We are Laird

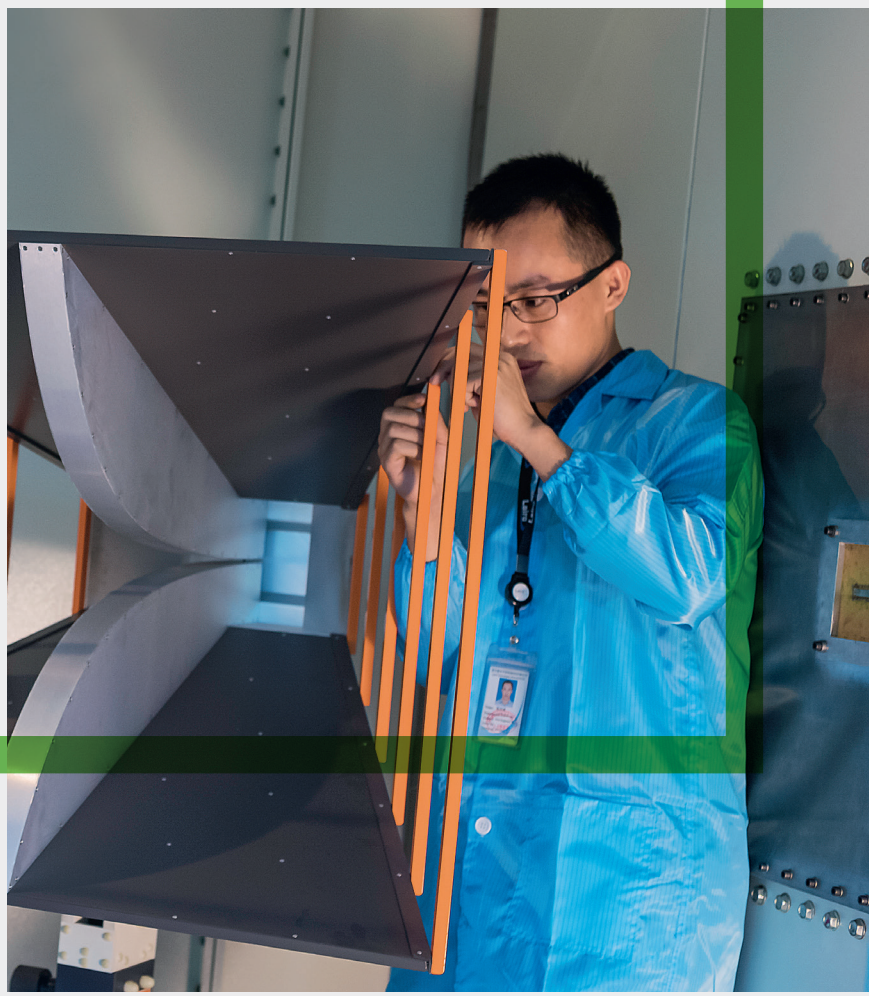
Laird PLC Annual Report & Financial Statements 2017

Overview

We are...

We make technology work. Our engineers design, develop and deliver solutions for our customers as they push the boundaries of technology. We are experts in connecting and protecting advanced electronics. We operate globally. A partner to many of the world's leading technology brands. Our insight from multiple markets allows innovation to flourish, solving the challenges of today and anticipating those of tomorrow.

enablers



Front Cover:
Lirong Deng,
Machine operator,
On-line testing.
Shenzhen

This page:
Jason Chen,
Engineer, Shenzhen

Financial highlights

Revenue

£936.6m +16.8%
(2016: £801.6m)

Reported profit/loss before tax

£57.0m
(2016: £(122.3)m)

Underlying profit before tax†

£67.3m +31.7%
(2016: £51.1m)

Reported basic earnings (loss) per share

15.8p
(2016: (31.8)p)*

Underlying basic earnings per share†

11.1p +5.7%*
(2016: 10.5p)*

Adjusted measures

† The business uses a number of adjusted measures that are not defined or recognised under IFRS. For definitions and explanations of these measures and a reconciliation to the most directly recalculable IFRS line item, please see pages 26 to 29

* 2016 Earnings/(loss) per share has been restated for the 2017 rights issue.

Contents

Our story so far

Solutions providers for nearly 200 years

Laird has come a long way since its roots in maritime engineering, but one thing remains the same. It is still helping customers solve their engineering challenges by creating market leading technologies for the future.

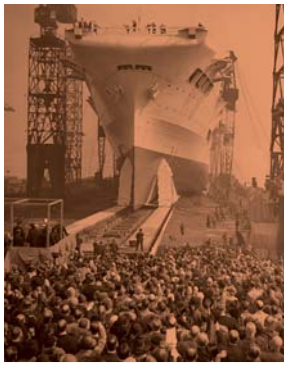
1824

William Laird establishes Birkenhead Ironworks near Liverpool, UK. The company advances the development of iron and steel ships using boiler making and propulsion techniques.

1898 Laird PLC is incorporated, legally becoming a corporation.

1903 The firm merges with Charles Cammell & Company Limited, the Sheffield-based maker of high quality steel, to become **Cammell Laird & Company Limited**.

1937



HMS Ark Royal launches on 13 April to a crowd of around 30,000. The Navy's first aircraft carrier with a crew of 1,575 and space for up to 60 aircraft.

1938 Cunard White Star Liner Mauretania, built by Cammell Laird, launches on 24 July.

1950

Queen Elizabeth, The Queen Mother launches the Cammell Laird-built Ark Royal, the fourth ship to take the name at the Cammell Laird shipyard in Birkenhead, Liverpool, UK.

1972 London Transport awards the contract to supply trains to The Laird Group.

1972 The Laird Group commence production on single and twin engine aircraft for the **RAF**.

1976 Laird's Transport Division supplies rapid transit trains and cars for the **Hong Kong Mass Transit Railway System**.

1994 Laird creates an electronics business via the development of a range of Electromagnetic Interference shields.

2004 Laird enters the field of mobile communications antennae for the first time acquiring **Centurion**.

2005

The Company's thermal filler makes its debut in outer space after being selected by **NASA** for application in an Extravehicular camera on board Space Shuttle Discovery.

2015 Laird acquires **Novero**, a leading integrated vehicle connectivity systems provider and **LS Research**, a leader in wireless product design and development.

2017

Laird opens a new $14 million, 43,000 sq. ft. centre of excellence for Connected Vehicle Solutions (CVS) in **Grand Blanc, Michigan**.

Laird at a glance

Focusing our strategy in the right markets

Our Strategy

To deliver long-term sustainable growth in earnings and cash generation. To do this we will:

1. Target markets and customers with highly critical engineering and innovative solution needs.

2. Focus investment on delivering differentiated solutions in high growth segments, which allow us to capture a premium price and create real value for our shareholders.

3. Drive organic growth above the blended average growth rate of the markets that we serve.

4. Manage our portfolio of technologies and products to ensure we remain well placed for the future. We aim to ensure no over-reliance on any one customer, technology or market.

How we structure ourselves

1. Performance Materials

The division creates industry-leading solutions which protect electronics by conducting harmful waste energy streams (e.g. heat and electrical noise) safely away from devices. Our high-performance products include: Precision Metals, Thermal materials, EMI shielding, and Magnetic and Ceramics products that protect signal integrity. The division also includes Model Solution, our prototype and mock-up business based in South Korea that is a specialist in designing and manufacturing fast turnaround prototypes. Model Solution is currently classified as an asset held for sale as the Board expects to dispose of the business in the next 12 months.

We partner with customers to identify and solve complex problems as technology changes and devices shrink. Our customers are redefining the future of technology and include smartphone handset manufacturers, telecom infrastructure providers, automotive suppliers and military firms.

2017 revenue

£448.3m

2. Connected Vehicle Solutions

We are a market leader in providing customised multi-functional antenna products to fit the needs of the large automotive manufacturers. We offer a complete set of products that integrate smart devices into the vehicle, including wireless charging systems, USB hubs and compensers. We develop vehicle connectivity devices: connectivity platforms that process connectivity signals and distribute those signals to various parts of the vehicle.

The breadth of Laird's product offering and strong market position in antenna ensures we are well placed to take advantage of the market trend of increased connectivity in the vehicle.

2017 revenue

£318.6m

3. Wireless and Thermal Systems

We are a market leader in wireless connectivity and thermal solutions, designing, manufacturing and supplying products suitable for a range of applications, including: industrial and commercial antennae, commercial wireless connectivity (Bluetooth and Wi-Fi radios), industrial control systems and active engineered thermal management systems.

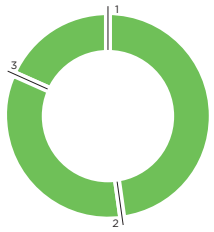
Our products ensure safety and improve efficiency for our customers by helping to connect different products and applications and control critical processes. Our products are designed to provide continuous connectivity performance in extremely challenging and harsh environmental conditions. Our customers include large healthcare manufacturers, developers of high-density infrastructure, railway and mining operators.

2017 revenue

£169.7m

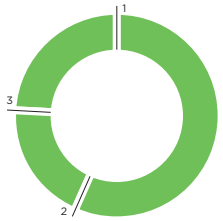
5.
Deliver a business with an improved and more sustainable cash generation profile.

Revenue by division



1:	PM	£448.3m
2:	CVS	£318.6m
3:	WTS	£169.7m

Segment underlying operating profit by division



1:	PM	£47.0m
2:	CVS	£15.9m
3:	WTS	£19.8m

The markets we serve and the drivers of growth

1. Telecom and Computing:

Our products protect sensitive electronics from the impact of waste energy (e.g. escalating temperature and EMI issues), ensuring maximum performance over the life of the device. Growth is driven by ever-improving functionality and increased data usage.

2. Mobile Devices:

We create performance enhancing solutions that enable an 'always on' world. Growth is driven by demand for higher specification, thinner, lighter design as well as miniaturisation of components and increasing device density.

3. Connected Transport:

We help to redefine mobility with smart technology. Growth is driven by a widespread increase in the deployment of connectivity solutions in passenger cars, heavy equipment and fleet management. The emergence of 4G/LTE and the forthcoming evolution to 5G is driving automotive manufacturers to upgrade their antennae to multiple input, multiple output (MIMO) technology.

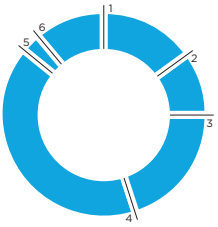
4. Connected Industry:

We use industrial strength connectivity to accelerate critical workflows. Growth is driven by increased use of wireless automation solutions that improve productivity in safety critical environments.

5. Connected Medical:

We improve patient care by wirelessly connecting the healthcare landscape. Growth is driven by the move to improve patient care and safety through use of wireless technology.

Market split 2017 %



1:	15%	Mobile Devices
2:	10%	Connected Industry
3:	20%	Telecom/Computing
4:	41%	Connected Transport
5:	3%	Connected Medical
6:	11%	Other

We are a global organisation

16
We operate in 16 countries

10,302
Average number of worldwide employees

Key
● Our global locations

Business model

Engineering technology through collaboration

What we rely on to succeed

Financial: A strong balance sheet and significant liquidity headroom ensures the Group can invest in opportunities for long-term sustainable growth.

Products and solutions: Our industry insight across multiple markets allows us to design and develop products and solutions that solve our customer's most complex problems.

Intellectual property: We protect our systems, products and solutions through a combination of patents, trade secrets, confidentiality procedures and contractual provisions wherever possible.

People: Our future success is reliant on attracting and retaining talent in an ever-changing world. We continue to invest in our R&D teams who work closely with our customers to identify their current and future needs.

Partners and relationships: Our relationships with our strategic partners is critical to maintaining a higher quality business.

Sustainability: We are committed to continuously improving our sustainability to increase efficiency in energy, waste generation and water usage. Our manufacturing sites develop local sustainability initiatives each year in addition to centralised initiatives for shared services such as global logistics.

Our differentiators

1 **Strategy formation and planning**

The Group's strategy relies on continuing to develop innovative products and solutions, which take advantage of structural technological trends, address customer needs and give the Group a competitive advantage.

Our purpose

Engineering a world of new possibilities for our customers

4 **Flawless execution**

We have a relentless focus on driving improved operational execution across the business. The increasing use of automation capabilities ensures we deliver to time and cost.

Measuring and protecting value creation

2 Customer obsession

Our industry insight across multiple markets holds the key to solving complex problems. We operate globally. A partner to many of the world's leading technology brands.

3 World leading engineering and materials science capability

We are experts in advanced engineering and materials science, solving the challenges of today and anticipating those of tomorrow.

The value we create

Customers: Our business focuses on markets where we have world-leading engineering and materials science capability to help solve our customers' most complex problems. Our engineers push the boundaries of technology to deliver the best possible solutions for our customers.

Shareholders: By leveraging the inputs into our business and our competitive advantages we can improve earnings and cash generation. In turn, this leads to increased returns to shareholders through dividends and share price growth.

Employees: We have 10,302 employees across 16 countries. We employ diverse and talented people and give them the skills and training they need to ensure their effectiveness and their personal development. Our remuneration policy creates a strong link between the creation of value for the Company and its shareholders, with the reward of employees throughout the Group.

Suppliers: We actively engage with suppliers on continuous improvement programmes, which contribute to increased quality, improved efficiency, lower cost and improved profitability for both Laird and the supply base.

Communities: Our involvement with local communities can range from food and clothing donations to university and schools projects. We aim to foster relationships with schools and universities in a number of the locations in which we operate to help encourage and engage with designers of the future.

KPIs: see page 16 **Sustainability:** see page 24 **Principal risks and uncertainties:** see page 38 **Governance:** see page 40

Our differentiators

Engineering a world of new possibilities for our customers. Our engineering expertise, market insights and reputation for delivery make us the partner of choice for customers redefining the world through technology.

1

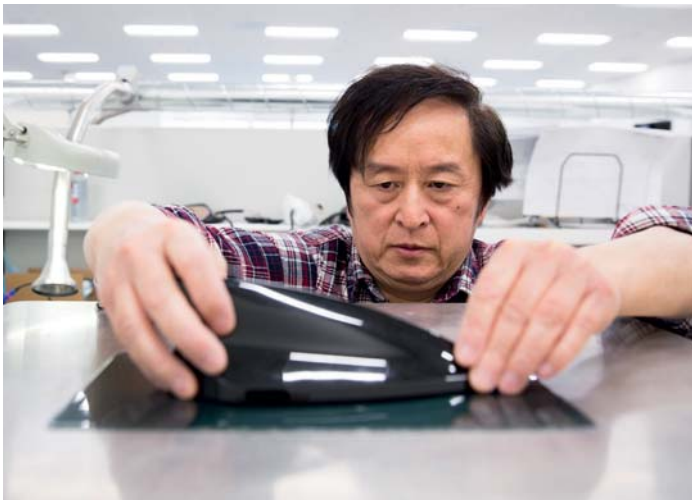
Strategy formation and planning

The Group's strategy relies on continuing to develop innovative products and solutions which take advantage of structural technological trends, address customer needs and give the Group a competitive advantage.

All three of the divisions prepare technology roadmaps that utilise current market trends and intelligence, document existing product technology and identify gaps and opportunities for the future. We believe that well designed, efficiently manufactured, innovative and differentiated products will ensure we can drive sustainable long-term earnings growth and cash generation for our shareholders.

We are very well positioned in end markets that have significant growth opportunities and require advanced engineering solutions. As the world becomes increasingly connected and devices become more compact and more powerful, our customer problems become more challenging and often require a combination of technologies that deliver a high-value solution.

The Group continues to manage actively concentration risk across all divisions to ensure no over-reliance on any one customer, technology or market. To help achieve this we undertake three-year financial planning at a strategic customer level.



BUSINESS MODEL IN ACTION

We are well placed to take advantage of the growth in connectivity within automotive.

Our broad range of products, including antenna, vehicle connectivity devices and smart device integration products, allow us to provide the large car manufacturers with cutting edge technology for more premium vehicles.

The Performance Materials division provides components that help manage the thermal and EMI shielding challenges within the vehicle.

2

Customer obsession

Our industry insight across multiple markets holds the key to solving complex problems.

We actively seek to build close working relationships with our large customers to create strategic customer accounts. We have established partnerships with many large OEMs across different markets who we discuss future market growth and product requirements with. Where the market is more fragmented, we employ the targeted use of distributors and agents to ensure optimum profitability.

We operate globally but our customers see us as a local partner.

We aim to be a trusted partner to our customers by creating innovative customer solutions, providing high quality engineering and operating efficient manufacturing processes. We base our R&D centres close to our customers to ensure that we can work closely throughout the product design and development phase. At the same time, where efficient, we utilise low cost manufacturing hubs to ensure we can offer competitive pricing.

BUSINESS MODEL IN ACTION

We are helping to set the pace for automotive connectivity.

In just a few short years, the idea of 'connected vehicles' has moved from blue-sky thinking to everyday media headlines – and technology from our Connected Vehicle Solutions (CVS) division is playing a key role in that transformation.

We're the largest supplier of antennae to the Big Three automakers in the US, with a track record of building excellent customer relationships. So when we outgrew our facility it was strategically important to stay close to our customers.

Our new $14m, 43,000 sq. ft., 14.5 acre centre of excellence in Grand Blanc, Michigan is helping us to set the pace for automotive connectivity, today and into the future. Product Development Engineering Manager Jason Stoddard who, alongside Jason Furr, was responsible for seeing the project through from start to completion said, "As this is the hub of the auto industry in North America and because we wanted to retain our talented people, it was vital that we didn't move far. The new centre gives us more room and improved facilities while also reflecting our image and reputation as a world-class engineering company."

Our differentiators
continued

3

World leading engineering and materials science capability

We are experts in advanced engineering and materials science, solving the challenges of today and anticipating those of tomorrow.

Laird's ability to maintain its market leading position depends largely on its ability to enhance existing product offerings and develop and acquire new products and technologies. The Group's R&D teams have extensive expertise and work closely with our customers to identify their current and future needs.

We protect our systems, products and solutions through a combination of patent, trademark, copyright and trade secret laws and confidentiality procedures and contractual provisions wherever possible.

The Group continues to invest significantly in research and development to ensure it remains at the forefront of materials science and connectivity technology.

Where the customer contract potential is large enough, we design and manufacture bespoke products for specific customers. If the end market is more fragmented, we focus on delivering platform products that can be used across a broad range of customers, with some personalisation.

BUSINESS MODEL IN ACTION

All systems undergo a rigid quality verification and validation to ensure the highest level of performance and reliability.

4

Flawless execution

We have a relentless focus on driving improved operational execution across the business. The increasing use of automation capabilities ensures we deliver to time and cost.

We are focused on improving our operational capabilities that deliver for customers on time, with high quality and at a market leading cost efficiency.

Continuous improvement programmes, including the use of lean manufacturing techniques, are embedded into the divisional strategies to ensure we drive operating margin improvement.

Our increasing use of automation capabilities ensures we deliver to time and cost. By ensuring high quality engineering and manufacturing processes we are able to meet rapid changes in customer demand.

During 2016 and 2017, we have streamlined the number of our manufacturing sites as part of the re-design of our operating model. At the same time, we have centralised our distribution facilities and created hubs for R&D and engineering. As a result of these significant changes, we are now able to leverage our production capabilities and continue to improve our cost competitiveness.

BUSINESS MODEL IN ACTION

We are always looking for ways to improve our operational excellence.

Every year each of the divisions identifies cost improvement programmes that can be delivered to offset inflationary pressures and the pricing pressures seen in some of our end markets.

Chairman's statement

The business now has much more robust foundations and is better placed to take advantage of future opportunities.

Focused on performance for stakeholders

Interim dividend per share

1.13p

Basic earnings/(loss) per share

15.8p
(2016: (31.8)p)

Underlying basic earnings per share†

11.1p +5.7%
(2016: 10.5p)*

AGM on

27.04.18

I am pleased to report a very much improved performance for Laird in 2017. After a difficult 2016, the swift and comprehensive action taken to address the problems has delivered reassuring results. We have achieved significant progress in financial performance, with substantial growth in revenue and a large increase in profit. Following completion of the rights issue at the start of the year, the balance sheet is much strengthened. The business now has much more robust foundations and is better placed to take advantage of future opportunities.

I have been particularly encouraged by the steps that have been taken to streamline the organisation and strengthen the management of the Company. The consistency of delivery across the business this year has been in no small measure due to these changes. The Board is confident about its plans and the Company's potential. However, it has been disappointing not to see the significant progress that the Company has made reflected in the share price.

The Board has now received an offer from Advent International that represents an attractive 72.6% premium to the closing share price as at 28 February 2018 and provides our shareholders with the certainty of realising value from their investment in the form of cash. We are recommending to our shareholders that this offer is accepted.

Board

The Board reacted well to the difficulties in 2016 and continued to challenge and support management on both operational and strategic issues during 2017.

Following the appointment of Wu Gang as a new Non-Executive Director on 1 January, there were no further additions to the composition of the Board in 2017.

I should like to express the Board's appreciation of our former colleague, Sir Christopher Hum, who retired from the Board after 10 years of service in May 2017. His judgement and wisdom were greatly valued.

We take board evaluation very seriously. We addressed points arising from a board evaluation in 2016 and have recently undertaken an independent evaluation led by Korn Ferry.

* 2016 earnings/(loss) per share has been restated for the 2017 rights issue.

We have achieved significant progress in financial performance with substantial growth in revenue and a large increase in profit

Dividend

In the light of the offer from Advent International, the Board will not recommend a final dividend for the year 2017.

People

The recovery and the momentum that has been built in the business in 2017 would not have been possible without the hard work of Laird's people. I would like to thank them for their commitment. They deserve credit for the much stronger performance delivered by the Company during the year.

In a global, dispersed workforce, regular and transparent communication is essential. I was therefore particularly pleased at the excellent participation in the Laird Employee Engagement survey in 2017 and at the good and improved overall score for the business. The Board has visited several Laird sites over the year, taking the pulse of the Company. It also participated in a recent Leadership Meeting. This approach builds a culture of openness, support and constructive challenge which is vital for Laird's success.

As three years have expired since our last Directors' remuneration policy was approved in 2015, the Board is bringing a proposal to shareholders for a new incentive framework for approval this year. At the same time, we will align share-based incentive awards for senior management with those of the Executive Directors to ensure that all management awards are linked to delivery against targeted business performance objectives.

Outlook

Last year, I said that I remained confident about the potential of Laird and its ability to deliver for our shareholders. Operationally, we have recovered well from 2016 and delivered ahead of expectations in 2017.

We have put in place the teams and structures to underpin growth, build on Laird's market positions and deliver long-term sustainable earnings growth and improved cash generation.

We feel that the offer received from Advent International is one which our shareholders would wish us to accept and that it will be easier for the Company to implement its plans in a private environment.

All successful companies need to be valued by their customers. Laird has been providing products and solutions for almost 200 years and our customer survey in 2017 showed that the Company retains its good reputation in the eyes of its customers. Our end markets remain strong and Laird's businesses can look to the future with growing confidence.

Dr Martin Read, CBE
Chairman

1 March 2018

Chief Executive's review

Our goal is to deliver long-term, sustainable revenue and earnings growth.

As we announce our results for 2017, the Board has received and is recommending an offer from Advent International to buy the company. Laird is a high quality engineering business, with great products, people and technology, as the offer, and our 2017 results, both demonstrate. I will say more on the future of the Company in my outlook below.

At the start of 2017, I said that my focus on improving the efficiency and profitability of our operations would be relentless. I am pleased that this forensic approach to operational improvement has brought much improved full year results. Laird has delivered a strong profit uplift and entered 2018 with encouraging momentum.

Our goal is to deliver long-term, sustainable revenue and earnings growth for our shareholders. This year we have made progress across all three divisions, as a result of the actions taken to improve performance.

A stronger company with encouraging momentum

Our ambition is to be the partner of choice for our customers, who are redefining the world through technology. We aim to harness our engineering expertise, our market insights and our reputation for delivery, to outperform our competitors. In doing so, we will deliver a powerful investor proposition.

In 2017, we began putting the components in place to achieve this objective. In addition to the operational improvements, I have strengthened Laird's executive team significantly and embedded a new, simplified divisional structure.

We will deliver our vision through a laser-like focus on excellent customer service; through flawless execution; and through continued investment in the world class engineering and materials science talent that is a key differentiator for Laird.

In the short-term, we are much improved but far from perfect. There are further opportunities in front of us to improve our operational and commercial performance, and this will be a key theme for us in 2018.

Divisional highlights

2017 saw significant benefits from the simplified structure, which has brought efficiencies and enabled a greater focus on complementary markets and technologies.

In its first year, the new Wireless and Thermal Systems (WTS) division performed well. The potential here is substantial, and we will continue to make the investments needed to secure future growth opportunities.

WTS covers three broad technologies: connectivity, controls and active thermal management. We brought these together to better leverage the substantial array of engineering skills and technologies at our disposal. Connectivity and Thermal both delivered year-on-year revenue progress, with Connectivity being the stronger. The Controls product group was impacted in the previous year by the significant external headwinds in one key market, the US rail freight sector. The market has not yet rebounded, although we do expect it to strengthen over time. In the meantime, there has been some encouraging early progress in our plan to diversify, both by product and geographies.

Looking ahead, an area with some potential for WTS is Machine Condition Monitoring, a high-growth market addressing strong customer demand for solutions that contribute to productivity and efficiency, by monitoring performance of critical industrial equipment. Laird has a track record of excellence in wireless connectivity and deep expertise in mission-critical environments, which will be highly relevant.

In Performance Materials (PM), we saw good revenue growth, albeit against a relatively weak comparative in the prior year. We have focused on improving the productivity of our manufacturing and operations, as well as improving our internal processes and correcting our commercial inefficiencies.

The top line performance in 2017 demonstrates that the actions taken to stabilise and improve our commercial and operational performance in PM have delivered results, with growth in all parts of the division, but particularly in Thermal Materials and Precision Metals. In Thermal Materials, the automotive market presents an attractive growth opportunity where we may have a real opportunity to generate value. The proliferation of electronics within the vehicle requires thermal and shielding solutions, where we very much excel. Medical and absorber markets in Europe and the US are also promising focus areas.

In PM, we are working to establish a model that can deliver earnings growth, year-on-year, through the smartphone cycle. This requires targeted investment in non-smartphone business, to drive diversification. We aim to leverage our unique materials science capability to develop differentiated solutions for our customers, a key to driving future profitability.

In Connected Vehicle Solutions (CVS), we are delivering strong revenue growth. In 2017 we exceeded $750m in future contract wins, which will fuel growth in future years. CVS has a full connectivity package to offer the major automotive manufacturers, and within that a strong suite of connectivity and smart device integration products. As a leading global provider of end-to-end automotive connectivity, we have continued to benefit from the very strong relationships we have established in both the US and Europe.

It is a market with very strong growth dynamics, but also highly competitive. It takes early investment to win contract opportunities, and that impacts margins. But we focus continually on sharpening our operations to maximise internal efficiencies.

An important step for us this year was the establishment of our new research and design centre in Grand Blanc, Michigan, in the heart of America's automotive industry. With state-of-the-art engineering and design facilities, testing laboratories for quality assurance, and other facilities, this new centre keeps Laird at the forefront of automotive connectivity R&D.

People

Laird's people are our enduring advantage, and in the last 12 months, I have significantly strengthened Laird's leadership team. I want to thank the new executive team for driving our strong performance this year. Laird will only grow and prosper if we have the right people and invest in human capability across the company. Together we will write the next chapter in Laird's story.

Outlook

Laird made significant progress and delivered a much improved performance this year, underpinned by our resolute focus on operational excellence. The steps taken have laid the firm foundations needed to build a platform for the future.

We have started 2018 with good underlying trading momentum across the majority of the business, with new business wins and new product launches expected to support future growth. We expect to demonstrate continued progress in underlying financial performance this year, despite possible challenges in premium smartphone end markets.

However, as I write this we do have currency headwinds against our reported results, which are in Sterling. This should not distract from driving improvements in the sustainability of underlying profit and quality of earnings, over the long term.

Revenue

£936.6m +16.8%
(2016: £801.6m)

Underlying profit before tax†

£67.3m +31.7%
(2016: £51.1m)

Reported profit/(loss) before tax

£57.0m
(2016: £(122.3)m)

We aim to harness our engineering expertise, our market insights and our reputation for delivery, to outperform our competitors

The strong results secured by the actions taken over the past 12 months demonstrate the underlying strength of Laird. This strength has been recognised by Advent International who have offered a substantial premium to buy the Group. With almost 200 years of history, Laird has significant prospects to grow and strengthen for many more years to come.

Tony Quinlan
Chief Executive

1 March 2018

KPIs

We use a variety of metrics to measure performance. Please see pages 26 to 29 for discussion on APMs and reconciliation to GAAP measures

Measuring our performance

We have aligned our KPIs with our strategy:

1. Target markets and customers with highly critical engineering and innovative solution needs.

2. Focus investment on delivering differentiated solutions in high growth segments, which allow us to capture a premium price and create real value for our shareholders.

3. Drive growth above the blended average growth rate of the markets that we serve.

4. Manage Laird's portfolio of technologies and products to ensure we remain well placed for the future. We aim to ensure no over-reliance on any one customer, technology or market.

5. Deliver a business with an improved and more sustainable cash generation profile.

What we measure

1. Revenue

£936.6m +16.8%
(2016: £801.6m)

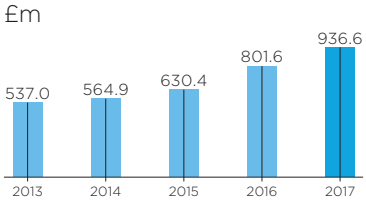
Definition: Current year revenue from the financial statements.

Aligned to strategy point: 3

Why we measure: Quantifies the growth in revenue to external customers.

How we did: We achieved 16.8% growth in revenue in 2017 with all three divisions contributing to the growth.

Focus for 2018: Our strategy is to grow revenue above the blended average growth rate of the markets that we serve.



2. Underlying profit before tax

£67.3m +31.7%
(2016: £51.1m)

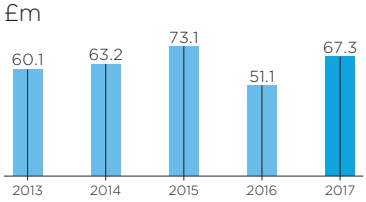
Definition: See page 27 for a full definition and reconciliation.

Aligned to strategy point: 3

Why we measure: The Board believes this to be a consistent measure of trading performance, aligned with the interests of our shareholders. The Group is targeting long-term sustainable improvement in this measure.

How we did: Underlying PBT of £67.3m was up 31.7% on 2016, with increased segment operating profit in all three divisions.

Focus for 2018: We expect to continue to make improvements in underlying profit in 2018, however, volatility in exchange rates is expected to present a significant headwind.



3. Underlying basic earnings per share

11.1p +5.7%
(2016: 10.5p)

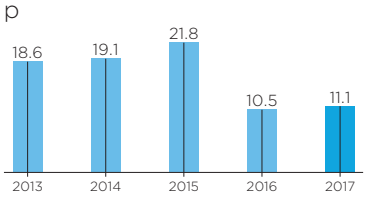
Definition: See page 28 for a full definition and reconciliation.

Aligned to strategy point: 3

Why we measure: Reports the underlying profit generated on a per share basis, demonstrating the value being created for shareholders. Also links to the Group's dividend policy and gives an indication of our ability to pay dividends from underlying profit.

How we did: A 5.7% increase to 11.1p. The increase in the year was significantly less than the growth in underlying profit before tax due to the dilutive impact of the rights issue that completed in April 2017.

Focus for 2018: Grow underlying earnings per share in line with underlying profit before tax.



What we measure

4. Operating cash conversion

67% +22%
(2016: 45%)

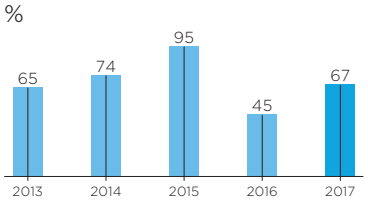
Definition: Operating cash flow expressed as a percentage of underlying operating profit.

Aligned to strategy point:
5

Why we measure: Measures cash generation and our capacity to pay dividends and service debt.

How we did: Operating cash conversion improved significantly to 67% in the year, up from 45% in 2016. This was driven by improved profitability and lower capital expenditure.

Focus for 2018: Continued improvement through better working capital management, targeted capital investment and fewer exceptional costs.



5. Net Debt: EBITDA

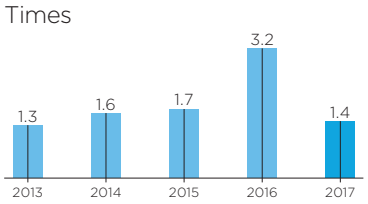
1.4x
(2016: 3.2x)

Definition: See pages 26 and 27 for a full definition and reconciliation.

Why we measure: Confirms compliance with the covenant maximum of 3.5 times and demonstrates the level of headroom to the covenants.

How we did: During the year, the leverage ratio improved significantly to 1.4x driven by the successful completion of £185m rights issue in April and improved profit generation across the Group.

Focus for 2018: We expect the leverage ratio to stay within our medium-term guided range of 1.0x to 2.0x.



6. Interest Cover

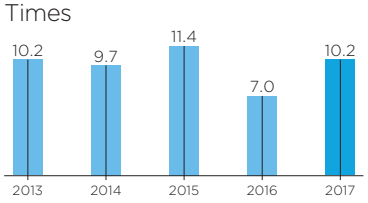
10.2x
(2016: 7.0x)

Definition: Covenant EBITA divided by cash interest expense.

Why we measure: Confirms compliance with the covenant minimum of 3.0 times and demonstrates the level of headroom to the covenants.

How we did: 10.2x interest cover, improved from 7.0x in 2016.Significant headroom on this banking covenant measure.

Focus for 2018: Our interest charge is expected to decrease due to the lower level of borrowings we have following the successful completion of the rights issue.



7. Return on capital employed

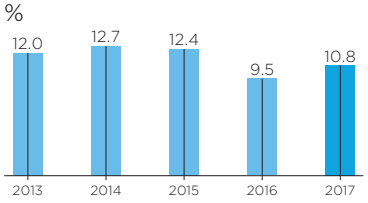
10.8% +1.3%
(2016: 9.5%)

Definition: Underlying operating profit divided by average equity attributable to owners of the parent company and net debt.

Why we measure: Provides an indication of how we are performing relative to our peers and against our cost of capital.

How we did: During the year, return on capital employed increased to 10.8% from 9.5% in 2016, driven by the improved profitability across the Group.

Focus for 2018: Continue to improve the return on capital employed in line with profitability.



8. R&D % to revenue

9.7% +1.0%
(2016: 8.7%)

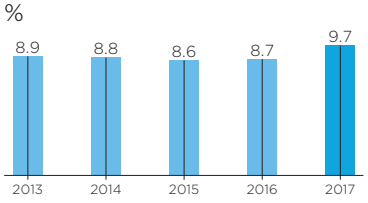
Definition: Expenditure on research and development, before capitalised development, as a percentage of revenue.

Aligned to strategy point:
1,4,2

Why we measure: Demonstrates our commitment to innovation as a growth driver.

How we did: R&D increased to 9.7% to sales in 2017 as we invest in engineering capability and new products to support future revenue growth.

Focus for 2018: We will continue our investment alongside our strategic priority of delivering sustainable revenue and earnings growth.



We are relationship builders

As vehicles become more automated and the systems they rely on increase in technical complexity, successful product development can sometimes be based on qualities that are decidedly less high tech – old fashioned human interaction and teamwork, for example.

CASE STUDY: CONTINENTAL AUTOMOTIVE

Forging deep customer relationships based on trust and mutual respect.

In Germany, our Performance Materials (PM) division works with Continental Automotive GmbH (Continental), a major supplier of radars, infotainment systems, dashboards, tyre pressure monitoring systems, vehicle diagnostic tools and other products to the European OEM market. "We've collaborated closely for many years – and in that time we've built a proactive relationship based on trust and mutual respect," explains Stefan Suslik, Strategic Account Director Automotive at PM. "Continental aims to establish a teamwork approach with its key suppliers, and our technical and sales teams talk with their counterparts at Continental on a regular basis. It's an approach that works well for both parties – our sales with Continental have trebled in the last three years and at any time we will have around 20 different projects underway together."

One such project has involved PM producing innovative electromagnetic interference (EMI) shielding for a network control module that manages a car's engine and some safety systems. Teams from Laird and Continental jointly designed the solution to meet the target of zero defects in design and production. "Our challenges included incorporating an in-line cleaning module into the manufacturing process, to help ensure product cleanliness," adds Stefan. "This project has been an excellent demonstration of partnership in action – thanks to its success, PM now supplies shields to more than 10 European locations of Continental."

Image: **Petr Stryal,** Process Engineer. Liberec

Divisional review

Creating industry-leading solutions which protect electronics.

Performance Materials

Revenue

£448.3m +13.5%
(2016: £395.0m)

Segment underlying operating profit

£47.0m +10.8%
(2016: £42.4m)

Operating Margin*

10.5%
(2016: 10.7%)

The division creates industry-leading solutions which protect electronics by conducting harmful waste energy streams (e.g. heat and electrical noise) safely away from important components within devices. Our high-performance products include: Precision Metals, Thermal Materials, EMI shielding, and Magnetic and Ceramics Products that protect signal integrity. The division also includes Model Solution, our prototype and mock-up business based in South Korea that is a specialist in designing and manufacturing fast turnaround prototypes. Model Solution is currently classified as an asset held for sale as the Board expects to dispose of the business in the next 12 months.

We partner with customers to identify and solve complex problems as technology changes and devices shrink. Our customers are redefining the future of technology and include smartphone manufacturers, telecom infrastructure providers, automotive suppliers and military firms.

Review of the year

The priority for the past year has been to stabilise the financial performance of the division, following on from a challenging 2016. Total revenue grew by 13.5% to £448.3m (2016: £395.0m) and on an organic constant currency basis, revenue was 8% higher, albeit against a relatively weak comparative in the prior year.

The revenue growth in 2017 demonstrates that the actions taken to stabilise and improve commercial and operational performance in the division have delivered results, with particularly strong growth in Precision Metals, Magnetic and Ceramic Products and Thermal Materials. During the year we focused on ensuring we have tight commercial controls and disciplines in place, especially around the interface with the customer. This, combined with customer obsessed deployment across our huge portfolio of application solutions, has been a critical contributor to the improved performance.

With respect to market performance, we experienced strong revenue growth in smartphones, military and consumer electronics. The proliferation of electronics within the vehicle, requiring solutions to waste energy challenges, continues to drive performance in automotive.

Our broad range of materials science capabilities and increasing ability to deliver multi-functional solutions that address multiple application challenges simultaneously, ensures we are well placed to help solve the complex needs of our customers in a wide variety of markets.

Underlying operating profit in the year was £47.0m (2016: £42.4m) as a result of the organic revenue growth†. Operating margin declined to 10.5% (2016: 10.7%) as a result of the adverse impact of exchange rate movements between the US Dollar and RMB and a mix shift towards lower gross margin handset volumes.

