quickly taken action to stabilise and improve the financial performance of the Performance Materials division, including strengthening the leadership, with the appointment of our new divisional President who joined us in February.

- We faced a significant reduction in activity in the US rail freight sector, a key market for our Wireless Automation and Control Systems (WACS) business, due to the low oil price environment. This was a significant external headwind, but our commercial forecasting should have been better at predicting the impact of commodity pricing on a key end market. Steps have been taken to reduce the costs within this business and further actions will be taken to mitigate single market risk and better assess the impact of external factors on the business.

- The integration of Novero required a higher level of investment and remedial action than initially anticipated. When the business was acquired, the terms agreed reflected that it was an operational and financial turnaround, albeit with substantial prospects. Although no new issues were identified, it became clear that the turnaround actions and associated costs were at the high end of expectations. Novero remains an important strategic acquisition, but our expectations for the business in the early stages of ownership should have been more conservative and cautious, given the poor state of the records and management controls pre-acquisition. However, the business has now been successfully integrated and has strengthened our offering in the CVS market.

Much of our other business achieved a solid performance in 2016; however, the financial impact of the three areas highlighted above significantly reduced full year underlying profit† of the Group. This reduction in profitability, together with the investments the Group has been making to secure future growth and the weakness of Sterling increased the Group's net debt to EBITDA† ratio for the year to 3.2 times, thus reducing the covenant headroom under our pre-existing financing arrangements.

We are undertaking a Rights Issue to reduce borrowings under our revolving credit facilities, create sufficient covenant headroom going forward and strengthen our financial position. A strengthened financial position will enable us to:

- Continue investing organically in opportunities for future growth, in particular with relation to the new CVS division.
- Continue to invest in and deliver the operational improvement programme and its associated benefits of significant savings.
- Provide the financial strength necessary to demonstrate Laird's ability to support customers.
- Provide a strong foundation from which to assess the optimal route to maximise shareholder value in Performance Materials, particularly in Precision Metals.

Repositioning for our markets

Despite the challenges of 2016, the growth of the Enterprise Internet of Things is fuelling the need for connectivity and increased functionality, creating many opportunities for Laird. We need to ensure we are in the best shape possible to compete and take full advantage of these opportunities.

To reflect the different focus required in each of the divisions we have moved from a two division and seven business unit structure to a more simplified three division structure, effective from 1 January 2017. The new structure comprises:

- Performance Materials;
- Connected Vehicle Solutions;
- Wireless and Thermal Systems.

Each division has its own executive, and the President of each Division is also a member of the Group Executive Committee. This simplified structure will enable a greater focus on complementary markets and technologies and reduce overhead.

The table below shows the financial performance for the three divisions for 2016 and 2015 under the new structure (unaudited).

Year ended 31 December	CVS		WTS		PM	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Revenue	**252.1**	131.1	**154.5**	131.8	**395.0**	367.5
Underlying operating profit†	**13.0**	13.6	**14.3**	18.2	**42.2**	56.1
Operating margin	**5.2%**	10.4%	**9.3%**	13.8%	**10.7%**	15.3%

Growth opportunities

We continue to develop innovative products which take advantage of structural technological trends. Our portfolio of capabilities, designed to serve both mission-critical connectivity applications and the demands of ever thinner and more dense electronic devices, gives us access to a number of high growth markets across our portfolio.

The combination of Laird's existing technologies and those technologies acquired as part of recent acquisitions has enabled us to expand our offering substantially. For example, in the case of

Connected Vehicle Solutions we now offer full end-to-end vehicle connectivity solutions into and within the vehicle which has positioned the Group to capitalise on future growth in the connected car market. As a result, we are targeting revenue in excess of US$500m by 2020 in the new CVS division compared to $330m generated in 2016, and with improving profitability.

Dividends

In light of the proposed Rights Issue, and as previously announced, the Board intends that no final dividend will be paid in respect of 2016. The total dividend for the 2016 financial year will therefore be the interim dividend of 4.53p (2015: 13.0p).

The Board believes in balancing returns to shareholders with investment in the business to support future growth. To this end, the Board intends to resume dividends in 2017 based on a dividend per share that is covered three times by underlying earnings per share[†].

Thereafter, consistent with an improvement in earnings and of cash generation in 2018 and beyond, and subject to prevailing market conditions, the Board expects to reduce dividend cover towards two times over the medium term.