Outlook

In Thermal Materials, the automotive market presents an attractive growth opportunity where we may have a real opportunity to generate value. The proliferation of electronics within the vehicle requires thermal and shielding solutions, where we excel. Medical and Defence markets in Europe and the US are also promising focus areas.

On the consumer electronics front, proliferation of the 'Connected Home', continuing and evolving growth in wearable technologies and the mainstream emergence of other consumer devices such as drones combine to ensure a broad front of opportunities to grow with new customers. We continue to focus on driving sales with new products.

We also continue to work on establishing a model that can deliver earnings growth, year-on-year, through the smartphone cycle; while targeting investment in non-smartphone business to drive diversification. We aim to leverage our unique materials science capability to develop differentiated solutions for our customers, a key to driving future profitability.

A lean and highly efficient manufacturing process remains a critical focus for the division as we move towards creating a higher quality business and improved operating margins.

* Operating Margin is defined as Segment adjusted operating profit divided by Segment revenue.

Divisional review

Helping our customers make the connected car a reality.

Connected Vehicle Solutions

Revenue

£318.6m +26.4%
(2016: £252.1m)

Segment underlying operating profit

£15.9m +22.3%
(2016: £13.0m)

Operating Margin*

5.0%
(2016: 5.2%)

We are a market leader in providing customised multi-functional antenna products to fit the needs of the large automotive manufacturers. We offer a complete set of products that integrate smart devices into the vehicle, including wireless charging systems, USB hubs and compensers. We develop vehicle connectivity devices: connectivity platforms that process connectivity signals and distribute those signals to various parts of the vehicle.

The breadth of our product offering and strong market position in antenna ensures we are well placed to take advantage of the market trend of increased connectivity in the vehicle.

Review of the year

This has been a successful year for CVS, with the division delivering superior revenue growth in a buoyant and competitive market. Content requirements in the vehicle continue to increase and our broad product offering has proven to be a real advantage. Total revenue grew by 26% to £318.6m (2016: £252.1m), and on an organic constant currency basis, revenue was 18% higher. This was driven by continued strong performance in multi-functional antennae and the high growth in demand for smart device integration products. We continue to benefit from the strong relationships we have with automotive manufacturers in both North America and Europe.

On top of this strong revenue growth, the future contract pipeline continues to build. During the year, we won contracts totalling $750m that are due to go into production between 2019 and 2025. There was continued progress in Asia, with new contract wins worth over $100m in China and first time contract wins with customers in Japan. Progress in these markets has been part of our overall strategy since 2013 and we continue to strengthen our sales and engineering teams in the region to take advantage of the opportunity that continued deployment of 4G brings for our multi-functional antenna business.

During the year we opened a new $14m state-of-the-art research and design facility in Grand Blanc, Michigan providing engineering solutions, sophisticated testing labs for quality assurance, an outdoor testing range and one of two world class testing chambers that we own. The other is at our facility in Hildesheim, Germany. This new, 43,000 sq. ft. facility also provides us with space for future expansion to design and test new technologies. The Grand Blanc site is a reflection of a broader strategy to ensure we have high quality global design centres, combined with an efficient manufacturing footprint.

As previously announced, we exited our loss making site in Brazil.

Underlying operating profit in the year was £15.9m (2016: £13.0m) as a result of the strong revenue growth. Operating margin declined marginally to 5.0% (2016: 5.2%) as a result of the continued investment in research and development resources to win and deliver future contracts, as well as the adverse impact of exchange rate movements between the US Dollar and RMB.

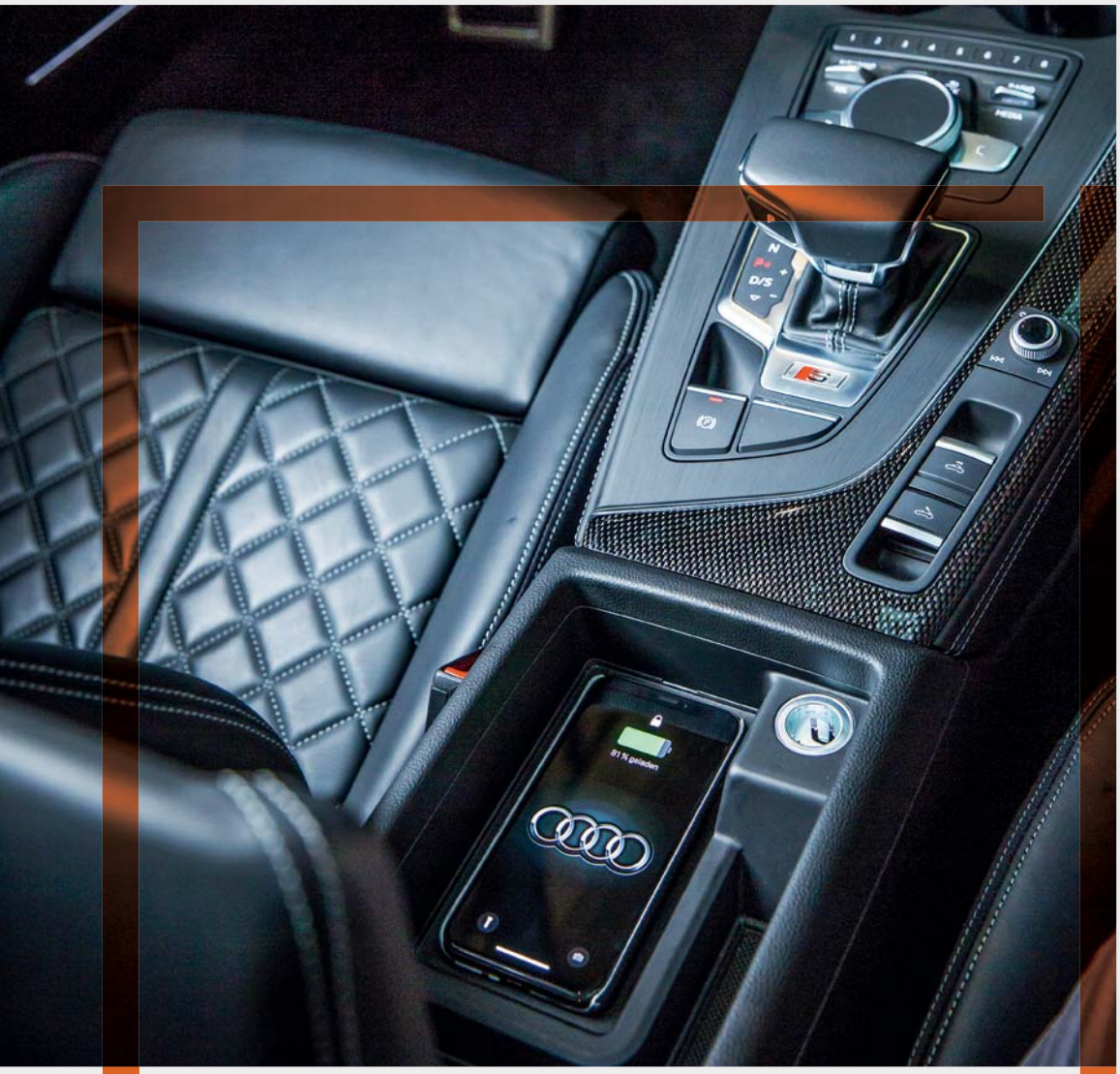
Outlook

Our market-leading reputation as an advanced antenna provider ensures we are well positioned to take advantage of the move to 5G vehicle connectivity, which in turn will enable functionality such as in-car Wi-Fi calling. The next generation of vehicles will be focusing on hidden antennas which give teams designing the vehicles more flexibility in the look and feel of the vehicle.

As one of the world's leaders in wireless charging in the vehicle, we are well positioned to take advantage of this strong customer desire as increasing numbers of mobile phones enable this technology. The expansion of wireless charging products to North America and Asia provides a significant revenue opportunity over the next three years. We remain on course to deliver $500m of revenue in 2020.

There remains significant opportunity to improve operating margin, through increased operating leverage, improved operating efficiencies and the wind down of low margin/loss making contracts that came with the acquisition of Novero in 2016.

* Operating Margin is defined as Segment adjusted operating profit divided by Segment revenue.



We are collaborators

The safe use of smartphones has quickly become established as an essential part of the motoring experience. But while the mobile and automotive industries have successfully developed advanced in-car communications, the power-hungry nature of these devices has created an entirely new challenge: how best to charge a smartphone inside a vehicle, without cumbersome cables?

CASE STUDY: AUDI

Transforming the driver experience

We began working with Audi, one of the leading exponents of in-car communication, on this issue back in 2012. Today, the relationship between our Connected Vehicle Solutions (CVS) division and Audi has led to our wireless charger being integrated into all current Audi models. To date, around 500,000 wireless chargers have been installed at Audi – and just under one million in the entire Volkswagen Group – and 2018 will see sales figures double.

Drivers and passengers have gained great benefits from our partnership. In addition to fast, safe and convenient wireless charging, the advantages include being able to use the smartphone to take over the functions of the car key, such as opening and closing the vehicle and starting the engine.

Holger Thiel, project leader of wireless charging at Audi, describes the collaboration with Laird as very positive and emphasises the value of our advanced development work. “For us, it is crucial to keep to our tight scheduling. Without preliminary development and prototyping by the supplier, this can’t be done.”

“When our purchasing department sends out the booklet with the requirements to the supplier, the supplier should already have the prototype ready. That was the case with the wireless charger from Laird, and it saved us time and work. This allowed us to deliver the highest level of comfort to our customers as quickly as possible.”

Image: Audi wireless charger.

We are lifesavers

When something goes wrong in a heavily automated environment, every second counts. The time between spotting a problem and shutting down machinery via an emergency stop can quite literally be the difference between life and death.

CASE STUDY: E-STOP

Ensuring a safer workforce

According to Occupational Safety and Health Administration (OSHA), in 2015 almost 5,000 workers were fatally injured in industrial accidents. A new development by our Wireless and Thermal Systems (WTS) division has the potential to drastically reduce those industrial accidents. Our Safe-E-Stop product is a wireless solution that attaches to the waistband of any operator, of up to five authorised users per active piece of equipment. In the event of a stoppage requirement, instead of running to the pushbutton – which may be inaccessible – the authorised user simply hits the button on the Safe-E-Stop. The result? Shutdown is typically achieved within half a second, which means reduced equipment damage, less product loss and, crucially, a safer and more productive workforce. Safe E-Stop is fundamentally changing the landscape through untethered safety response capabilities and user mobility within industrial applications.

"The development of Safe-E-Stop is a great example of how Laird's global experience and understanding of end market needs and wireless technology can drive new product development and create new revenue opportunities," says David Stagg, Product Manager. "We had an existing emergency stop solution which we were selling into another industry and we identified opportunities for a custom-designed ergonomic emergency stop for the automation marketplace. In effect, we took a proven concept and applied the expertise and experience gained in one sector in order to move Laird into a new and potentially very exciting market."

"We presented our initial concept during the Rockwell Automation Show – and the interest it generated was incredible. This confirmed our view that Safe-E-Stop would win business across the automation sector, and gave us the confirmation to develop it into a product. Right now, we're in the early stages of marketing and Laird is talking with a large number of major customers. We expect significant sales of Safe-E-Stop in North America during 2018, and global growth in 2019 and beyond."

Top left: Laird provides decades of expertise in wireless safety solutions.

Top right: Safe E-Stop enables user mobility and reduced safe response time.

Bottom: All systems undergo a rigid quality verification and validation to ensure the highest level of performance and reliability.

Divisional review

Delivering world-class connectivity and thermal solutions.

Wireless and Thermal Systems

Revenue

£169.7m +9.8%
(2016: £154.5m)

Segment underlying operating profit

£19.8m +38.5%
(2016: £14.3m)

Operating Margin*

11.7%
(2016: 9.3%)

We are a market leader in wireless connectivity and thermal solutions, designing, manufacturing and supplying products suitable for a range of applications, including: industrial and commercial antennae, commercial wireless connectivity (Bluetooth, Wi-Fi, and multi-function modules), industrial control systems and active thermal management systems.

Our products ensure safety and improve productivity for our customers by helping connect their products, control critical processes, and provide data for real-time operating decisions. Our products are designed to provide continuous connectivity in extremely challenging and hostile environments. Our customers include large medical and laboratory equipment manufacturers, developers of high density infrastructure, industrial processors, municipalities, and railway and mining operators.

Review of the year

The focus of the past year has been on successfully establishing this new division. We have taken three technologies (Connectivity, Controls and Thermal) from what were four separate business units to form a division where the whole is stronger than the sum of the component parts. Our application insights, capability range from design to field service, and operations leverage create unique value for our WTS customers across end markets.

Total revenue grew by 10% to £169.7m (2016: £154.5m), and on an organic constant currency basis, revenue was 4% higher, primarily driven by Connectivity and Thermal products.

Connectivity drove strong revenue and profit growth, accelerating in the second half of the year. Medical, public safety, telecom and commercial markets saw the largest growth, driven in part by new product launches throughout the year. Examples include the 60 Series Wi-Fi module targeting medical and commercial applications and the LoRa Gateway, which provides long range, low data rate connectivity across markets.

Controls stabilised financial performance through better execution in our core markets. Whilst the US rail freight industry has not rebounded materially since the sharp declines seen in 2016, our global industrial markets experienced modest growth.

Thermal saw solid revenue and accelerated profit growth during the year, streamlining operations and enhancing lead times across its product range.

We see strong growth potential in this segment as we commercialise medical markets and diversification investments from recent years.

WTS underlying operating profit in the year was £19.8m (2016: £14.3m) as a result of the organic revenue growth combined with a significant increase in operating margin to 11.7% (2016: 9.3%).

In creating WTS, we streamlined our operating structure, driving leverage and efficiency across processes and locations. We invested in sales, marketing, and product management capabilities to improve our customer and product alignment for growth.

Completion of our manufacturing footprint changes, announced in late 2015, further contributed to operating margin improvement.

Outlook

The need for tailored connectivity in industrial and commercial markets is accelerating, driving design and test services, module growth, and expansion of gateway products. Portable medical applications continue to expand, and data management and decision support has become a key differentiator across markets. 5G in high density indoor and outdoor applications is accelerating, further enhancing the growth profile for our Connectivity segment.

In Controls, recent investments made in new products, such as E-Stop (a new wireless safety system) (see opposite) and a new integrated rail platform provide solid foundations for growth. We expect to expand further outside the US rail freight market, growing our industrial range in Europe and increasing our traction in Asia.

Our Thermal segment is diversifying beyond its medical core into new markets, where heat loads and demand for active cooling systems are accelerating. For example, 5G migration and the need for higher data networking speeds has created opportunities for innovative thermal solutions that our business provides. We are continuing to expand our range of liquid cooling solutions for larger and more complex applications.

Productivity, equipment uptime, safety, and operating costs are an increasing focus for industrial customers. Solving their complex, dynamic problems requires an integrated connectivity, sensor, control, and software solution tailored to application specifics. WTS is leveraging its product and service portfolio to bring tangible solutions for these Enterprise Internet of Things (EIoT) challenges.

During 2017, we have made significant investments in new and improved products across all of our segments. These investments, combined with the changes already made to the organisational structure have set us up well to drive growth in the future.

* Operating Margin is defined as Segment adjusted operating profit divided by Segment revenue.

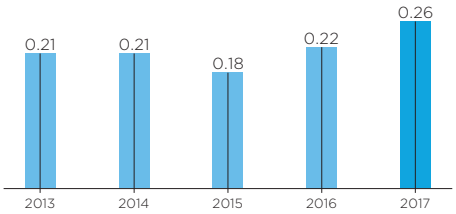
Sustainability report

We work with our employees and external stakeholders to identify the sustainability and ethics factors relevant to our business and prioritise our CSR strategy and actions.

Committed to operating responsibly

KPI Reportable accidents
(per 100 employees annualised)

0.26 +0.04%
(2016: 0.22)

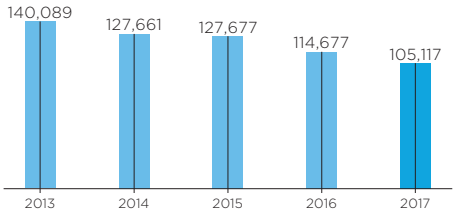


Defined as: Reportable accidents expressed per 100 employees annualised.

Reason: Monitors safety by recording the incidence and causes of accidents that result in medical attention or lost time or restricted duty.

KPI Kwh/£1m revenue

105,117 –9,560
(2016: 114,677)



Defined as: Total purchased electricity consumption for the Group in kWh, expressed as a proportion of revenue.

Reason: Measures energy utilisation.

The Board has ultimate responsibility for Corporate Social Responsibility (CSR) and recognises that behaving ethically, working safely, responsibly managing our environmental impact and contributing to the communities in which we operate, creates and sustains value for our shareholders and our wider stakeholders. Beyond a baseline of responsible compliance, we target improvement in our key sustainability indicators and operate to mitigate risks and improve our operating efficiencies as part of the day job through embedding our CSR ethos in the way we operate to drive sustained growth hand-in-hand with lower environmental impacts.

Ethics and human rights

We are committed to high standards of business ethics and the promotion of human rights within our business and in our dealings with stakeholders. We apply these standards in our dealings with employees, customers, suppliers and other stakeholders. This commitment is underpinned by a mindset of compliance with all legislative and regulatory requirements and on the maintenance of high ethical standards, within each of the territories and jurisdictions in which we conduct our business.

Our Global Code of Conduct (the Code) provides the guiding principles, forms the basis for how we do business and is rooted in the principles of honesty, integrity and fairness. The Code, which is available on our website alongside all key social responsibility policies, provides the framework for our policies, processes and procedures relating to human rights, equal opportunity, anti-slavery, ethics, compliance, anti-harassment, anti-bribery and corruption, conflicts of interest and regulatory compliance.

Our global Ethics Hotline provides a confidential way for employees to raise concerns about inappropriate behaviour anonymously. The hotline utilises an independent telephone and internet provider, offering support in local languages and has an internal escalation and resolution process.

Safety

The safety of our people and visitors to our sites is of paramount importance to management. 2017 saw an increase in the reportable accident rate against a backdrop of significant operational change as we completed a project to rationalise our global operational footprint. Having set the framework for better EHS systems of transparency and accountability, the focus of our EHS strategy in 2018 will shift to driving cultural change globally, recognising their personal ownership and empowerment on safety and environmental issues.

Sustainability and environment

We are committed to continuously improving our sustainability to increase efficiency in energy, waste generation and water usage. Our manufacturing sites develop local sustainability initiatives each year in addition to centralised initiatives for shared services such as global logistics. We have maintained our standing on the FTSE4Good index in 2017 for a 14th consecutive year.

We measure our progress by monitoring non-financial Key Performance Indicators (KPIs) which are detailed on pages 30 to 35 within this section. Our carbon emissions relative to revenue, which are driven predominantly by power usage, have been managed down in 2017 by 8% with a reduction in waste to landfill of 11% as a proportion of sales. It is anticipated that the project to rationalise our global operational footprint, which completes in 2017, will drive further environmental improvements in 2018.

CO_2 emissions

Greenhouse Gas (GHG) emissions KPI data was derived using an emissions calculator within the EICC Carbon Reporting System tool that converts actual site-level energy usage data into tonnes CO_2 equivalent (CO_2e) direct and indirect emissions.

The emissions calculator is consistent with GHG Protocol and the best available public emissions factors from sources that include the Intergovernmental Panel on Climate Control (IPCC), the International Energy Agency (IEA) and the United States Department of Energy (US DOE). Throughout 2017, we monitored energy usage and carbon emissions in our largest seven sites which account for more than 75.9% of our scope 1 and scope 2 CO_2 emissions. Total GHG at these sites in 2017 were 53,302 tonnes CO_2, approximately 15.5% above 2016 levels (46,168 tonnes CO_2).

Tonnes of CO_2 equivalent

Scope 1	4.0%
Scope 2	96.0%

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the entity such as fossil fuels burned on site and other direct sources. Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity, heating and cooling or steam generated off site but purchased by the entity.

Water

In 2017 we continued to monitor and measure water usage at Laird locations, with total usage of 459,171 cubic meters (436,537 in 2016).

Community

We have continued to focus on our place in the local communities in which we operate, with support initiatives and charitable activities, such as established support provided for local schools, driven by our operational site management teams. This approach helps embed our facilities as recognised contributors in their local environments, which has a positive impact not only on the communities but on our people and local stakeholders.

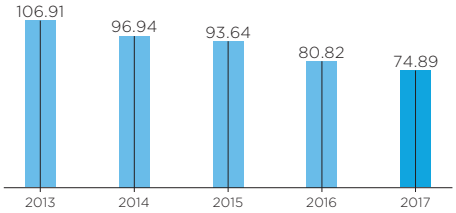
Supply chain

Management of CSR with suppliers

Laird requires all its suppliers to sign up to a Supplier Code of Conduct that mirrors our internal Business Conduct Code, covering a wide range of ethics issues including prohibiting child labour, conflict minerals and requiring action to prevent slavery and human trafficking throughout the supply chain.

KPI CO_2 emissions
(tonnes/£1m of Revenue)

74.89 –7.3%
(2016: 80.82)

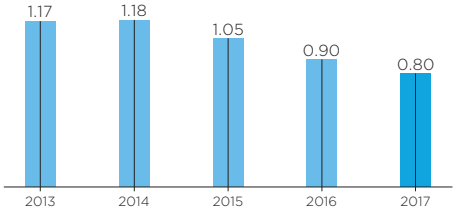


Defined as: Greenhouse gas emissions (calculated by applying specific factors to power consumption) expressed as a proportion of revenue.

Reason: We try to minimise the environmental impact of our operations.

KPI Reduction in waste to Landfill
(tonnes/£1m of Revenue)

0.80 –11.1%
(2016: 0.90)



Defined as: Total waste to landfill sites expressed as a proportion of revenue.

Reason: Measures waste management.

Gender split of permanent staff as at 31 December 2017

Board

38% Female (3)
62% Male (5)

Executive team*

43% Female (3)
57% Male (4)

* Executive team are those people who report directly to the CEO except for the CFO.

Leadership team

15% Female (9)
85% Male (52)

Management team

19% Female (34)
81% Male (146)

All company

47% Female (4,096)
53% Male (4,625)

Laird uses a team of supply chain auditors, operating in a prioritised framework, to provide assurance on compliance with the Code of Conduct as well as quality and operational requirements.

Our people

We recognise that we need to attract high quality people while retaining the skills and knowledge already present in order to build a pool of talent focused on delivering our business objectives and sustaining our success. We aim to achieve this by creating a safe, stimulating work environment which offers great opportunities and competitive remuneration. Developing the right leadership culture is central to this and we have invested many resources in crafting a strong leadership team which can support our employees in their personal and professional growth and focus on improving our operations to underpin long-term, sustainable growth for the Company.

Key Performance Indicators

In this section, we show how we are delivering against our KPIs relating to being a good citizen. Performance against our other KPIs relating to financial strength, profitable growth and investing in our business can be found in the Chief Financial Officer's report, pages 30 to 35.

Adjusted measures

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 operating profit, 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 divisions. 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:

	2017	2016
	£m	£m
Operating profit before impairment of goodwill, amortisation of acquired intangible assets and exceptional items	**76.9**	**61.9**
Amortisation of software	3.7	3.9
Amortisation of capitalised development costs	14.3	8.2
Impairment of capitalised development costs	1.8	4.9
Share based payments	2.8	1.1
Pre-acquisition gains/(losses)[1]	–	(1.2)
Adjustment for non-controlling interest[2]	(2.0)	(3.2)
Covenant EBITA	**97.5**	**75.6**
Depreciation of property, plant and equipment	22.9	22.9
Covenant EBITDA	**120.4**	**98.5**

Notes:
1. As required by the Group's Existing Finance Arrangements, the calculation of Covenant EBITA and Covenant EBITDA includes the profit or loss before tax of businesses or assets acquired during the year for the part of the year prior to the acquisition by the Group of that business asset.
2. As required by the Group's Existing Finance Arrangements, the calculation of Covenant EBITA and Covenant EBITDA is adjusted to exclude amounts attributable to the 49% of Model Solution that the Group does not own.

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:

	2017	2016
	£m	£m
Borrowings – current	0.5	0.3
Borrowings – non-current	207.8	408.8
Borrowings included in liabilities directly associated with assets classified as held for sale (note 17)	8.5	–
Borrowings	**216.8**	**409.1**
Less cash and cash equivalents	(51.3)	(64.5)
Less cash and cash equivalents included in assets classified as held for sale (note 17)	(1.1)	–
Net debt	**164.4**	**344.6**

In calculating its leverage ratio under its financing arrangements, the Group adjusts net debt to exclude the impact of foreign exchange movements (£3.2m in 2017) and the 49% of the external debt of Model Solution that the Group does not own (£3.5m in 2017). In 2017, the Group's net debt for purposes of covenant calculation was £164.1m.

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.

	2017	2016
	£m	£m
Finance costs	(9.9)	(11.1)
Finance income	0.1	0.1
Other net finance income – pension	0.2	0.2
Cash interest expense	**(9.6)**	**(10.8)**

Underlying profit before tax and underlying operating profit

The Group uses underlying profit before tax (defined as profit before tax, adding back adjustments to the fair value of financial instruments, impairment of goodwill, amortisation of acquired intangible assets and exceptional items) and underlying operating profit (underlying profit before tax, adding back finance income, finance costs and other finance revenue – pension) 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.

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

	2017	2016
	£m	£m
Profit/(loss) before tax	**57.0**	**(122.3)**
Financial instruments – fair value of adjustments	(2.8)	1.9
Impairment of goodwill	–	155.5
Amortisation of acquired intangible assets	13.8	17.2
Exceptional items	(0.7)	(1.2)
Underlying profit before tax	**67.3**	**51.1**
Finance income	(0.1)	(0.1)
Finance costs	9.9	11.1
Other finance revenue – pension	(0.2)	(0.2)
Underlying operating profit	**76.9**	**61.9**

Adjusted measures
continued

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 as profit/(loss) for the year attributable to equity shareholders of the parent company, adding back adjustments to the fair value of financial instruments, impairment of goodwill, amortisation of acquired intangible assets less amortisation of acquired intangible assets attributable to non-controlling interests, exceptional items less exceptional items attributable to non-controlling interests, tax on exceptional items, deferred tax on goodwill, acquired intangible assets and US capitalised development costs, 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 profit/(loss) before tax for the periods indicated:

	2017	2016 (restated)
	£m	£m
Profit/(loss) for the year attributable to equity shareholders of the parent company	**71.6**	**(111.7)**
Financial instruments – fair value of adjustments	(2.8)	1.9
Impairment of goodwill	–	155.5
Amortisation of acquired intangible assets	13.8	17.2
Amortisation of acquired intangible assets attributable to non-controlling interests	(1.0)	(0.9)
Exceptional items	(0.7)	(1.2)
Exceptional items attributable to non-controlling interests	0.3	–
Tax credit on exceptional items	(3.4)	(3.6)
Deferred tax on goodwill, acquired intangible assets and US capitalised development costs	(31.1)	(19.4)
US tax loss movement/(recognition)	3.5	(1.2)
Tax on amortisation of acquired intangible assets attributable to non-controlling interests	0.2	0.2
Underlying earnings attributable to shareholders of the parent	**50.4**	**36.8**
Weighted average number of shares (in millions)	**452.7**	**350.9**
Underlying basic earnings per share (in pence)	**11.1**	**10.5**

Underlying basic earnings per share for 2016 has been restated for the 2017 rights issue.

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 other non-cash items, movements in exceptionals within working capital, purchase of intangible assets (internally developed), purchase of property, plant and equipment and purchase of software. 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 defines 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.

	2017	2016
	£m	£m
Cash generated from operations	83.8	75.9
Exceptional items	(0.7)	(1.2)
Pension curtailment gain	–	1.1
Change in valuation of put and call options	2.6	3.8
Other non-cash items	0.5	–
Movement in exceptionals within working capital	19.6	13.1
Purchase of intangible assets (internally developed)	(23.4)	(19.9)
Purchase of property, plant and equipment	(28.0)	(41.4)
Purchase of software	(2.6)	(3.3)
Operating cash flow	**51.8**	**28.1**
Exceptional costs	(22.0)	(16.8)
Interest received	0.1	0.1
Interest and other finance costs paid	(10.9)	(10.5)
Tax paid	(15.0)	(14.4)
Free cash flow pre-dividend	**4.0**	**(13.5)**
Dividends	(5.5)	(35.5)
Free cash flow post-dividend	**(1.5)**	**(49.0)**

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.

	2017	2016
	£m	£m
Operating profit before amortisation and impairment of acquired intangible assets and exceptional items	76.9	61.9
Depreciation of property, plant and equipment	22.9	22.9
Amortisation of software	3.7	3.9
Amortisation of capitalised development costs	14.3	8.2
Impairment of capitalised development costs	1.8	4.9
Share based payments	2.8	1.1
Increase in working capital	(16.6)	(10.2)
Capitalised research and development expenditure	(23.4)	(19.9)
Capital expenditure less disposals	(30.6)	(44.7)
Operating cash flow	**51.8**	**28.1**
Exceptional costs	(22.0)	(16.8)
Interest received	0.1	0.1
Interest and other finance costs paid	(10.9)	(10.5)
Tax paid	(15.0)	(14.4)
Free cash flow pre-dividend	**4.0**	**(13.5)**
Dividends	(5.5)	(35.5)
Free cash flow post-dividend	**(1.5)**	**(49.0)**

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.

	2017 as reported	Acquisition adjustment[1]	Currency adjustment[2]	2017 at organic constant currency
	£m	**£m**	**£m**	**£m**
Revenue	**936.6**	**(7.5)**	**(48.1)**	**881.0**
Performance Materials	448.3	–	(22.2)	426.1
Connected Vehicle Solutions	318.6	(7.5)	(17.0)	294.1
Wireless and Thermal Systems	169.7	–	(8.9)	160.8

	2016 as reported	Acquisition adjustment[1]	Currency adjustment[2]	2016 at organic constant currency
	£m	£m	£m	£m
Revenue	**801.6**	**(3.0)**	**–**	**798.6**
Performance Materials	395.0	–	–	395.0
Connected Vehicle Solutions	252.1	(3.0)	–	249.1
Wireless and Thermal Systems	154.5	–	–	154.5

Notes:
1. Acquisitions are eliminated from 2017 and 2016 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.

Chief Financial Officer's report

Much improved results lay strong foundations for the future

The commercial strategy of the business is supported by tax-aware, commercial decisions that are made in a timely manner.

Revenue and segment adjusted underlying operating profit/margin

Revenue increased by 16.8% from £801.6m in 2016 to £936.6m in 2017. Performance Materials revenues were up 13%, Connected Vehicle Solutions revenues were up 26% and Wireless and Thermal Systems revenues were up 10%.

The table below provides further analysis of revenue and the underlying operating profit.

Revenue on an organic constant currency basis was up by 10%. This excludes revenue from acquisitions for a period of 12 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 14% of revenue (2016: 13%).

Segment adjusted operating margin* for Performance Materials was up 11% at £47.0m (2016: £42.2m), although the segment adjusted operating margin* fell to 10.5% (2016: 10.7%) as the revenue mix moved towards lower than average margin business (smartphone handsets). Connected Vehicle Solutions segment adjusted operating profit* was up 22% at £15.9m (2016: £13.0m) with segment adjusted operating margin* falling slightly to 5.0% given the continued investment in the business, particularly in engineering capability. Wireless and Thermal Systems segment adjusted operating profit* was up 38% at £19.8m (2016: £14.3m) and the segment adjusted operating margin* increased significantly to 11.7% (2016: 9.3%). In creating the new Division a streamlined operating structure was put in place, driving efficiency across processes and locations.

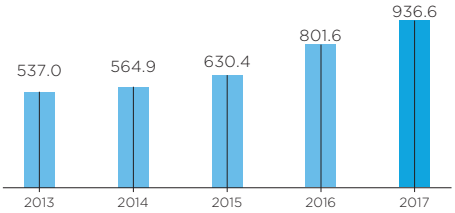
Further commentary on operating performance is provided in the Divisional Reviews on pages 18 to 23.

	Performance Materials	Connected Vehicle Solutions	Wireless and Thermal Systems	Central and other costs	Total
2016					
Revenue (£m)	395.0	252.1	154.5	–	801.6
Segment adjusted operating profit (£m)*	42.2	13.0	14.3	(7.6)	61.9
Segment adjusted operating margin*	10.7%	5.2%	9.3%	(0.9%)	7.7%
2017					
Revenue (£m)	**448.3**	**318.6**	**169.7**	**–**	**936.6**
Segment adjusted operating profit (£m)*	**47.0**	**15.9**	**19.8**	**(5.8)**	**76.9**
Segment adjusted operating margin*	**10.5%**	**5.0%**	**11.7%**	**(0.6%)**	**8.2%**

* Refer to note 3 for details of the Group's segments and the calculation of segment adjusted operating profit. Segment adjusted operating margin is calculated as segment adjusted operating profit divided by segment revenue.

Performance Measure Revenue £M

£936.6m +16.8%
(2016: £801.6m)

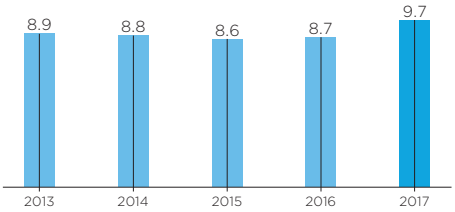


Definition: Current year revenue from the financial statements.

Why we measure: Quantifies the growth in revenue to external customers.

Performance Measure Research and Development %

9.7% +1%
(2016: 8.7%)

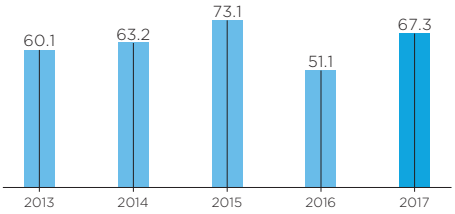


Definition: Expenditure on research and development, before capitalised development, as a percentage of revenue.

Why we measure: Demonstrates our commitment to innovation as a growth driver.

Performance Measure Underlying profit before tax £m

£67.3m +31.7%
(2016: £51.1m)



Definition: See page 27 for a full definition and reconciliation.

Why we measure: The Board believes this to be a consistent measure of trading performance, aligned with the interests of our shareholders. The Group is targeting long-term sustainable improvement in this measure.

Group	**2017 £m**	2016 £m
Revenue	**936.6**	801.6
Cost of sales	**(621.3)**	(522.3)
Gross profit	**315.3**	279.3
Gross margin %	**33.7%**	34.8%
SG&A	**(154.8)**	(154.4)
Research and development expenditure incurred	**(90.9)**	(69.8)
Development costs capitalised during the year less impairment and amortisation of capitalised development costs	**7.3**	6.8
Underlying operating profit†	**76.9**	61.9

R&D expenditure has increased by 30.2% to £90.9m (9.7% of revenue) from £69.8m (8.7% of revenue). The increase is primarily driven by the translation of these costs into Sterling and partly due to continued investment in future growth opportunities.

Statutory profit

Profit before tax was £57.0m (2016: loss before tax of £122.3m). The loss in 2016 was principally due to recognising a £155.5m charge for impairment of goodwill. The following sections break down the movement into its component parts.

In 2017, there was a statutory profit after tax of £71.8m, compared to a loss after tax of £110.8m in 2016. In 2017 there was a tax credit of £14.8m compared to a credit of £11.5m in 2016. The overall 2017 tax credit includes a credit of £31.1m relating to deferred tax on goodwill, acquired intangible assets and US capitalised development costs (2016: £19.4m credit) and deferred tax on US losses of £3.5m (2016: £1.2m credit).

Underlying profit† and taxation

Underlying profit before tax† in the year was £67.3m (2016: £51.1m). Underlying profit before tax is defined on page 27.

The underlying tax charge† on total underlying profit before tax is equivalent to an average tax rate of 24.1% (2016: 24.9%). Profits in the US in the period were sheltered by amortised goodwill deductions resulting from acquisitions and interest expense. As a result, Laird's tax payable largely arises in China, the Czech Republic, Korea and Malaysia. An analysis of the total tax charge is given in note 11 to the financial statements.

Tax strategy

Laird operates with integrity in all tax matters and takes into account the needs of all relevant stakeholders. We operate an effective tax control framework to ensure compliance with all relevant legislative and regulatory requirements, while maximising shareholder value in line with our stated commercial strategy.

The commercial strategy of the business is supported by tax-aware, commercial decisions that are made in a timely manner. They provide a sustainable operating platform to the Group's commercial activities and are designed to ensure that the Group's tax obligations are consistently met whilst maintaining Laird's reputation for innovation, reliable fulfilment and speed.

Impact of US tax reform

In December 2017 the US enacted the Tax Cuts and Jobs Act ('the Act') which came into effect on 1 January 2018. The measures included in the Act, subject to any further specific guidance on interpretation being released, give rise to an initial one-off non-cash tax credit of £38.5m in 2017 resulting from the revaluation of the Group's aggregate US Deferred Tax Liabilities following the reduction in the US federal rate of corporate income tax to 21%. The rate change also gives rise to a one-off non-cash tax charge of £17.7m in 2017 resulting from the revaluation of the Group's US Deferred Tax Assets related to brought-forward losses of £9.2m, and in respect of other US Deferred Tax Assets of £8.5m.

Following the changes in the US tax regime, the Group has reassessed the amount of the Deferred Tax Asset that should be recognised in respect of US brought-forward losses. This revaluation has led to a one-off non-cash tax credit of £5.7m in the 2017 period.

The Act also includes a transition tax as the US moves to an exemption regime for foreign dividends. There is a one-off non-cash amount of £3.0m in respect of cumulative retained earnings of foreign subsidiaries that reduces the unrecognised losses available for future periods.

Chief Financial Officer's report
continued

The non-cash tax credits and charges arising from US tax reform can be seen in note 11 to the accounts, with closing deferred tax balances shown in note 24.

Laird continues to work through the details of this complex legislation and the associated guidance. It is not expected that there will be an increase in the underlying tax charge for the Group as a result of these reforms. However there will be an increase in the cash tax payable in the US of approx. £1.5m for 2018, and approx. £3m for 2019 due to the newly-introduced Base Erosion and Anti-Abuse Tax.

Uncertainties relating to tax liabilities

The global nature of the Group's operations and the presence of cross-border transactions present a complex tax environment with less certainty over the tax treatment of certain items. Laird engages with the relevant tax authorities to achieve certainty over the tax treatment, but where this is not possible, or when dialogue is ongoing, a tax provision for uncertainty is sometimes needed.

The total tax provisions at 31 December 2017 amount to £22.9m. As these items can be complex and highly judgmental, when assessing the need for, and the quantum of, these provisions, Laird considers the status of tax audits, the outcome of previous similar claims, changes in local and international tax laws and the wider tax environment. In particular, Laird continues to monitor the situation as to the OECD's Base Erosion and Profit Shifting initiative and relevant government responses, as well as the European Commission's State Aid investigation into the UK's Controlled Foreign Company regime.

Further information as to the accounting policies relating to tax provisions can be found in note 2.

Future tax charge

It is expected that the underlying tax charge in 2018 will be in the range of 24% to 25%, subject to any unexpected changes to tax rates in the countries in which we operate. The reduction in the tax rate from the prior year is primarily due to the impact of changes in the group's profit mix, amendments to the group's transfer pricing policies to ensure alignment with the Divisional reorganisation in 2017, as well as actions that Laird plans to implement to mitigate the impact of the US tax reforms enacted at the end of 2017.

Exceptional items

There was an exceptional credit of £0.7m in 2017 (2016: £1.2m credit). Restructuring costs include charges associated with the reorganisation of the business into three divisions and the closure of the CVS site in Brazil, partially offset by a credit relating to the re-design of our operating model. The acquisition related credit relates to a settlement with the previous owner of Novero, a settlement with an ex-sales representative of Novero and the release of an onerous contract provision that was on the balance sheet when we acquired Novero and has been re-negotiated. Refer to note 27 of the consolidated financial statements for details of the change in valuation of the put and call options in respect of Model Solution. A definition of exceptional items is given in note 2 of the consolidated financial statements on page 113.

Exceptionals analysis

	2017 £m	2016 £m
Restructuring (costs)/credits	**(7.3)**	0.4
Acquisition related credit	**5.4**	–
Change in valuation of put and call options in respect of Model Solution	**2.6**	3.8
Costs related to rights issue and covenant waiver fees	**–**	(3.0)
Total exceptional items	**0.7**	1.2

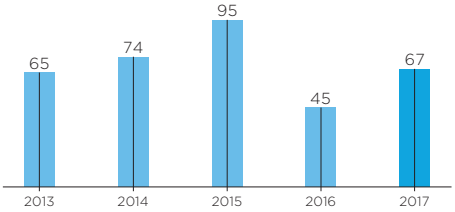
Treasury policies

Laird has a centralised Treasury function, the objectives of which are to monitor and manage the financial risks of the Group and to ensure that sufficient liquidity is available to meet the requirements of the business. Group Treasury is not intended to be a profit centre and operates within a framework of policies and procedures.

Laird's Treasury uses derivative financial instruments to assist in the management of foreign exchange and interest rate risk, principally forward foreign exchange contracts and interest rate swaps. All hedging is carried out centrally and speculative trading is specifically prohibited by Group Treasury policy.

Performance Measure Operating cash conversion %

67% +22%
(2016: 45%)

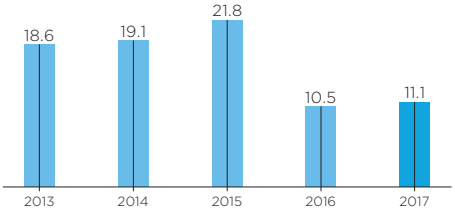


Definition: Operating cash flow expressed as a percentage of underlying operating profit.

Why we measure: Measures cash generation and our capacity to pay dividends and service debt.

Performance Measure Underlying basic earnings per share pence

11.1p +5.7%
(2016: 10.5p)



Definition: See page 28 for a full definition and reconciliation.

Why we measure: Shows the profit generated for shareholders and is an indication of the value we are creating.

Finance costs

Finance costs, excluding a profit on fair valuing of financial instruments of £2.8m (2016: £1.9m loss), were £9.6m, compared to £10.8m in 2016.

Earnings per share

Basic statutory earnings per share was 15.8p (2016: 31.8p loss, restated for the 2017 rights issue). The basic weighted average number of shares in issue in 2017 was 452.7m.

Underlying earnings per share

Continuing underlying basic earnings per share were 11.1p (2016: 10.5p, restated for the 2017 rights issue).

Cash flow

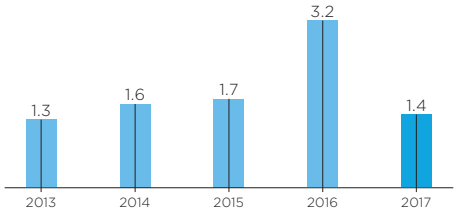
The table below provides a further analysis of cash flow to complement the notes to the financial statements. The increase in operating profit broadly carried through to Operating Cash Flow as lower capital expenditure was offset by a higher working capital outflow and higher capitalised development (to drive future growth). Operating cash flow grew by 84% to £51.8m.

	2017 £m	2016 £m
Operating profit	**76.9**	61.9
Depreciation	**22.9**	22.9
Amortisation of software	**3.7**	3.9
Amortisation of capitalised development costs	**14.3**	8.2
Impairment of capitalised development costs	**1.8**	4.9
Share based payments	**2.8**	1.1
	122.4	102.9
Increase in working capital	**(16.6)**	(10.2)
Capitalised development costs	**(23.4)**	(19.9)
Capital expenditure less disposals	**(30.6)**	(44.7)
Total operating cash flow	**51.8**	28.1
Exceptional costs	**(22.0)**	(16.8)
Finance income	**0.1**	0.1
Finance expense	**(10.9)**	(10.5)
Taxation	**(15.0)**	(14.4)
Free cash flow pre-dividend	**4.0**	(13.5)
Dividends	**(5.5)**	(35.5)
Free cash flow post-dividend	**(1.5)**	(49.0)
Acquisitions	**–**	(39.7)
Share issues	**174.9**	0.3
Purchase of treasury shares	**(0.6)**	(2.2)
Dividends to Non controlling interest in Model Solution	**(0.5)**	(3.0)
Other	**(0.6)**	–
Exchange translation movement	**8.5**	(51.0)
Decrease/(increase) in net borrowings	**180.2**	(144.6)

Chief Financial Officer's report
continued

Performance Measure Net debt: EBITDA

1.4x
(2016: 3.2x)

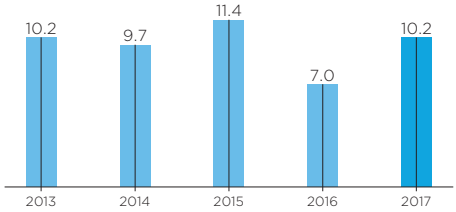


Definition: See page 26 for a full definition and reconciliation.

Why we measure: Confirms compliance with the covenant maximum of 3.5 times and demonstrates the level of headroom to the covenants.

Performance Measure
Interest cover times

10.2x
(2016: 7.0x)



Definition: Covenant EBITA divided by cash interest expense.

Why we measure: Confirms compliance with the covenant minimum of 3.0 times and demonstrates the level of headroom to the covenants.

Interest rate risk

Laird is exposed to interest rate risk as it holds borrowings on both a fixed and floating basis. Our policy for this risk is to optimise the mix of fixed and floating rate borrowings using interest rate swaps and forward rate agreements to manage Laird's finance costs.

Credit and counterparty risk

Our policy on counterparty risk management is to place cash deposits and other financial instruments with our relationship banks, all of which also provide credit facilities to Laird. The level of exposure to each bank is continually monitored. As at 31 December 2017, all cash and short-term deposits had a maturity of less than three months.

Foreign exchange management

Due to the international reach of the Group, currency transaction exposures exist. The Group has a policy in place to hedge between 75% and 100% of local foreign currency exposures on a quarterly basis, and may further hedge material firm commitments and a proportion of highly probable forecast transactions for longer maturities. The Group continues its practice of not hedging income statement translation exposure. Foreign currency borrowings are used partially to hedge the currencies of the Group's principal assets and cash flows.

Net debt and debt facilities

Net debt was £164.4m (2016: £344.6m). Refer to the Adjusted Measures section on page 27 for a reconciliation of the Group's net debt from borrowings. 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 £235m, and will expire in 2019. In addition, we have total US Private Placement notes and Schuldschein loans of $140m and €77m outstanding:

Maturity of borrowings

Maturing within	**2017 £m**	2016 £m
One year	**0.5**	0.3
One – two years	**35.3**	0.3
Two – three years	**18.2**	214.8
Three – four years	**162.8**	18.7
Four – five years	**–**	175.0
Total borrowings	**216.8**	409.1

The reduction in borrowings from 2016 to 2017 reflects the proceeds from the rights issue being used to pay down debt. Within the 2017 figures are borrowings associated with assets classified as held for sale of £8.5m (2016: £nil) and finance leases of £0.6m (2016: £9.1m).

Balance sheet policy

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. During 2017 the Group raised £174.9m of net proceeds by means of a fully underwritten rights issue, resulting in a reduced level of leverage and improved covenant headroom.

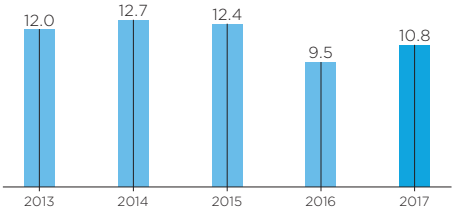
Capital structure is further discussed in note 27 to the financial statements on page 139 under the heading Capital Management.

Operations classified as held for sale

On 12 December 2017 the Board resolved to dipose of the Group's Model Solution business and negotiations with an interested party have subsequently taken place. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the consolidated statement of financial position. Further details are provided in note 17 of the consolidated financial statements.

Performance Measure Return on capital employed %

10.8% +1.3%
(2016: 9.5%)



Definition: Underlying operating profit divided by average equity attributable to owners of the parent company and net debt.

Why we measure: Provides an indication of how we are performing relative to our peers and against our cost of capital.

Dividend policy and post balance sheet event

On 1 March 2018 the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC. Further details are provided in note 35 of the consolidated financial statements. As a result of this announcement no final dividend is currently proposed.

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 loans 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 3.5 times EBITDA and an interest cover of at least three times. For the year ended 31 December 2017, net borrowings were 1.4 times EBITDA, within the normal maximum permitted of 3.5 times. Interest cover was 10.2 against the minimum requirement of three times.

The expected headroom is routinely estimated against the covenants and the sensitivity to a number of alternative scenarios is tested to ensure ongoing compliance. At the balance sheet date the covenant ratios fall comfortably within these limits.

Currencies

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

While 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 2017.

Currency	Sales	Cost
RMB	11%	33%
EUR	20%	22%
GBP	0%	3%
KRW	2%	2%
USD	65%	34%
Other	2%	6%
Total	100%	100%

There is also the translation impact in converting overseas profits into the Group's reporting currency (Sterling); A one percent depreciation of Sterling against all other currencies approximates to an annual increase in operating profit of £0.9m.

During the year Sterling was weaker than in 2016. This delivered a £5.1m translation benefit to Group operating profit.

Pensions

There are approximately 1,500 deferred and current pensioners. There is an overall defined benefit pension scheme surplus under IAS 19 (revised 2011) of £5.2m at 31 December 2017 (2016: £1.2m deficit). Scheme liabilities increased mainly due to a reduction in assumed inflation from 3.45% to 3.25% and a reduction in the discount rate from 2.50% to 2.45%. The reduction in liabilities was partly offset by a reduction in the value of scheme assets to £131.8m (2016: £134.8m).

Shareholders' funds

Equity attributable to owners of the parent company at the 2017 year end was £569.9m (2016: £343.8m). 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 10.8% in 2017, compared with 9.5% in 2016.

By order of the Board

K J Dangerfield
Chief Financial Officer

1 March 2018

Risk management

Embedding a strong risk management process

A modified process for the new 3 Division Business Model.

Through 2017 we have worked on embedding a modified risk framework tuned to new 3 Division Business Model

Following the major challenges in 2016, our emphasis in 2017 has been to stabilize the business and to focus on operational and commercial delivery. The successful completion of the Rights Issue in April 2017 addressed the liquidity and banking covenant risks which flowed from the challenges of 2016. We have completed the project rationalizing our global footprint and been embedding the new 3 Division organisational structure and risk-governance model.

Risk framework

The Executive Committee has responsibility for reviewing risk and setting the direction of risk activities in Laird while the Board continues to retain overall accountability for risk. With the restructure to a 3 Division business model at the start of 2017, the risk framework was developed with the creation of the Risk and Governance Steering Group ('RGSG') which has senior representation from the three divisions and key corporate functions. The RGSG has delegated responsibility from the Executive Committee to oversee the adequacy of controls and the delivery of remediation actions in relation to risks as well as to monitor changes to the wider risk environment and movements in the factors affecting Laird's principal risks. The RGSG has further responsibility for incident/crisis management and monitoring the risks related to major change programmes.

Divisional and functional risk reviews are embedded in the strategic planning process, with facilitated workshops with management teams for risk identification and monitoring, with in year review managed by risk champions in each division or function. Each of the three divisions and the key corporate functions have an individual risk register and any risks that are significant either alone or in aggregate are included in the group register. This "bottom-up" approach to the risk management process facilitates clear ownership and accountability of the risks by the Divisions and underpins risk analysis and linkage to the risk assurance and risk transfer mechanisms.

The Board conducts an annual review of the effectiveness of the risk and controls framework, and reviews the principal risks and the arrangements for monitoring and controlling the risk environment.

Reporting of changes to risks and incidents in-year are embedded in the monthly Executive Committee business performance review process, with material changes to risks and incidents being reported up to Board level for every Board meeting through a risk management section in the Group Performance Report. Under the revised risk management framework cross division and functional assessment of the current risk environment will be undertaken four times a year by the RGSG with review of the highest level risk register and a risk incident dashboard and outcomes of the review reported to the Executive Committee and included in the Group Performance Report for the Board.

Assurance on the adequacy of key risk controls is provided by internal audit for financial controls, reporting up to the Audit Committee. Assurance is provided by assurance teams for environmental, health and safety risks, site business interruption risks and trade and customs compliance. These teams report centrally to the Chief Risk Officer with oversight of their findings through the RGSG.

Key developments in 2017

Laird has continued to improve its risk management policies and procedures during the year

- Implemented an enhanced risk framework to formally define the infrastructure and activities within which risk is proactively managed. This framework consists of a collection of policies, processes and methodologies and includes new risk categories, impact and likelihood scales and formal reporting mechanisms.
- Established the RGSG consisting of divisional and corporate VPs with delegated authority for overseeing the management of risks and incidents.
- Facilitated risk workshops with divisional and functional management to support effective risk identification and risk assessments as part of the Strategic planning process.
- Initial development of a framework process for risk appetite statements within the business to set the context for management of risk by Divisional and Functional owners.
- Following these developments and advice on best practice, we have reassessed the principle risks and uncertainties, as discussed on the following page.

Viability Statement

Risk Testing

Scenario testing of the principal risks has been conducted in support of the Viability Statement in the Directors' report for 2017, see page 89.

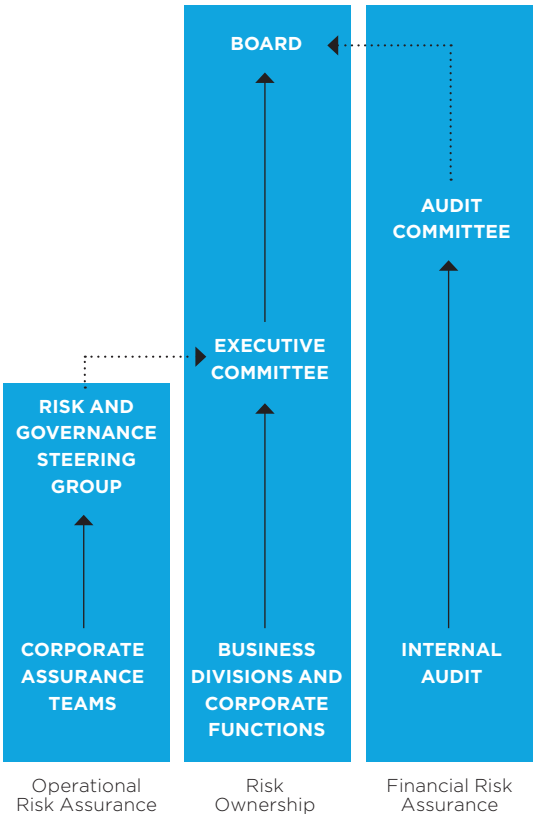
A methodology which focused on the speed-to-impact potential for cash impairment and impact on banking covenants was used to assess principal risks in order to identify relevant key risk scenarios which could impact viability.

Scenario testing of the principal risks was then conducted using the impairment principles (cash headroom and asset impairment sensitivity) used for the 'Going Concern' statement, but over the three-year horizon of the Strategic Plan.

The scenario testing covered the impact of individual risk scenarios, the cumulative effect of combined identified risks crystallising as well as stress testing for the impact of all viability risks occurring.

Risk organisation

Risk Management and Assurance Structure



Risk management
continued

Principal risks and uncertainties

Laird faces a number of normal business risks such as those relating to regulatory compliance, geopolitical change and changes in general economic conditions. In the context of our strategies above, the following summarises the principal risks which are the most important for us because of our market, industry, strategy and global footprint. The following risks are listed based on the residual risk once the impact, likelihood and effectiveness of existing controls have been taken into account. Impact factors are assessed across five areas, financial, strategic, operational, legal and reputational.

While many UK businesses would have the United Kingdom's anticipated withdrawal from the European Union as a principal risk, Laird does not have significant trading activities in or from the United Kingdom, so direct impacts from Brexit are limited and it is not considered a principal risk.

How we have categorised our risks

Strategic
Includes risks arising from adverse business decisions, improper implementation of decisions, or unexpected adverse changes in the business environment with respect to the economy, political landscape, public policy, or the actions of competitors.

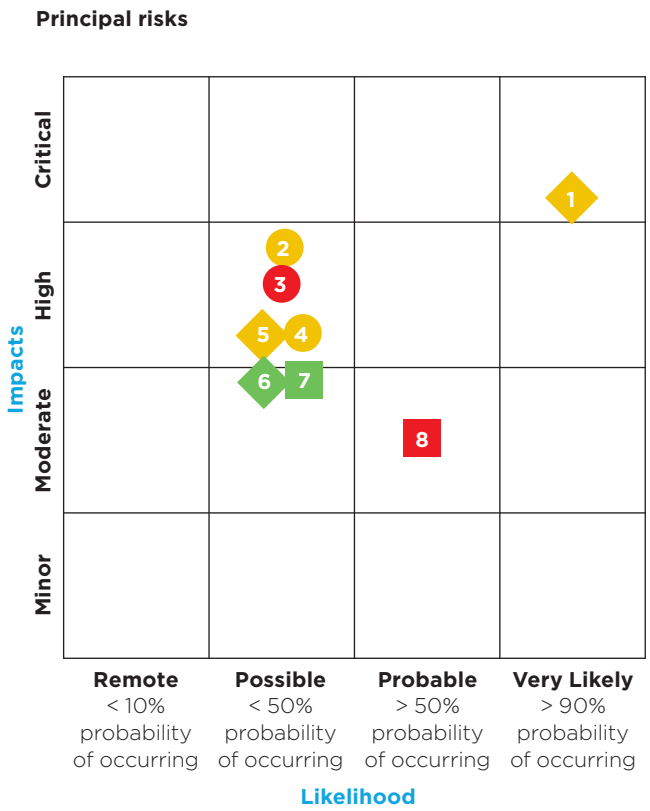
Operations and Governance
Includes risks resulting from inadequate or failed internal processes, operations governance compliance, people, systems, or from external events.

Finance
Includes risks associated with client debt obligations, adequacy of cash resources, interest rate fluctuations, foreign currency transactions, financial accounting and disclosure.

Changes in Principal Risks

Key changes in principal risks over 2017:

- Increased risks in the automotive sector related to rapidly growing automotive revenue.
- Increased risks to global trade from protectionist agendas.
- Reduction in change management risk (no longer considered a principal risk) with the completion of the project to rationalise the global operational footprint.
- Increased volatility in foreign exchange exposure driving translational and transactional uncertainty.



Risk Velocity

- **Rapid** Risk impact may be felt within a month
- **Moderate** Risk impact may be felt within six months
- **Slow** Risk impact may be felt within 12 months

Risk Movement

- Decrease in residual risk
- Stable, no change from prior year
- Increase in residual risk

We have aligned our risks (opposite) with our strategy:

1. Target markets and customers with highly critical engineering and innovative solution needs.

2. Focus investment on delivering differentiated solutions in high growth segments, which allow us to capture a premium price and create real value for our shareholders.

3. Drive growth above the blended average growth rate of the markets that we serve.

4. Manage Laird's portfolio of technologies and products to ensure we remain well placed for the future. We aim to ensure no over-reliance on any one customer, technology or market.

5. Deliver a business with an improved and more sustainable cash generation profile.

Risk	Description and Impact	Mitigation	Risk Velocity
Strategic **1** **Key Customer Dependency** Aligned to strategy points: 3,4,5	The Group is dependent on a small number of large global customers with whom it does not have any contractual guarantees for a significant portion of its sales and a decrease in or the loss of business from one or more of these customers or increased pricing pressure from one or more of these customers would have a material adverse effect on the Group's business, results of operations and financial condition. The Group's customers in its largest business unit typically do not commit to long-term purchase contracts, which results in low visibility on future cash flows in that business unit.	• Protecting our position by maintaining and extending a broad customer base and monitoring the market to support a swift response to market changes. • Developing the business into new and attractive growth markets in line with strategic objectives. • Maintaining a competitive and flexible manufacturing base. • Differentiating Laird with customers. • Contract review and negotiation through in-house legal team and external advisers.	Rapid. Contract terms with certain key customers could lead to short notice for significant changes to expected sales volumes.
Strategic **2** **Automotive Market Dynamics** Aligned to strategy points: 2,3,4	Rapid growth of Laird business in the automotive sector brings with it the risks associated with bidding in a competitive market for very long-term business with a limited number of large customers. Participation requires substantial up-front investment in design and development capability, well in advance of associated revenues.	• Robust business opportunity evaluation and approval processes. • Differentiating Laird with customers to achieve close partnerships. • Strategic options to balance Laird's overall business portfolio.	Slow. Automotive market dynamics drive long term visibility of the risk and slow velocity to impact.
Strategic **3** **Increased Trade Protectionism** Aligned to strategy points: 3 & 5	The Group may be adversely impacted by a move towards protectionist international trade policies. Recent political events in the United States, Europe and elsewhere have signalled increasing vocal support for a move toward protectionist international trade policies. Restrictions on or rising costs of global free trade may require the Group to relocate manufacturing activities, which could entail significant costs and could have a material adverse effect on the Group's business, financial condition and results of operations in the short-term.	• Global manufacturing footprint flexibility. • Trade Compliance optimisation strategies. • Contractual risk sharing with customers and suppliers.	Slow. Changes to international trade treaties are subject to detailed negotiation and national political governance mechanisms and subject to World Trade Organisation rules.
Operational **4** **Intellectual Property Rights (IPR)** Aligned to strategy points: 1 & 4	If the Group's products, systems or solutions are found to infringe the intellectual property rights of others, the Group may be required to change its business practices and may also become liable for damages and face invalidation of the Group's intellectual property rights. Failure to protect the Group's intellectual property rights could adversely affect the Group's financial condition and results of operations.	• Specialist IPR legal review. • Patent checks in the product development process. • Customer audit compliance. • Patent registration strategy. • Internal monitoring of patent registrations.	Slow. Long tail negotiation and litigation risks.
Operational **5** **Product Risk** Aligned to strategy points: 1,4,5	Actual, possible or perceived defects, failures or quality issues associated with the Group's products could lead to product recalls and litigation, including product liability claims, or negative publicity that could materially adversely affect the Group's reputation, business, financial condition and results of operations	• Product and operations quality control processes. • Supplier quality review and audits. • Automotive, ISO and other relevant standards compliance Production controls; Logistics standards compliance; Customer relationship management. • Contractual controls to limit liability where possible. • Proactive customer relationship management.	Rapid. A product incident or failure can in some cases lead to a short notice product recall.
Operational **6** **Operations Continuity** Aligned to strategy points: 1 & 5	Disruptions of operations at the Group's key factories or sites due to disasters or other business continuity events could impact the Group's ability to meet its production requirements and a failure to successfully recover from such an event could have a material adverse effect on the Group's business. A cybersecurity incident could negatively impact the Group's business or operations or may harm its relationships with customers.	• Risk management and recovery plans in place at site, business unit and corporate functional levels. • Use of expert partners to continuously improve site risk management controls IT security and back-up procedures. • Flexing production between sites. • Cyber and IT protections and Business Interruption Plans.	Rapid. Major business interruption incidents such as natural catastrophes, or a site fire, can have an immediate and enduring operational impact.
Operations **7** **Contract Risk** Aligned to strategy points: 3,4,5	Market dynamics in some parts of the business with large key customers could lead to onerous or imbalanced contracts, potentially for very long term business, where assumptions on future cost and efficiencies could lead to commitments to potentially unprofitable business and/or unlimited or very high potential penalties and legal costs.	• Robust business opportunity evaluation and approval processes. • Comprehensive contract review by internal legal function. • Effective operational efficiency mechanisms. • Product quality and compliance controls.	Moderate. Velocity to impact is assessed as moderate reflecting the contractual and litigation characteristics of the risk.
Finance **8** **Foreign Exchange Rate Movement** Aligned to strategy points: 3 & 5	Exchange rate movements could impact on reported profit through a combination of translational and transactional risk.	• Commercial management of exposures. • Hedging activity. • Matching of currency borrowings. • Debt apportionment in currencies to offset translation risk.	Moderate. Risk is driven by in year trends rather than short term fluctuations.

Governance

Board of Directors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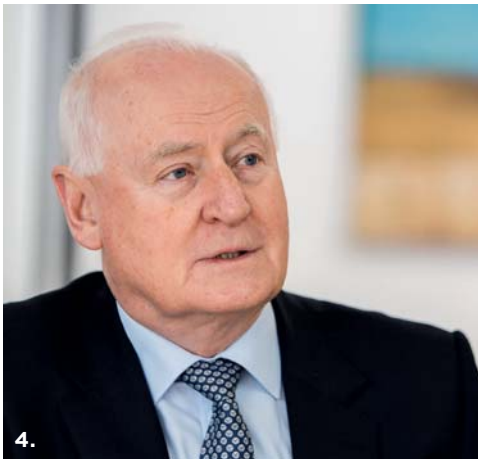
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Currently the Board is comprised of the Chairman, two Executive Directors and five other Non-Executive Directors, all of whom have skills and experience appropriate for the Company's business.

1. Dr Martin Read, CBE
Chairman, MA, DPhil, FIET

Appointed: February 2014 (Non-Executive Director); May 2014 (Chairman)

Skills and experience: Martin is an experienced chairman with extensive IT, commercial and industrial expertise. Martin was Chief Executive of international IT services company, Logica, from 1993 to 2007 and has served as a Non-Executive Director on the boards of Invensys, Aegis Group, British Airways, Siemens Holdings, Boots, Asda and the UK Government Efficiency and Reform Board. He led UK Government reviews on back office operations and IT across the public sector (2009) and management information (2012).

Current appointments: Martin is Chairman of the two government-owned companies (the Low Carbon Contracts Company and the Electricity Settlements Company) which manage contracts and payments under the electricity market reform programme. He is Chairman of the Remuneration Consultants Group, the UK Government Senior Salaries Review Body, and a Non-Executive Director of Lloyds of London.

2. Tony Quinlan
Chief Executive, BSc, ACA

Appointed: July 2015 (Chief Financial Officer); September 2016 (Chief Executive)

Skills and experience: Tony brings a wealth of financial, strategic and listed company experience to the Board. He was formerly Group Finance Director of Drax Group plc where he also held a number of commercial and non-financial roles. Prior to this he worked at Marks & Spencer, where he held a number of senior positions within Internal Audit, Corporate Finance, Investor Relations and Financial Control, including Director of Finance, the deputy to the Group Finance Director.

Current appointments: Tony is Vice Chairman of the Port of London Authority, where he chairs the Audit Committee.

3. Kevin Dangerfield
Chief Financial Officer, BSc, ACA

Appointed: October 2016

Skills and experience: Kevin has strong commercial experience with broad exposure to complex global manufacturing operations. He was most recently Chief Financial Officer of Morgan Advanced Materials plc from 2006 until 2016, serving as Interim Chief Executive in 2015. He was previously Group Finance Operations Manager for London International Group PLC and has held a number of senior positions at Virgin Retail Europe Limited, including European Finance Manager. Until March 2017 he was a Non-Executive Director and Chairman of the Audit Committee of e2v Technologies plc, a company listed on the London Stock Exchange's main market.

Current appointments: Kevin does not have any external appointments.

4. Mike Parker, CBE
Non-Executive Director and Senior Independent Director, BSc, MBA, FEI, FIChemE

Appointed: March 2015

Skills and experience: Mike brings a wealth of strategic experience gained at multinational companies. His main executive career was in the Dow Chemical Company between 1968 and 2002 where he lived and worked internationally, in North America, Europe and Asia, rising to become Chief Executive Officer. He was Chief Executive Officer of British Nuclear Fuels from 2003 to 2009 and he served as the Senior Independent Non-Executive Director on the Board of Invensys Plc from 2006 to 2013. He was a Non-Executive Director of SNC-Lavalin Inc, a publicly quoted Canadian company, until 2016.

Current appointments: Mike is currently the Senior Independent Non-Executive Director of PV Crystalox Solar Plc, a company listed on the London Stock Exchange. He is Chairman of the Royal Society for the Prevention of Accidents (ROSPA), a Member of the Management Board of the Metropolitan Police, Trustee and Honorary Secretary for the Energy Institute and a member of the Board of Trustees of Street League, the UK's leading sport for employment charity.

5. Paula Bell
Non-Executive Director, FCMA, CGMA

Appointed: March 2012

Skills and experience: Paula has extensive strategic financial and commercial experience from large listed global companies and is currently the Chief Financial Officer of Spirent Communications plc. From 2013 to 2016 she was Chief Financial Officer of John Menzies Plc and between 2006 and 2013 was Group Finance Director of Ricardo Plc. Previously she held senior financial positions at BAA Plc, AWG Plc and Rolls-Royce Plc. Paula is a Fellow of the Institute of Management Accountants. She was Senior Independent Director at Laird from August 2013 until March 2015.

Current appointments: Paula is the Chief Financial Officer of Spirent Communications plc, a company listed on the London Stock Exchange.

6. Kjersti Wiklund
Non-Executive Director, MA, MSc

Appointed: July 2015

Skills and experience: Kjersti has extensive experience of the international technology sector and global industry. She has held a series of senior global roles, including Director, Group Technology Operations of Vodafone; Chief Operating Officer of VimpelCom Russia; Deputy Chief Executive Officer and Chief Technology Officer of Kyivstar in Ukraine; Executive Vice President and Chief Technology Officer of Digi Telecommunications in Malaysia, and Executive Vice President and Chief Information Officer at Telenor in Norway. She was previously a Non-Executive Director of Cxense ASA in Norway, and a Non-Executive Director of Fast Search & Transfer ASA in Norway and Telescience Inc in the US.

Current appointments: Kjersti is currently a Non-Executive Director of Spectris plc, a company listed on the London Stock Exchange.

7. Nathalie Rachou
Non-Executive Director, MSC, Exec MBA

Appointed: January 2016

Skills and experience: Nathalie has strong financial experience and brings considerable knowledge of risk and audit and M&A processes. She worked for Banque Indosuez (later renamed Crédit Agricole Indosuez) until 1999 when she left to form her own company, Topiary Finance, which subsequently merged with Rouvier Associés in 2014.

Current appointments: Nathalie is a Non-Executive Director of Société Générale, a company listed on Euronext in Paris, where she chairs the Risk Committee and is a member of the Audit Committee. She is also a Non-Executive Director and chairs the Audit Committees of Veolia Environnement and Altran Technologies, companies listed on Euronext in Paris. Nathalie continues to act as Senior Adviser to Rouvier Associés.

8. Wu Gang
Non-Executive Director, BA, MA, MBA

Appointed: January 2017

Skills and experience: Wu Gang is an international investment banker with over 25 years of experience, having held senior positions in Chinese, American and British financial institutions in both Hong Kong and London. Between 2011 and 2014, he was Managing Director and Head of General Industrials and M&A at ICBC International based in Hong Kong and prior to that he was Managing Director and Co-Head of Global Industrials Group (Asia) at the Royal Bank of Scotland. He has also held various positions at HSBC, Merrill Lynch and Goldman Sachs. He grew up in China and was educated in both China and the UK. He started his banking career at Hill Samuel Bank in London in 1988.

Current appointments: Wu Gang is currently Managing Director and Head of Corporate Finance for Europe at CLSA Securities, the international platform of CITIC securities, China's largest investment bank. He also sits on the Advisory Board of the SOAS China Institute at SOAS University of London.

Governance

Group Executive Committee


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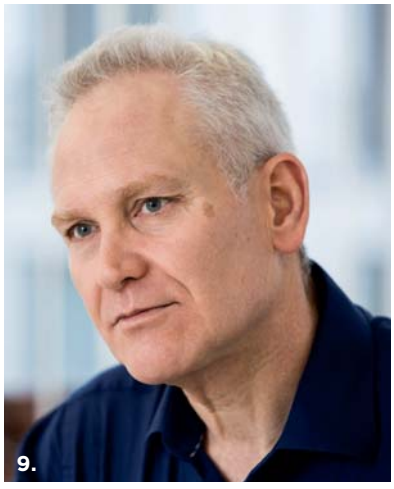
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The Executive Committee is comprised of senior management of the Company. It was established with effect from 1 January 2017 with the purpose of managing the business of the Company and its subsidiaries except for those matters which are reserved for the Board or its other Committees.

1. Tony Quinlan
Chief Executive

Appointed: July 2015 (Chief Financial Officer); September 2016 (Chief Executive)

Skills and experience: Tony brings a wealth of financial, strategic and listed company experience to the Board. He was formerly Group Finance Director of Drax Group plc where he also held a number of commercial and non-financial roles. Prior to this he worked at Marks & Spencer, where he held a number of senior positions within Internal Audit, Corporate Finance, Investor Relations and Financial Control, including Director of Finance, the deputy to the Group Finance Director.

Current appointments: Tony is Vice Chairman of the Port of London Authority, where he chairs the Audit Committee.

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Chief Financial Officer

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Current appointments: Kevin does not have any external appointments.

3. Mike Bell
Chief Technology Officer

Appointed to the Executive Committee: February 2018

Skills and experience: Mike joined Laird in February 2018 in the newly-created role of Chief Technology Officer. He is responsible for charting all aspects of Laird's technology agenda to help deliver world class innovation and the development of new products and processes across all Laird divisions. He has over 20 years of experience of business transformation, product and technology leadership in the automotive and utilities sectors. Most recently he was Executive Vice President, Devices & IoT at Canonical Ltd, the computer software company. Prior to this he held senior technology roles with Jaguar Land Rover and United Utilities Group plc.

4. Steve Brown
President, Connected Vehicle Solutions

Appointed to the Executive Committee: January 2017

Skills and experience: Steve joined Laird in 2012 as the Senior Vice President of the Telematics Business Unit and was later promoted to President of the new Connected Vehicle Solutions Division. Prior to joining Laird he held various senior positions at Siemens and Continental, developing leading edge telematics and connectivity products. Steve has spent 21 years in the automotive supply industry and has extensive experience in engineering, operational management, financial and strategic planning, international management and contract negotiations.

5. Carmen Chua
President, Performance Materials

Appointed to the Executive Committee: February 2017

Skills and experience: Carmen joined Laird in February 2017 as President of the Performance Material Division. Prior to this she was Vice President and General Manager at Avery Dennison, responsible for the strategic development and growth initiatives of the Materials Group for North Asia Pacific. Previously, she has held various senior leadership positions in sales, marketing and product design at Worldmark International, a global manufacturer of labels and overlays to the consumer electronics industry. Her professional experience also includes various management positions with Dell in the Asia Pacific market.

6. Melanie Curtis
Chief Human Resources Officer (Interim)

Appointed to the Executive Committee: August 2017

Skills and experience: Melanie joined Laird in September 2016 as Vice President of Human Resources, Americas, and she was appointed interim Chief Human Resources Officer in mid-2017. She has extensive experience leading strategic human resources teams in the areas of talent management, compensation/benefits, culture creation and employee engagement. Before joining Laird, Melanie served as Global Vice President of Talent Management at both SunEdison and Express Scripts.

Current appointments: Melanie currently serves on the board of the non-profit organisation, Youth In Need.

7. Gerhard du Plessis
Company Secretary and General Counsel

Appointed to the Executive Committee: January 2017

Skills and experience: Gerhard joined Laird in October 2014 as General Counsel and was appointed Company Secretary in August 2015. He is a dual qualified English and South African lawyer with many years of senior leadership and technology industry experience. He has deep expertise in cross-border transactional work, international legal and compliance risk management and product liability and dispute resolution. He has previously worked at major UK technology companies with global operations including Smiths Group plc and Invensys plc where he led the legal functions of several business divisions as General Counsel.

8. Christine McGourty
Chief Corporate Affairs Officer

Appointed to the Executive Committee: March 2017

Skills and experience: Christine joined Laird in March 2017. She leads corporate affairs, communications and marketing globally. She was previously Director of Corporate Affairs, UK & Europe, for Centrica plc, leading all government affairs, policy, communications and sustainability programmes. Before that, she was Director of Corporate Affairs at British Gas, and also served as Non-Executive Director of the national campaigns and marketing organisation, Smart Energy GB. She brings extensive experience in all aspects of external affairs, having moved into leadership roles in industry following several decades in science and technology journalism, including 14 years as Science Correspondent for BBC News.

9. Graeme Watt
Chief Risk and Governance Officer

Appointed to the Executive Committee: January 2017

Skills and experience: Graeme joined Laird in 2007 as the Director of Risk Management and Internal Audit and was promoted to Chief Risk and Governance Officer at the end of 2013. Prior to Laird, he ran Risk Management and Internal Audit functions at Alliance Boots (pharmaceuticals) and BAA (airport and retail operations), having had extensive experience in risk management and controls in the retail sector. He is a qualified Management Accountant and also served as a Royal Navy Officer.

10. Kevin White
President, Wireless and Thermal Systems

Appointed to the Executive Committee: January 2017

Skills and experience: Kevin joined Laird in 2016 as Deputy Chief Operating Officer, and was appointed to his role leading the Wireless and Thermal Systems Division in January 2017. Prior to joining Laird, he led complex manufacturing businesses at IDEX Corporation, grew the premium refrigeration segment at Whirlpool Corporation, and spent nearly 8 years as a leader in the industrial and consumer practices of McKinsey & Company. He has held quality, sales, and engineering roles in the automotive industry, and is a Fellow, Tauber Institute for Global Operations. He holds Bachelor of Science and Master of Business Administration degrees from the University of Michigan, and brings deep operating and strategy experience from senior roles in technology, industrial, and consumer markets.

Governance

Corporate governance statement

Introduction to the Corporate Governance Statement

Dr Martin Read, CBE
Chairman

Director	Board (10)
Dr M Read	10 (of 10)
A J Quinlan	10 (of 10)
Kevin Dangerfield	10 (of 10)
P Bell	10 (of 10)
Wu Gang[1]	9 (of 10)
Sir Christopher Hum[2]	4 (of 4)
M Parker	10 (of 10)
N Rachou[3]	9 (of 10)
K Wiklund	10 (of 10)

Notes:
1. Wu Gang was unable to attend one board meeting called at short notice to consider a potential contract with a customer.
2. Sir Christopher Hum stood down from the Board on 28 April 2017.
3. Nathalie Rachou was unable to attend one board meeting due to a pre-existing business commitment.