OPERATIONAL REVIEW

Wireless Systems

Year ended 31 December	2016 £m	2015 £m	Change
Revenue	**373.2**	235.6	+58.4%
Underlying operating profit[†]	**25.3**	30.4	-16.8%
Operating margin[†]	**6.8%**	12.9%	-47.3%

Wireless Systems revenue for the year grew 58% to £373.2m, (2015: £235.6m). On an organic constant currency basis revenue grew 4%. Growth was driven in particular by a strong performance in the CVS and Connectivity Solutions (CS) businesses, partially off-set by trading challenges in our WACS business.

Underlying operating profit[†] declined by 17% to £25.3m (2015: £30.4m) and operating margin[†] fell to 6.8% (2015: 12.9%), reflecting the challenges in our WACS business and the losses incurred in Novero.

During this year we saw a significant downturn in the US rail freight markets which adversely affected our WACS business and had a significant impact on revenues. We have taken the necessary actions to manage profitability and mitigate the impact of this downturn.

We have seen continued momentum in Connected Transport, particularly automotive with growth in both volume and content. We have continued to penetrate the Connected Car sector by, for example, early design entry into self-driving platforms and combining technologies to deliver integrated antenna and wireless charging modules for multiple OEMs.

Our core telematics business has been strengthened by the acquisition of Novero. It has increased our global market share by creating new routes to market and strengthened our relationships with major OEMs. It has also provided us with the reach, presence and capability to establish a leading position in mission-critical vehicle connectivity solutions and furthered our growth in the Enterprise Internet of Things (EIoT) markets.

The acquisition of Novero uniquely places Laird as a leading global provider of end-to-end connectivity services into and within the vehicle, providing a broad portfolio of integrated connectivity solutions. Our solutions include, for example, wireless charging combined with compensers, antennae combined with Telematics Control Units (TCUs) and antennae that integrate advance technology, such as Dedicated Short Range Communications (DSRC), entirely within the antenna. However, the acquisition required a higher level of investment than first anticipated and the integration of Novero has been challenging. The issues identified during due diligence required a deeper level of intervention than expected. However, actions were immediately put in place to stabilise the business and improve performance. We now expect Novero to deliver modest profitability in 2017.

LSR, acquired in late 2015 has helped us further penetrate the EIoT market by expanding the scope of our capabilities in design and testing which has been well received by our customers, both new and existing. Our wireless businesses will allow us to take advantage of the longer-term macro trends, including the roll-out of 5G. Our value-add technologies, systems and products give us significant potential for growth and higher margins in this market.

Performance Materials

Year ended 31 December	2016 £m	2015 £m	Change
Revenue	**428.4**	394.8	+8.5%
Underlying operating profit†	**44.2**	57.5	-23.1%
Operating margin†	**10.3%**	14.6%	-29.5%

Performance Materials revenue for the year grew 9% to £428.4m (2015: £394.8m). On an organic constant currency basis revenue was lower by 3% compared to 2015. Underlying operating profit† declined by 23% to £44.2m (2015: £57.5m), and operating margin† was 10% (2015: 15%) impacted primarily by the issues faced in the Precision Metals business.

It was a difficult year for the Performance Materials business unit with the first half affected by relative weakness in the Smartphone market. Pricing and margin pressures from a key customer, later phasing during the key ramp up period and our own operational issues led to a significant decline in profitability in the Precision Metals part of the business. As part of the stabilisation of Performance Materials, a new divisional President joined in February 2017. In addition we are taking action to improve commercial and operational performance within Precision Metals, which should stabilise the business unit and the financial performance of the division as a whole.

The remaining businesses within this division performed as expected in the year. Performance Materials has also been moving towards higher levels of customer engagement in key vertical markets associated with the EIoT and target adjacent markets such as enabling smart headlights in connected cars.

The data and mobile infrastructure market has historically been a strong source of growth over the past five years, resulting from the broad deployment of 4G networks and we should benefit from the emergence of 5G.

Our focus continues to be on driving higher levels of customer engagement with strategic and focused accounts in key target markets. Through the development of innovative new products and capabilities in Precision Metals, EMI, Magnetic and Ceramic Products, Thermal and combination

products, we are in a strong position to offer future differentiated designs to both our traditional and potential new customers.

FINANCIAL REVIEW

Segments

In 2016, Laird had two segments: Wireless Systems and Performance Materials.

Revenue

Revenue increased by 27% from £630.4m in 2015 to £801.6m in 2016. Wireless Systems revenues were up 58% and Performance Materials revenues were up 9%.

The table below shows revenue for each segment together with the incremental revenue contribution from acquisitions in 2015 and 2016.