Dear Fellow Shareholder

Good corporate governance underpins the delivery of the Company's strategy and overall commercial objectives. As Chairman of the Company, I am therefore pleased to present our Corporate Governance Statement for 2017. This report describes how our Board applies the UK Corporate Governance Code (the Code) and its general approach to corporate governance.

Further information about the application by the Board of the main principles and provisions of the Code can be found on page 45. As a Board, our focus continues to be on strategy. However, in the light of the disappointing results in 2016, increased attention was placed on the detailed operational performance of the Company and of its Divisions.

Both Divisional and Functional Management regularly present to the Board and on two occasions we specifically met to consider Management's proposals concerning bids for potential contracts with customers. Towards the end of 2017, we held a dedicated strategy meeting at our new state of the art Grand Blanc facility in Michigan and, in January 2018, met with the Group's senior leadership team at their conference in Seattle.

We have sought and received regular updates on the views of stakeholders, including investors, customers and employees. As described in the introduction to the Directors' Remuneration Report, our Remuneration Committee consulted with major shareholders regarding the implementation of a new Remuneration Policy ('the Policy'). The current policy has been in existence for 3 years and, in accordance with regulations, now requires renewal. No material changes are proposed. The revisions which are being put forward are detailed in the remuneration section on pages 58 to 88. They are aimed primarily at improving the robustness of the policy framework and incorporating new standards of best corporate practice. The Policy will be put to shareholders at the 2018 AGM. At the same time, we will be aligning share based incentive awards for senior management with those of the Executive Directors to ensure that all management awards are linked to delivery against targeted business performance objectives.

As I noted in my report last year, we commenced a fully underwritten Rights Issue, which was successfully completed in April 2017. It allowed the Company to reduce its borrowings under existing revolving credit facilities, significantly strengthening our financial position.

Board and Executive Committee changes

As announced last year, Wu Gang joined the Board as an Independent Non Executive Director and member of the Remuneration Committee with effect from 1 January 2017. Sir Christopher Hum, having served on the Board for over 10 years and delayed his planned retirement in the interests of board continuity, stepped down at the 2017 AGM. Sir Christopher brought considerable insight to the deliberations of the Board and its Remuneration and Nomination Committees and I thank him for his invaluable contributions over the years.

We also saw several changes to our Executive Committee in 2017, with Kevin White being promoted to President, Wireless and Thermal Systems and

Carmen Chua and Christine McGourty joining Laird as President, Performance Materials and Chief Corporate Affairs Officer respectively. Changes continued in 2018, with Mike Bell joining the Executive Committee in the newly-created role of Chief Technology Officer. Matt Stripe will be joining Laird on 19 March 2018 as the Chief Human Resources Officer.

Board performance evaluation

The Board asked Korn Ferry to carry out an externally facilitated review of its performance in 2017. The review found that the Board operates well and, noting the challenges faced last year, that the dynamic in the Board room reflects a healthy and robust debate amongst an experienced set of Directors. The Board remains committed to ensuring that a high standard of corporate governance is maintained throughout the Company.

I look forward to welcoming those of you that are able to attend our AGM in April.

Dr Martin Read, CBE
Chairman

Directors' statements

Compliance with the UK Corporate Governance Code

The principal rules applying to UK companies listed on the London Stock Exchange for the period covered by this statement are contained in the 2016 UK Corporate Governance Code (the 'Code') published by the UK Financial Reporting Council ('FRC'). A copy is available at www.frc.org.uk. For the period ended 31 December 2017, the Board considers that the Company was fully compliant with the provisions of the Code except in respect of the composition of its Remuneration Committee between 29 April 2017 and 13 December 2017. The Code recommends that the Remuneration Committee consists of at least three independent directors. Following the retirement of Sir Christopher Hum on 28 April 2017 until the appointment of Kjersti Wiklund on 13 December 2017, the Remuneration Committee consisted of two independent directors and the Chairman, Dr Read. Dr Read was an independent Non-Executive Director on his appointment but, as Chairman of the Company, is disregarded in the calculation of the number of independent directors on the Committee. On 13 December 2017, Kjersti Wiklund, a further independent Non-Executive Director, was appointed to the Committee, at which point the Remuneration Committee met the membership recommendations of the Code.

Going Concern

As set out in the Statement of Directors' Responsibilities on page 93, the Accounts have been prepared on a going concern basis. A statement on going concern relating to a business requires judgement at a point in time about future events which, by their nature, are inherently uncertain. The Directors have reviewed the Group's performance for the year and the principal risks it faces, together with budget and cash flow forecasts and have considered the ability of the Group to maintain committed finance, meet existing debt covenants and the impact of foreign currency exposures. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Viability

The Board has assessed the prospects of the Company over a longer period than the 12 months required by the going concern requirements of the Code. On the basis of a robust assessment of the principal risks facing the Group, the Board's review of the three-year operating forecasts to December 2020, the Company's current financial, operational and investment profile, the Board confirms that it has a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, over the three-year period to December 2020. Further details are set out on pages 91 and 92.

On 1 March 2018, the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC at a price of 200p per share by a wholly-owned indirect subsidiary of funds managed by Advent International Corporation.

The offer, which would be effected by means of a scheme of arrangement under Part 26 of the Companies Act, is subject to shareholder approval and standard conditions set out in the 2.7 notice, including relevant clearances from competition and regulatory authorities in China, EU and US.

The preceding going concern and viability statements assume that, should the proposed offer proceed, the Group continues to operate in line with its current business plans.

Principal Risks

The Directors have undertaken a robust assessment of the principal risks facing the Company, including those that would threaten its business, future performance, solvency and liquidity. Further details of the principal risks and uncertainties are set out on pages 38 and 39.

Review of Internal Control and Risk Management

During the year, the Board, with the assistance of the Audit Committee, monitored the systems of internal control and risk management and carried out a review of their effectiveness. Further details are set out on pages 49 and 50.

Fair, Balanced and Understandable

The Directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's strategy, business model, position and performance. Further details are set out on page 89.

Governance
Corporate governance statement continued

Application of Code principles
How the Company has applied the main principles of the Code is explained below.

A. Leadership

A.1 The Role of the Board
The Board met on eight scheduled occasions during the year including a dedicated strategy day it also met on an ad-hoc basis when necessary. There is a schedule of matters reserved for the Board, together with delegated authorities throughout the Group.

A.2 Division of Responsibilities
The roles of Martin Read, the Chairman, and Tony Quinlan, the Chief Executive, are clearly defined. The Chairman is responsible for the leadership and operation of the Board, while the Chief Executive is responsible for the day-to-day leadership and management of the Group's business.

A.3 The Chairman
The Chairman sets the Board's agenda and manages the meeting timetable (with assistance from the Company Secretary) and facilitates open and constructive debate and relations between the Executive and Non-Executive Directors.

A.4 Non-Executive Directors
The Chairman promotes a culture of openness and debate and actively invites the Non-Executive Directors' views. They provide an objective, rigorous and constructive challenge to management and meet regularly in the absence of the Executive Directors.

B. Effectiveness

B.1 The Composition of the Board
The Nomination Committee is responsible for regularly reviewing the composition of the Board. In making appointments to the Board, the Nomination Committee considers the independence of Directors and the appropriate balance of skills, knowledge and experience to ensure the Board is effective and no individual or group can dominate the Board's decision-making.

B.2 Appointments to the Board
The identification of new Directors for appointment to the Board is led by the Nomination Committee. Further details of the Nomination Committee and its activities are set out on pages 51 and 52.

B.3 Time Commitments
On appointment, Directors are notified of the time commitment expected from them and details are set out for the Non-Executive Directors in their letters of appointment. External directorships of Executive Directors which may affect existing time commitments, are discussed and cleared with the Chairman.

B.4 Development
All Directors are given an induction on joining the Board and, as part of the annual performance evaluation, the development needs of each Director are checked.

B.5 Information and Support
The Chairman, supported by the Company Secretary, ensures all Directors receive timely and accurate information to enable them to discharge their duties.

B.6 Evaluation
In accordance with the recommendations of the Code, the Board and its Committees undertook an externally facilitated evaluation of their respective performance and their individual members.
Further details can be found on page 49.

B.7 Re-election of Directors
All the Directors are subject to re-election at the AGM each year.

C. Accountability

C.1 Financial and Business Reporting
The Board reviews reports to ensure that they are fair, balanced and understandable. The Strategic Report set out on pages 1 to 39 provides information about the performance of the Group, the business model, strategy and the principle risks and uncertainties relating to the Group's future prospects.

C.2 Risk Management and Internal Control
The Board decides the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on pages 53 to 57.

C.3 Audit Committee and Auditors
The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting process, internal control and risk management framework, the work undertaken by the External Auditor and the work of internal audit.

D. Remuneration

D.1 Level and Components of Remuneration
The Remuneration Committee sets levels of remuneration which are designed to promote the long-term success of the Company, but also structures remuneration so as to link it to both corporate and individual performance, thereby aligning the Executive Management's interests with those of shareholders.

D.2 Development of Remuneration Policy and Setting of Remuneration Packages
The Remuneration Committee has been delegated the responsibility for developing the remuneration policy and proposing individual packages, with no Director having any involvement in the determination of their own remuneration. Details of the activities of the Remuneration Committee are set out on pages 58 to 88.

E. Relations with Shareholders

E.1 Dialogue with Shareholders
The Board takes an active role in engaging with shareholders. The Board particularly values the opportunity to meet with shareholders and the Chairman ensures that the Board is kept informed of shareholder views.

E.2 Constructive Use of the Annual General meeting ('AGM')
The AGM provides the Board with an opportunity to meet with the Company's shareholders, who are invited to meet the Board informally following the formal business of the meeting.

A. Leadership

The Role of the Board
The Board is appointed by the shareholders, who are the owners of the Company. The Board is collectively responsible for the oversight and success of the business. The Board establishes the aims and objectives for the Company, sets the strategic direction and plans, and the operating budgets which are proposed by the Chief Executive, and monitors performance against them.

The Board is also responsible for identifying, evaluating and monitoring the key risks faced by the Company for exercising proper and appropriate corporate governance, for establishing and ensuring the effectiveness of the systems of internal control and for reviewing management performance. Through the Chief Executive, the Board has regard to the necessary financial and human resources required to meet the Company's objectives.

There is a schedule of key operational matters reserved for Board approval.

The Board also delegates certain responsibilities to the Audit, Remuneration and Nomination Committees (the 'Committees'). The written terms of reference of the Committees are available on the Company's website at www.laird-plc.com and from the Company on request. The Chairman of each Committee reports to the Board, as appropriate, and the minutes of all Committee meetings are circulated to all Board members, unless it is inappropriate to do so. More details about these Committees can be found in this report.

Roles of the Chairman, Chief Executive and Senior Independent Director
The roles of the Chairman and Chief Executive are held separately and there is a clear written division of responsibility between the Chairman and the Chief Executive, which has been agreed by the Board.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. The Chief Executive is responsible for the day-to-day management of the Company and implementation of the strategy and policies adopted by the Board. The Chairman's other significant commitments are detailed in his biography on page 41. There were no significant changes to his commitments during the year.

Mike Parker has been the Senior Independent Director since March 2015. He serves as an additional contact point for shareholders. He provides a sounding board for the Chairman and is available to fellow Non-Executive Directors, either individually or collectively, to discuss any matters of concern in a forum that does not include the Chairman, the Executive Directors or other members of the management team. He also has responsibility for leading the annual appraisal of the Chairman's performance.

Non-Executive Directors
Our Non-Executive Directors complement the skills and experience of the Executive Directors. They constructively challenge and scrutinise the performance of management and help develop proposals on strategy. The letters of appointment of the Non-Executive Directors are available from the Company on request and are put on display at the AGM.

The Company Secretary
The Company Secretary acts as secretary to the Board and its Committees and attended all board meetings during the year under review. The current Company Secretary, Gerhard du Plessis, was appointed in August 2015, having been appointed as General Counsel in October 2014. He is also a member of the Executive Committee.

B. Effectiveness

Effective Composition of the Board
The composition of the Board, as outlined on pages 40 and 41, includes an appropriate balance of the skills and experience appropriate for the requirements of the business. Further information relating to appointments to the Board and the Board's policy on diversity, including gender, is included in the Nomination Committee section of this report on pages 51 to 52.

As noted in our last Annual Report, Wu Gang was appointed as a Non-Executive Director with effect from 1 January 2017. Sir Christopher Hum, who had served the Board for over 10 years and delayed his planned retirement in the interests of Board continuity, retired at the 2017 AGM.

Recommended acquisition
The Work of the Laird Board
The Board has received an offer from Advent that represents an attractive 72.6% premium to the closing share price as at 28 February 2018 and provides our shareholders with the certainty of realising value from their investment in the form of cash. In the process of considering the offer, the Board received detailed briefings on Directors' responsibilities and Takeover Code issues. It also received and debated an update of its strategic plan and detailed presentations on valuation. Throughout the period, the Board was advised by the General Counsel & Company Secretary and experienced investment banking and legal advisers. We are recommending to our shareholders that this offer is accepted.

Governance
Corporate governance statement continued

B. Effectiveness

Attendance at meetings of the Board
There was full attendance at all meetings in the year except where indicated below. On the two occasions where a director was unable to attend, they were fully briefed prior to the meeting and any comments which they had on the matters to be considered were given to the Chairman or the Company Secretary.

Eight scheduled Board meetings, including a dedicated strategy day, were planned and held during the year. Two ad hoc meetings were convened for specific purposes. The table below sets out the number of Board and General meetings the Directors attended and the figures in brackets are the maximum number of these meetings the Directors could have attended.

Director	Board (10)	Attended AGM	Attended GM
Dr M Read	10 (of 10)	Y	Y
A J Quinlan	10 (of 10)	Y	Y
Kevin Dangerfield	10 (of 10)	Y	Y
P Bell	10 (of 10)	Y	Y
Wu Gang[1, 4]	9 (of 10)	Y	N
Sir Christopher Hum[2]	4 (of 4)	Y	Y
M Parker	10 (of 10)	Y	Y
N Rachou[3]	9 (of 10)	Y	Y
K Wiklund[4]	10 (of 10)	Y	N

Notes:
1. Wu Gang was unable to attend one Board meeting called at short notice to consider a potential contract with a customer.
2. Sir Christopher Hum stood down from the Board on 28 April 2017.
3. Nathalie Rachou was unable to attend one Board meeting due to a pre-existing business commitment.
4. Wu Gang and Kjersti Wiklund were unable to attend the General Meeting due to pre-existing business commitments.

Operation of the Board
The Board and Committees have regular scheduled meetings and hold additional meetings as and when required. The Board meets at least eight times a year. A schedule of meetings and principal matters to be discussed is normally set out at least 12 months in advance. The Board makes periodic visits to the Company's operations. During the year under review, the Board visited the Company's new Connected Vehicle research facilities in Grand Blanc, USA, and a number of Board members visited the Wireless and Thermal Systems division's facilities in Cedarburg, USA. Additionally, the heads of the business Divisions and other senior executives holding functional responsibilities periodically give presentations at Board meetings. The Board, with the exception of Ms Bell, further met the Group's leadership team at its annual management conference in early 2018, held in Seattle, USA.

The Board held eight scheduled meetings in 2017, including a dedicated strategy day. There were five Audit Committee meetings, five Remuneration Committee meetings and two Nomination Committee meetings during the year. Details of attendance at Board and General meetings are given in the table above and are discussed in more detail in the separate Committee sections of this report. Two additional ad-hoc meetings were held on short notice to discuss new business proposals for which Board approval was required under the Company's Delegated Authorities. Directors are expected, where possible, to attend all Board meetings, relevant Committee meetings and the AGM. Whenever a Director is unable to attend a meeting, the Director will consult with the Chairman prior to the meeting and is briefed by the Chairman after the meeting.

Independence
Currently the Board comprises a Non-Executive Chairman, five other Non-Executive Directors and two Executive Directors. The Code requires that at least half of the Board, excluding the Chairman, should be independent Non-Executive Directors. This requirement continues to be met as the Board considers all of the Non-Executive Directors to be independent.

The Board considers all of the Non-Executive Directors to be independent of management and in character and judgement, and are free from any business or other relationship that could interfere with the exercise of their independent judgement. Under the Code a chairman is not considered to be an independent director but is required to be independent on his appointment. Martin Read was appointed as an independent Non-Executive Director in February 2014 before he became Chairman in May 2014.

The Chairman and the Non-Executive Directors met at least twice during the year without the Executive Directors present and the Senior Independent Director met at least once with the Non-Executive Directors without the Chairman present.

Non-Executive Directors do not participate in any of the Company's share or bonus schemes and their service is non-pensionable.

Induction and training
Upon his appointment, Wu Gang received a tailored induction which included meetings with members of the Executive Committee and senior members of the Company's divisions. As part of board visits to the United States he met with senior members of management responsible for the Connectivity Solutions business of the Wireless and Thermal Solutions Division. In addition he received a briefing from the General Counsel and Company Secretary on his responsibilities as a director of a company listed on the London Stock Exchange and of relevant Group policies.

Existing Directors are provided with training as necessary. This can take the form of reports and briefings from external advisers and senior employees, attendance at seminars and conferences and bespoke training. During the year, the Board received updates on legislative developments that impact Corporate Governance in the UK. In addition, as part of the annual performance review, each Director is asked about their individual training needs so that this can be factored into forthcoming programmes. The Company sponsored the attendance of Ms Wiklund at a course for non-executive directors at the Institute of Directors in London.

Time commitment
A schedule of meetings and principal matters to be discussed is normally set out at least 12 months in advance, enabling the Board to assess the expected time commitment. Furthermore, the letters of appointment of each Director include an approximate estimate of time required per annum to cover meeting attendance, preparation for meetings and overseas visits. The Board is satisfied that each Director is able to devote sufficient time to fulfil their duties.

Information and support

It is important that the Board should be supplied with information in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties. Minutes of meetings are circulated to the relevant Committee members prior to each Committee meeting. Prior to Board meetings, all Directors receive Board papers which include detailed financial information, strategic reports and operational overviews. Directors may also take independent professional advice where necessary at the Company's expense and have access to the services of the Company Secretary.

Board evaluation

This year the Board carried out an externally facilitated board effectiveness review. Following a selection process, Korn Ferry were appointed in 2017 to conduct the review. Korn Ferry issued questionnaires to the Board and other stakeholders before holding a series of one-to-one meetings. The review was structured, around seven areas, including Directors contribution and team dynamics. The results were discussed with the Chairman and fed back to the Board as a whole, with Korn Ferry being invited to discuss their findings with the Board at its February meeting.

The review found that the Board operates well and, noting the challenges faced last year, that the dynamic in the board room has developed into one of healthy and robust debate amongst a diverse and experienced set of Directors.

The Directors noted that good progress had been made in addressing the areas identified in the prior year review that could benefit from further focus. This included improvements to information provided to the Board and a review of the approach to the delegation of authority and risk management.

Election and re-election of Directors

All of the Directors will stand for re-election at the AGM. Biographical details of the Directors are included in the Notice of AGM and on pages 40 and 41. Further information on Board changes during the year is given in the Nomination Committee section of this report on pages 51 and 52.

C. Accountability

Internal control

Laird PLC is a holding company registered in the UK with businesses primarily located overseas. These businesses are organised as subsidiary companies where the management of these companies are appointed to manage within the framework established by the Laird Board, as well as to comply with local statutory and regulatory requirements.

Overall responsibility for the Group's systems of internal control including financial, operational and compliance controls, and reviewing their effectiveness lies with the Laird Board, which ensures that a review is carried out at least annually to assess the adequacy of those systems.

Following a review of the Company's systems and controls in the wake of the October 2016 profit warning, the Board and Executive Management implemented enhanced controls and procedures in certain specific areas, including strategic planning and forecasting. To support this further, oversight and management of risk and governance was transferred to a newly constituted Executive Committee (the 'ExCom') in order to enhance further effective management and oversight. This ExCom consists of the Chief Executive, the Chief Financial Officer, the Heads of the three Business Units, the General Counsel and Company Secretary, the Chief Human Resources Officer, the Chief Risk Officer and the Chief Technology Officer. The ExCom is chaired by the Chief Executive. It reviews and approves all major transactions and material commitments by the Group. Meetings are held on a monthly basis, supplemented by weekly ad-hoc meetings for approvals as required. Outcomes and decisions from all meetings are minuted and distributed for implementation as required and reported to the Board.

Primary responsibility for systems of internal control rests with the managers of the three business divisions. The ExCom is responsible for implementing Group policy and for monitoring the business divisions' performance and reporting to the Board thereon. Financial information is reviewed at business division level as well as by the Group's Finance Department, which prepares the consolidation and financial statements to ensure that the financial position and results of the Group are appropriately reflected.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group is in place and complies with the Code and follows the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and is at least reviewed annually by the Board. This process has been in place for the full financial year and up to the date the accounts were approved by the Board.

The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives as well as safeguarding the Group's assets. These systems can only provide reasonable but not absolute assurance against material misstatement or loss.

Authorities and delegations are issued periodically to the managers of subsidiaries setting out their responsibilities and delegated authorities. These rules require approval for specific transactions and call for accurate and relevant financial information to be delivered on a timely basis. The ability to identify risk is enhanced by the timely reporting of management information and the short lines of communication with operating managers.

Business divisions and corporate functions participate in an annual strategic planning process to set out strategic objectives and identify the related key risk and control issues and mitigating actions. This process provides the baseline for them to submit their budgets annually to the ExCom for approval. In addition, through a risk and controls assessment process embedded in the business performance review process, emergent risk and control issues are managed transparently on a continuous basis. A risk management update, reporting emergent risks and any changes to the risk environment, is presented at Board meetings. This process is supplemented by papers submitted to the Board by the Executive Directors throughout the year and by meetings from time to time between the Board and the management of the businesses, some of which take place at the premises of the operating companies. The Chief Executive presents the Company's business objectives which are approved by the Board, and the Board also addresses those risks which affect the Company as a whole. The Board instigates further reports and investigations as it considers necessary.

Governance
Corporate governance statement continued

C. Accountability

The Company has in place internal control and risk management arrangements in relation to the Company's financial reporting processes and the preparation of its consolidated accounts.
The arrangements include procedures to ensure the maintenance of records which accurately and fairly reflect transactions to enable the preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board adopted for use in the European Union (IFRS), as appropriate. They also provide reasonable assurance that reported data is reviewed and reconciled and there is appropriate monitoring internally and by the Audit Committee.

Ongoing financial performance is monitored through regular reporting to the ExCom and monthly reporting to the Board. Capital investment and all revenue expenditure are regulated by a budgetary process and authorisation levels with reviews as required.

D. Remuneration

Remuneration Committee
Information on the Remuneration Committee is included in the Directors' Remuneration Report on pages 58 to 88.

E. Relations with shareholders

Shareholder engagement
The Company is committed to increasing shareholder value and ensures it communicates its prospects and achievements to shareholders in a timely manner and within the limits imposed by the Listing Rules made by the Financial Conduct Authority. Regular communication with shareholders takes place through the Annual Report and Accounts, the Final and Interim Results presentation materials and other press releases of business significance throughout the year. Significant matters relating to the trading or development of the business are communicated to the market by way of announcements through a regulatory information service. These announcements also appear on the Company's website, along with other press releases, presentations, webcasts, informative videos and business case studies.

The Head of Investor Relations, working closely with the Chief Executive and the Chief Financial Officer on a day-to-day basis, has full responsibility for devising and implementing the Company's Investor Communications Plan to service its current and prospective shareholders and provide information to financial analysts.

The Board receives regular written reports and verbal updates on ongoing Investor Relations activity, including from the Company's brokers. These, along with reports from the investor community help the Board, and in particular the Non-Executive Directors, gain an understanding of major shareholders' views.

During 2017, there was continued proactive focus on engaging with the Company's institutional shareholders and private client brokers to ensure the Company's prospects and developments were understood. This included institutional investor roadshows, both in the first and second half of the year, with feedback being relayed to the Board.

Throughout the year, the Company participated in shareholder and prospective shareholder meetings. The Company's largest shareholders were also consulted regarding the proposed remuneration policy, which will be put to shareholders at the 2018 AGM. The Chairman also contacts all major shareholders at least annually in order to hear their views and understand their concerns. While a programme of co-ordinated activity is followed throughout the year, where appropriate we also respond to ad-hoc requests for meetings. The majority of the meetings were attended by a combination of the Chief Executive, Chief Financial Officer and/or the Head of Investor Relations. The Chairman and Senior Independent Director are also available for meetings with shareholders in the event that there are any concerns which cannot be addressed through management, or in connection with any significant change to the Company's strategy, remuneration policy or governance arrangements.

Wherever possible, the Chairman and Non-Executive Directors attend results presentations and they welcome the AGM as an opportunity to communicate with both private investors and institutional shareholders. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally after the meeting. The Chairman gives a formal report on the Company's progress at the meeting and a copy of his statement is issued to a regulatory information service and published on the Company's website. All of the Directors attended the AGM in 2017 and the Chairmen of the Remuneration, Nomination and Audit Committees were available to answer questions relating to their areas of responsibility. The number of proxy votes cast for, against and withheld on the resolutions are reported to the meeting and following the meeting are published on the Company's website. All but two directors also attended the General Meeting in March 2017, at which the resolution to approve the allotment of new shares pursuant to the rights issue, was overwhelmingly approved.

Report of the Nomination Committee

Dr Martin Read, CBE
Chairman of the Nomination Committee

Director	Nomination (2)
Dr M Read	2 (of 2)
Sir Christopher Hum	1 (of 1)
M Parker	2 (of 2)
N Rachou	1 (of 1)

Dear Fellow Shareholder

The Nomination Committee ('the Committee') is responsible for regularly reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes. It also leads the search process and makes recommendations to the Board for the appointment of new directors.

I chaired the Committee throughout the year. For the first part of the year, other members were Mike Parker and Sir Christopher Hum. Following Sir Christopher's resignation on 28 April 2017, Nathalie Rachou was appointed to the Committee.

Review of activity during the year

The Committee met twice during the year. It considered, among other things, whether to recommend for reappointment those Directors whose term in office was due to expire after the 2017 or 2018 AGMs, paying particular attention to Paula Bell's prospective appointment at the 2018 AGM in the light of the fact that she will have served on the Board for over six years.

Following the retirement of Sir Christopher Hum at the 2017 AGM, the Committee recommended to the Board that Nathalie Rachou be appointed to the Nomination Committee in his place. The Nomination Committee further recommended the appointment of Kjersti Wiklund to the Remuneration Committee.

In reviewing its Terms of Reference, the Committee considered whether it was appropriate to expand its remit to include taking the lead on the annual performance review of individual Non-Executive Directors (apart from the Chairman). The Committee agreed to recommend the proposal and the attendant amendments to the Terms of Reference to the Board which agreed with the proposal.

The Committee adopted a formal Board Diversity Policy which reflects the approach that has been taken in the recruitment for Board vacancies throughout my stewardship.

Appointment of new directors

Over the last few years, we have progressively renewed the membership of the Board. Following a number of changes in recent years, Wu Gang, whose recruitment was reported last year, took up office on 1 January 2017 as an Independent Non-Executive Director and a member of the Remuneration Committee.

Board evaluation

This year, in accordance with the Code's recommendation that the evaluation of the Board should be externally facilitated at least every three years, Korn Ferry have carried out our Board Review.

Further details of the process and findings are set out on page 49.

Governance
Report of the Nomination Committee continued

The Committee recognises that diversity is key for introducing different perspectives, insights and challenge into board debate and decision making.

Diversity policy at Board level

The Committee recognises that diversity is key for introducing different perspectives, insights and challenge into board debate and decision making. We understand that the Board sets the tone for inclusion and diversity across the business and believe in having a diverse leadership team and an open and inclusive culture. Creating an equal, fair and diverse workplace has always been a priority for Laird.

At Laird, diversity encompasses experience, skills, education, tenure, age, geographical expertise, gender, ethnicity, professional background, disability and sexual orientation. We seek to maintain a strong board, with a balance of commercial and technical experience and believe that diversity of thought and business expertise is paramount.

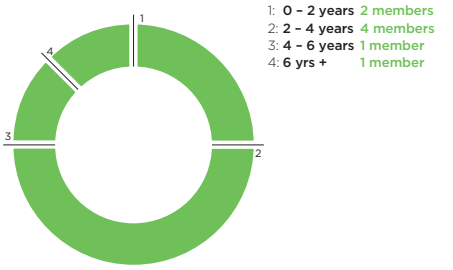
The Committee regularly monitors the composition of the Board and reviews the gender profile of the Group. Currently, women account for over half the Non-Executive Directors, comprising 37.5% of the Board as a whole. Given the size of the Board, we do not believe that setting specific formulaic diversity targets is appropriate. A breakdown of the gender profile for the Group, including senior leadership, can be found on page 25.

Looking ahead to 2018

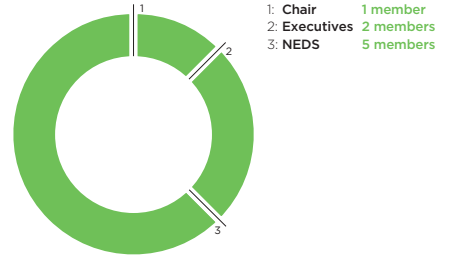
The Board has seen many changes over the last couple of years and no further changes to the composition of the Board or that of its Committees are foreseen over the coming year.

Dr Martin Read, CBE
Chairman of the Nomination Committee

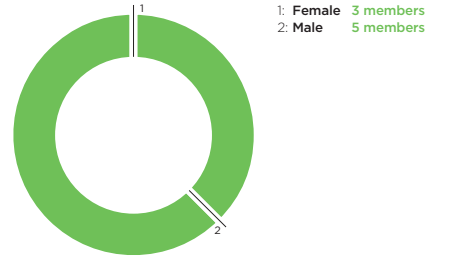
Tenure of Board as at 31 December 2017



Balance of Board



Gender of Board



Report of the Audit Committee

Paula Bell
Chairman of the Audit Committee

Director	Audit (5)
P Bell	5 (of 5)
M Parker	5 (of 5)
N Rachou	5 (of 5)
K Wiklund	5 (of 5)

Dear Fellow Shareholder
I am pleased to present the Audit Committee's report which sets out details of the activities undertaken by the Committee during the period. The Audit Committee ('the Committee') assists the Board in fulfilling its oversight responsibilities regarding in particular the Company's financial and corporate reporting, risk management and internal controls, the long-term viability statement given in this Annual Report and the independence and effectiveness of the external auditors.

As a Committee we are keen to constantly evolve our focus on financial risks that face the business as operations continue to grow globally, while ensuring robust reporting is underpinned by appropriate and effective processes, controls and assurance. The Committee recognises the requirement to keep primary areas of judgement under review and report accordingly and is committed to fulfilling its responsibilities in this regard.

The work of the Committee is far ranging. It engages with the business effectively and assesses the adequacy of the internal financial control environment. The Committee receives regular updates throughout the year on any changes in the financial controls environment and also receives assurances from external professional advisers. The Committee continues to challenge and develop the scope of the Group's internal audit programme to match the evolving growth of the business as the organisational structure adapts and changes.

The Committee also reviews and discusses with the external auditor the scope of the audit to ensure it appropriately responds to risk.

In considering the integrity of financial reporting this year we considered the following key judgement areas in detail: revenue recognition in the current period and the impact of new accounting standards going forward; tax provisioning and deferred tax valuation; and the carrying value of assets. Further details of the Committee's work in these areas is set out below.

The Committee monitors and reviews annually the whistleblowing policy and process, and any incidents of whistleblowing are brought to the Committee's attention. The appointment of an independent telephone and internet provider ensures that all staff have the opportunity to make confidential disclosures about suspected impropriety or wrong-doing.

This was the second full year with Deloitte LLP ('Deloitte') responsible for our external audit. The Committee oversaw and monitored the work undertaken by Deloitte in executing the external audit and noted the results of the Financial Reporting Council's Audit Quality Review of Deloitte's audit of the Company, along with their performance on other audits of listed companies.

Further details of this review and how we ensure the effectiveness of the external auditors can be found on page 56. The Committee also oversaw and monitored the internal audit process which was executed by the Chief Risk and Assurance Officer supported by KPMG LLP ('KPMG'). It also approved the proposed internal audit plan for 2018.

The Committee also advises the Board as to whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. At the beginning of each financial year, the Committee agrees the annual agenda of activities identifying key areas of focus and emerging topics.

Paula Bell
Chairman of the Audit Committee

Governance
Report of the Audit Committee continued

Objective

To provide effective oversight and governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the internal financial control environment and the processes in place to monitor this.

Responsibilities

The terms of reference of the Audit Committee are documented and agreed by the Board. The key terms are outlined below and the full terms of reference are available on the Company's website, www.laird-plc.com:

- reviewing the financial results announcements and financial statements and any significant financial reporting issues and judgements which they may contain;
- advising the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- ensuring compliance with applicable accounting standards and reviewing the appropriateness of accounting policies and practices in place;
- assessing the adequacy of the internal financial control environment and the processes in place to monitor this, including reviewing the performance of the internal audit team;
- overseeing the relationship with the external auditor, reviewing their performance and advising the Board on their appointment and remuneration;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced;
- ensuring appropriate safeguards are in place for individuals to raise issues with the Board where a breach of conduct or compliance, including any financial reporting irregularity, is suspected; and
- reviewing the effectiveness of the Company's internal controls to guard against and detect fraud, review any instance of fraud or suspected fraud and to consider the Company's response to any such occurrence.

Membership

The Audit Committee members are all independent Non-Executive Directors. The Chairman of the Audit Committee is Paula Bell and the other members of the Audit Committee are Mike Parker, Kjersti Wiklund and Nathalie Rachou. There were no changes in membership during the period.

In accordance with the Code, the Board ensures that at least one member of the Audit Committee has recent and relevant financial experience. Paula Bell, the Chair of the Committee, is the Chief Financial Officer for Spirent Communications plc. With Mike Parker being the Senior Independent Director of publicly quoted company PV Crystalox Plc and a past Non-Executive Director of SNC-Lavalin Inc, a publicly quoted Canadian company, Nathalie Rachou being a Non-Executive Director of Société Générale, where she serves on its Audit Committee, and Kjersti Wiklund, a non-executive director of Spectris plc and who was until recently Director, Group Technology Operations at Vodafone, the Board is satisfied that the Audit Committee as a whole has a balance of skills with sufficient financial, international and commercial experience to enable it to carry out its duties. Further details about the Audit Committee members can be found on page 41.

Meetings

The Audit Committee met on five scheduled occasions during the year. Details of attendance at these meetings can be found on page 53. The Chairman of the Board, the Chief Executive, the Chief Financial Officer, the Chief Risk and Governance Officer and the external auditor are given notice of all meetings and may be invited to attend and speak at any meeting. The external auditor has the opportunity to meet with the Audit Committee without any Executive Directors present whenever necessary and the Audit Committee ensures that this happens at least once a year in order to discuss any issues or concerns from either party. Additionally, the Chairman of the Audit Committee has regular contact with the external audit partner outside of Committee meetings. During the year, the Audit Committee held two meetings with Deloitte without management being present, in order to receive feedback from them on matters such as the quality of interaction with management.

KPMG, which provides global internal audit services under the direction of the Chief Risk and Governance Officer, attended three Audit Committee meetings during the year. The Chief Risk and Governance Officer briefed the Audit Committee three times on key internal audit matters and findings of internal audit investigations and had the opportunity at each meeting to meet with the Audit Committee without any Executive Directors present and he met or had phone calls separately with the Chairman of the Audit Committee periodically throughout the year.

The Audit Committee has authority to seek any information it requires from any officer or employee of the Company or any of its subsidiary undertakings. It believes that it has received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities during the year. The Audit Committee can take such independent professional advice, at the expense of the Company, as it considers necessary.

Main activities during the year

The Committee's principal activities during the year included:

- monitoring the financial reporting process and reviewing the interim and annual financial statements with particular reference to accounting policies, principal risks and uncertainties together with significant estimates and financial reporting judgements and the disclosures made therein;
- reviewing the effectiveness of the internal audit function which included the appointment of a new KPMG partner with expertise in risk management and governance advisory and reviewing the execution of the internal audit plan during the year;
- receiving and discussing (in the absence of management where appropriate) reports from the external auditor in respect of their review of the interim results and the annual audit including the audit plan for the year;
- conducting a detailed review of the impact of new accounting standard Revenue from contracts with customers IFRS 15, further details of which are set out below;
- receiving and reviewing reports from the Chief Risk and Governance Officer on internal financial controls twice each year;
- in accordance with the Code, advising the Board at its request on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- continuing to monitor and review the effectiveness of the shared services model to ensure that high levels of assurance are being maintained, with the Committee overseeing the assurance process to target priorities in a new control model for the shared services environment;
- continuing to challenge and develop the scope of the Group's internal audit programme to match the evolving growth of the business in terms of regional expansion into new territories and as the organisation structure adapts and changes, including approving the internal audit plan for 2018;
- reviewing the Group's Code of Conduct and arrangements for whistleblowing, implementing refreshed ethics training and relaunching the ethics hotline;
- reviewing and discussing with the external auditor the scope of the audit to ensure it appropriately responds to risk;
- discussing the longer-term viability statement and the related assessment work to enable the Board to make such a statement; and
- further considering the enhancement of the internal control environment, in particular with respect to IT controls, following recommendations from the external auditor.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review the half-year and annual financial statements. The review is carried out with both management and the external auditor, and focus areas include evaluating:

- whether the Annual Report and Accounts represents a fair, balanced and understandable view of information for shareholders;
- whether material areas of significant judgement and estimation uncertainty have been given due consideration by management and reviewed with the external auditor;
- the quality and acceptability of accounting policies and practices;
- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements; and
- any correspondence from regulators in relation to financial reporting.

The primary areas of judgement and estimation uncertainty considered by the Committee in relation to the 2017 Accounts, and how these were addressed, were:

Revenue recognition in the period under review and the impact of new accounting standards going forward

IFRS 15 Revenue from contracts with customers will be adopted from 1 January 2018. The new standard leads to changes in the timing of both revenue recognition and associated costs for some of our businesses. IFRS 15 requires businesses to identify performance obligations made in contracts and allocate revenue to those promises. Revenue can only be recognised once the performance obligation is fulfilled, or if the business has an enforceable right to payment for work performed to date. We have considered the impact both for this year's report and accounts and for 2018. Further information can be found at Note 2 on page 116.

Tax provisioning

Provisioning for potential current tax liabilities require judgement. The Committee addresses these issues through a range of reports from the taxation department and senior management and a process of challenging the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. In 2017 an amount of £29.9m (2016: £33.9m) was recognised in relation to potential current tax liabilities. The recognition of these liabilities, and any movement in the current year, is discussed in detail and challenged with both the taxation department and senior management. In the current year, the Committee also considered the balance sheet classification of these liabilities.

The recognition of the deferred tax asset, and the movement in the current year, has also been discussed and verified with both the taxation department and senior management.

Governance
Report of the Audit Committee continued

Carrying value of assets
The assessment of the carrying value of assets, in particular goodwill and capitalised development costs, are an important focus for the Committee due to the significant amounts recorded on the Consolidated Balance Sheet and the judgements involved in assessing goodwill for impairment. The Committee addresses these issues by focusing on, monitoring regularly and constructively challenging the reasonableness of the assumptions used in impairment calculations by management; challenging the appropriateness of judgements and forecast used including discount rates, growth rates, decision on cash generating units and the methodology applied. Similar review went into assessing the capitalisation of development costs and in ensuring the process was in line with the accounting policy and standards.

External auditor

Appointment and independence
Following a competitive audit tender process carried out in 2015, it was recommended that Deloitte should be appointed as auditors in place of Ernst & Young LLP, subject to shareholder approval at the AGM in April 2016. The appropriate resolution was passed by shareholders at the AGM and Deloitte duly appointed. By undertaking the audit tender, the Company has complied with current legislation in respect of the mandatory use of competitive tendering and Audit Committee responsibilities. Anna Marks is the current Group Audit Partner and is in the second year of her tenure.

Deloitte's independence was considered as part of the audit tender process and again during the course of the year under review. A description of the Board's policy on the use of the external auditor for non-audit services, and of non-audit services provided by Deloitte's is set out below.

Effectiveness
The Audit Committee continually considers and reviews the effectiveness of the external audit. As part of the planning process the Committee considers factors that could affect the audit quality based on past experience and anticipated changes to the business and business environment. The auditor is asked to explain the risks to audit quality that they have identified and how they intend to address those risks in their audit strategy and plan. The Committee probes and challenges the auditor's plans and regularly reviews progress against the audit plan. On an annual basis the Audit Committee formally reviews the effectiveness of the external audit, reporting its findings to the Board as part of its recommendation on auditor appointment or re-appointment. This process is supported by the completion of questionnaires by the Committee and the wider financial management team, which include consideration of the audit partner, the approach, communication and reporting. The results of the questionnaires are reported to and discussed by the Committee.

The Audit Committee noted that the Financial Reporting Council's Audit Quality Review team selected to review the audit of Laird PLC's 2016 financial statements as part of their 2017 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. Some matters were identified as requiring improvement and we have agreed an action plan with Deloitte to ensure the matters identified by the Audit Quality Review have been addressed in the audit of the Company's 31 December 2017 financial statements. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

After taking into account the above factors, the Committee concluded that the external auditor was effective and continues to be effective.

Non-audit services
The Audit Committee recommends for Board approval a policy for non-audit services to be performed by the auditor. This policy prohibits the use of the external audit firm for certain specified matters and the hiring of its former employees, without prior approval from the Audit Committee Chairman. The auditor will not be engaged to provide internal audit services, systems implementations or valuations as such services would be deemed to conflict with their independence.

There are sound commercial and practical reasons, including confidentiality, for using the auditor to provide certain non-audit services. During the year, Laird used the services of Deloitte to prepare working capital documents, a financial controls report and comfort letters in support of the March 2017 Rights Issue. A breakdown of auditor's remuneration, including non-audit fees, are provided in note 6 to the Accounts. The Committee reviews and agrees any non-audit services provided in the year and Deloitte confirm to the Committee its continuing independence and compliance with our policy on auditor independence.

Internal audit

The Audit Committee oversees the internal audit function. KPMG act as the internal auditor services provider for the Group under the direction of the Chief Risk and Governance Officer. The Audit Committee considers the scope of internal control audits each year which are set out in the internal audit plan and reviews the internal audit process for identifying and managing financial and other risks and the findings of those audits. In 2017, the Internal Audit function reviews included IT general controls, inventory management at larger sites and work on the internal controls at a number of financial shared service centres. For 2018, the internal audit plan was approved by the Committee in October 2017 and it includes among other matters reviews of certain core financial processes, further work on inventory management at larger sites, procurement and a review of processes, procedures and controls within the treasury function, deferred from 2017.

Internal financial control

As noted above, the Audit Committee reviews the Group and Company's financial statements. It also has responsibility for reviewing the process for identifying and managing financial risk, for reviewing the internal financial controls and considering the scope and planning of internal and external audits. It reviews reports on internal financial control including reports by the Chief Risk and Governance Officer and the Chief Financial Officer and the results from internal financial audits. As part of its audit, the external auditor, to the extent it considers necessary to support its audit opinion, reviews and tests the systems of internal control and the data contained in the accounts, including an independent and objective review of the approach of management to the reporting of the operating results and financial condition.

Whistleblowing

The Audit Committee reviews the Group's procedure for handling allegations from whistleblowers as set out in the Group's Global Code of Conduct (which is available on the Company's website) and any whistleblowing events are brought to its attention. Following the 2017 annual policy and process review, the Audit Committee agreed that the policy works well and no changes were recommended.

A whistleblowing service, which offers a relevant language service in all countries in which Laird operates, is made available to all employees through an independent telephone and internet provider. Employees have the right to remain anonymous. A monthly report on any calls is sent to senior management and to the Audit Committee at each Audit Committee meeting. During 2017, in conjunction with refreshed Code of Conduct training, the Ethics Hotline was relaunched as part of a new campaign which included regionally/culturally-tailored awareness messages and the promotion of a new reporting channel. Investigation of all whistleblower communications is overseen by the Chief Risk and Governance Officer with findings reported to the Board.

The Corporate Governance Statement is set out on pages 44 to 57.

By order of the Board

Dr Martin Read, CBE
Chairman

1 March 2018

Governance

Directors' remuneration report

for the year ended 31 December 2017

Annual statement by the Chairman of the Remuneration Committee

Mike Parker, CBE
Chairman of the Remuneration Committee

Director	Remuneration (5)
Dr M Read	5 (of 5)
Wu Gang	5 (of 5)
Sir Christopher Hum	2 (of 2)
M Parker	5 (of 5)
K Wiklund[1]	

Notes:
1. Kjersti Wiklund joined the Remuneration Committee on 13 December 2017. No meetings of the Committee took place between then and 31 December 2017.

Dear Fellow Shareholder
I am pleased to present the Directors' Remuneration Report for 2017, which has been prepared by the Remuneration Committee ('the Committee') on behalf of the Board.

Context to the Committee's decisions

Following the disappointing performance in 2016, the Group's focus was to bring a strong profit uplift alongside establishing a business model which could deliver long-term, sustainable revenue and earnings growth.

I am pleased to report that this strategy delivered a much-improved performance, with encouraging progress across all three divisions.

2017 saw a significantly improved performance for Laird, with a 31.7% increase in underlying profit before tax to £67.3m and a 5.7% increase in underlying basic earnings per share. I am pleased that this year we have been able to pay bonuses under our Annual Performance Incentive Scheme. This was strongly linked to Laird achieving a stretching underlying Profit Before Tax target and the Executive Directors meeting key strategic goals. Further details of how each of the Executive Directors performed against their strategic goals for 2017, and of their strategic goals for the coming year, can be found later in this report. Given the length of service of each of the Executive Directors, no long-term incentives were due to vest to them in 2017.

Remuneration Policy and Reward Philosophy

Our current Remuneration Policy has received continued support since its approval in 2015, with the Annual Report on Remuneration receiving a vote in favour of 99% in each of the last two years. During 2017 we undertook a review of the Remuneration Policy for the executive directors in preparation for our 2018 Annual General Meeting ('AGM'), when the existing policy reaches its third anniversary and requires resubmission to shareholders. The principal objective of the review was to ensure the remuneration framework remained fit for purpose and aligned with Laird's strategy.

We have also taken the opportunity to review the Remuneration Policy for share and cash-based incentive awards for the Executive Committee and other members of senior management, with a view to establishing a policy that both promotes high performance in support of the Company's long-term objectives and is aligned as closely as possible with the Remuneration Policy for share and cash-based incentive awards of the Executive Directors.

Our overall reward philosophy within Laird is to operate market competitive compensation packages targeted at the mid-market in our respective territories.

Remuneration arrangements should be aligned with strategy of accelerated growth and the creation of long-term shareholder value. The Policy should ensure there is a clear link between reward and sustained performance and provide an appropriate balance between fixed and variable performance related components, with a significant element of long-term variable pay given the long-term nature of our business.

In conjunction with our advisors, the Committee considered different reward philosophies and believes that the current policy remains fit for purpose and that it will continue to complement the Group's strategy in the near to medium term. For these reasons, we are not proposing any significant changes to the Remuneration Policy other than minor drafting amendments, with the proposed revisions aimed primarily at improving the robustness of the policy framework and incorporating new standards of best corporate governance practice. A summary of the Remuneration Structure and key changes proposed is set out on page 60. The Remuneration Policy is set out on pages 64 to 74.

The Committee sought the views and comments of our top 20 shareholders in respect of the proposed new Remuneration Policy, details of which were shared with the whole Board before finalisation and recommendation of the Policy by the Board for approval by shareholders. The Committee was pleased that major shareholders were supportive of the proposed Policy. Subject to shareholder approval at the 2018 AGM this policy may operate for up to three years.

As described on page 74, under the proposed new Policy the Committee retains discretion over a number of areas relating to the operation and administration of the incentive plans, including whether to pro-rate bonuses and awards to time and treatment on cessation of employment on change of control. In light of the recommended acquisition of Laird the Committee will give consideration to the treatment of outstanding bonuses and awards for Executive Directors prior to the transaction completing.

2017 remuneration decisions

Key decisions made by the Committee during, and for, the financial year include:

- Reviewing the Remuneration Policy, considering whether it remains appropriate and fair and recommending an updated policy to the Board.
- Determining whether it is appropriate to recommend base salary increases for the Chief Executive, the Chief Financial Officer, the Chairman, Non-Executive Directors and members of the Executive Committee, concluding that, in light of the poor performance of the Group in 2016 and its continuing recovery, it was not appropriate to increase base salary, except in one case, where there had been a promotion on the Executive Committee.
- Consideration of performance conditions for incentive awards for the wider leadership team (other than Executive Directors), with the Committee approving amendments to further strengthen outcomes linked with shareholder returns.
- Approving the remuneration packages offered to the new Chief Human Resources Officer and the new Chief Technology Officer.
- Setting 2017 LTIP award levels for Executive Directors, reducing for the year the maximum potential for the Chief Executive from 200% of base salary to 160% for that year.
- Approving a new Remuneration Policy for share and cash based incentive awards for the Executive Committee and other members of senior management with a view to establishing a policy that both promotes high performance in support of the Company's long-term objectives and is aligned as closely as possible with the Remuneration Policy for share and cash based incentive awards of the Executive Directors.
- Terminating 'MyShare', an umbrella share purchase plan for all employees operated internationally under the Laird PLC 2015 Share Incentive Plan, after a review by management concluded that it was failing in its objective to efficiently incentivise employees due to its low take up and that the administrative costs of maintaining the scheme outweighed the benefits.

Gender pay

The UK Government has introduced new legislation requiring certain companies to report later this year on their gender pay gap. As a global organisation employing around 10,000 employees we are committed to diversity and equality, including, in particular, gender equality. As Laird entities in the UK have less than 250 employees we do not have a reporting obligation, however we take the issue seriously and will publish a detailed statement later this year.

Shareholder approval at the 2018 AGM

The Annual Report on Remuneration together with this letter is subject to an advisory shareholder vote while the proposed new Remuneration Policy is subject to a binding shareholder vote. These will be put to shareholders at the 2018 AGM. The sections of this report that have been subject to audit are labelled accordingly.

Details of voting at last year's AGM were that 99.75% of the votes cast supported the resolution to approve the Annual Report on Remuneration. This followed the previous year's AGM, where 99.83% of the votes cast supported the Annual Report on Remuneration. Further details are set out on page 88 of this report and I would like to thank shareholders for their strong support.

We remain committed to hearing, and taking an active interest in your views as shareholders. If you would like to discuss any further aspect of our remuneration strategy, I would welcome your views. I can be contacted at m.parker@laird-plc.com.

Mike Parker, CBE
Chairman of the Remuneration Committee

1 March 2018

Summary of content

This Directors' Remuneration Report is divided into five sections:

the annual statement from the Chairman of the Remuneration Committee, set out on pages 58 to 59; Remuneration at a Glance; **the Policy Report**; Fairness of Remuneration Policy and Structure and the **Annual Report on Remuneration**.

The **Remuneration at a Glance** section sets out the key remuneration outcomes for the year as well as details of the implementation of the new Remuneration Policy in 2018.

The **Policy Report** sets out the proposed 2018 Remuneration Policy to be approved by shareholders at the 2018 AGM; and which, subject to that approval, will apply from the date of the 2018 AGM.

The **Fairness of Remuneration Policy and Structure** section provides an overview of the Company's pay structure across different grades setting out key internal and external relativities of Executive Directors' remuneration.

The **Annual Report on Remuneration** sets out how the Policy approved in April 2015 has been applied during the financial year being reported on and how the Policy will be applied in the coming year subject to shareholder approval at the 2018 AGM. This report will be put to shareholders at the 2018 AGM, although the vote on the implementation of the report is advisory.

This report complies with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2013 (as amended), as well as the UK Corporate Governance Code and the UKLA Listing Rules.

Governance
Directors' remuneration report continued

Summary of Remuneration Structure and key changes

Element	Operation	Changes Proposed
Base salary	• An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.	None.
Benefits	• The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. • Benefits may include: car and fuel allowance, life insurance, personal accident insurance, disability and health insurance, income protection, travel insurance and from time to time benefits such as relocation expenses.	None.
Annual Performance Incentive Scheme	• Annual Performance Incentive Scheme awards are granted annually following the signing of the Report and Accounts, usually in March. • The performance period is one financial year with payout determined by the Committee following the year end, based on achievement against a range of financial and non- financial targets including having regard to environmental, health and safety issues. • Maximum opportunity: 150% of salary. Threshold performance: 20% of maximum. • 2/3rds of the bonus award will be paid out in cash with the further 1/3rd deferred into shares subject to a three year vesting period. There are no further performance targets on the deferred amount. Malus and clawback arrangements are in place. • Bonus awards will only be paid if the Committee is satisfied that the Group's overall financial performance has been sufficient to justify their payment.	None.
Long-term incentives	• Under the 2015 Long-Term Incentive Plan (2015 LTIP) the Committee may award annual grants of performance shares in the form of conditional awards or nil-cost options (LTIP Awards). • LTIP Awards under the 2015 LTIP will vest three years from the date of grant subject to the achievement of the performance measures (both TSR and EPS). • A two year holding period will apply following the three year vesting period for LTIP Awards granted to the executive directors. • Maximum LTIP Awards are 200% of base salary. Threshold payout: 15% of maximum. Vesting is dependent on service and performance measures. • Malus and clawback arrangements are in place.	The level of vesting at threshold has been made consistent between the two performance measures (previously 20% for TSR and 10% for EPS, now both 15%).
Pension	• The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy. • The maximum pension contribution allowance for existing Executive Directors is 25% of salary. • When recruiting or promoting new Executive Directors the Committee will aim at aligning the pension contribution allowance to be provided with the level of employee pension contribution. If the circumstances require an alternative approach to be used, this will be fully explained in the relevant Annual Report.	None.

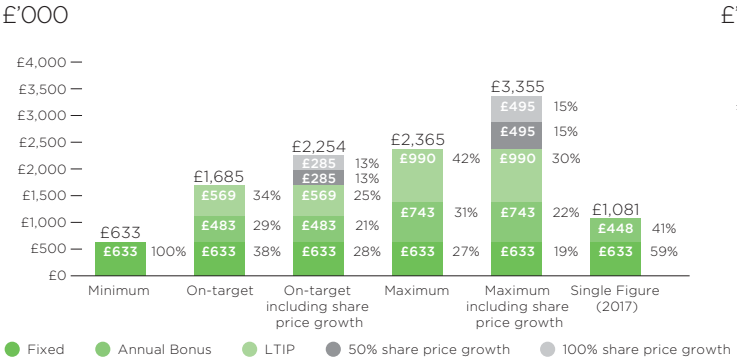
Shareholding policy	• The Committee has adopted formal shareholding requirements that will encourage the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to a percentage of base salary. The following sets out the minimum shareholding requirements:
	  • Chief Executive – 200% of salary; and
	  • Other Directors – 200% of salary.
	• The Committee retains the discretion to increase the shareholding requirements.
		None.

Remuneration at a glance

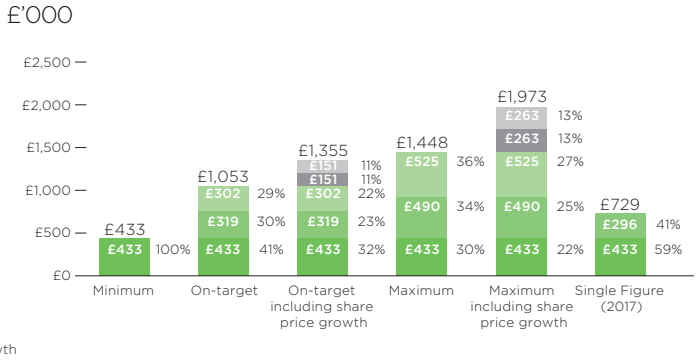
2017 actual single figure versus applicable remuneration policy

The following charts show the actual single figure for remuneration for the Executive Directors for 2017 against the 2015 Policy scenarios:

Tony Quinlan – Chief Executive



Kevin Dangerfield – Chief Financial Officer



Note:
1. The scenario charts include the potential impact on the single figure of remuneration by 50% (strong scenario) and 100% (outstanding scenario) over three years.

Full details of information included in the single total figure of remuneration can be found on page 78.

Incentive outcomes for 2017

2017 Annual Performance Incentive Scheme outcome

Bonus awards reflected the significant improvement in underlying Profit Before Tax, reaching £67.3 million and strong performance of Directors against their personal strategic objectives.

The measures that were applicable for the 2017 Annual Performance Incentive Scheme are summarised in the table below.

Measure	Targets[1]	Outcome
Underlying Profit Before Tax ('PBT') Weighting 80% of maximum bonus	**Threshold:** 100% of Budget (Budget of £65m for FY 2017) **Maximum:** 123% Budget	• Underlying Profit Before Tax of £67.3m, leading to a 53% payout
Strategic, Operational and Corporate Performance Measures Weighting 20% of maximum bonus	Six strategic, operational and corporate performance measures were set for the Chief Executive and for the Chief Financial Officer for 2017	• 90% of Strategic, Operational and Corporate performance measures were met

Note:
1. For further details of the 2017 Annual Performance Incentive Scheme performance targets, objectives and outcome, please see pages 79 to 80.

Long-term incentive vesting outcomes for 2017

No long-term incentives held by Directors during the year vested in 2017. Jonathan Silver, a past director, held a 2014 LTIP award under the terms of his retirement that lapsed in 2017 due to failing to meet the performance criteria. Further details of these awards can be found on page 83.

Governance
Directors' remuneration report continued

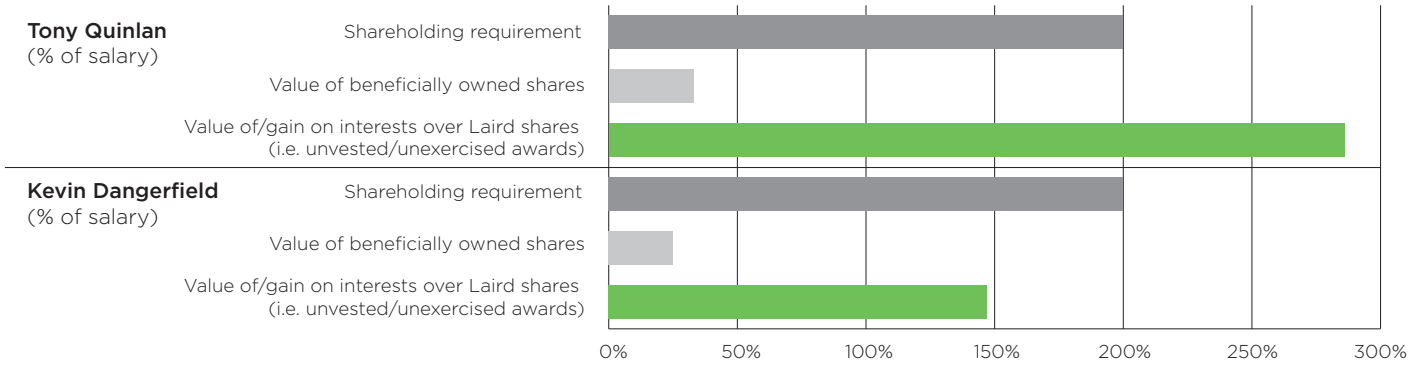
Overview of implementation of new Policy for 2018

On the basis that shareholders approve the Policy at the 2018 AGM, the Executive Directors' remuneration arrangements for 2018 will be (full details are provided on page 69):

	Key elements and time period						Overview of Remuneration Policy for 2018	
	Year	+1	+2	+3	+4	+5		
Base salary							No salary increases for 2018. Tony Quinlan (CEO): Kevin Dangerfield (CFO): Next review: 1 July 2018.	 £495,000 p.a. £350,000 p.a.
Pension							Tony Quinlan (CEO): Kevin Dangerfield (CFO):	Pension allowance – 25% of base salary. Pension allowance – 20% of base salary.
Benefits							Tony Quinlan (CEO): Kevin Dangerfield (CFO):	Car allowance (£11,000), Health, Life and Disability Insurance. Car allowance (£11,000), Health, Life and Disability Insurance.
Annual performance incentive scheme ('APIS') • Cash • Deferred share award							Tony Quinlan (CEO): Kevin Dangerfield (CFO): Subject to performance against a scorecard of financial and non financial targets with 70%:30% weighting. One-third of any award deferred into shares for a period of three years with malus and clawback arrangements in place.	Maximum opportunity up to 150% of base salary. Maximum opportunity up to 140% of base salary.
LTIP							Performance shares (known as 'LTIP Awards') up to a value of: Tony Quinlan (CEO): 160% of base salary. Kevin Dangerfield (CFO): 150% of base salary. Vesting is subject to achieving the same total shareholder return ('TSR') measure as for 2017 in respect of 50% of the award. The balance will be subject to earnings per share ('EPS') measure over a three-year period. The targets will be the same as those for the 2017 LTIP Award see page 85. Threshold vesting for both elements will be 15% of the award. A two-year holding period will apply following vesting with malus and clawback arrangements in place.	
Chairman and Non-Executive Director Fees							No change in fees for 2018. Fee levels will remain at the level set for 2017, see page 84 for details.	

Executive Directors' interests at 31 December 2017

The following chart sets out all subsisting interests in the equity of the Company held by the Executive Directors at 31 December 2017:



Note: Values have been calculated using the Laird PLC share price on 29.12.17 of £1.38 and assuming full vesting, where relevant. It should be noted that both Executive Directors are recent appointments and have not yet had the opportunity of building up their shareholdings.

Executive Directors' Wealth at risk

Executive Directors' pay is aligned to the shareholder experience

It is critical that pay for the Executive Directors reflects the return delivered to shareholders. The pay of our Executive Directors is aligned with shareholder interests in a number of ways. The bonus is linked to PBT and strategic measures. The Long-Term Incentive Plan ('LTIP') is delivered in shares and is linked to TSR and EPS performance over three years. The LTIP is also subject to a two-year holding period to align participants with continued share price performance. Executive Directors are required to build a personal shareholding over time with a guideline of 200% of salary.

As a result of the above, the pay and personal wealth of the Company's Executive Directors is impacted by changes in share price as illustrated in the table below:

	Shares owned	Shares outstanding	Total shares	Value at 31 December 2016	Value at 31 December 2017	Difference
CEO	117,853	1,029,952	1,147,805	£1.756,142	£1,578,232	-£177,910
CFO	63,000	373,665	436,665	£668,097	£ 600,414	-£67,683

Note:
1. Decrease in value primarily reflects the movement in the share price assuming that Directors were interested in the same number of shares at the start and end of period.

Executive incentives and link to KPIs

In line with the remuneration principles, the incentive arrangements are designed to support a number of the Company's KPIs. The following table sets out a number of the Company's KPIs and how their satisfaction is encouraged by the incentive framework:

KPI	Underlying Profit Before Tax Performance	Satisfaction of Key Strategic Objectives	Sustainable Profit Growth (EPS)	Maximise Total Shareholder Returns
Annual Performance Incentive Scheme	✔	✔		
2015 Long-Term Incentive Plan			✔	✔

Operation of the Policy in 2017

Annual Performance Incentive Scheme bonus awards for 2017 reflect the achievement of stretching Profit Before Tax targets and strategic goals. The Committee determined that a bonus payment equal to 90.6% of salary for Tony Quinlan (60.4% of 150% of salary maximum) and 84.6% of salary for Kevin Dangerfield (60.3% of 140% of salary maximum) should be awarded following assessment of the 2017 corporate scorecard and taking into account Laird's financial performance and also individual performance. Further details of individual performance can be found on pages 79 and 80. No awards were due to vest for Executive Directors in 2017 in respect of the 2015 Long-Term Incentive Plan.

Governance
Directors' remuneration report continued

The Policy Report

Directors' Remuneration Policy 2018

The Policy in place at the date of this report (the '2015 Policy') took binding effect from the date of its approval by shareholders at the AGM on 8 May 2015.

The Policy set out below (the '2018 Policy') is the policy that is proposed to apply from the 2018 AGM, subject to shareholder approval being obtained at the AGM. The differences between the 2015 Policy and the 2018 Policy are summarised in the section headed 'Summary of remuneration structure and key changes' on page 60.

The Policy part will be displayed on the Company's website, in the Corporate Governance part of Investor Relations section, immediately after the 2018 AGM.

The Remuneration Committee (the 'Committee') has agreed the Policy on the remuneration of the Executive Directors and the Chairman. The Board has agreed the Policy on the remuneration of the other Non-Executive Directors.

Following approval at the AGM, remuneration payments and payments for loss of office to Directors can only be made if they are consistent with this Policy or otherwise approved by an ordinary resolution of the shareholders. Previous share awards granted and commitments made under the old remuneration policy will be honoured.

Executive director remuneration policy

Future Policy Table

The table below sets out the key elements of the Policy for Executive Directors:

Base salary

Objective and link to strategy

Core element of remuneration, set at a level which is sufficiently competitive to recruit and retain management of the appropriate calibre and experience, to achieve the Company's business strategy.

Operation

An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.

When determining an appropriate level of salary, the Committee considers:

- general salary rises to employees;
- remuneration practices within the group;
- any change in scope, role and responsibilities;
- the general performance of the group;
- the experience of the relevant director;
- the economic environment; and
- when the Committee determines a benchmarking exercise is appropriate – salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking.

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.

Typically, the base salaries of Executive Directors in post at the start of the policy period and who remain in the same role throughout the policy period will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group. The exceptions to this rule may be where:

- an individual is below market level and a decision is taken to increase base pay to reflect proven competence in role; or
- there is a material increase in scope or responsibility to the Executive Director's role.

Maximum opportunity

The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Laird and validated against other companies in the industry, so that they are competitive against the market.

The Committee intends to review the comparators periodically and may add or remove companies from the group as it considers appropriate. Any changes to the comparator groups will be set out in the section headed Implementation of Remuneration Policy, in the following financial year.

In general salary rises to the Executive Directors will be limited to the same average annual percentage increase in salaries of all other employees of the Group.

Performance measures and assessment

Not applicable.

Other benefits

Objective and link to strategy
Provides a market competitive package.

Operation
Benefits may include:

- car and fuel or car allowance;
- life, personal accident, disability and health insurance, income protection;
- travel and Directors' & Officers' insurance; and
- other benefits as provided from time to time, for example where a director relocates.

The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment.

Maximum opportunity
The maximum will depend on the cost of providing the relevant benefits. The Company has monitoring practices in place to ensure spend on benefits is efficient.

Performance measures and assessment
Not applicable.

Annual Performance Incentive Scheme

Objective and link to strategy
Incentivises the achievement of a range of performance targets that are key to the success of the Company and provides long-term alignment with shareholders through the use of deferral in shares.

Operation
Annual Performance Incentive Scheme awards are granted annually following the signing of the Report and Accounts, usually in March. The performance period is one financial year with payout determined by the Committee following the year end, based on achievement against a range of financial and non-financial targets including having regard to environmental, health and safety issues.

2/3rds of the bonus award will be paid out in cash with the further 1/3rd deferred into shares subject to a three year vesting period. There are no further performance targets on the deferred amount. Malus and clawback arrangements are in place as set out on page 68. These are compliant with the FRC UK Corporate Governance Code and in line with best practice in this area.

Bonus awards will only be paid if the Committee is satisfied that the Group's overall financial performance has been sufficient to justify their payment.

Maximum opportunity
Maximum: 150% of salary. Threshold performance: 20% of maximum.

Participants may be entitled to dividends or dividend equivalents on the deferred shares representing the dividends paid during the deferral period.

Performance measures and assessment
Performance targets will be set by the Committee annually based on a range of financial and strategic measures, including but not limited to:

- underlying profit before tax including interest; and
- the achievement of criteria designed to assess and drive performance against a number of key, measurable strategic, operational and corporate objectives for the Company.

The specific measures, targets and weightings may vary from year to year in order to align with the Company's strategy over each year. However, at least 50% of the awards will be linked to financial measures. The measures will be dependent on the Company's goals over the year under review and directly link to the key measurable strategic milestones to incentivise executives to focus on the execution of the strategy. The performance targets are calibrated each year to align with the announced strategic plan.

The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the bonus, disclosing precise targets for the Plan in advance would not be in shareholder interests. Except in circumstances where elements remain commercially sensitive, targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs under the Plan (in addition where elements are considered commercially sensitive they will be disclosed within 12 months of the end of the relevant performance period).

In exceptional circumstances the Committee retains the discretion to:

- change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate;
- make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance.

Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report.

Details on the measures for 2018 are set out on pages 86 and 87.

Governance
Directors' remuneration report continued

Long-term incentives

Objective and link to strategy
Incentivises the achievement of long-term financial performance and sustainable returns to shareholders in a way that aligns the interests of executives and shareholders.

Operation
Under the 2015 Long-Term Incentive Plan (2015 LTIP) the Committee may award annual grants of performance share awards in the form of conditional awards or nil-cost options (LTIP Awards) on an annual basis. LTIP Awards under the 2015 LTIP will vest three years from the date of grant subject to the achievement of the performance measures. A two year holding period will apply following the three-year vesting period for LTIP Awards granted to the executive directors.

Malus and clawback arrangements are in place as set out on page 68. These are compliant with the FRC UK Corporate Governance Code and in line with best practice in this area.

Cessation of employment and change of control provisions apply as set out on page 74.

Maximum opportunity
Maximum LTIP Awards are 200% of base salary. Vesting is dependent on service and performance measures.

Participants may be entitled to dividends or dividend equivalents representing the dividends paid during the performance period on vested LTIP Awards.

Performance measures and assessment
The performance measures for LTIP Awards granted in Financial Year ending 31 December 2018 will be equally weighted between Total Shareholder Return (TSR) and Earnings Per Share (EPS).

TSR will be measured against companies in the FTSE 250 (excluding Financial Services companies and Investment Trusts).

15% vesting for median performance and 100% vesting for upper quintile performance. Average Annual Growth in Continuing EPS – 15% vesting for threshold performance and 100% vesting for maximum performance.

The performance measures have been chosen to balance growth and returns and ensure sustainable delivery of performance.

The Committee will review and set weightings and targets before each grant to ensure they remain appropriate. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.

No material change will be made to the type of performance conditions without prior shareholder consultation.

In exceptional circumstances the Committee retains the discretion to:

- change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance period if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and
- make downward or upward adjustments to the amount of LTIP Award vesting resulting from the application of the performance measures, if the Committee believes that the vesting outcomes are not a fair and accurate reflection of business performance.

Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report.

Pension

Objective and link to strategy
To aid retention and to provide competitive levels of retirement benefit.

Operation
The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.

This allowance will be a non-consolidated allowance and will not impact any incentive calculations.

Maximum opportunity
The maximum pension contribution allowance for existing Executive Directors is 25% of salary.

When recruiting or promoting new Executive Directors the Committee will aim at aligning the pension contribution allowance to be provided with the level of employee pension contribution. If the circumstances require an alternative approach to be used, this will be fully explained in the relevant Annual Report.

The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year the pension contributions for that year for each of the Executive Directors.

Performance measures and assessment
Not applicable.

Shareholding policy

Objective and link to strategy
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.

Operation
The Committee has adopted formal shareholding requirements that will encourage the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. In addition, Executive Directors will be required to retain 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained.

Maximum opportunity
The following sets out the minimum shareholding requirements:

- Chief Executive – 200% of salary;
- Other Directors – 200% of salary.

The Committee retains the discretion to increase the shareholding requirements.

Performance measures and assessment
Not applicable.

Governance
Directors' remuneration report continued

Malus and clawback

The following is the definition of malus and clawback which applies to both the Annual Performance Incentive Scheme (including any deferred shares) and the LTIP:

- Malus is the adjustment of the Annual Performance Incentive Scheme payments or unvested LTIP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.
- Clawback is the recovery of payments made under the Annual Performance Incentive Scheme or vested LTIP awards as a result of the occurrence of one or more circumstances listed below.

Clawback may apply to all or part of a participant's payment under the Annual Performance Incentive Scheme or vested LTIP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition or condition in respect of a payment under the Annual Performance Incentive Scheme or LTIP award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the Annual Performance Incentive Scheme payments or LTIP award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	Annual Performance Incentive Scheme Cash	Annual Performance Incentive Scheme Deferred shares	LTIP
Malus	Up to the date of bonus determination.	To the end of the three year vesting period.	To the end of the three year vesting period.
Clawback	Two years post the date of any payment under the Plan.	n/a	2 years post vesting.

The Committee is satisfied that it has the appropriate powers to enforce both malus and clawback if required.

Performance measures and targets

The short and long-term incentives have a number of different financial performance measures which the Committee believes provide a direct link to the Company's performance. The Annual Performance Incentive Scheme contains specific strategic and operational objectives which provide a direct link to the Company's strategy, whilst the long-term performance measures of TSR and EPS are considered to be appropriate measures for aligning the interests of the Executive Directors with those of shareholders.

Discretion

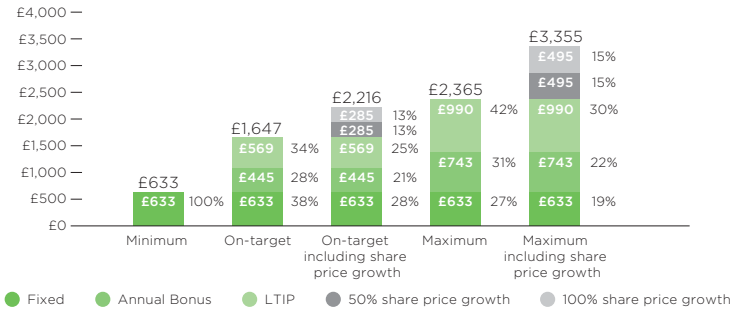
The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Illustration of application of remuneration policy

The chart below seeks to demonstrate how pay varies with performance for the Executive Directors' based on our proposed Remuneration Policy

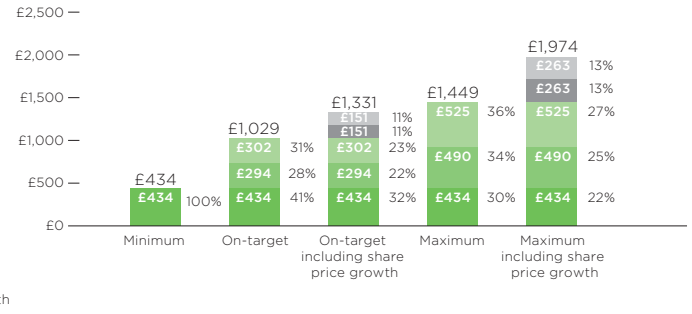
Tony Quinlan – Chief Executive

£'000



Kevin Dangerfield – Chief Financial Officer

£'000



Fixed · Annual Bonus · LTIP · 50% share price growth · 100% share price growth

Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	On-target	Maximum
Fixed Elements	Fixed elements do not vary with performance and comprise: • Base salary: Salary effective from 1 July 2017 £495,000 p.a. for the CEO £350,000 p.a. for the CFO • Benefits: £14,000 for both Executive Directors • Cash in lieu of pension contributions: 25% and 20% of salary for the CEO and CFO respectively		
Annual Performance Incentive Scheme ('Annual Bonus')	0%	65% of maximum payout	Maximum award[1]
2015 Long-Term Incentive Plan ('LTIP')	0%	Mid-point between threshold and maximum pay-out	Maximum award[2,3]
Share price growth	0%	Fixed: 0% Annual Bonus: 0% LTIP: 50%/100% growth over three years	Fixed: 0% Annual Bonus: 0% LTIP: 50%/100% growth over three years

Notes:
1. Annual Performance Incentive Scheme: Maximum annual bonus is 150% and 140% of base salary for the CEO and CFO respectively.
2. 2015 LTIP Awards: 200% and 150% of salary for the CEO and CFO respectively.
3. To align the illustration with the existing regulations and to take into account the new regulations being developed, target and maximum scenario were illustrated with and without the impact of share price appreciation.
4. On target assumes 60% of maximum payout of APIS system.

Governance
Directors' remuneration report continued

Non-Executive Director remuneration policy

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board. No director participates in discussions relating to the setting of his or her remuneration. The table below sets out the key elements of the policy for Non-Executive Directors:

Objective and link to strategy	Operation	Maximum potential value
Fees		
Core element of remuneration, set at a level sufficient to attract and retain individuals with appropriate knowledge and experience in organisations of broadly similar size and complexity.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chairman's fees. Non-Executive Directors are paid an annual fee and additional fees for chairmanship of committees and the role of Senior Independent Director. The Company retains the flexibility to pay fees for the membership of committees. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of the normal duties. Fees are reviewed annually with any changes generally effective from 1 July and are based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors do not participate in any variable remuneration or receive any other benefits, other than being covered for disability benefits under the Company's insurance whilst travelling on Company business.	The fees for Non-Executive Directors are positioned in line with companies of a similar size to Laird and validated against other companies in the industry, so that they are competitive against the market. The Committee intends to review the list of companies each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator groups will be disclosed in the part of the report setting out the operation of the policy for the future year. In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and the general rise in salaries across employees. The Company will pay reasonable expenses incurred by the Non-Executive Directors and may settle any tax incurred in relation to these.

Approach to recruitment and promotions

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors, as set out in the remuneration policy table.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
Salary, Benefits and Pension	These will be set in line with the policy for existing Executive Directors. When recruiting or promoting new Executive Directors the Committee will aim at aligning the pension contribution allowance to be provided with the level of employee pension contribution. If the circumstances require an alternative approach to be used, this will be fully explained in the relevant Annual Report.
Annual Scheme – Performance Incentive	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of salary.
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
Maximum Variable Remuneration	The maximum variable remuneration which may be granted is 350% of salary (excluding the value of any buyout awards).
'Buyout' of incentive forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the Executive Director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and condition having a material effect on their value ('lapsed value'); The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance and schooling.