Revenue	WS £m	PM £m	Total £m
2015 net of acquisitions	234.2	394.8	629.0
Acquisition	1.4	–	1.4
Total for 2015	235.6	394.8	630.4
2016 net of acquisitions	273.1	428.4	701.5
Acquisition	100.1	–	100.1
Total for 2016	**373.2**	**428.4**	**801.6**

Revenue on an organic constant currency basis was down by 0.4%, this excludes revenue from acquisitions for a period of twelve months from the acquisition date and applies prior year exchange rates to convert current year revenues to GBP. Segmental revenue is also disclosed in note 3.

Revenue from our largest customer amounted to 13% of revenue (2015: 17%). The top five customers accounted for 34% of revenue (including revenue invoiced indirectly through their suppliers) in 2016 (2015: 35%).

Underlying operating profit†/operating margin†

Underlying operating profit for Wireless Systems for 2016 was £25.3m (2015: £30.4m) and for Performance Materials for 2016 was £44.2m (2015: £57.5m). The net operating margin† was 7.7% (2015: 12.8%).

	WS	PM	Unallocated	Total
2015				
Underlying operating profit†(£m)	30.4	57.5	(7.2)	80.7
Operating margin†	12.9%	14.6%	(1.1%)	12.8%
2016				
Underlying operating profit† (£m)	**25.3**	**44.2**	**(7.6)**	**61.9**
Operating margin†	**6.8%**	**10.3%**	**(0.9)%**	**7.7%**

Operating margin† for Wireless Systems decreased to 6.8% (2015: 12.9%), which was mainly driven by challenging conditions for the WACS business supplying wireless automation controls to the US rail freight market and losses related to the Novero acquisition during the initial operational and financial turnaround period. Operating margin† for Performance Materials decreased to 10.3%

(2015: 14.6%). The table below provides further analysis of the underlying operating profit[†]. The gross profit percentage of 34.8% is 5.7% below 2015 (40.5%).

Wireless Systems and Performance Materials	2016 £m	2015 £m
Revenue	**801.6**	630.4
Cost of sales	**(522.3)**	(375.0)
Gross profit	**279.3**	255.4
Gross margin %	**34.8%**	40.5%
SG&A	**(154.4)**	(128.9)
Gross R&D	**(69.8)**	(54.5)
Net capitalised development	**6.8**	8.7
Operating profit	**61.9**	80.7

R&D expenditure has increased by 28% to £69.8m (8.7% of revenue) from £54.5m (8.6% of revenue).

Statutory loss/profit

Loss before tax was £122.3m (2015: profit before tax of £15.4m). The loss is principally due to recognising a £155.5m charge for impairment of goodwill. This impairment has arisen as a result of the annual impairment review of our goodwill across the two Divisions and represents a write-down in the Wireless Systems Division only. The performance of Wireless Systems during the year has been impacted by the decline in sales in the US rail freight market (which impacted our WACS business) and by the losses related to the Novero acquisition during the initial operational and financial turnaround period. In 2016, there was a statutory loss after tax of £110.8m, compared to a loss after tax of £7.6m in 2015 (an increase in loss of £103.2m). In 2016 there was a tax credit of £11.5m compared to a charge of £23.0m in 2015. The overall 2016 tax credit includes a credit of £19.4m relating to deferred tax on goodwill, acquired intangible assets and US capitalised development costs (2015: £0.2m charge).

Underlying profit[†] and taxation

Underlying profit before tax in the year was £51.1m (2015: £73.1m).

The underlying tax charge on total underlying profit before tax[†] is equivalent to an average tax rate of 24.9% (2015: 18.2%). Profits in the USA continue to be sheltered by amortised goodwill deductions resulting from acquisitions. Laird’s tax payable largely arises in China, Czech Republic, Germany, Korea and Malaysia.

Future tax charge

It is expected that the underlying tax charge in 2017 will be in the range of 28% to 30%, subject to any unexpected changes to tax rates in the countries in which we operate.

Exceptional items

There was an exceptional credit of £1.2m in 2016, representing the costs of the rights issue and covenant waiver, restructuring offset by a gain on revaluation of the put and call options.

Exceptionals analysis

	2016 £m	2015 £m
Redesigning our operating model		
Asset write downs	**–**	8.2
Other restructuring costs	**(0.4)**	30.8
	(0.4)	39.0
Other exceptional (gains)/costs		
Other asset write downs and restructuring costs	**–**	0.1
Patents litigation	**–**	0.6
Rights issue and covenant waiver costs	**3.0**	–
Business acquisition transaction costs	**–**	3.5
Gain in valuation of put and call options	**(3.8)**	1.8
	(0.8)	6.0
Total exceptional items	**(1.2)**	45.0

Finance costs

Finance costs, excluding a loss on fair valuing of financial instruments of £1.9m (2015: £0.5m profit) were £10.8m, compared to £7.6m in 2015.