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Governance
Directors' remuneration report continued

Service contracts and payment for loss of office

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. Notice periods will not be greater than 12 months. The table below summarises the service contracts and letters of appointments for the Directors.

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment which provide for a review after an initial three-year term with the possibility of annual renewal.

All service contracts and letters of appointment are available for viewing at the Company's registered office and at the AGM.

In line with best practice, all Directors are subject to annual re-election by shareholders at the AGM.

Director	Date of contract/ letter of appointment	Notice period by Company and Director
Executive		
Tony Quinlan	29 April 2015	12 months
Kevin Dangerfield	11 October 2016	12 months
Non-Executive		
Dr Martin Read	28 February 2014	6 months
Paula Bell	28 February 2012	N/A
Wu Gang	10 November 2016	N/A
Mike Parker	2 March 2015	N/A
Nathalie Rachou	2 November 2015	N/A
Kjersti Wiklund	29 June 2015	N/A

Loss of Office Policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company whilst applying the following philosophy:

Element	Treatment on cessation of employment		
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.		
Salary, Benefits and Pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.		
Annual Performance Incentive Scheme Cash Awards	Good Leaver Reason	Other Reason	Discretion
	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus will be payable for year of cessation.	The Remuneration Committee has the following elements of discretion: • to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and • to determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Element	Treatment on cessation of employment		
Annual Performance Incentive Scheme Deferred Share Awards	Good Leaver Reason	Other Reason	Discretion
	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Remuneration Committee has the following elements of discretion: • to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and • to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.
LTIP	Good Leaver Reason	Other Reason	Discretion
	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards.	The Remuneration Committee has the following elements of discretion: • to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine to pay cash in lieu of shares; • to measure performance over the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to vest the LTIP award at the end of the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to determine whether the holding period will apply including whether in full or in part; and • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
Other	There are no other historical contractual provisions other than those set out above.		

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement (in agreement with the Company);
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- any reason, permitted by the Committee in its absolute discretion in any particular case except where termination is for dishonesty, fraud, misconduct or other circumstances justifying summary dismissal.

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Governance
Directors' remuneration report continued

Change of Control Policy:

Annual Performance Incentive Scheme Cash awards the year of the change of control	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Annual Performance Incentive Scheme Deferred Share Awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the awards to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee has discretion regarding whether to pro-rate the LTIP awards to time. The Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.

Consideration of employment conditions elsewhere in the Company in developing policy

See page 75.

Consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy. The Committee is grateful that shareholders have been supportive of its Policy in the past.

During the year, the Committee conducted a review of its executive remuneration policy. The Chairman of the Committee consulted with the Company's key shareholders, contacting the top 20 shareholders who together represented in excess of 70% of the issued share capital. Responses received were supportive. In consequence of that engagement, the Board clarified its policy on pension contributions to Executive Directors. While maintaining the maximum pension contribution allowance for existing Directors at 25%, in line with our existing contractual obligations to the Chief Executive and Chief Financial Officer, when recruiting or promoting new Executive Directors the Committee will aim at aligning the pension allowance with the level of employee pensions elsewhere.

Elements of previous policy that continue to apply:

The following subsisting arrangements will continue to operate on the terms and conditions set out in the relevant Rules:-

- Unvested deferred share awards granted under the Annual Performance Incentive Scheme; and
- Unvested awards granted under the LTIP.

Fairness of remuneration policy and structure

Area	Considerations
Pay principles and cascade of incentives	**Executive Directors' pay arrangements are aligned with all employee pay arrangements** The Committee has information on pay arrangements throughout the Company and it makes decisions on the structure of executive pay in the context of the cascade of pay arrangements for all employees throughout Laird. Laird's policy on pay for all employees is based on the following principles: **1.** Remuneration should be competitive with the market and facilitate retention of talent within sectors and geographies in which the Company operates and competes for talent. **2.** The Policy should ensure there is a clear link between reward and sustained performance. **3.** All employees should have the ability to share in the success of the Company, for example through a bonus or equity in the Company. The cascade of remuneration arrangements across the Company and eligibility of different employee groups are set out in the table below. More details on share schemes can be found in note 29 to the Financial Statements on pages 146 to 150.

Plan	Executive Directors	Senior Leaders	Senior Managers	Managers	High-potential/high performing employees	All/the majority of other employees
Annual plans						
Annual Performance Incentive Scheme or Annual bonus	✔	✔	✔	✔		
Profit share scheme						✔
Multi-year plans						
2015 LTIP	✔					
MTIP – three-year performance condition[1]		✔				
Conditional Share Awards with three-year vesting		✔	✔		✔	
2013 LTIP		✔	✔			

1. MTIP now closed to new awards. Awards that would have previously been granted under the MTIP are now granted under the 2013 LTIP which includes performance conditions more closely aligned with performance conditions applicable to Executive Directors.

Fairness in policy development	**Consideration of employment conditions elsewhere in the Company in developing policy** In setting the Remuneration Policy for Directors, the pay and conditions of other employees of Laird are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors, and uses this information to ensure consistency of approach throughout the Company. However, with 71 % of employees in Asia, 14 % of employees in North America and 15 % in Europe, only broad trends are considered. In 2017 salary increases for management level employees ranged from zero to 15.5 % depending on several factors, including the region where they work and individual performance. Although the Committee takes into account the pay and conditions of other employees, the Company does not consult with employees in respect of the Remuneration Policy for Directors. However, the Company does carry out engagement surveys which enables employees to shares their views with management. The Company operates a long term incentive programme for the senior leaders (the 'MTIP'). Awards under the MTIP are subject to the satisfaction of Group performance targets over three year periods.

Governance
Directors' remuneration report continued

Area	Considerations
Pay Comparisons	

PERCENTAGE CHANGE IN THE CHIEF EXECUTIVE'S REMUNERATION

Laird is a global company with approximately 65 UK employees and four of its most senior executives are not UK employees. Due to the multinational nature of the Company's workforce and the fact that 71% of employees are based in Asia, the pay structure operated in respect of the vast majority of its employees is significantly different from that applicable to the Chief Executive, who is UK-based. Therefore, the Committee's view is that the most meaningful comparison of the percentage change in the Chief Executive's remuneration is considered to be the 8 senior executives below Board level. As at 31 December 2017, three of these were based in the US, one in Hong Kong and four in the UK. The table below compares the percentage change in the Chief Executive's pay (including salary and fees, taxable benefits and annual bonus) with that of the chosen comparator group between 31 December 2016 and 31 December 2017.

Year-on-year change (%)	Chief Executive[1] (%)	Average employee pay in comparator group[2] (%)
Base salary	0	2
Taxable benefits	0	6
Bonus	100[3]	100[4]

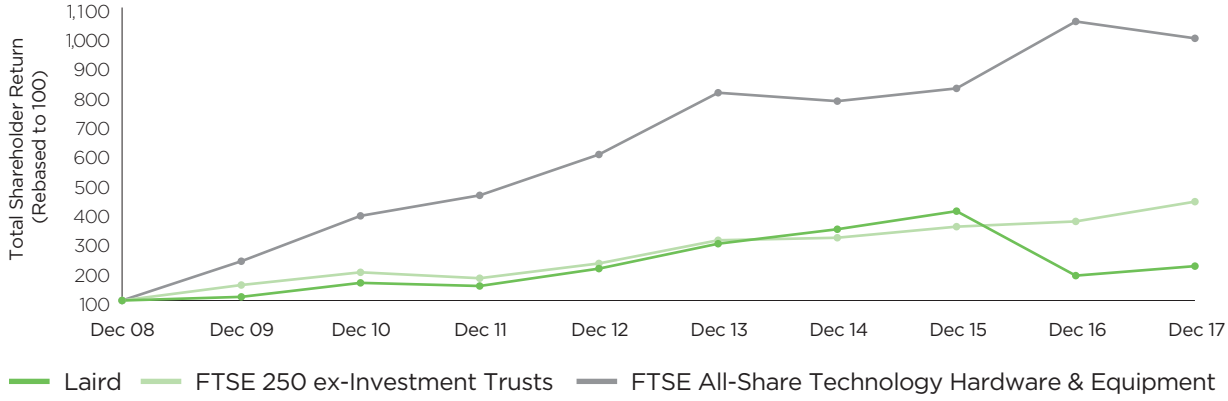
Notes:
1. Based on annualised figures as at 31 December 2016 and 2017.
2. Data for 12 employees was used for 2016 and 8 employees was used for 2017.
3. The CEO received a bonus of £448,470 for the year ended 2017. This was a change of 100% as he did not receive a bonus in 2016.
4. No Management bonuses were paid in 2016.

CEO pay in the last nine years

Year	Name	Single figure of total remuneration (£'000)[5]	Bonus payout (as % maximum opportunity)	Long-term incentive vesting rates (as % maximum opportunity)
2017	**Tony Quinlan**	**1,121**	**60%**	**N/A**
2016	**Tony Quinlan[1]**	205	0%	N/A
2016	**David Lockwood[2]**	1,155	N/A	50%
2015	**David Lockwood**	1,549	27%	50%
2014	**David Lockwood**	839	50%	N/A
2013	**David Lockwood**	831	60%	N/A
2012	**David Lockwood[2]**	475	47.5%	N/A
2012	**Nigel Keen[3]**	450	N/A	N/A
2011	**Nigel Keen**	218	N/A	N/A
2011	**Peter Hill[4]**	1,354	55%	0
2010	**Peter Hill**	1,370	55%	0
2009	**Peter Hill**	926	10%	50%

Notes:
1. Tony Quinlan was Chief Executive from 5 September 2016 to 31 December 2016.
2. David Lockwood was appointed an employee with effect from 2 July 2012 and was Chief Executive between 13 August 2012 and 5 September 2016. He forfeited his right to a bonus payout on leaving.
3. Nigel Keen was Executive Chairman between 26 November 2011 and 13 August 2012. His fee as Chairman was £175,000 p.a. which was increased to £609,000 p.a. for a temporary period while acting as Executive Chairman. With effect from 13 August 2012 it became £190,000 p.a.
4. Peter Hill ceased to be a Director with effect from 25 November 2011 but remained an employee on ill-health leave until 10 August 2012. The figure for 2011 shows what he was paid for the full year.
5. Includes base salary, taxable benefits, bonus, long-term incentive awards that vested during the period the individual was the Chief Executive and cash in lieu of pension.

Area	Considerations
Pay Comparisons	**Total shareholder return**



The graph above shows the Company's performance, measured by Total Shareholder Return ('TSR'), compared with the performance of the FTSE 250 (excluding investment trusts) and the FTSE All Share Technology Hardware & Equipment Sector.

The Company considers these the most relevant indices for TSR measurement since both are relevant to Laird's stock market classification, investor base and business activities.

Governance
Directors' remuneration report continued

Annual Report on Remuneration

This Annual Report on Remuneration contains details of how the Company's Remuneration Policy for Directors was implemented during the financial year ended on 31 December 2017.

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies (Accounts and Audit) Regulations 2008 (as amended) (the 'Regulations'). An advisory resolution to approve this report will be put to shareholders at the 2018 AGM. The information on pages 78 to 88 has been audited.

Single Total Figure of remuneration – Executive Directors

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior year is shown below. Figures provided have been calculated in accordance with the Regulations.

	Base salary		Taxable benefits		Annual bonus		Long-term incentives		Pension/ cash in lieu of pension		Other		Total	
Executive (£'000)	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**
T Quinlan[1]	399	**495**	14	**14**	–	**448**	–	**–**	88	**124**	–	**–**	501	**1,081**
K Dangerfield[2]	73	**350**	3	**13**	–	**296**	–	**–**	15	**70**	75	**–**	166	**729**

Notes:
1. Tony Quinlan was appointed Chief Executive Officer on 5 September 2016, having previously been Chief Financial Officer. See Additional details below.
2. Kevin Dangerfield joined the Company on 17 October 2016 and was appointed to the Board on the same day. His 2016 comparator remuneration in the above table represents the period from 17 October 2016 to 31 December 2016.

Additional details in respect of Single Total Figure table

1. Base salary

Tony Quinlan was appointed the new Chief Executive on 5 September 2016 with a base salary of £495,000 p.a. He was previously the Chief Financial Officer with a base salary of £350,000 p.a. from 28 July 2015 to 30 June 2016 and £357,000 p.a. from 1 July 2016 to 5 September 2016.

Kevin Dangerfield joined the Company on 17 October 2016, and was appointed the new Chief Financial Officer on the same day with a base salary of £350,000 p.a.

2. Taxable benefits

Benefits comprise a car allowance, life, disability and health insurance. The Company provided Executive Directors with the following taxable benefits during the year:

Executive Director (£'000)		Car allowance	Health insurance
T Quinlan	**2017**	**11**	**3**
	2016	11	3
K Dangerfield	**2017**	**11**	**2**
	2016	2	0.3

3. Annual bonus

The performance targets set at the start of the period for the Directors in office at that time, actual performance achievement and resulting bonus payments are summarised below.

Performance Measures and Targets	Actual performance outcome
Performance Measure Underlying profit before tax ('PBT') Weighting: 80% of maximum **Targets** Up to 80% of maximum bonus was based on achievement of budget for underlying PBT (adjusted for any acquisitions and disposals during the year) of £65.0m. Threshold: At 100% of budget being £65.0m, 35% of maximum PBT element is payable. Maximum: At 123% of budget being £80.0m, 100% of maximum PBT element is payable.	**Underlying Profit Before Tax of £67.3m was achieved, 87.8% of budget, leading to a payout of 53% of the bonus attributable to PBT (i.e. 42.4% of Executive Directors potential total bonus).**
Performance Measure Strategic, Corporate and Operational objectives Weighting: 20% of maximum **Targets** Six objectives were set for the Chief Executive for the year and six for the Chief Financial Officer. Up to 20% of maximum bonus was based on achievement of certain strategic, corporate and operational measures. If none of the performance metrics were achieved, 0% of this element would be paid. The Committee reviewed performance against objectives in the round at the end of the year when determining payments under this element of the bonus scorecard.	90% of Strategic, Corporate and Operational objectives were met. Further details of performance against individual goals are set below. One of Tony Quinlan's performance measures remains commercially sensitive and will be reported next year.

Performance Measures and Targets	Actual performance outcome
For the current Chief Executive (Tony Quinlan):	
1. Completing a review of how best to optimise the value of the Performance Materials business, including a review of efficiency gains that can be achieved within the division's manufacturing and cost base.	Reviews completed and execution of improvement plans commenced.
2. Completing operational reviews of the Connected Vehicle Solutions Division's manufacturing and cost bases to improve efficiency.	Operational reviews completed and execution of improvement plans commenced.
3. Strengthening the long-term revenue pipeline for the Connected Vehicle Solutions business.	CVS Division is on a growth path toward its 2020 revenue target.
4. Completing a review of the newly created Wireless and Thermal Division and optimising the business by identifying efficiency gains to be derived from the amalgamation of the four pre-existing business units.	Good initial integration.
5. Continuing to strengthen the management of the Company.	Successful streamlining of organisational structure of the Company, culture of accountability and teamwork taking root.
For the current Chief Financial Officer (Kevin Dangerfield): For the CFO these include:	
1. Driving a step change in business performance measurement through the three divisions.	Successfully designed and tracked meaningful forward looking measures.
2. Completing a review of corporate IT system requirements.	Complete.
3. Identifying and delivering an agreed savings target in corporate functions.	Completed to target.
4. Within the finance function, continuing improvements to deliver excellent commercial and analytical abilities of the function while improving efficiency.	Improvements delivered across functions. Divisional Finance reorganised to facilitate greater transparency.
5. Successfully concluding refinancing, including debt components and delivering target year-end gearing.	Successfully delivered in full to plan.
6. Delivering cost savings over and above those already identified as part of Project Ascent.	Successfully delivered in full to plan.

Governance
Directors' remuneration report continued

	Chief Executive – Tony Quinlan				Chief Financial Officer – Kevin Dangerfield			
Performance measures	Maximum opportunity (% of salary)	% of salary paid	Bonus paid in cash (£'000)	Value of bonus to be awarded in shares (£'000)	Maximum opportunity (% of salary)	% of salary paid	Bonus paid in cash (£'000)	Value of bonus to be awarded in shares (£'000)
Underlying profit before tax	120%	63.6%	209,880	104,940	112%	59.4%	138,507	69,253
Strategic, corporate and operational objectives	30%	27%	89,100	44,550	28%	25.2%	58,800	29,400
Total	150%	90.6%	298,980	149,490	140%	84.6%	197,307	98,653

Notes:
In line with the Remuneration Policy, two thirds of the bonus award will be paid out in cash with the further third deferred into shares subject to a three-year vesting period.
No discretion was exercised by the Committee when assessing the annual bonus outcomes.

4. Long-term incentives

For the awards granted in 2012 and subsequently, the EPS performance measure is assessed based on year-end results. However, the TSR performance measure is assessed a number of months post the financial year end and is subject to an underlying financial performance condition until the date of vesting. Therefore, vesting is unknown at the year end. The Committee believes it would be inconsistent to split the performance conditions for these awards and therefore to show true comparability between annual grants the figures are shown for the awards which vest in the financial year. This approach is consistent with the approach taken in prior years.

No Long-term incentives due to the Executive Directors were due to vest in 2017. As set out in the front part of the report a 2014 LTIP award was granted to Jonathan Silver. The details of this award are covered under payments to past Directors on page 83. Tony Quinlan joined in 2015 and Kevin Dangerfield joined in 2016 so they were not awarded an LTIP award in 2014.

5. Pension/cash in lieu of pension

The Company provides either a contribution to the Laird defined contribution scheme or a cash allowance in lieu of pension benefits. All Directors have elected to receive cash in lieu of pension benefits. The following payments were made for 2017:

		Cash in lieu	
Executive Director	% of base pay	**2017 £'000**	2016 £'000
T Quinlan	25%	**124**	88
K Dangerfield	20%	**70**	15

6. Other

Buyout awards for Tony Quinlan

As previously disclosed in the 2015 and 2016 Annual Report, a buyout package for incentives foregone in respect of Tony Quinlan's role at Drax Group plc was provided to facilitate his recruitment as Chief Financial Officer in July 2015. The Committee determined that Tony Quinlan would be granted nil-cost options over 147,804 Laird Shares as part of the buyout arrangements. The award was granted on 1 July 2015 and was made in six parts, as set out in the table below. The Committee determined the buyout share package on a fair value basis with new time vesting conditions (i.e. taking into account any performance measures and expected performance outcomes at the date of the buyout), or that buyout shares would be awarded with time-based vesting conditions where there were no performance conditions on the awards forfeited, or that buyout shares should be granted subject to new performance conditions.

Tony Quinlan's buyout awards are set out in the table below. For those Parts due to vest post the completion of the April 2017 Rights Issue the number of shares has been adjusted to take the Rights Issue into account in line with the terms of the agreement and standard market practice.

	Nil-cost options granted[1]	Award date	Vesting date[2]	Conditions attached	Face value of awards granted £
Part 1	9,029	01/07/2015	27/02/2016	Continued employment	33,606
Part 2	17,646	01/07/2015	27/02/2016	Continued employment	65,678
Part 3	7,318	01/07/2015	28/02/2017	Continued employment	27,238
Part 4	17,810	01/07/2015	04/03/2018	Continued employment	66,289
Part 5	26,611	01/07/2015	28/02/2017	Continued employment and pre-determined performance conditions	99,046
Part 6	69,390	01/07/2015	04/03/2018	Continued employment and pre-determined performance conditions	258,270

Notes:
1. At the time of recruitment the total value of buyout shares was limited to £525,000. This was converted into replacement share awards of 147,804 Laird PLC ordinary shares using a share price of 355.2p per share. The face value of the replacement shares was calculated using the closing mid-market share price of 372.2p per share on 1 July 2015, the date Tony Quinlan joined the Company and the date the awards were granted.
2. The normal vesting date for the award is shown in the table above, provided that the Company is not in a prohibited share dealing period. The vesting of Parts 1 and 2 of the award were deferred to a date after 1 March 2016 as the original vesting dates were in a prohibited period.

All six parts of the award are made subject to Tony Quinlan remaining in relevant employment on the vesting date and not being under a notice of cessation of relevant employment. Parts 5 and 6 of the award are also subject to the satisfaction of performance conditions as set out in the table below:

Performance measure	Measurement period	Performance target	Vesting level
Total Shareholder Return relative to the FTSE 250 (excluding financial services sector companies and investment trusts)	Part 5 – 1 July 2015 to 28 February 2017	Upper quintile	Full vesting
		Median to upper quintile	Pro rata on a straight-line basis between 20% and full vesting
50% weighting	Part 6 – 1 July 2015 to 4 March 2018	Below median	Nil
Average Annual Growth in Continuing Earnings Per Share	Part 5 – two financial years ending 31 December 2016	13% p.a.	Full vesting
		Between 5% and 13% p.a.	Pro rata on a straight-line basis between 10% and full vesting
50% weighting	Part 6 – three financial years ending 31 December 2017	Below 5% p.a.	Nil

The table below sets out the details of Part 3 and Part 5 which were eligible to vest in February 2017 and also Part 4 and Part 6 which are due to vest in March 2018. In accordance with the relevant regulations, all those buyout awards which were granted without performance conditions were included in the Single Figure table for 2015, the year of grant. Therefore, Part 3 was included in the year of grant whilst Part 5 lapsed – please see assessment below.

	Buyout award	Subject to performance measures	Vesting date	Number of shares granted	Number of shares vesting	Value of vested shares (£)
T Quinlan	Part 3	No	28/02/2017	9,498[3]	9,498	13,463[2]
	Part 5	Yes	28/02/2017	26,611	0	0[1]

Notes:
1. The performance conditions were not met and therefore the award lapsed.
2. The value has been calculated using the price of £1.4175 on 6 April 2017.
3. As adjusted in consequence of the 2017 Rights Issue.

Governance
Directors' remuneration report continued

Performance measure	Measurement period	Performance target	Vesting level	Actual performance outcome
Total Shareholder Return relative to the FTSE 250 (excluding financial services sector companies and investment trusts and any companies that had delisted, merged or demerged since the award was made)[1]	1 July 2015 – 28 February 2017	Upper quartile	Full vesting	Did not vest as median performance not achieved
		Median to upper quartile	Pro rata on a straight-line basis between 20% and full vesting	
		Below median	Nil	
Average Annual Growth in Continuing Earnings Per Share[2]	Two financial years ending 31 December 2016	13% p.a.	Full vesting	-14% p.a.
		Between 5% and 13% p.a.	Pro rata on a straight-line basis between 10% and full vesting	Threshold vesting not achieved
		Below 5% p.a.	Nil	

Notes:
1. In addition, a nil-cost option will not vest unless the Committee is satisfied that there has been a sustained improvement in the Company's underlying financial performance.
2. 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 of the Company.

	Buyout award	Subject to performance measures	Vesting date	Number of shares granted	Number of shares outstanding as at 31.12.2017	Maximum value as at 31.12 2017 (£)
T Quinlan	Part 4	No	04/03/2018	23,117	23,117	£31,901[1]
	Part 6	Yes. As set out above	04/03/2018	90,068	90,068	£124,294[1]

Note: Number of shares granted/awarded adjusted in consequence of the 2017 Rights Issue.
1. The value has been calculated using the price of £1.38 on 29 December 2017.

Payments to directors for loss of office

Sir Christopher Hum stood down as a Non-Executive Director at the 2017 AGM. He was paid Directors' fees up to the date of the AGM, however he did not receive any payment for his loss of office.

Payments to past directors

No payments to past directors were made during the year.

Jonathan Silver retired after 21 years of service as a Director of Laird PLC following the AGM that was held on 8 May 2015. He remained as an employee of the Company until 8 August 2015 ('Leaving Date') in order to maintain a smooth transition following Tony Quinlan's appointment as the new Chief Financial Officer. His leaving arrangements, which were fully disclosed in the 2015 Annual Report, included that any outstanding awards that he held under the Company's share plans were retained, but time-apportioned up to 8 August 2015 and any options that had already vested remained exercisable for 12 months from 8 August 2015.

During the period ending 31 December 2017, two share awards held by Jonathan Silver lapsed as on maturity the performance condition threshold level was not reached. Details are set out below. The performance conditions are set out below.

	Type of award	Exercise price	Performance measures	Number of shares outstanding as at 01.01.2017[1]	Number of shares lapsing during the year	Number of shares outstanding as at 31.12.2017	Maximum value as at 31.12 2017 (£)
J Silver	Market value option	£3.03	Continuing Earnings per Share	40,709	40,709	0	0[1]
	Nil-cost option	Nil	Total Shareholder Return	54,278	54,278	0	0[1]

Note:
1. Jonathan Silver retired and left the Company on 8 August 2015 and of his original grant of 85,396 market value shares and 113,861 nil cost options, 44,687 and 59,583 shares respectively lapsed on his departure reflecting the pro rata period he worked up to his leaving date.

The table below summarises the performance measures and the extent to which the performance measures have been satisfied:

Performance measure	Measurement period	Performance target	Vesting level	Actual performance outcome
Total Shareholder Return relative to the FTSE 250 (excluding financial services sector companies and investment trusts and any companies that had delisted, merged or demerged since the award was made)[1]	Three years from date of grant ending 4 March 2017	Upper quartile	Full vesting	Did not vest as median performance not achieved
		Median to upper quartile	Pro rata on a straight-line basis between 25% and full vesting	
		Below median	Nil	
Average Annual Growth in Continuing Earnings Per Share[2]	Three financial years ending 31 December 2016	12.5% p.a.	Full vesting	-9% p.a.
		Between 7.5% and 12.5% p.a.	Pro rata on a straight-line basis between 25% and full vesting	Threshold vesting not achieved
		Below 7.5% p.a.	Nil	

Notes:
1. In addition, a nil-cost option will not vest unless the Committee is satisfied that there has been a sustained improvement in the Company's underlying financial performance.
2. 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 of the Company.

Outside appointments

The Board believes that there can be significant benefits, to both the Company and the individual, from Executive Directors accepting Non-Executive Directorships of companies outside the Group. The Board takes into account the likely time commitment for such appointments prior to approving them. During the year, the fees which the Executive Directors received, which they are entitled to retain, were as follows:

Executive Director	Company	Fee (£'000)
T Quinlan	Port of London Authority	**34.5**
K Dangerfield[1]	E2V Technologies PLC	**12.25**

Note:
1. Kevin Dangerfield's fees for his directorship of E2V Technologies PLC are for the period from 1 January 2017 to 28 March 2017, on which date he resigned as a director.

Governance
Directors' remuneration report continued

Single Total Figure of remuneration – Non-Executive Directors

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Non-Executive Director		Basic Fees (£'000)	Additional Fees (£'000)	Total Fees (£'000)
Dr M Read	**2017**	**190.0**	**–**	**190.0**
	2016	190.0	–	190.0
P Bell[1]	**2017**	**49.0**	**11.0**	**60.0**
	2016	49.0	11.0	60.0
Wu Gang[2]	**2017**	**49.0**	**3.0**	**52.0**
	2016	–	–	–
Sir Christopher Hum[3]	**2017**	**16**	**1.6**	**17.6**
	2016	49.0	5.0	54.0
M Parker[4]	**2017**	**49.0**	**24.0**	**73.0**
	2016	49.0	21.4	70.4
N Rachou[5]	**2017**	**49.0**	**4.3**	**53.3**
	2016	49.0	3.0	52.0
K Wiklund[6]	**2017**	**49.0**	**3.2**	**52.2**
	2016	49.0	3.0	52.0

Notes:
1. Paula Bell received additional fees as Chairman of the Audit Committee.
2. Wu Gang was appointed as a Non-Executive Director on 1 January 2017. He received additional fees as a member of the Remuneration Committee.
3. Sir Christopher Hum's services as a Non-Executive Director of the Company are supplied by Qilin Consulting Limited. He received additional fees as a member of the Remuneration and Nomination Committees. He retired as a Non-Executive Director of the Company with effect from 28 April 2017.
4. Mike Parker received additional fees as the Senior Independent Director, as the Chairman of the Remuneration Committee and as a member of the Audit and Nomination Committees.
5. Nathalie Rachou received additional fees as a member of the Audit Committee and, with effect from 28 April 2017, as a member of the Nomination Committee.
6. Kjersti Wiklund, received additional fees as a member of the Audit Committee, and with effect from 13 December 2017, as a member of the Remuneration Committee.

In light of the review of Non-Executive Directors' fees carried out in 2016, it was decided that no changes were necessary in 2017. The table below summarises the fees paid to the Non-Executive Directors with effect from 1 January 2017 through to 31 December 2017:

Role	From 1 January 2017
Chairman's fee	£190,000 p.a.
Non-Executive Director's fee	£49,000 p.a.
Additional fee for Senior Independent Director	£8,000 p.a.
Additional fee for chairmanship of Audit and Remuneration Committees	£11,000 p.a.
Additional fee for membership of the Audit and Remuneration Committees	£3,000 p.a.
Additional fee for membership of the Nomination Committee	£2,000 p.a.

Non-Executive Directors do not participate in the annual bonus or pension plans and they do not receive any taxable benefits or share awards.

Awards under the Laird PLC 2015 Long-Term Incentive Plan granted in 2017

The table below sets out the details of the long-term incentive awards granted under the Laird PLC 2015 Long-Term Incentive Plan in 2017 where vesting will be determined according to the achievement of performance measures that will be tested in 2020. A two-year holding period will apply following the three-year vesting period for LTIP awards granted to the Executive Directors. Non-Executive Directors do not receive awards under the plan.

Executive Director	Type of option awarded	Basis of award	Face value of award made £	Number of shares awarded on 20 April 2017[1]	Exercise price p	Number of shares outstanding at 31.12.2017
T Quinlan	Nil-cost option	160% of salary	792,000	563,701	Nil	563,701
K Dangerfield	Nil-cost option	150% of salary	525,000	373,665	Nil	373,665

Note:
1. Calculated as maximum number of shares that would vest if all performance measures are met multiplied by the closing mid-market share price on 19 April 2017, the day prior to grant, of £1.41.

Details of performance measures for the 2017 awards are as set out below:

Performance measure	Measurement period	Performance target	Vesting level
Total Shareholder Return relative to the FTSE 250 (excluding financial services sector companies and investment trusts and any companies that have ceased to exist, delisted or otherwise change as to make it, in the opinion of the Committee, as an unsuitable member of the comparator group)[1]	Three years from date of grant being 20 April 2017	Upper quintile	Full vesting
		Median to upper quintile	Pro rata on a straight-line basis between 20% and full vesting
50% weighting		Below median	Nil
Average Annual Growth in Continuing Earnings Per Share[2]	Three financial years ending 31 December 2019	13% p.a.	Full vesting
		Between 5% and 13% p.a.	Pro rata on a straight-line basis between 10% and full vesting
50% weighting		Below 5% p.a.	Nil

Notes:
1. In addition, a nil-cost option will not vest unless the Committee is satisfied that there has been a sustained improvement in the Company's underlying financial performance.
2. 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.

Governance
Directors' remuneration report continued

Statement of Directors' shareholdings and share interests at 31 December 2017

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. All Directors are required to hold a minimum of 1,000 shares under the Articles of Association. In addition, the current Executive Directors are expected to retain 50% of the net number of shares received following the vesting of share awards and the exercise of share options, until they have acquired shares equal to 200% of base salary. In accordance with the Remuneration Policy, the shareholding is expected to be built over five years.

					2013/2015 LTIP interests		Buyout nil-cost options			
				Shareholding	Interests subject to performance conditions	Exercised during the year	Interests subject to performance conditions	Interests not subject to performance conditions	Exercised during the year	
Director	Shares required to be held % of salary	Number of shares required to hold[1]	Number of beneficially owned shares[2]	Share-holding requirement met	Nil-cost options	Nil-cost options	Buyout nil-cost options	Buyout nil-cost options	Buyout nil-cost options	Total interests held at 31.12.2017
T Quinlan	200%	717,391	117,853	No[3]	916,767	–	90,068	23,117	9,498	1,029,952
K Dangerfield	200%	507,246	63,000	No[3]	373,665	–	–	–	–	436,665
Dr M Read	–	1,000	85,170	Yes	–	–	–	–	–	85,170
P Bell	–	1,000	5,400	Yes	–	–	–	–	–	5,400
Wu Gang	–	1,000	7,200	Yes	–	–	–	–	–	7,200
M Parker	–	1,000	179,998	Yes	–	–	–	–	–	179,998
N Rachou	–	1,000	18,000	Yes	–	–	–	–	–	18,000
K Wiklund	–	1,000	34,920	Yes	–	–	–	–	–	34,920

Notes:
1. The number of shares for Executive Directors is calculated using the closing mid-market price on 29 December 2017 of 1.38p.
2. Beneficial interests include shares held directly or indirectly by connected persons and in relation to Tony Quinlan include 22,422 shares held under a Restricted Shares Agreement pursuant to the Annual Performance Incentive Scheme.
3. Tony Quinlan and Kevin Dangerfield joined in July 2015 and October 2016 respectively, and therefore have not yet built up shares equal to their individual requirements.
4. There have been no changes in the shareholdings of the Directors between 31 December 2017 and the date of this Annual Report and Accounts.

Statement of implementation of Remuneration Policy for 2018

The Policy and its implementation for the forthcoming financial year is summarised below:

Executive Directors

1. Salary
It is the Committee's policy to review Executive Directors' salaries as at 1 July each year. Any changes to salaries in 2018 will be in line with the Policy and disclosed in the 2018 Directors' Remuneration Report.

2. Pension
For the year ending 31 December 2018, Tony Quinlan and Kevin Dangerfield will both be entitled to receive a pension contribution or cash in lieu equal to 25% and 20% of base salary respectively.

3. Annual Performance Incentive Scheme 2018
Details of the maximum bonus potentials along with the performance measures and their respective weightings for the year ending 31 December 2018 are set out below:

	Bonus opportunity		Performance measure weighting (% award)
Director	Maximum (% of salary)	Financial Performance Measures	Strategic objectives
T Quinlan	150%	70%	30%
K Dangerfield	140%	70%	30%

Financial performance measures

Financial performance measures are broken down into three areas: Underlying Profit Before Tax; Gross Margin; and Operating Cash Flow. No bonuses under the APIS scheme are payable unless a minimum of £67m underlying Profit Before Tax is achieved. The payout against underlying profit before tax will be on a sliding scale for both the CEO and CFO with payout being calculated on a straight-line basis between each point.

Underlying Profit Before Tax	Bonus % Payout CEO	Bonus % Payout CFO
Below £67m	Zero	Zero
£68m	10%	10%
£73m	60%	60%
£76m	90%	90%
£77m	100%	100%

The Committee considers disclosing precise targets of profit and strategic objectives, which are commercially sensitive, for the Annual Performance Incentive Scheme in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance period where possible without compromising confidential matters so that shareholders can fully assess the basis for any payouts.

Two-thirds of the bonus award will be paid out in cash with the further one-third deferred into shares subject to a further three-year vesting period to which malus and clawback apply. No further performance targets apply to the deferred shares.

4. LTIP awards in 2018

(a) Awards to be granted in 2018

Details of the maximum LTIP awards (i.e. performance share awards) to be made under the 2015 LTIP in 2018 are set out below.

Maximum opportunity	Performance measure	Weighting (% award)	Performance target	Vesting level
160% of salary for T Quinlan	Total Shareholder Return relative to the FTSE 250 (excluding financial services sector companies and investment trusts)	50%	Upper quintile	Full vesting
			Median to upper quintile	Pro rata on a straight-line basis between 15% and full vesting
			Below median	Nil
150% of salary for K Dangerfield	Average Annual Growth in Continuing Earnings Per Share	50%	13% p.a.	Full vesting
			Between 5% and 13% p.a.	Pro rata on a straight-line basis between 15% and full vesting
			Below 5% p.a.	Nil

Awards will be subject to performance measures over a three-year period. A two-year holding period, with malus and clawback arrangements operating, will apply following the three-year vesting period for LTIP Awards granted to the Executive Directors.

(b) Awards vesting in 2018

See page 82 above for details of the vesting of Tony Quinlan's buy-out awards.

(c) Revision of share and option awards for the Rights Issue

The number of shares forming an award or under an option, which are outstanding at the date of the Rights Issue, were reviewed and adjusted to take account of the effect of the Rights Issue. All participants have been put in the same position as they were before the Rights Issue. There were no adjustments made to any performance condition for any existing awards.

Non-Executive Directors

The Board determines the fee levels for the Non-Executive Directors and the Committee determines the fee levels for the Chairman. The fee levels are reviewed annually and were last increased in July 2015. They were not increased in 2016 nor 2017. They will be reviewed in 2018 in line with the Policy and details disclosed in the 2018 Directors' Remuneration Report.

Relative importance of the spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders:

Significant distributions	2016 (£m)	**2017 (£m)**	% change
Overall spend on pay for employees including Executive Directors	195.4	**246.9**	26.4
Distributions to shareholders by way of dividends	12.2	**5.5**	-54.9

The above figures are taken from notes 9 and 14 to the financial statements.

Governance
Directors' remuneration report continued

Remuneration Committee and Advisers

Committee members	Independent	Number of scheduled meetings held during the year	Number of meetings attended
Sir Christopher Hum	Yes	2[1]	2
M Parker (Chairman of the Committee)	Yes	5	5
Dr M Read	Yes	5	5
Wu Gang	Yes	5	5
K Wiklund	Yes	0[2]	0

Notes:
1. Sir Christopher Hum retired as a Director on 28 April 2017.
2. Kjersti Wiklund was appointed to the Committee with effect from 13 December 2017.

The members of the Committee have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business.

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy and packages for other senior members of staff. The written Terms of Reference of the Committee are available on the Company's website and from the Company on request.

The Committee's activities during 2017 are set out on page 59.

Advisers to the Committee

PricewaterhouseCoopers LLP ('PwC') are independent advisers to the Committee. The advisers were selected through a competitive tender overseen by the Chairman of the Committee with input from the Chief Executive, Chairman of the Board and the Company Secretary. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. On this basis, the Committee is satisfied that the advice received is objective and independent.

PwC also provided the Company with other advisory services during the year. The Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services.

The Committee also sought the views of the Chief Executive Tony Quinlan during the year. The Chief Executive is given notice of all meetings and, at the request of the Chairman of the Committee, attends part of the meetings. The Chief Executive may request that he attends and speaks at Committee meetings. In normal circumstances, the Chief Executive will be consulted on general policy matters and matters concerning the other Executive Director and employees.

The total fees paid to PwC in respect of services to the Committee during the year were £71,420 (2016: £127,250). Fees were determined based on the scope and nature of the projects undertaken for the Committee.

Statement of voting

The table below shows details of the binding vote approving the Directors' Remuneration Policy and the advisory vote on the Annual Report on Remuneration at the AGMs held on 8 May 2015 and 28 April 2017 respectively. The binding vote on the Directors' Remuneration Policy is only put to shareholders every three years unless a change is being proposed to it.

2015 AGM Resolution	Votes for and at discretion	% of votes cast	Votes against	% of votes cast	Votes withheld	% of Issued share capital
Directors' Remuneration Policy	196,321,603	99.75	485,976	0.25	5,590,916	2.09
2017 AGM Resolution						
Annual Report on Remuneration	391,249,938	99.75	986,617	0.25	2,569,364	0.53

The Committee believes that the overwhelming support of shareholders for both the Policy and its implementation in 2015 mean no changes are required to the Policy and its implementation. For this reason the proposed new 2018 Policy is in substance the same as the current Policy. The vote on the 2017 Annual Report on Remuneration and new 2018 Remuneration Policy is due to take place at the AGM to be held on 27 April 2018.

The Directors' Remuneration Report has been approved by the Board of Laird PLC.

By Order of the Board

Mike Parker, CBE
Chairman of the Remuneration Committee

1 March 2018

Directors' report

Introduction and forward looking statements

This section contains additional information which the Directors are required by law and regulation to include within the Annual Report. This section (together with the information from pages 1 to 88 and other information cross referenced by this section is incorporated herein by reference) constitutes the Directors' Report for the purposes of the Companies Act 2006.

Certain statements are forward-looking and so involve risk and uncertainty because they relate to events, and depend upon circumstances that will occur in the future. Therefore results and developments can differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report, and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Management report and future developments

This Directors' Report together with the Strategic Report on pages 1 to 39 form the Management Report for the purposes of Rule 4.1.8R of the Disclosure and Transparency Rules and the EU Non-Financial Reporting Directive. The Company has chosen, in accordance with the Companies Act 2006 Section 414C(11), to include the disclosure of likely future developments in the Strategic Report.

Results and dividends

Underlying profit before tax was £67.3m (2016: £51.1m) and is analysed in note 13 on page 126. Profit for the year after taxation was £71.8m (2016: £110.8m loss). An interim dividend of 1.13 pence per share was paid to shareholders on 1 December 2017 in respect of the year ended 31 December 2016. In light of the terms of the recommended acquisition of Laird the Directors do not propose to recommend a final dividend, making the total dividend for the year 1.13 pence per ordinary share.

Annual General Meeting ('AGM')

The Company's AGM will be held on Friday 27 April 2018. Details of the resolutions to be proposed at the AGM are set out in the Notice of Meeting which is provided to all shareholders.

Articles of Association

The Company's Articles of Association set out the rules governing the appointment and replacement of Directors. In addition they, together with English law, define the Board's powers.

The Articles of Association may only be amended by special resolution at a general meeting of shareholders. No amendments to the Articles of Association of the Company are being proposed at the AGM.

Corporate governance

The Directors' approach to corporate governance and statements of our application of the UK Corporate Governance Code are set out in the Corporate Governance Report, which forms part of this Directors' Report, on pages 44 to 52, in the Audit Committee Report on pages 53 to 57 and in the Remuneration Report on pages 58 to 88.

Disclosures required by the FCA's Listing Rule 9.8.4R

Disclosures required by the FCA's Listing Rule 9.8.4R can be found elsewhere in the Annual Report as indicated in the table below, and is incorporated into this Report by reference.

Information required	Sub-section of Listing Rule 9.8.4R	Page Reference
1. Capitalised interest	(1)	N/A
2. Publication of unaudited financial information	(2)	N/A
3. Details of long-term incentive schemes established to specifically recruit or retain a director	(4)	N/A
4. Waiver of emoluments by a director	(5) (6)	N/A
5. Allotments of equity securities for cash	(7) (8)	N/A
6. Participation in a placing of equity securities	(9)	N/A
7. Contracts of significance	(10)	N/A
8. Contracts for the provisions of services by a controlling shareholder	(11)	N/A
9. Dividend Waiver	(12) (13)	90
10. Agreements with controlling shareholder	(14)	N/A

Governance
Directors' report continued

Share capital
The Company has only one class of share and the rights attached to each share are identical. Details of the rights and obligations attaching to the shares are set out in the Company's Articles of Association which are available on the Company's website at www.laird-plc.com. The Company may refuse to register any transfer of any share which is not a fully paid share.

At a general meeting of the Company, every member has one vote on a show of hands and on a poll one vote for each share held. Details of the voting procedure, including deadlines for exercising voting rights, are set out in the Notice of Meeting for the 2018 AGM.

At 31 December 2017, the issued share capital of the Company was 488,913,007 ordinary shares of 28.125p each. During the year, a total of 217,467,631 shares were issued. 217,156,300 of these shares were issued in connection with the 4 for 5 Rights Issue, undertaken in March 2017 to reduce indebtedness, and 311,331 in respect of allotments to participants in the Company's US S423 All Employee Share Plan. Details of the share capital and awards outstanding as at 31 December 2017 are shown in notes 28 and 29 on pages 146 to 150. No shares are held by the Company as treasury shares and 1,215,318 are held by the Company's Employee Benefit Trust in connection with the Share plans operated by the Company. A dividend waiver is in place in respect of these shares. At the 2017 AGM, shareholders agreed to the renewal of the Directors' power to allot shares, or grant rights for or to convert any security into shares, in the Company; the disapplication of pre-emption rights and authorised the Company to make purchases of up to 10% of its ordinary shares representing 48,860,167 shares on the London Stock Exchange. As at 28 February 2018, no shares have been purchased pursuant to this authority. Shareholders will be requested to renew these authorities at the 2018 AGM and full details are set out in the Notice of AGM.

Directors
The Directors of the Company as at the date of the approval of this Annual Report are shown on pages 40 and 41. All were Directors throughout the year to 31 December 2017. Sir Christopher Hum retired as a Director at the AGM held on 28 April 2017.

Election and re-election of Directors
Under the Company's Articles of Association, Directors appointed during the year and one-third of the remainder must retire and stand for re-election each year at the AGM. However, all of the Directors of the Company will be retiring and offering themselves for re-election at the 2018 AGM in accordance with the recommendations of the UK Corporate Governance Code 2016.

The Board is satisfied, following the performance review, that each Director is qualified for re-election by virtue of their skills, experience and contribution to the Board.

None of the Non-Executive Directors offering themselves for re-election has a service contract with the Company or any of its subsidiaries. Biographical details and reasons for re-appointment for the Non-Executive Directors are given in the Notice of AGM.

Directors' interests and share options and awards
In the year to 31 December 2017, no Director had a material interest in any third-party contract of significance with the Company or any of its subsidiaries.

Directors' shareholdings and share options and awards at 31 December 2017 are shown within the Directors' Remuneration Report on page 86.

Directors' conflicts of interest
The Companies Act 2006 allows directors of public companies, subject to the provisions of the Company's Articles of Association, to authorise conflicts and potential conflicts of interest, where appropriate. The authorisation is effective only if the matter is agreed to without the vote of the director who is subject to such conflict having been counted. The authority for Directors to act in situations of conflict and the rules governing their duties in such situations are set out in the Company's Articles of Association. Under the Articles of Association, a Director who is in any way interested in a contract must declare his interest. A register of conflicts or potential conflicts of interest is kept and it is available at every Board Meeting. The Board believes that the arrangements for reporting and dealing with conflicts operate effectively.

Directors' and Officers' liability insurance and indemnities
Directors' and Officers' liability insurance was purchased and maintained by the Company during the year to cover them against liabilities which may be incurred by them while acting as Directors and Officers.

The Company has also indemnified the Directors against liabilities they may incur in the execution of their duties as Directors of the Company and such indemnification was in place throughout the year.

Accountability and audit
Statements of the respective responsibilities of the Directors and auditor are set out on pages 93 to 101.

Significant contracts and change of control
Laird has arrangements with a number of major customers and suppliers whereby regional or global terms of supply are agreed. However, these arrangements do not amount to contractual obligations to purchase and supply as these are covered by individual purchase orders. Some of the Group's commercial arrangements including commercial agreements entered into in the ordinary course of business do include change of control provisions.

The Group's bilateral revolving credit facilities, the Note Purchase Agreement entered into in 2014 in connection with the Group's Private Placements of Notes and the Schuldschein loan agreements entered into in April 2016 each contain provisions under which, in the event of a change of control of the Company, the Company may be required to repay all outstanding amounts borrowed.

No Director or employee is contractually entitled to compensation for loss of office or employment as a result of change of control; however, provisions in the Company's share plans may cause options or awards granted to employees to vest on a change of control.

Employment policy
Laird conducts business in multiple geographic locations and is committed to complying with the relevant legal requirements in each of those regions. Business unit management are responsible for implementing and communicating the Laird Equal Employment and Human Rights Policy Statements within their own business unit. Various methods are used throughout Laird as appropriate in each location for tracking morale, motivation, retention rates and training, which are reported regularly to local management teams.

Employee participation

The Board recognises that the success of the business relies on the skill and dedication of its workforce and therefore encourages two-way communication with its employees. Operating subsidiaries encourage consultation at local level and performance and development reviews reinforce the link between business goals, an employee's contribution and his/her remuneration. Laird communicates regularly with its employees, including through the provision of information on financial performance (and financial and economic factors affecting it), key events within Laird, charity and community involvement and employee achievements.

In recognition that Laird's business and its activities impact a wide community of stakeholders including investors, customers, employees, suppliers and local communities, the Board reviews the significance of social, environmental and ethical matters which may affect Laird. Further details on all these matters are available in the Corporate Social Responsibility report on pages 24 and 25.

Health and safety at work

Laird is committed to providing a safe working environment for its employees and continuous improvement is sought by the setting of objectives and targets based on relevant national and international health and safety standards and monitoring performance against these. In addition, Laird maintains a proactive communications strategy among all employees to promote and develop good health and safety practices. Further information is available in the Corporate Social Responsibility report on pages 24 and 25.

Greenhouse gas emissions and gender diversity

Information on environmental matters and disclosures relating to diversity, gender and human rights are contained in the Corporate Social Responsibility Report on pages 24 and 25.

Research and development

Investing in research and development programmes delivers product innovation and manufacturing improvements within Laird. Expenditure in the year ended 31 December 2017 on research and development amounted to £90.9m (2016: £69.8m), of which £23.4m has been capitalised (2016: £19.9m). Laird continues to develop its technology capabilities, with research and development expenditure during the year running at 9.7% of sales (2016: 8.7%). This is in line with Laird's strategic objective to increase R&D expenditure in the year and focus on innovation.

Going concern

As set out in the Statement of Director's Responsibilities on page 93, the Accounts have been prepared on a going concern basis. A statement on going concern relating to a business requires judgement at a point in time about future events which, by their nature, are inherently uncertain. The Directors have reviewed the Group's performance for the year and the principal risks it faces, together with budget and cash flow forecasts and have considered the ability of the Group to maintain committed finance, meet existing debt covenants and the impact of foreign currency exposures. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Viability statement

The Board has assessed the prospects of the Company over a longer period than the 12 months required by the going concern requirements of the UK Corporate Governance Code. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, as set out above.

While the Board has no reason to believe the Group will not be viable over a longer period, it has assessed the Group's viability over a three-year period to the year ending December 2020.

The three-year forecasting horizon has been selected because management and the Board believe there is sufficient, realistic visibility available to reassess the Group's current and anticipated operating environment and market conditions over this period. The three-year period covers the lead times/operating cycles in some of our key markets and aligns with the Group's strategic planning cycle.

The Board has assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out on pages 38 and 39. Scenario testing has been undertaken to assess the resilience of the Group and its business model to the potential impact of individual key risk scenarios.

The scenario testing incorporates realistic assumptions based on our risk processes and experience of real incidents. We chose a number of scenarios which were assessed in isolation for their impact to viability, including the following:

Scenario 1 – Risk considered: Key Customer Dependency. Loss of a key customer part way through 2018 leading to materially lower group revenue and profit over the forecast period;

Scenario 2 – Risk considered: Protectionism/Trade War. Political changes resulting in a trade war with additional tariffs for NAFTA and China/US trade;

Scenario 3 – Risk considered: IP Breach. Third party IP infringement resulting in an upfront claim for damages as well as continued licencing costs;

Scenario 4 – Risk considered: Site or service Business Continuity Incident. A major fire at a key manufacturing facility in China resulting in total loss of site for a period of 18 months and a significant proportion of customers lost;

Scenario 5 – Risk considered: Contract risk. Significant supply chain issues causing an inability to service a major customer which results in material contractual penalties;

In addition to testing the principal risks, the Board then considered the impact of a combination of the risks to reach the reasonable worst case scenario. The combinations considered include the following:

Scenario 6 – All individual scenarios in combination; and

Scenario 7 – All individual scenarios in combination with an additional impact from a reduction in the USD:GBP FX rate to $1.15:£1.00. A lower USD:GBP rate has been chosen as this has an impact on our liquidity headroom.

On 1 March 2018 the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC at a price of 200p per share by a wholly-owned indirect subsidiary of funds managed by Advent International Corporation.

The offer, which would be effected by means of a scheme of arrangement under Part 26 of the Companies Act, is subject to shareholder approval and standard conditions set out in the 2.7 notice, including relevant clearances from competition and regulatory authorities in China, EU and US.

The preceding going concern and viability statements assume that, should the proposed offer proceed, the Group continues to operate in line with its current business plans.

Governance
Directors' report continued

In performing the above analysis, the Board has made certain assumptions around the availability of future funding options, including the ability to raise further finance. No individual risk or combination of risks was found to have an impact on the viability of the Company. Our risk assessment further takes account of the availability and effectiveness of the mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management and internal control systems, as described on pages 53 to 57, is taken into account.

On the basis of this robust assessment of the principal risks facing the Group, the Board's review of the three-year operating forecasts to December 2020, the Group's current financial, operational and investment profile, the Board confirms that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, over the three-year period to December 2020.

Financial instruments

An analysis of debt is given in note 21 to the financial statements. An analysis of financial instruments at carrying value and fair value is given in note 27 to the financial statements. Financial instruments and related disclosures together with a discussion of financial risk management objectives and exposures to credit and liquidity risk are in accordance with IFRS 7.

It is the Company's objective to manage its financial risk so as to minimise the adverse fluctuations in the financial markets on the Group's reported profitability and cash flows. The policies for managing each of the Group's main financial risk areas are referred to in the Chief Financial Officer's report on pages 30 to 35. Additionally, the principal risks and uncertainties on pages 38 and 39 deal with currency exposure risk and the mitigating activities adopted.

Post balance sheet events

On 1 March 2018 the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC at a price of 200p per share by a wholly-owned indirect subsidiary of funds managed by Advent International Corporation.

Substantial shareholdings

As at 28 February 2018, the following information has been disclosed to the Company under the FCA's Disclosure and Transparency Rules (DTR 5) in respect of notifiable interests in the voting rights in the Company's issued share capital:

	Date of Notification	Number of Shares	Percentage of issued share capital	Nature of holding
Artemis Investment Management LLP	22 February 2017	48,827,775	17.99%	Indirect
Mondrian Investment Partners Limited	23 March 2016	14,038,678	5.17%	Indirect
J O Hambro Capital Management Limited	26 October 2017	24,015,825	4.91%	Indirect

The Companies Act 2006 requires disclosure of persons with significant direct or indirect holdings of securities as at the year end. At 31 December 2017, we were aware of the following shareholdings of 3.00% or more:

	Percentage of issued share capital
Artemis Investment Management LLP	17.33%
Mondrian Investment Partners Limited	8.71%
Franklin Templeton	4.52%
Templeton	4.40%
JO Hambro Capital Management	3.97%
BlackRock	3.46%
Neptune Investment Management	3.34%
Dimensional Fund Advisors	3.05%

The offer, which would be effected by means of a scheme of arrangement under Part 26 of the Companies Act, is subject to shareholder approval and standard conditions set out in the 2.7 notice, including relevant clearances from competition and regulatory authorities in China, EU and US.

Political donations

The Group's policy is to make no political donations and no political donations were made during the year (2016: NIL).

Auditor

Deloitte LLP ('Deloitte'), the current auditors, have confirmed that they are willing to continue in office, and resolutions proposing their reappointment and authorising the Audit Committee to agree their fees will be proposed at the AGM. Deloitte were first appointed as the Company's auditors at the 2016 AGM following a tender process carried out in 2015. Further details are set out in the Report of the Audit Committee on page 56.

Disclosure of information to the auditor

As at the date of this report, as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Annual Report including the Strategic Report on pages 1 to 39 was approved by the Board of Directors and authorised for issue on 1 March 2018.

By Order of the Board

J G du Plessis
General Counsel And Company Secretary
1 March 2018

Statement of directors' responsibilities 2017

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities on pages 94 to 101, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Under that law the Directors have prepared Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

The Directors are required to prepare financial statements for each financial year which present a true and fair view of the financial position of the Group and Company and the financial performance and cash flows of the Group for that period. In preparing those financial statements on a going concern basis, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state that the Group has complied with IFRS as adopted by the EU and that the parent company has complied with UK accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that, to the best of our knowledge:

(i) the Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group taken as a whole;

(ii) the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

(iii) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Tony Quinlan
Chief Executive
1 March 2018

Kevin Dangerfield
Chief Financial Officer

Independent Auditor's Report

to the members of Laird PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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 2017 and of the group's profit 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 United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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.

We have audited the financial statements of Laird plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the Group Income Statement;
- the Group and Parent Company Statements of Comprehensive Income;
- the Group and Parent Company Statements of Changes in Equity;
- the Group and Parent Company Statement of Financial Position;
- the Group cash flow statement;
- the related Group notes 1 to 35; and
- the related Parent Company notes 1 to 16.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of goodwill in CVS & WTS • Valuation of transfer pricing provisions • Valuation of US Deferred Tax Assets Within this report, any new key audit matters are identified with ⌃ and any key audit matters which are the same as the prior year identified with ».
Materiality	The materiality that we used for the group financial statements was £2.7 million which was determined on the basis of adjusted profit before tax.
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 81% of the group's revenue, 91% of the group's operating profit before exceptional items, and 71% of total net assets.
Significant changes in our approach	The valuation of US deferred tax assets is a new key audit matter for 2017, following the Tax Cuts and Jobs Act of 2017 enacted on 22 December 2017 in the United States. We no longer consider acquisition accounting to be a key audit matter as there were no acquisitions in the period.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in Note 1 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 and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 38 and 39 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 49 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; or
- the directors' explanation on pages 91 and 92 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 are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

Impairment of goodwill in CVS and WTS	
Key audit matter description	Total goodwill at 31 December 2017 is £418.0 million (31 December 2016: £466.3 million). Given low levels of headroom in the Connected Vehicle Solutions (CVS) and Wireless & Thermal Solutions (WTS) divisions, as set out in note 16, reasonably possible changes in key assumptions would result in impairment in CVS and WTS and accordingly we consider the accuracy of forecast training performance for these specific divisions to be an area of focused audit interest. 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 and history of recorded impairments) the forecast trading cash flows. Accordingly, we have pinpointed the key audit matter to the cash flow forecasts used in the goodwill impairment reviews for CVS and WTS. Management has identified three groups of cash-generating units as described in note 16 to the financial statements and tested all three for impairment as required by IAS 36, no impairment was recorded in the year. Refer to the Audit Committee report on page 58, note 16 to the financial statements and the accounting policy and key source of estimation uncertainty disclosure in note 2.

Independent Auditor's Report
continued

Impairment of goodwill in CVS and WTS	
How the scope of our audit responded to the key audit matter	We evaluated 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 for certain major customers to external documentation including contracts and customer-prepared forecasts. We evaluated whether the forecasts used are consistent with those used to support the group's going concern and viability assessment and deferred tax calculations. We sought contradictory evidence by comparing the total value in use calculations to market capitalisation. We applied our own sensitivities to the impairment model, based on analysis of historical forecasting, external expectations and underlying assumptions in the cash flow forecasts, and assessed the disclosed sensitivities in note 16 against these.
Key observations	We found the forecasts to be based on reasonable and supportable assumptions, and concluded that they support the net present value of future cash flows for each group of cash-generating units, which exceeds the carrying value of associated assets. As a result, we are satisfied that there is no goodwill impairment charge recognised in the current year.
Valuation of transfer pricing provisions	
Key audit matter description	Provisions have been recognised in respect of tax exposures totalling £22.9 million (2016: £28.3 million), of which £21.5 million (2016: £23.8 million) relates to transfer pricing. 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 and engages external advisors to ascertain the correct tax treatment. However for certain ongoing matters, notably those in China and India which constitute the majority of the balance, 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 have considered that there was a potential for fraud through possible manipulation of this balance. Refer to the Audit Committee report on page 53, note 11 to the financial statements and the accounting policy disclosure in note 2.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of key controls over the calculation of tax provisions. We challenged management's assessment of risks, particularly focussing on areas where significant judgement has been applied, by using the assistance of tax specialists to assess 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 by using tax specialists to assess the technical merits of the tax uncertainty. 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 assessed management's use of expert advice, including speaking directly to them where appropriate to understand and assess the rationale for the positions adopted. We have used tax specialists in the relevant jurisdictions to gain an understanding of the tax authority environment and assess whether the provisions are appropriate.
Key observations	We find the overall provision to be reasonable, although towards the prudent end of the acceptable range.

Valuation of US Deferred Tax Assets	
Key audit matter description	The US operations have recorded losses for tax purposes for a number of years, largely due to the intercompany interest charges it suffers. Deferred tax assets have been recognised in the past up to the level of deferred tax liabilities that will reverse (2017: £13.9 million; 2016: £24.3 million), but no further asset was recognised due to the uncertainty surrounding future profits in that jurisdiction against which to utilise the losses. Accumulated losses in the US as at 31 December 2017 were £159 million. One of the consequences of the US Tax Cuts and Jobs Act 2017 ("US Tax Reform"), along with a rate cut that revalued all US deferred tax assets and liabilities, was to cap the amount of interest that is tax deductible, and as a result management now forecasts that the US group is forecasting taxable profits in the future and accordingly has recognised an additional deferred tax asset of £7.0 million. The key judgements identified are: • the interpretation of the new legislation and its application to the Laird; • given the history of losses, whether there is sufficient evidence that it is probable that losses will be utilised (over and above those that offset reversing deferred tax liabilities); and • the valuation of asset recognised. Due to the magnitude of the brought forward losses and the level of judgement involved in the valuation of the asset, we consider the valuation of deferred tax assets in the USA to be a key audit matter. Refer to the Audit Committee report on page 53, note 11 to the financial statements and the accounting policy disclosure in note 2.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of key controls over the calculation of tax provisions. We challenged management on whether there was sufficient evidence as to the probability of future profits by reference to the past losses; With the assistance of tax specialists in the US, we evaluated the existence of the brought forward losses by agreeing a sample to filed tax returns; We checked that the forecasts used in the calculation of the valuation of the asset had been accurately extracted from the group's board-approved forecasts (which itself has been considered as part of our impairment work as set out above); With the assistance of our tax specialists in the US, we evaluated whether US tax law had been appropriately interpreted and applied to the forecasts to arrive at an estimate of the future tax charges; We independently calculated an expected range for the asset based on our judgement and knowledge of the Group's forecasts and operating cycles. We considered contradictory evidence as to the period over which the losses will be utilised.
Key observations	We found the asset recorded to be acceptable, albeit towards the more optimistic end of our acceptable range.

Independent Auditor's Report
continued

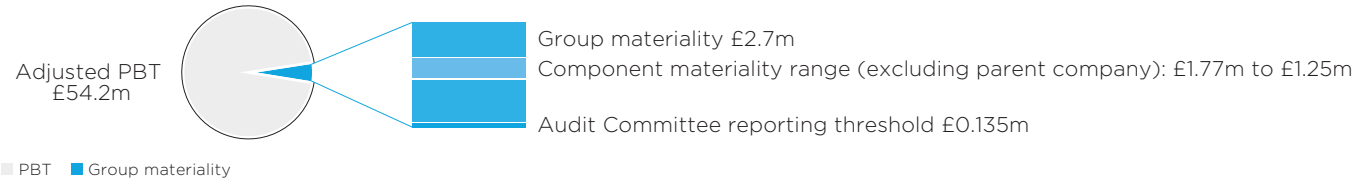
Our application of materiality

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 financial statements	Parent company financial statements
Materiality	£2.7 million (2016: £2.7 million)	£2.6 million
Basis for determining materiality	5% of adjusted pre-tax profit. Items that are adjusted from statutory Profit Before Tax are exceptional items and fair value adjustments for financial instruments. In 2016, due to the loss made, 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 a materiality based on 2% of net assets, however, capped at 95% of group materiality.
Rationale for the benchmark applied	The primary and most significant user of the financial statements are investors and shareholders, with the adjusted PBT being their key focus.	It is a significant component of the Group and a standalone materiality would have been too high.

Materiality



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135,000 (2016: £135,000) for the group and parent company, 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.

An overview of the scope of our audit

Throughout 2017, the group organised itself across multiple locations, with each location serving one or more of the three divisions (Performance Materials, Connected Vehicle Solutions and Wireless & Thermal Solutions). We defined our components based on location, with a total of 32 in existence. 11 of these components were included as full scope audits (including entities in the United Kingdom, the United States, China, the Czech Republic, Germany and South Korea), these being the most material components from both a qualitative and quantitative perspective. We also identified two additional specified balances outside these components, and provided specific instructions to the relevant components on those.

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 £1.25 million to £1.77 million.

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 restructuring and the reorganisation into three divisions, which led to a change in scoping approach from the prior period), and other risks of material misstatement 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 another senior member of the group audit team (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, including component tax audit specialists in the USA and China;
- meet with local management and attend close meetings; and
- review key audit working papers on the key financial statement risk areas.

In addition, the majority of the component partners attended a global team meeting during 2017, to plan the audit approach and plan the 2017 audit.

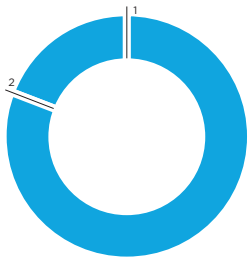
The group team further interacted regularly with the component teams where appropriate during the various stages of the audit (planning, interim and year end), reviewed key working papers in person and remotely and performed additional procedures where necessary to give us appropriate evidence for our 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. We also visited one of these sites in January 2018 to hold inquiries with local management.

At the Head office level, the group team:

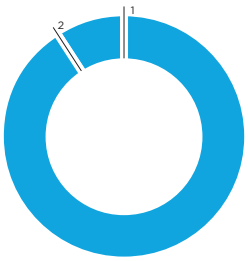
- evaluated the design and implementation of entity-level controls;
- tested the consolidation, consolidation journals, intercompany eliminations and foreign currency revaluations; and
- undertook audit procedures in respect of the group's parent company managed from the group's corporate office in London,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

Revenue



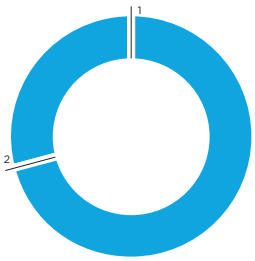
1:	**Full audit scope**	81%
2:	**Review at group level**	19%

Profit before tax



1:	**Full audit scope**	91%
2:	**Review at group level**	9%

Total assets including goodwill



1:	**Full audit scope**	71%
2:	**Review at group level**	29%

Independent Auditor's Report
continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Company at its annual general meeting on 29 April 2016 to audit the financial statements of the Company for the year ending 31 December 2016 and subsequent financial periods.

Our total uninterrupted period of engagement is 2 years, covering the years ending 31 December 2016 to the year ending 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Anna Marks FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

1 March 2018

Financial statements

Group income statement

for the year ended 31 December 2017

Note		2017 £m	2016 £m
	Continuing operations		
4	**Revenue**		
	Performance Materials	**448.3**	395.0
	Connected Vehicle Solutions	**318.6**	252.1
	Wireless and Thermal Systems	**169.7**	154.5
		936.6	801.6
	Operating profit before impairment of goodwill, amortisation of acquired intangible assets and exceptional items	**76.9**	61.9
16	Impairment of goodwill	**–**	(155.5)
16	Amortisation of acquired intangible assets	**(13.8)**	(17.2)
7	Exceptional items	**0.7**	1.2
6	**Operating profit/(loss)**	**63.8**	(109.6)
10	Finance income	**0.1**	0.1
10	Finance costs	**(9.9)**	(11.1)
	Financial instruments – fair value adjustments	**2.8**	(1.9)
34	Other net finance income – pension	**0.2**	0.2
	Profit/(loss) before tax	**57.0**	(122.3)
11	Taxation	**14.8**	11.5
	Profit/(loss) for the year	**71.8**	(110.8)
	Attributable to:		
	Equity shareholders of the parent company	**71.6**	(111.7)
	Non-controlling interests	**0.2**	0.9
		71.8	(110.8)
12	**Earnings/(loss) per share**		(restated**)
	Basic earnings per share on profit/(loss) for the year*	**15.8p**	(31.8)p
	Diluted earnings per share on profit/(loss) for the year*	**15.8p**	(31.8)p

* Attributable to equity shareholders of the parent company

** Earnings/(loss) per share has been restated for the 2017 rights issue.

Financial statements

Group statement of comprehensive income

for the year ended 31 December 2017

Note		2017 £m	2016 £m
	Profit/(loss) for the year	**71.8**	(110.8)
	Items that will not be reclassified subsequently to profit or loss:		
34	Net re-measurement gains on retirement benefit obligations net of tax	**5.6**	0.1
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on retranslation of overseas net investments	**(34.6)**	131.7
	Exchange differences on net investment hedges	**10.4**	(57.6)
		(24.2)	74.1
	Other comprehensive (loss)/income for the year	**(18.6)**	74.2
	Total comprehensive income/(loss) for the year	**53.2**	(36.6)
	Attributable to:		
	Equity shareholders of the parent company	**52.8**	(39.8)
	Non-controlling interests	**0.4**	3.2
		53.2	(36.6)

Financial statements

Group statement of changes in equity

for the year ended 31 December 2017

		Attributable to equity shareholders of the parent company								
Note		Equity share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Treasury shares £m	Other reserves* £m	Total £m	Non-controlling Interests £m	Total equity £m
	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 (expense)/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**
	for the year ended 31 December 2017									
	At 1 January 2017	**76.3**	**281.9**	**(161.8)**	**183.4**	**(2.7)**	**(33.3)**	**343.8**	**8.7**	**352.5**
	Profit for the year	–	–	71.6	–	–	–	71.6	0.2	71.8
	Other comprehensive income/(expense)	–	–	5.7	(24.5)	–	–	(18.8)	0.2	(18.6)
	Total comprehensive income/(expense)	–	–	77.3	(24.5)	–	–	52.8	0.4	53.2
	Exercise of share options	0.1	0.3	–	–	–	–	0.4	–	0.4
30	Net proceeds from rights issue	61.1	–	–	–	–	115.1	176.2	–	176.2
29	Share based payments	–	–	2.8	–	–	–	2.8	–	2.8
	Treasury shares	–	–	–	–	(0.6)	–	(0.6)	–	(0.6)
	Vesting of LTIPs/ Restricted shares	–	–	(0.3)	–	0.3	–	–	–	–
	Non-controlling interests – dividend	–	–	–	–	–	–	–	(0.5)	(0.5)
14	Dividends paid	–	–	(5.5)	–	–	–	(5.5)	–	(5.5)
	At 31 December 2017	**137.5**	**282.2**	**(87.5)**	**158.9**	**(3.0)**	**81.8**	**569.9**	**8.6**	**578.5**

* Refer to note 30 for details of Other reserves.

Financial statements

Group statement of financial position

as at 31 December 2017

Note		2017 £m	2016 £m
	Assets		
	Non-current assets		
15	Property, plant and equipment	**111.6**	123.2
16	Intangible assets	**561.4**	635.1
24	Deferred tax assets	**3.5**	4.6
27	Derivative financial instruments	**4.6**	1.5
34	Retirement benefit assets	**17.4**	12.5
	Other non-current assets	**1.8**	1.9
		700.3	778.8
	Current assets		
18	Inventories	**112.7**	99.4
19	Trade and other receivables	**196.8**	209.8
	Income tax receivable	**0.3**	0.3
	Derivative financial instruments	**0.7**	–
20	Cash and cash equivalents	**51.3**	64.5
17	Assets classified as held for sale	**57.4**	–
		419.2	374.0
	Liabilities		
	Current liabilities		
21	Borrowings	**(0.5)**	(0.3)
27	Derivative financial instruments	**–**	(2.1)
23	Trade and other payables	**(174.2)**	(192.0)
	Current tax liabilities	**(29.9)**	(33.9)
26	Provisions	**(18.2)**	(26.8)
17	Liabilities directly associated with assets classified as held for sale	**(16.6)**	–
		(239.4)	(255.1)
	Net current assets	**179.8**	118.9
	Non-current liabilities		
21	Borrowings	**(207.8)**	(408.8)
27	Derivative financial instruments	**(31.4)**	(31.0)
24	Deferred tax liabilities	**(42.5)**	(76.8)
34	Retirement benefit liabilities	**(12.2)**	(13.7)
25	Other non-current liabilities	**(2.0)**	(0.8)
26	Provisions	**(5.7)**	(14.1)
		(301.6)	(545.2)
	Net assets	**578.5**	352.5
	Capital and reserves		
28	Equity share capital	**137.5**	76.3
	Share premium	**282.2**	281.9
	Retained loss	**(87.5)**	(161.8)
30	Translation reserve	**158.9**	183.4
30	Treasury shares	**(3.0)**	(2.7)
30	Other reserves	**81.8**	(33.3)
	Equity attributable to owners of the parent company	**569.9**	343.8
	Non-controlling interests	**8.6**	8.7
	Total equity	**578.5**	352.5

The financial statements were approved by the Board of Directors on 1 March 2018 and were signed on its behalf by:

A J Quinlan **K J Dangerfield**
Directors

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Group cash flow statement

for the year ended 31 December 2017

Note		2017 £m	2016 £m
31	**Cash flows from operating activities**		
	Cash generated from operations	**83.8**	75.9
	Tax paid	**(15.0)**	(14.4)
	Net cash flows from operating activities	**68.8**	61.5
	Cash flow from investing activities		
	Interest received	**0.1**	0.1
31	Acquisition of businesses (net of cash acquired)	**–**	(39.7)
	Purchase of property, plant and equipment	**(28.0)**	(41.4)
	Purchase of software	**(2.6)**	(3.3)
	Purchase of intangible assets (internally developed)	**(23.4)**	(19.9)
	Net cash flows from investing activities	**(53.9)**	(104.2)
	Cash flows from financing activities		
	Interest and other finance costs paid	**(10.9)**	(10.5)
	Net proceeds from issue of ordinary share capital	**174.9**	0.3
30	Purchase of treasury shares	**(0.6)**	(2.2)
31	Proceeds from borrowings	**8.5**	114.4
31	Repayment of finance lease	**(8.5)**	–
31	Repayments of borrowings	**(182.9)**	(35.0)
	Dividends paid to equity shareholders of parent	**(5.5)**	(35.5)
	Dividends paid to non-controlling interests	**(0.5)**	(3.0)
	Net cash flows from financing activities	**(25.5)**	28.5
	Effects of movements in foreign exchange rates	**(1.5)**	9.9
	Decrease in cash and cash equivalents for the year	**(12.1)**	(4.3)
31	Cash and cash equivalents at 1 January	**64.5**	68.8
31	**Cash and cash equivalents at 31 December**	**52.4**	64.5

Notes to the financial statements

for the year ended 31 December 2017

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 2017 were authorised for issue by the Board of Directors on 1 March 2018 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 financial statements.

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

SIGNIFICANT ACCOUNTING 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 judgements and estimates.

CRITICAL ACCOUNTING JUDGEMENTS

Exceptional items

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. These items are presented separately within the 'exceptional items' income statement category. Determining whether an item is part of exceptional items requires judgement as to whether it meets the Group's definition as detailed in the accounting policy below.

Provisions

On an ongoing basis the Group is party to various disputes, the outcomes of which cannot be assessed with a high degree of certainty. Management applies its judgement in determining whether or not to record a provision. A provision is recognised where, based on the Group's legal views and, in some cases, independent advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. From this judgement the Group uses estimation to determine the level of provision, tax provision or deferred tax asset to recognise, which is discussed below.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the current reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Uncertain 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. These provisions are 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. 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;

Notes to the financial statements
continued

for the year ended 31 December 2017

2. ACCOUNTING POLICIES CONTINUED

- any changes to the relevant tax legislation or its interpretation both locally and internationally; and
- any other relevant changes to the tax environment including initiatives by non-governmental bodies such as the OECD and European Commission.

Deferred tax assets

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. The recognition and measurement of deferred tax assets requires the application of judgement in assessing the amount, timing (which may be different to the period covered by the Group's strategic plan) and probability of future taxable profits, the interpretation of any new legislation recently introduced in a particular country, together with future tax planning strategies. These factors affect the determination of the appropriate rates of tax to apply and the recoverability of deferred tax assets. See note 24 for the Group's deferred tax disclosures.

Measurement of litigation provisions

The Group reviews litigation provisions at each reporting date and adjusts them to reflect the current best estimate of the financial settlement. Litigation provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. The Group exercises judgement in recognising litigation 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.

During the year, Management reassessed the critical estimates and critical judgements regarding litigation provisions and resolved that a £2.2m overall reduction in total litigation provisions was required to reflect latest best estimates of the probable future costs of the legal case and settlements during the year (see note 26).

Discount rate and inflation rate used to determine the carrying amount of the Group's defined benefit obligation

Measurement of defined benefit pension obligations requires estimation of the future changes in salaries and inflation, as well as mortality rates and the selection of a suitable discount rate. Of these the selection of a suitable discount rate and inflation rate are considered to be key sources of estimation uncertainty.

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Similarly, the Group's defined benefit obligation is calculated using a selected rate of inflation. This is determined using appropriate inflation measures in the countries where the Group has defined benefit pension arrangements.

The assumptions selected, an associated sensitivity analysis and a reconciliation of the movements in defined benefit pension obligations are disclosed in note 34.

Goodwill impairment testing: Connected Vehicle Solutions and Wireless & Thermal Systems

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).

Following the Group's various acquisitions total goodwill of £418.0m is recognised on the 2017 balance sheet. In 2016, future financial projections resulted in an impairment of £155.5m in relation to the Connected Vehicle Solutions and the Wireless & Thermal Systems cash-generating units. Given this recent impairment the Group has identified the assumptions and estimates used in goodwill impairment testing as a key source of estimation uncertainty. No further impairment has been identified in 2017. Past assumptions have been updated in 2017 to reflect current trading performance and future expectations, which has resulted in an increase in impairment headroom over 2016.

The assumptions selected and associated sensitivity analysis are disclosed in note 16.

GOING CONCERN

The Directors continue to adopt the going concern basis for accounting in preparing the annual financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further details on Going Concern are provided in the Directors' report on page 91.

2. ACCOUNTING POLICIES CONTINUED

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 financial statements the results and cash flows of overseas subsidiaries are translated into Sterling using average rates of exchange for the period where this approximates to the foreign exchange rates ruling at the date of the transaction. 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 the adoption of IFRS are recognised as a separate component of shareholders' equity via other comprehensive income. 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.

Notes to the financial statements
continued

for the year ended 31 December 2017

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 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 five and twenty years depending on its nature.

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.