Underlying earnings per share[†]

Continuing underlying basic earnings per share were 13.6p (2015: 21.8p).

Earnings per share

Basic statutory earnings per share were (41.3)p (2015: (3.1)p). The average number of shares in issue in 2016 was 270.4m.

Cash flow

The table below provides a further analysis of cash flow to complement the notes to the financial statements.

	2016 £m	2015 £m
Operating profit	**61.9**	80.7
Depreciation	**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**	-
Share based payments	**1.1**	2.7
	102.9	108.0
(Increase)/decrease in working capital	**(10.2)**	0.9
Capitalised development costs	**(19.9)**	(14.7)
Capital expenditure less disposals	**(44.7)**	(17.8)
Total operating cash flow	**28.1**	76.4
Exceptional costs	**(16.8)**	(7.6)
Finance income	**0.1**	0.6
Finance costs	**(10.5)**	(8.3)
Taxation	**(14.4)**	(15.3)
Free cash flow pre dividend	**(13.5)**	45.8
Dividends	**(35.5)**	(33.8)
Free cash flow post dividend	**(49.0)**	12.0
Acquisitions/disposals	**(39.7)**	(36.1)
Share issues	**0.3**	0.5
Purchase of treasury shares	**(2.2)**	(5.6)
Dividends to NCI in MS	**(3.0)**	(1.1)
Exchange translation movement	**(51.0)**	(10.2)
Increase in net borrowings	**(144.6)**	(40.5)

Cash conversion (operating cash flow as a proportion of operating profit) for continuing operations in 2016 was 45% compared to 95% in 2015.

Net borrowings and debt facilities

Net borrowings were £344.6m (2015: £200.0m). A cornerstone of our financial planning is to ensure that we maintain committed loan finance which provides sufficient headroom above expected borrowing requirements and has a significant proportion with terms that exceed one year. Our committed bilateral revolving credit facilities total £255m, and will not expire until 2019. In addition, we have total US Private Placement notes and Schuldschein loans of US Dollar $140m and Euro €85m outstanding:

Maturity of borrowings
(Excluding finance leases)

Maturing within	2016 £m	2015 £m
One year	–	29.3
One – two years	–	–
Two – three years	**214.5**	–
Three – four years	**10.5**	150.4
Four – five years	**175.0**	8.8
Five – six years	–	73.3
Six – seven years	–	–
Total borrowings	**400.0**	261.8

Balance sheet policy

Our 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 (including the effect of the weakness in sterling on reported net debt†) and the limited covenant headroom, we have proposed to raise up to £185m by means of a Rights Issue.

Dividend policy

In light of the proposed Rights Issue, no final dividend is proposed in respect of 2016. We believe in balancing returns to shareholders with investment in the business to support future growth. We therefore intend to resume dividends in 2017 based on a dividend per share that is covered 3x by underlying earnings per share†. Thereafter we aim to bring dividend cover to more than 2x in the medium term subject to prevailing market conditions.

Covenants

A key consideration for financial planning is to maintain sufficient headroom between borrowings and the ceiling set by the covenants. Our bank facilities, Schuldschein and US Private Placement loan notes contain two principal financial covenants; net debt/EBITDA† (earnings before exceptional items, interest, tax, depreciation and amortisation), and interest cover. The normal permitted limits are a maximum net debt† of 3.5x EBITDA† and an interest cover of at least 3.0x. As a precaution we agreed a one-time extension to our leverage covenant to a permissible net debt† of 4.0x EBITDA† applicable for the period ended December 2016. For the year ended 31 December 2016, net borrowings were 3.2x EBITDA†, within the normal maximum permitted of 3.5x. Interest cover was 7.0x against the minimum requirement of 3.0x.

The expected headroom is routinely estimated against the covenants and the sensitivity to a number of alternative scenarios is tested to ensure ongoing compliance. The Group anticipates that the proceeds from the announced rights issue will enable the Group to remain within its covenant limits in the foreseeable future.

Currencies in 2016

As a global business the Group is exposed to a number of foreign currencies.

Whilst a significant proportion of our revenue is denominated in US Dollars, our costs are often in the local currency of the countries in which we operate. This leads to a mismatch and therefore an exposure to currency movements on a transactional basis. The table below shows the breakdown of our principal currency exposures in 2016.

Currency	Sales	Costs
RMB	11%	33%
EUR	18%	17%
GBP	0%	5%
KRW	2%	4%
USD	68%	34%
Other	1%	7%
Total	100%	100%

There is also the translation impact in converting profits into the Group's reporting currency (Sterling); each 1 cent appreciation against Sterling approximates to an annual increase in operating profit of £0.33m.

During the year there was a significant weakening of Sterling versus the currencies the Group trades in, this resulted in a benefit to the Group of £7.6m. Part of this was driven by the translation of profits into Sterling (£5.8m) and part by the translational and transactional movements within Divisions, net of hedging (£1.8m).

Pensions

There are approximately 1,500 deferred and current pensioners. There is an overall defined benefit pension scheme deficit under IAS 19 (Revised 2011) of £1.2m at 31 December 2016 (2015: £1.4m surplus). Scheme liabilities increased mainly due to a rise in assumed inflation from 3.2% to 3.45% and a reduction in the discount rate from 3.7% to 2.5%. The effect was largely, but not entirely, offset by the return on plan assets exceeding the discount rate.

Shareholders' funds

Equity attributable to owners of the parent company at the 2016 year end was £343.8m (2015: £409.5m). The reconciliation is set out in the Group statement of changes in equity.

Return on capital employed

Return on capital employed (underlying profit[†] before interest and tax as a proportion of average shareholders' funds plus net borrowings during the year) was 9.5% in 2016, compared with 12.4% in 2015.

Group income statement
for the year ended 31 December 2016

Note		2016 £m	2015 £m
	Continuing operations		
3	**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
	Impairment of goodwill	**(155.5)**	-
	Amortisation of acquired intangible assets	**(17.2)**	(13.2)
5	Exceptional items	**1.2**	(45.0)
4	**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 income – 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)
	Attributable to:		
	Equity shareholders of the parent company	**(111.7)**	(8.3)
	Non-controlling interests	**0.9**	0.7
		(110.8)	(7.6)
6	Basic earnings per share on (loss) for the year*	**(41.3)p**	(3.1)p
6	Diluted earnings per share on (loss) for the year*	**(41.3)p**	(3.1)p
7	**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 amortisation and impairment of acquired intangible assets, exceptional items (note 5), the gain or loss on disposal of businesses and 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

	2016 **£m**	2015 £m
Loss for the year	**(110.8)**	(7.6)
Items that will not be reclassified subsequently to profit or loss:		
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
	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)
8	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
	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)
8	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			
	Property, plant and equipment	**123.2**	83.9	91.9
	Intangible assets	**635.1**	608.3	556.2
	Deferred tax assets	**4.6**	3.6	4.1
	Derivative financial instruments	**1.5**	0.7	1.1
11	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			
	Inventories	**99.4**	66.0	60.2
	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
	Cash and cash equivalents	**64.5**	68.8	64.0
		374.0	283.5	271.9
	Liabilities			
	Current liabilities			
	Borrowings	**(0.3)**	(29.3)	(0.8)
	Derivative financial instruments	**(2.1)**	(0.2)	(0.6)
	Trade and other payables	**(192.0)**	(118.6)	(111.5)
	Current tax liabilities	**(33.9)**	(31.7)	(26.2)
	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			
	Borrowings	**(408.8)**	(239.5)	(222.7)
	Derivative financial instruments	**(31.0)**	(34.0)	(32.6)
	Deferred tax liabilities	**(76.8)**	(74.5)	(69.6)
11	Retirement benefit obligations	**(13.7)**	(9.2)	(10.6)
	Other non-current liabilities	**(0.8)**	(1.2)	(1.6)
	Provisions	**(14.1)**	(9.6)	(7.0)
		(545.2)	(368.0)	(344.1)
	Net assets	**352.5**	418.0	450.1
	Capital and reserves			
	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
	Translation reserve	**183.4**	111.7	101.7
	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 9).

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
10	**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
10	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)
10	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
	Purchase of treasury shares	**(2.2)**	(5.6)
	Proceeds from borrowings	**114.4**	32.8
	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
10	Cash and cash equivalents at 1 January	**68.8**	64.0
10	**Cash and cash equivalents at 31 December**	**64.5**	68.8

1. Corporate information
Laird PLC (the Company) is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 February 2017.

2. Basis of preparation
(a) The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

(b) The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The consolidated financial statements have been prepared in accordance with the accounting policies followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2016 or 31 December 2015. The annual report and financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 28 February 2017 along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 31 December 2016 was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 31 December 2015 was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The 2016 annual report and financial statements, together with details of the Annual General Meeting, will be despatched to shareholders on 23 March 2017. The Annual General Meeting will take place on 28 April 2017.

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 notes.

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 Rights Issue, which is fully underwritten, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Accounting policies
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.

In addition, the definition of an exceptional item (note 5) has been narrowed to exclude asset write downs. Had this policy been applied in the prior year, underlying operating profit† would have been the same. Other than these two changes, the financial information in this document is prepared according to the same accounting policies as set out in the previous annual report.

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	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£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 income - 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)

3 Segmental analysis (continued)
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 approximately £105.5m (2015: £84.6m) of the Group's total revenues.

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

	Performance Materials		Wireless Systems		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
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.

3 Segmental analysis (continued)

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	2015	**2016**	2015
	£m	£m	**£m**	£m
Continuing operations				(restated)
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 Operating (loss)/profit

Explanatory note:
This note sets out the material components of the "Operating profit" line on our Group income statement, 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	2015
	£m	£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

Note
(a) Included in selling, administration and other expenses is a £1.2m exceptional credit (2015, £45.0m charge) as described in note 5 and £172.7m (2015, £13.2m) of goodwill impairment and amortisation of acquired intangibles.
(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).

4 Operating (loss)/profit (continued)

Operating profit for the year is stated after charging the following items:	**2016 Continuing operations £m**	2015 Continuing operations £m
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).

5 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. This note provides a detailed breakdown of the "Exceptional items" line included on the Group income statement.

	2016	2015
	£m	£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	**3.0**	(1.4)
Change in valuation of call options in respect of Model Solution	**0.8**	(0.4)
Other restructuring credits/(costs)	**1.0**	(2.2)
	1.8	(8.5)
Net credit/(charge)	**1.2**	(45.0)

Note
(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 has been 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).

6 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).

7 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 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
Earnings per share**	**Pence**	Pence
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

8 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.

Total Dividends	Dividends paid		Dividends declared/proposed*	
	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 per share	Dividends paid		Dividends declared/proposed*	
	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

9 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 (EUR 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

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.

9 Business combinations (continued)

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 fair values are provisional. 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, 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 full year, 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. None of the goodwill recognised is expected to be deductible for income tax purposes. 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 has been restated accordingly.

10 Additional cash flow information

Explanatory note:
Cash generated from operations is the starting point of our cash flow statement. 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

Continuing operations	**2016**	2015
	£m	£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 continuing operations	**75.9**	101.3

Note

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

10 Additional cash flow information (continued)

Net cash outflow on acquisitions and disposals	**2016**	2015
	£m	£m
Acquisition of businesses		
Consideration:		
Cash consideration	**(39.4)**	(34.4)
Net 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)

11 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 six (2015, five) 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.

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. IAS19 requires that the discount rate is set according to the level of market yields on either corporate or government bonds in the relevant markets.

11 Post employment benefit obligations (continued)

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

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% pa 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%).

Appendix

Non-IFRS information

This document contains certain financial measures that are not defined or recognised under IFRS, including Covenant EBITA and Covenant EBITDA, net debt, cash interest expense, underlying profit before tax, underlying basic earnings per share, operating cash flow, free cash flow, organic constant currency metrics and figures relating to the reorganisation of the Group's division. These measures are unaudited and are not measures of financial performance under IFRS and should not be considered as alternatives to other indicators of the Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Accordingly, these non-IFRS measures should be viewed as supplemental to, but not as a substitute for, measures presented in the Laird Final Results and Laird Annual Report and Accounts, which are prepared in accordance with IFRS as adopted by the EU.

Information regarding these measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. However, there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Covenant EBITA and Covenant EBITDA

The Group is subject to two key financial covenants, which are tested semi-annually on 30 June and 31 December of each year. These covenants relate to the leverage ratio, being the ratio between Covenant EBITDA and net debt, and the interest cover ratio between Covenant EBITA and cash interest expense. The calculation of these ratios involves the translation of non–sterling denominated debt using average, rather than closing, rates of exchange and adjustments for removal of the 49% of Model Solution that the Group does not own from the calculation.

Covenant EBITA is defined as operating profit before amortisation and impairment of acquired intangible assets and exceptional items, adding back amortisation of software, amortisation and impairment of capitalised development costs, share based payments and pre-acquisition gains/(losses), less the amounts attributable to the 49% of Model Solution that the Group does not own. Covenant EBITDA is defined as Covenant EBITA adding back depreciation of property, plant and equipment. The Group uses Covenant EBITA and Covenant EBITDA in the calculation of its interest cover and leverage ratios under its financing arrangements, respectively.

Covenant EBITA and Covenant EBITDA eliminate potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense), the extent to which intangible assets are identifiable (affecting relative amortisation expense) and other specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. For the periods under review, other specific items represent items defined by management are exceptional items and share based charges.

Covenant EBITA and Covenant EBITDA have limitations as an analytical tool. Some of these limitations are:

- does not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, the Group's working capital needs;
- does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's indebtedness;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Covenant EBITA and Covenant EBITDA do not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows; and
- the further adjustments made in calculating Covenant EBITA and Covenant EBITDA are those that management consider are not representative of the underlying operations of the Group and therefore are subjective in nature.

The table below sets out the reconciliation of the Group’s total Covenant EBITA and Covenant EBITDA from operating profit before amortisation and impairment of acquired intangible assets and exceptional items for the periods indicated:

	2016	2015
	(unaudited)	
	(£ millions)	
Operating profit before amortisation and impairment of acquired intangible assets and exceptional items..................	**61.9**	**80.7**
Amortisation of software...	3.9	2.2
Amortisation of capitalised development costs	8.2	6.0
Impairment of capitalised development costs	4.9	-
Share based payment	1.1	2.7
Pre-acquisition gains/(losses)[1]	(1.2)	2.7
Adjustment for non-controlling interest[2].................	(3.2)	(3.0)
Covenant EBITA	**75.6**	**91.3**
Depreciation of property, plant & equipment............	22.9	16.4
Covenant EBITDA..	**98.5**	**107.7**

Net debt

The Group uses net debt, defined as total borrowings less cash and cash equivalents, as a supplemental measure in evaluating its liquidity, as it indicates the level of the Group's borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings, as well as in the calculation of the leverage ratio under its financing arrangements.

The table below sets out the reconciliation of the Group's net debt from borrowings for the periods indicated:

	2016	2015
	(unaudited)	
	(£ millions)	
Borrowings - current liabilities	0.3	29.3
Borrowings - non-current liabilities	408.8	239.5
Borrowings	**409.1**	**268.8**
Less cash and cash equivalents	(64.5)	(68.8)
Net Debt	**344.6**	**200.0**

In calculating its leverage ratio under its financing arrangements, the Group adjusts net debt to exclude the impact of foreign exchange movements (£28.2 million in 2016) and the 49% of the external debt of Model Solution that the Group does not own (£2.1 million in 2016). In 2016, the Group's net debt for purposes of covenant calculation was £314.3 million.

Cash interest expense

The Group uses cash interest expense, defined as finance costs, adding back finance income and other net finance income – pension, in the calculation of its interest cover ratio under its financing arrangements.

	2016	2015
	(unaudited)	
	(£ millions)	
Finance costs	(11.1)	(8.4)
Finance income	0.1	0.6
Other net finance income - pension	0.2	0.2
Cash interest expense	**(10.8)**	**(7.6)**

Underlying profit before tax

The Group uses underlying profit before tax, defined as profit before tax, adding back financial instruments – fair value of adjustments, impairment of goodwill, amortisation of acquired intangible assets and exceptional items as supplemental measures of the Group's profitability which the Group considers useful due to the exclusion of specific items that are considered to hinder comparison of the underlying profitability of the Group's businesses either year-on-year or with other businesses.

The table below sets out the reconciliation of the Group's underlying profit before tax from profit before tax for the periods indicated:

	2016	2015
	(unaudited)	
	(£ millions)	
(Loss)/profit before tax	**(122.3)**	**15.4**
Financial instruments – fair value of adjustments	1.9	(0.5)
Impairment of goodwill	155.5	-
Amortisation of acquired intangible assets	17.2	13.2
Exceptional items	(1.2)	45.0
Underlying profit before tax	**51.1**	**73.1**

Underlying basic earnings per share

Underlying basic earnings per share is calculated as underlying earnings attributable to shareholders of the parent divided by the weighted average number of shares. Underlying earnings attributable to the parent is defined (loss)/profit for the year attributable to equity shareholders of the parent company, adding back financial instruments – fair value of adjustments, impairment of goodwill, amortisation of acquired intangible assets less amortisation of acquired intangible assets attributable to non-controlling interests, exceptional items, tax on exceptional items, deferred tax on goodwill, acquired intangible assets and US capitalised development costs, exceptional US tax loss movement/(recognition), less tax on amortisation of acquired intangible assets attributable to non-controlling interests. The Group uses underlying basic earnings per share as a supplemental measure of the Group's profitability.

The table below sets out the reconciliation of the Group's underlying basic earnings per share from (loss)/profit before tax for the periods indicated:

	2016	2015
	(unaudited)	
	(£ millions)	
(Loss)/profit for the year attributable to equity shareholders of the parent company	**(111.7)**	**(8.3)**
Financial instruments – fair value of adjustments	1.9	(0.5)
Impairment of goodwill	155.5	-
Amortisation of acquired intangible assets	17.2	13.2
Amortisation of acquired intangible assets attributable to non-controlling interests	(0.9)	(0.8)
Exceptional items	(1.2)	45.0
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 movement/(recognition)	(1.2)	1.2
Tax on amortisation of acquired intangible assets attributable to non-controlling interests	0.2	-
Underlying earnings attributable to shareholders of parent	**36.8**	**58.3**
Weighted average number of shares (in millions)	**270.4**	**267.2**
Underlying basic earnings per share (in pence)	**13.6**	**21.8**

Operating cash flow and free cash flow pre and post dividend

The Group defines operating cash flow as cash generated from operations, adding back exceptional items, exceptional pension curtailment gain, exceptional change in valuation of put and call options, exceptional property, plant and equipment write downs, exceptional software write downs, exceptional capitalised development costs write downs, exceptional inventory write downs, movements in exceptionals within working capital, purchase of intangible assets (internally developed), purchase of property, plant and equipment, purchase of software and other exceptional cash items. The Group defines free cash flow pre dividend as operating cash flow less exceptional costs, interest received, interest and other finance costs paid and tax paid. The Group defined free cash flow post dividend as free cash flow pre dividend less dividends.

The Group uses operating cash flow, free cash flow pre dividend and free cash flow post dividend as supplemental measures of the Group's trading cash flow.

	2016	2015
	(unaudited)	
	(£ millions)	
Cash generated from operations	75.9	101.3
Exceptional items	(1.2)	45.0
Exceptional pension curtailment gain	1.1	-
Exceptional change in valuation of put and call options	3.8	(1.8)
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)
Movement in exceptionals within working capital	13.1	(27.4)
Purchase of intangible assets (internally developed)	(19.9)	(14.7)
Purchase of property, plant and equipment	(41.4)	(15.9)
Purchase of software	(3.3)	(2.5)
Other	-	0.6
Operating cash flow	**28.1**	**76.4**
Exceptional costs	(16.8)	(7.6)
Interest received	0.1	0.6
Interest and other finance costs paid	(10.5)	(8.3)
Tax paid	(14.4)	(15.3)
Free cash flow pre dividend	**(13.5)**	**45.8**
Dividends	(35.5)	(33.8)
Free cash flow post dividend	**(49.0)**	**12.0**

The table below sets out a reconciliation of the Group's operating cash flow and free cash flow pre and post dividend to operating profit before amortisation and impairment of acquired intangible assets and exceptional items for the periods indicated, which the Group considers useful as a supplemental measure in evaluating the Group's ability to convert profits to cash.

	2016	2015
	(unaudited)	
	(£ millions)	
Operating profit before amortisation and impairment of acquired intangible assets and exceptional items	61.9	80.7
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	-
Share based payments	1.1	2.7
(Increase)/decrease in working capital	(10.2)	0.9
Capitalised research and development expenditure	(19.9)	(14.7)
Capital expenditure less disposals	(44.7)	(17.8)
Operating cash flow	**28.1**	**76.4**
Exceptional costs	(16.8)	(7.6)
Interest received	0.1	0.6
Interest and other finance costs paid	(10.5)	(8.3)
Tax paid	(14.4)	(15.3)
Free cash flow pre dividend	**(13.5)**	**45.8**
Dividends	(35.5)	(33.8)
Free cash flow post dividend	**(49.0)**	**12.0**

Organic constant currency metrics

The Group uses organic constant currency metrics because the Directors believe that these measures provide investors with useful supplemental information regarding the underlying performance of the Group as they eliminate the effect of acquisitions and the translation effect of currency exchange movements from period to period.

The following tables provide reconciliations of Group and segmental revenue on an actual basis to revenue on an organic constant currency basis for the periods indicated.

	2016 as reported	Acquisition Adjustment (1)	Currency Adjustment (2)	2016 at organic constant currency
		(unaudited)		
		(£ millions)		
Revenue	**801.6**	**(100.1)**	**(75.2)**	**626.3**
Performance Materials	428.4	-	(45.4)	383.0
Wireless Systems	373.2	(100.1)	(29.8)	243.3

	2015 as reported	Acquisition Adjustment (1)	Currency Adjustment (2)	2015 at organic constant currency
		(unaudited)		
		(£ millions)		
Revenue	**630.4**	**(1.4)**	**-**	**629.0**
Performance Materials	394.8	-	-	394.8
Wireless Systems	235.6	(1.4)	-	234.2

(1) Acquisitions are eliminated from 2016 and 2015 revenue to allow a comparison of organic performance

(2) Revenue is converted to constant currency by applying prior year exchange rates to convert current year revenues to GBP

Important notice

This announcement contains forward-looking statements, including with respect to financial information, that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “will”, “may”, “should”, “would”, “could”, “is confident”, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this announcement and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Laird’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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