2. ACCOUNTING POLICIES CONTINUED

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

Tax expense

The tax expense represents the sum of current and deferred taxes.

Current taxes

Current tax is the amount of tax payable on this year's taxable profits, as 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.

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 £29.9m (2016: £33.9m) includes £1.2m directly associated with assets classified as held for sale. The liability of £31.1m represents £8.2m (2016: £5.6m) tax due on profits of the current and prior years as well as £22.9m (2016: £28.3m) provisions for tax uncertainties.

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

Deferred taxes

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. 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. Details of recognised and unrecognised deferred tax assets can be found in note 24.

Notes to the financial statements
continued

for the year ended 31 December 2017

2. ACCOUNTING POLICIES CONTINUED

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. The balance at 31 December 2017 is £22.9m.

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.

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:

Land and buildings	
Freehold buildings	25 years or less
Leasehold buildings	25 years or the lease term if less
Plant and machinery	
Computer equipment	5 years or less
Motor vehicles	4 years
Other plant and machinery	10 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.

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.

2. ACCOUNTING POLICIES CONTINUED

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. The Group moved to a three division structure effective from 1 January 2017. The segmental results for the comparative period have been restated for the purposes of comparability.

EXCEPTIONAL ITEMS

The separate reporting of exceptional items helps provide an 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 rights issue in 2016, 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.

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.

Notes to the financial statements
continued

for the year ended 31 December 2017

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.

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. The cost of inventories is based on the first-in-first-out principle. 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.

DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Disposal groups are classified as held for sale if their carrying amount is anticipated to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

In the current year the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7 Disclosure Initiative	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consists of borrowings (note 21). A reconciliation between the opening and closing balances of these items is provided in note 31. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 31, the application of these amendments has had no impact on the Group's consolidated 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 plan to adopt these standards in line with their effective dates stated. The current status of the Group's assessment of these standards is set out below.

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2. ACCOUNTING POLICIES CONTINUED

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is the new revenue standard which replaces IAS 18 Revenue. The standard is based on revenue being recognised as and when 'transfer of control' (of the goods or services provided) occurred, which is a change from the 'risks and rewards' model under the current standard.

Current status

The Group has reviewed each contract and revenue stream that is quantitatively or qualitatively material to the Group for the impact of IFRS 15. The main changes identified have been:

- identification of some revenue streams that are non-distinct and therefore must be combined with other revenue streams;
- identification of contract related costs that IFRS 15 requires to be initially recognised as an asset.

The Group expects these changes to result in approximately £1m of revenue being recognised later than under the current standard and a £0.1m increase in profit after taxation impact at 31 December 2017.

Application

We plan to adopt IFRS 15 using the cumulative effect method. This adjusts the 31 December 2017 closing reserves for the cumulative profit impact of IFRS 15, without restatement of the prior period comparatives.

IFRS 9 Financial Instruments

IFRS 9 reduces the number of primary measurement categories for financial assets to two: amortised cost and fair value. The Group has reviewed the impact of IFRS 9 on the Group's business and does not expect there to be a material impact on the Group's financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. It is not practicable to provide a reasonable estimate of the effects of IFRS 16 Leases until a detailed review is completed. The Group will be assessing the impact of the standard during 2018 and will estimate the impact of the results in the 2018 consolidated financial statements.

3. SEGMENTAL ANALYSIS

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

The Group's reportable segments are the operating businesses overseen by distinct divisional management and reported to the Group Executive Committee (which performs the function of the chief operating decision maker).

The Group moved to a three division structure effective from 1 January 2017. The segmental results and segmental assets and liabilities for the comparative period have been restated for the purposes of comparability.

Performance Materials designs and supplies precision metals, EMI shielding materials, thermal materials and magnetic and ceramic products.

Connected Vehicle Solutions designs, manufactures and sells a range of products into the vehicle connectivity market.

Wireless and Thermal Systems designs and manufactures products that enable connectivity across a range of end markets including antennae, industrial control systems and active engineered thermal management systems.

	Performance Materials		Connected Vehicle Solutions		Wireless and Thermal Systems		Central and other costs		Total	
	2017 £m	2016 £m (restated)	**2017 £m**	2016 £m (restated)	**2017 £m**	2016 £m (restated)	**2017 £m**	2016 £m (restated)	**2017 £m**	2016 £m (restated)
Revenue from customers	**448.3**	395.0	**318.6**	252.1	**169.7**	154.5	**–**	–	**936.6**	801.6
Segment operating profit stated before:	**47.0**	42.2	**15.9**	13.0	**19.8**	14.3	**(5.8)**	(7.6)	**76.9**	61.9
Impairment of goodwill	**–**	–	**–**	(52.0)	**–**	(103.5)	**–**	–	**–**	(155.5)
Amortisation of acquired intangible assets	**(3.0)**	(4.1)	**(3.8)**	(3.6)	**(7.0)**	(9.5)	**–**	–	**(13.8)**	(17.2)
Exceptional items	**(5.3)**	4.7	**6.1**	(4.1)	**(1.8)**	2.6	**1.7**	(2.0)	**0.7**	1.2
Operating profit/(loss)	**38.7**	42.8	**18.2**	(46.7)	**11.0**	(96.1)	**(4.1)**	(9.6)	**63.8**	(109.6)
Finance income									**0.1**	0.1
Finance costs									**(9.9)**	(11.1)
Financial instruments – fair value adjustments									**2.8**	(1.9)
Other net finance income – pension									**0.2**	0.2
Profit/(loss) before tax									**57.0**	(122.3)
Taxation									**14.8**	11.5
Profit/(loss) for the year									**71.8**	(110.8)

Revenue from one customer of the Performance Materials division represents £126.9m (2016: £105.5m) of the Group's total revenues.

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3. SEGMENTAL ANALYSIS CONTINUED

	Performance Materials		Connected Vehicle Solutions		Wireless and Thermal Systems		Total	
	2017 £m	2016 £m (restated)	**2017 £m**	2016 £m (restated)	**2017 £m**	2016 £m (restated)	**2017 £m**	2016 £m (restated)
Segment assets	**546.7**	558.2	**233.6**	231.7	**258.7**	278.7	**1,039.0**	1,068.6
Unallocated assets	**–**	–	**–**	–	**–**	–	**80.5**	84.2
Total assets	**546.7**	558.2	**233.6**	231.7	**258.7**	278.7	**1,119.5**	1,152.8
Segment liabilities	**93.1**	106.2	**78.3**	85.0	**23.4**	29.4	**194.8**	220.6
Unallocated liabilities								
– borrowings	**–**	–	**–**	–	**–**	–	**216.8**	409.1
– other (see below)	**–**	–	**–**	–	**–**	–	**129.4**	170.6
Total liabilities	**93.1**	106.2	**78.3**	85.0	**23.4**	29.4	**541.0**	800.3
Other segment items								
Capital additions	**18.4**	38.3	**20.2**	18.1	**13.9**	10.4	**52.5**	66.8
Acquisition of businesses	**–**	–	**–**	80.3	**–**	–	**–**	80.3
Total additions	**18.4**	38.3	**20.2**	98.4	**13.9**	10.4	**52.5**	147.1
Depreciation	**14.1**	16.2	**6.0**	4.9	**2.8**	1.8	**22.9**	22.9
Impairment of goodwill	**–**	–	**–**	52.0	**–**	103.5	**–**	155.5
Amortisation/impairment of intangible assets	**7.8**	9.8	**11.1**	10.2	**14.7**	14.2	**33.6**	34.2

Unallocated assets in the above table include cash and cash equivalents, retirement benefit assets, tax recoverable, deferred tax assets and derivative financial instruments.

Unallocated liabilities – other in the above table include liabilities for current tax liabilities, deferred tax liabilities, retirement benefit obligations and derivative financial instruments.

GEOGRAPHIC INFORMATION

The Group manages its business segments on a global basis and the parent company is resident in the UK.

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Continuing operations				
China	**237.2**	193.6	**56.9**	58.3
Germany	**140.4**	99.9	**145.0**	120.5
North America	**308.9**	269.9	**410.9**	467.8
Asia and Australia excluding China	**127.4**	115.9	**51.5**	56.5
Europe excluding Germany	**114.3**	104.0	**58.5**	55.2
Rest of World	**8.4**	18.3	**0.1**	–
	936.6	801.6	**722.9**	758.3

Revenue from UK customers (the Company's country of domicile) was £16.7m (2016: £18.8m). UK non-current assets were £13.1m (2016: £12.8m).

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:

	2017 £m	2016 £m
Sale of goods	**913.1**	775.7
Rendering of services	**23.5**	25.9
	936.6	801.6

No revenue was derived from exchanges of goods and services (2016: £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	
	2017	2016	**2017**	2016
Czech Koruna	**30.06**	33.05	**28.71**	31.61
Euros	**1.14**	1.22	**1.13**	1.17
Korean Won	**1,454.90**	1,572.80	**1,440.88**	1,488.03
Renminbi (RMB)	**8.69**	8.99	**8.79**	8.59
US Dollars	**1.29**	1.36	**1.35**	1.23

6. OPERATING PROFIT/(LOSS)

Explanatory note:
This note sets out the material components of the 'Operating profit' line on our Group income statement, page 102, including a detailed breakdown of the fees we paid to our auditor, Deloitte LLP, in respect of services they have provided to us during the year.

	2017 £m	2016 £m
Continuing operations		
Revenue	**936.6**	801.6
Cost of sales	**(621.3)**	(522.3)
Gross profit	**315.3**	279.3
Selling, administration and other expenses	**(167.9)**	(325.9)
Research and development expenditure (net of capitalised development costs)	**(83.6)**	(63.0)
Operating profit/(loss) before finance costs and tax	**63.8**	(109.6)

Notes:
(a) Included in selling, administration and other expenses is a £0.7m exceptional credit (2016: £1.2m credit) as described in note 7 and £13.8m (2016: £172.7m) of goodwill impairment and amortisation of acquired intangible assets.
(b) Included in research and development expenditure is £16.1m (2016: £13.1m) of amortisation and impairment in respect of capitalised development costs.
(c) Cost of inventories recognised as an expense within cost of sales was £407.8m (2016: £340.9m).

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for the year ended 31 December 2017

6. OPERATING PROFIT/(LOSS) CONTINUED

	2017 £m	2016 £m
Operating profit/(loss) for the year is stated after charging the following items:		
Staff costs	**246.9**	195.4
Exceptional (credits)/costs		
Restructuring costs/(credits)	**7.3**	(0.4)
Change in valuation of put and call options in respect of Model Solution	**(2.6)**	(3.8)
Acquisition related credits	**(5.4)**	–
Costs related to rights issue and covenant waiver fees	**–**	3.0
	(0.7)	(1.2)
Research and development expenditure		
Incurred	**90.9**	69.8
Capitalised	**(23.4)**	(19.9)
Impairment of capitalised development costs	**1.8**	4.9
Depreciation and amortisation		
Property, plant and equipment	**22.9**	22.9
Software	**3.7**	3.9
Capitalised development costs	**14.3**	8.2
Acquired intangible assets	**13.8**	17.2
Operating lease rentals		
Hire of plant and machinery	**0.4**	0.5
Other	**11.8**	11.1
Auditor's remuneration*		
Audit fees		
– Audit of financial statements	**0.4**	0.4
– Audit of subsidiaries	**0.9**	0.8
Total audit fees	**1.3**	1.2
Audit related assurance services	**0.1**	0.1
Corporate finance services included in operating profit	**–**	0.4
Corporate finance services included in other reserves**	**0.4**	–
Total non-audit services	**0.5**	0.5

* Total fees paid to the auditor were £1.8m (2016: £1.7m).

** Corporate finance services in 2017 were in relation to the rights issue. These fees have been recorded in other reserves, together with fees paid to other advisers on the rights issue. Details of the rights issue are given in note 30.

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.

Note		**2017 £m**	2016 £m
	Continuing operations		
	Performance Materials		
(a)	Acquisition related credit	**0.6**	–
	Change in valuation of put and call options in respect of Model Solution (note 27)	**2.6**	3.8
(b)	Restructuring (costs)/credits	**(8.5)**	0.9
		(5.3)	4.7
	Connected Vehicle Solutions		
(a)	Acquisition related credit	**4.2**	–
(b)	Restructuring credits/(costs)	**1.9**	(4.1)
		6.1	(4.1)
	Wireless and Thermal Systems		
(b)	Restructuring (costs)/credits	**(1.8)**	2.6
		(1.8)	2.6
	Unallocated credits/(costs)		
(a)	Acquisition related credit	**0.6**	–
(b)	Restructuring credits	**1.1**	1.0
	Costs related to rights issue and covenant waiver fees	**–**	(3.0)
		1.7	(2.0)
	Net credit	**0.7**	1.2

Notes:
(a) The acquisition related credit relates to a settlement with the previous owner of Novero, a settlement with an ex-sales representative of Novero and the release of an onerous provision that was on the balance sheet when the Group acquired Novero which has been exited during the year.
(b) Restructuring costs relate to the re-design of the Group's operating model announced in 2015, the reorganisation into a three division structure announced in 2017 and the exit of the Connected Vehicle Solutions business in Brazil.
The total cash outlay for exceptional costs in 2017 was £22.0m (2016: £16.8m).
The tax effect on exceptional items in 2017 is a £3.4m tax credit (2016: £3.6m credit).

Notes to the financial statements
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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 pages 58 to 88, including information regarding gains on the exercise of share options by Directors during 2017.

	2017 £m	2016 £m
Remuneration		
Fees	**0.5**	0.3
Salaries and benefits	**1.0**	1.2
Pension contributions	**0.2**	0.2
Performance incentive awards		
Bonuses	**0.7**	–
Share based payments (value of shares released)	**–**	0.8
	2.4	2.5

9. EMPLOYEES

Explanatory note:
This note provides detailed information on the cost of our employees and the number in the Performance Materials, Connected Vehicle Solutions and Wireless and Thermal 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'.

	2017 Number	2016 Number
Average number of Group employees from continuing operations		
Performance Materials	**6,540**	6,182
Connected Vehicle Solutions	**2,070**	1,984
Wireless and Thermal Systems	**1,692**	1,498
	10,302	9,664

The average number of Group employees for 2017 include 1,581 employees who are temporary employees (2016: 1,435).

The total number of Group employees at 31 December 2017 was 10,132 (2016: 9,836).

	2017 £m	2016 £m
Employee costs		
Wages and salaries	**193.3**	168.3
Social security costs	**41.8**	21.9
Other pension costs	**9.0**	4.1
Share based payments	**2.8**	1.1
	246.9	195.4

9. EMPLOYEES CONTINUED

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

	2017 £m	2016 £m
Short-term employee benefits	**2.3**	1.4
Post employment benefits	**–**	0.1
Share based payments	**–**	0.2
	2.3	1.7

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.

	2017 £m	2016 £m
Finance income		
Interest income	**0.1**	0.1
Finance costs		
Interest payable on bank loans and overdrafts	**(2.4)**	(3.0)
Interest payable on other loans	**(5.9)**	(6.3)
Interest payable on finance leases	**–**	(0.7)
Other finance charges	**(1.6)**	(1.1)
	(9.9)	(11.1)

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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.

	2017 £m	2016 £m
(a) Analysis of the tax charge/(credit) for the year		
Current tax		
Current income tax charge	**14.3**	9.2
Adjustments in respect of current income tax of previous years	**(2.7)**	(1.7)
Total current tax charge	**11.6**	7.5
Deferred tax		
Relating to origination and reversal of temporary differences	**(33.5)**	(19.1)
Adjustments in respect of deferred tax of previous years	**7.1**	0.1
Total tax credit in the income statement	**(14.8)**	(11.5)
(b) Tax included in other comprehensive income or equity		
Tax on items credited to equity	**(0.6)**	–
(c) Reconciliation of the total tax credit for the year		
Profit/(loss) before tax from continuing operations	**57.0**	(122.3)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%)	**11.0**	(24.5)
Effects of:		
Items not deductible for tax purposes	**(0.1)**	3.4
Benefit of R&D, Hi-Tech status and local investments	**(4.2)**	(4.2)
Adjustment to current and deferred tax in respect of prior periods	**4.4**	(1.6)
Utilisation of previously unrecognised tax losses and attributes	**(7.1)**	(0.5)
Current year tax losses and attributes not recognised	**3.7**	11.4
Goodwill write-off not deductible for tax purposes	**–**	13.1
Revaluation of deferred tax asset for US losses/US loss movement	**(5.7)**	(1.2)
Overseas tax rate differences	**5.2**	(2.2)
Changes in tax rate	**(1.1)**	(1.6)
Tax effect of operating model re-design	**(0.1)**	(3.6)
Impact of US Tax Reform; reduction in:		
– Deferred tax liability due to rate change	**(38.5)**	–
– Deferred tax asset due to rate change	**8.5**	–
– US loss deferred tax asset due to rate change	**9.2**	–
Total tax credit reported in the income statement	**(14.8)**	(11.5)

12. EARNINGS PER SHARE

Explanatory note:
Earnings per share ('EPS') represents the amount of our earnings (post-tax credits/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.

	2017 £m	2016 £m
Profit/(loss)*		
Profit/(loss) for the year attributable to equity shareholders of the parent company	**71.6**	(111.7)

	Number of shares (m)	Number of shares (restated) (m)
Weighted average shares		
Basic weighted average shares	**452.7**	350.9
Options	**2.0**	1.6
Diluted weighted average shares	**454.7**	352.5

	Pence	Pence (restated)
Earnings/(loss) per share*		
Basic on profit/(loss) for the year	**15.8**	(31.8)
Diluted on profit/(loss) for the year	**15.8**	(31.8)

* Attributable to equity shareholders of the parent company.

2016 weighted average number of shares and earnings/(loss) per share have been restated for the 2017 rights issue to allow meaningful comparison with 2017 earnings per share.

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13. UNDERLYING RESULTS AND TAXATION

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 tax on 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 24.1% (2016: 24.9%) of underlying profit before tax.

	2017 £m	2016 £m
Profit		
Operating profit before impairment of goodwill, amortisation of acquired intangible assets and exceptional items	**76.9**	61.9
Finance income	**0.1**	0.1
Finance costs	**(9.9)**	(11.1)
Other net finance income – pension	**0.2**	0.2
Underlying profit before tax	**67.3**	51.1
Tax		
The underlying tax charge is calculated as follows:		
Underlying tax	**16.2**	12.7
Underlying tax rate	**24.1%**	24.9%
Tax credit on exceptional items	**(3.4)**	(3.6)
Deferred tax on goodwill, acquired intangible assets and US capitalised development costs	**(31.1)**	(19.4)
US tax loss movement/(recognition)	**3.5**	(1.2)
Total tax credit	**(14.8)**	(11.5)

	Pence	Pence (restated)
Underlying earnings per share*		
Underlying earnings per share – basic	**11.1**	10.5
Underlying earnings per share – diluted	**11.1**	10.5

* Attributable to equity shareholders of the parent company.

2016 underlying earnings per share has been restated for the 2017 rights issue to allow meaningful comparison with 2017 earnings per share.

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.

On 1 March 2018, the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC. Further details are provided in note 35. As a result of this announcement no final dividend is currently proposed.

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	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Final 2015	**–**	23.3	**–**	–
Interim 2016	**–**	12.2	**–**	12.2
Interim 2017	**5.5**	–	**5.5**	–
	5.5	35.5	**5.5**	12.2

	Dividends paid		Dividends declared/ proposed*	
Dividends per share	**2017 Pence**	2016 Pence	**2017 Pence**	2016 Pence
Final 2015	**–**	8.60	**–**	–
Interim 2016	**–**	4.53	**–**	4.53
Interim 2017	**1.13**	–	**1.13**	–
	1.13	13.13	**1.13**	4.53

* Attributable to the year.

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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.

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2016	37.6	193.5	231.1
Additions	7.7	37.2	44.9
Acquisition of businesses	–	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
Additions	4.6	21.8	26.4
Disposals	(2.3)	(15.7)	(18.0)
Transfer to assets held for sale (note 17)	(9.0)	(14.2)	(23.2)
Reclassification of software*	–	(3.7)	(3.7)
Reclassification of leasehold improvements**	12.3	(12.3)	–
Foreign currency adjustment	–	(3.1)	(3.1)
At 31 December 2017	47.1	203.3	250.4
Accumulated depreciation			
At 1 January 2016	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
Charge for year	3.3	19.6	22.9
Disposals	(2.3)	(15.4)	(17.7)
Transfer to assets held for sale (note 17)	(0.6)	(9.3)	(9.9)
Reclassification of software*	–	(3.0)	(3.0)
Reclassification of leasehold improvements**	4.7	(4.7)	–
Foreign currency adjustment	(0.9)	(1.4)	(2.3)
At 31 December 2017	19.1	119.7	138.8
Net book value at 31 December 2017	**28.0**	**83.6**	**111.6**
Net book value at 31 December 2016	26.6	96.6	123.2
Net book value at 1 January 2016	18.4	65.5	83.9

* Software was reclassified from plant and machinery to intangible assets (note 16) in 2017 and 2016.
** Leasehold improvements were reclassified from plant and machinery to land and buildings in 2017.

Finance leases – the net book value of buildings held under finance leases as at 31 December 2017 was £nil (2016: £7.7m) and of plant and machinery was £0.6m (2016: £1.1m).

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 fair value 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 2016	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
Reclassification of software*	3.7	–	–	–	–	3.7
Additions	2.6	23.4	–	–	–	26.0
Transfer to assets held for sale (note 17)	(2.4)	–	(24.3)	(18.3)	(1.2)	(46.2)
Disposals	(0.7)	(2.4)	–	–	–	(3.1)
Foreign currency adjustment	(1.6)	(7.5)	(45.5)	(6.6)	(3.3)	(64.5)
At 31 December 2017	27.0	139.2	697.8	134.9	85.6	1,084.5
Amortisation						
At 1 January 2016	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
Reclassification of software*	3.0	–	–	–	–	3.0
Charge for the year	3.7	14.3	–	7.0	6.8	31.8
Impairment	–	1.8	–	–	–	1.8
Transfer to assets held for sale (note 17)	(2.0)	–	–	(6.7)	(0.9)	(9.6)
Disposals	(0.7)	(2.4)	–	–	–	(3.2)
Foreign currency adjustment	(1.2)	(4.3)	(21.5)	(5.3)	(2.0)	(34.2)
At 31 December 2017	20.0	80.7	279.8	97.7	44.9	523.1
Net book value at 31 December 2017	**7.0**	**58.5**	**418.0**	**37.2**	**40.7**	**561.4**
Net book value at 31 December 2016	8.2	54.4	466.3	57.1	49.1	635.1
Net book value at 1 January 2016	7.6	39.4	484.9	49.0	27.4	608.3

* Software was reclassified from plant and machinery to intangible assets in 2017 and 2016.

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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 profit. The total amount of research and development activity incurred during 2017 is £90.9m (2016: £69.8m) of which £23.4m (2016: £19.9m) was capitalised.

GOODWILL

Goodwill is not amortised, but is reviewed annually for assessment of impairment in accordance with IAS 36. The Group moved to a three division structure effective from 1 January 2017, which caused the composition of its cash-generating units ('CGUs') to change. As a result goodwill was tested for impairment for the following groups of CGUs:

- Performance Materials division
- Connected Vehicle Solutions division
- Wireless and Thermal Systems division

Performance Materials had a goodwill balance of £272.4m at the year end, including £24.3m of goodwill classified as assets held for sale (2016 restated: £287.2m). Connected Vehicle Solutions had a goodwill balance of £62.0m at the year end (2016 restated: £65.4m). Wireless and Thermal Systems had a goodwill balance of £107.9m at the year end (2016 restated: £113.8m). All of the recoverable amounts are based on value in use. The restatements reflect the impact of the changes made to the internal organisation, as set out above.

The key assumptions were:

- A pre-tax discount rate of 15.4% for Performance Materials, 13.3% for Connected Vehicle Solutions and 13.1% for Wireless and Thermal Systems (2016: single Group discount rate of 14.1%). These discount rates have been derived from a market participant's cost of capital and risk adjusted for individual CGU's circumstances.
- 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 2018 to perpetuity.

The forecast cash flows for 2018–2020 are based on the Board approved 2017 budget and medium-term growth plans. Cash flows for 2021 onwards for both divisions have been increased by 3% p.a. (2016: 3% p.a.). The long-term growth rate assumption reflects the historical and expected further long-term growth rates in the countries and markets in which the Group principally operates.

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 the Divisions 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 Connected Vehicle Solutions and Wireless & Thermal Systems, given the impairment booked in 2016, the Group identified the assumptions and estimates used in goodwill impairment testing as a key source of estimation uncertainty. Therefore the Group has considered the following individual sensitivities (which are considered reasonably possible) and have determined that headroom would be eliminated for each of the CGUs in any one of the following three circumstances in isolation:

if the pre-tax discount rate was increased to 18%; or

if no growth was assumed in the calculation of terminal value; or

if the cash flow projections were reduced by 20%.

OTHER 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 – 15 years

Trade marks and names – 5 to 15 years

Patents – 10 to 20 years

Customer relationships – 10 to 20 years

Software – 5 to 7 years

Developed Technology – 5 to 10 years

16. INTANGIBLE ASSETS CONTINUED

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. OPERATIONS CLASSIFIED AS HELD FOR SALE AND BUSINESS COMBINATIONS

Explanatory note:
This note provides both quantitative and descriptive information on operations classified as held for sale in 2017, including details of the circumstances that led to the operations being classified as held for sale and the major classes of assets and liabilities that have been classified as held for sale. The note also provides details on acquisitions made by the Group in 2016, including details of the acquisitions themselves, the net assets acquired and the consideration paid or payable.

ACQUISITION OF BUSINESSES IN 2017

There were no acquisitions made during 2017.

OPERATIONS CLASSIFIED AS HELD FOR SALE

On 12 December 2017, the Board resolved to dispose of the Group's Model Solution business and negotiations with an interested party have subsequently taken place.

These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the consolidated statement of financial position.

The disposal group is presented within the Performance Materials segment.

The proceeds of disposal are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2017 £m
Property, plant and equipment	13.3
Goodwill	24.3
Other intangible assets	12.3
Deferred tax asset	0.8
Inventories	1.2
Trade and other receivables	4.4
Cash and cash equivalents	1.1
Total assets classified as held for sale	**57.4**
Trade and other payables	(3.5)
Income tax payable	(1.2)
Deferred tax liabilities	(2.6)
Borrowings	(8.5)
Retirement benefit obligations	(0.8)
Total liabilities associated with assets classified as held for sale	**(16.6)**
Net assets of disposal group	**40.8**

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17. OPERATIONS CLASSIFIED AS HELD FOR SALE AND BUSINESS COMBINATIONS CONTINUED

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

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 2016, 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.

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.

	2017 £m	2016 £m
Raw materials and consumables	**42.6**	32.7
Work in progress	**2.9**	4.7
Finished goods	**67.2**	62.0
	112.7	99.4

Expenses relating to inventories written down during the period totalled £1.7m (2016: £1.1m).

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 have not yet been paid for. The note includes prepayments which are amounts paid by the Group for which we are yet to receive the relevant goods or service in return. The Group does not have any accrued income.

	2017 £m	2016 £m
Trade receivables	**173.3**	172.1
Other receivables	**15.8**	20.9
Prepayments	**7.7**	16.8
	196.8	209.8

Trade receivables are denominated in the following currencies:

	2017 £m	2016 £m
Sterling	**0.3**	0.3
Euros	**20.8**	18.8
US Dollars	**116.7**	123.9
Renminbi	**32.5**	26.7
Others	**3.0**	2.4
	173.3	172.1

Out of the carrying amount of trade receivables of £173.3m (2016: £172.1m), £62.2m (2016: £62.1m) 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 2017, trade receivables at nominal value of £4.3m (2016: £4.3m) were impaired and provided for.

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

	2017 £m	2016 £m
At 1 January	**4.3**	1.2
Charge	**1.1**	3.5
Amounts written off	**(0.1)**	(0.1)
Released	**(0.4)**	(0.3)
Transferred to assets classified as held for sale	**(0.2)**	–
Foreign currency adjustment	**(0.4)**	–
At 31 December	**4.3**	4.3

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

Notes to the financial statements
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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 2017	173.3	152.9	16.2	2.7	0.4	1.1
31 December 2016	172.1	153.1	15.0	1.6	0.8	1.6

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.

	2017 £m	2016 £m
Cash and cash equivalents	**51.3**	64.5

Cash and cash equivalents comprises cash at bank. In addition to the amount shown above, cash and cash equivalents totalling £1.1m (2016: £nil) have been included in assets classified as held for sale (see note 17). See note 31 for a reconciliation of cash and cash equivalents as presented in the Group statement of financial position and the Group cash flow statement.

21. BORROWINGS

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

			2017 £m	2016 £m
Current:	**Interest**	**Maturity**		
Other short-term borrowings	3.44%	2018	**0.2**	–
Finance leases	5.50%	2018	**0.3**	0.3
			0.5	0.3
Non-current:				
US Private Placement loans – USD	3.69%	2020	**9.7**	10.5
US Private Placement loans – USD	4.02%	2021	**68.7**	74.5
US Private Placement loans – EURO	2.59%	2021	**13.4**	12.8
Schuldschein loans – USD		2021	**25.8**	28.2
Schuldschein loans – EURO		2021	**54.9**	59.5
Bilateral revolving bank loans			**35.0**	214.5
Finance leases			**0.3**	8.8
			207.8	408.8
Total borrowings included in borrowings lines of the consolidated statement of financial position			**208.3**	409.1
Borrowings included in liabilities associated with assets classified as held for sale	(note 17)		**8.5**	–
Total borrowings			**216.8**	409.1
Borrowings are repayable as follows:				
Within one year				
Bank			**0.2**	–
Finance leases			**0.3**	0.3
Between one and five years				
Finance leases			**0.3**	8.8
US Private Placement and Schuldshein loans			**172.5**	185.5
Bank			**35.0**	214.5
Borrowings included in liabilities associated with assets classified as held for sale	(note 17)		**8.5**	–
Total borrowings			**216.8**	409.1

The impact of foreign currency movements on Group borrowings is disclosed in the Analysis of movement in net borrowings contained within note 31.

Notes:
(a) The borrowings included in liabilities associated with assets held for sale are secured on the assets classified as held for sale. No other borrowings are secured on the assets of subsidiary undertakings (2016: £nil).
(b) The Group had committed bilateral revolving bank loan facilities of £235.0m (2016: £255.0m). Drawings by Group companies under these facilities were £35.0m (2016: £214.5m). 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 (2016: £0.3m) for plant and machinery and due beyond one year of £nil (2016: £8.2m) for buildings and £0.3m (2016: £0.6m) 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 2017, fixed rate borrowings carried a weighted average interest rate of 3.8% (2016: 3.8%) and floating rate borrowings carried a weighted average interest rate of 2.1% (2016: 2.1%).
(g) At 31 December 2017, £8.5m of liabilities previously classified as finance leases are included in liabilities associated with assets held for sale.

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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.

	2017		2016	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Commitments under non-cancellable operating leases:				
Within one year	**8.3**	**0.6**	12.4	0.3
Between one year and five years	**31.0**	**0.3**	35.6	0.1
After five years	**22.5**	**–**	28.2	–
	61.8	**0.9**	76.2	0.4

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.

	2017 £m	2016 £m
Trade payables	**123.7**	137.2
Social security costs	**3.7**	3.5
Other payables	**15.3**	15.3
Accruals	**28.7**	31.2
Deferred income	**2.8**	4.8
	174.2	192.0

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.

24. DEFERRED TAXES CONTINUED

Movements on deferred tax assets/(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 2016	(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)
Credited/(charged) to the income statement (note 11)	32.4	(3.4)	(2.6)	26.4
Credited to equity (note 11)	–	–	0.6	0.6
Foreign currency adjustment	6.9	(2.2)	(0.3)	4.4
At 31 December 2017	**(66.0)**	**22.0**	**3.2**	**(40.8)**
Amounts on balance sheet				
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)
At 31 December 2017				
Deferred tax asset	–	1.2	2.3	3.5
Deferred tax liability	(42.5)	–	–	(42.5)
Assets held for sale				
– Deferred tax asset	0.4	–	0.4	0.8
– Deferred tax liability	(2.6)	–	–	(2.6)
	(44.7)	**1.2**	**2.7**	**(40.8)**

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 £36.6m (2016: £94.5m) where it is unlikely that suitable future taxable profits will be available to allow the asset to be recovered. Of the unrecognised losses, £3.6m (2016: £1.9m) have expiry dates between 2018 and 2028 and £33.0m (2016: £92.6m) are available thereafter. Deferred tax assets have not been established on capital losses of £3.6m (2016: £3.6m) 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 £5.6m (2016: £8.1m) 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 £4.2m (2016: £2.1m) 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 (2016: £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.

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24. DEFERRED TAXES CONTINUED

FACTORS AFFECTING FUTURE TAX CHARGES

It is expected that the underlying tax charge in 2018 will be in the range of 24% to 25%, subject to any unexpected changes in tax rates in the countries in which we operate. The movement in the tax rate from 2017 is primarily due to the impact of changes in the Group's profit mix, amendments to the Group's transfer pricing policies to ensure alignment with the Divisional reorganisation in 2017, as well as actions that the Group plans to implement to mitigate the impact of the US tax reforms enacted at the end of 2017.

25. OTHER NON-CURRENT LIABILITIES

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

	2017 £m	2016 £m
Other creditors	**–**	0.8
Deferred income	**2.0**	–
	2.0	0.8

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 re-design of the Group's operating model, the reorganisation into a three division structure and the exit of the Connected Vehicle Solutions business in Brazil, as explained in note 7. Warranty claims are in respect of potential liabilities arising from sales made by the 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 2017				
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
Provided	10.5	1.7	2.5	14.7
Utilised	(21.2)	(2.3)	(1.1)	(24.6)
Released	(3.4)	(0.1)	(3.8)	(7.3)
Foreign currency adjustment	–	–	0.2	0.2
At 31 December 2017	**6.6**	**3.0**	**14.3**	**23.9**
Analysed as:				
Current	6.6	1.5	10.1	18.2
Non-current	–	1.5	4.2	5.7
	6.6	**3.0**	**14.3**	**23.9**

27. FINANCIAL INSTRUMENTS

Explanatory note:
This note presents information about the Group's exposure to a variety of financial risks: market risk, credit risk, and liquidity risk.

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 pages 30 to 35 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:

	2017 £m	2016 £m
Current		
Cash and cash equivalents (note 20)	**51.3**	64.5
Cash and cash equivalents included in assets classified as held for sale (note 17)	**1.1**	–
Derivative financial instruments	**0.7**	–
Trade and other receivables	**179.6**	186.7
	232.7	251.2
Non-current		
Other non-current receivables	**1.8**	1.9
Derivative financial instruments – call option	**4.6**	1.5
	6.4	3.4

FINANCIAL LIABILITIES

The financial liabilities of the Group comprised:

	2017 £m	2016 £m
Current		
Borrowings (note 21)	**0.5**	0.3
Borrowings included in liabilities associated with assets classified as held for sale (note 17)	**8.5**	–
Derivative financial instruments	**–**	2.1
Trade and other payables	**171.4**	187.4
	180.4	189.8
Non-current		
Borrowings (note 21)	**207.8**	408.8
Other non-current liabilities (note 25)	**2.0**	0.8
Derivative financial instruments – put option	**31.4**	31.0
	241.2	440.6

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27. FINANCIAL INSTRUMENTS CONTINUED

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments in the ordinary course of business for hedging purposes, and also incurs financial liabilities, in order to manage market risks.

INTEREST RATE RISK

The Group seeks to reduce volatility in its interest charge caused by rate fluctuations. This is achieved by maintaining an appropriate balance between fixed and floating rate borrowings, and by the use of interest rate swap contracts and similar instruments. The proportions of fixed and floating rate debt are determined having regard to a number of factors, including prevailing market conditions, interest rate cycle, the Group's interest cover and leverage position and any perceived correlation between business performance and rates. At 31 December 2017, approximately 46% (2016: 26%) of debt is at fixed rate. This position is reviewed on a regular basis to ensure it is still appropriate.

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 2017	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	Total
Fixed rate					
$13m US Private Placement loans at 3.69% due 2020	–	–	9.7	–	9.7
$92m US Private Placement loans at 4.02% due 2021	–	–	–	68.7	68.7
€15m US Private Placement loans at 2.59% due 2021	–	–	–	13.4	13.4
Bank loan included in liabilities associated with assets classified as held for sale	8.5	–	–	–	8.5
Finance leases	0.3	0.3	–	–	0.6
	8.8	0.3	9.7	82.1	100.9
Floating rate					
Cash and cash equivalents	(51.3)	–	–	–	(51.3)
Cash and cash equivalents included in assets classified as held for sale	(1.1)	–	–	–	(1.1)
$35m Schuldschein loan due 2021	–	–	–	25.9	25.9
€62m Schuldschein loan due 2021	–	–	–	55.1	55.1
Bank loans	–	34.9	–	–	34.9
	(52.4)	34.9	–	81.0	63.5

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.

27. FINANCIAL INSTRUMENTS CONTINUED

Year ended 31 December 2016	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 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
	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
	(64.5)	–	214.5	–	87.7	237.7

INTEREST RATE SENSITIVITY ANALYSIS

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.

The 50 basis points sensitivity used represents management's assessment of the reasonably possible change in interest rates, otherwise viewed as two rate rises of 25 basis points each.

2017	Effect on profit before tax £m
50 basis points increase in US Dollar interest rates	(0.3)
50 basis points increase in Sterling interest rates	–
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.

2016	
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.

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27. FINANCIAL INSTRUMENTS CONTINUED

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 entity involved. The currencies giving rise to this risk are primarily US Dollar, Euro, Renminbi and Czech Koruna. The Group policy is to match the sales and purchases in these currencies as far as possible. Residual exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds forward foreign exchange contracts to manage foreign exchange exposures. The forward contracts have a principal value of £37.8m (2016: £92.8m) and are mainly denominated in US Dollar and Chinese Renminbi. They are revalued at their fair value estimated by discounting the future cash flows using appropriate market sourced data at the balance sheet date. These contracts have not been designated as cash flow hedges and the resulting gain of £2.8m (2016: loss of £1.9m) 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.

NET INVESTMENT HEDGING

Included in borrowings are US $173.9m (£128.7m) and €89.1m (£79.2m) 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.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The following table shows the sensitivity to a change in US Dollar, Euro and Renminbi exchange rates in isolation 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 foreign currency transaction hedges) and the Group's equity (due to changes in the fair value of financial instruments designated as net investment hedges).

The 10% sensitivity used represents management's assessment of the reasonably possible change in foreign exchange rates.

	Effect on profit before tax £m	Effect on equity £m
2017		
10% appreciation of the US Dollar	9.2	(14.3)
10% appreciation of the Euro	–	(8.8)
10% appreciation of the Renminbi	(1.4)	–
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)	–

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

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 the 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 (£29.3m) and KRW 88.9bn (£61.7m).

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 £31.4m (2016: £31.0m) within non-current liabilities. The increase in the fair value during 2017 of £0.4m (2016: £3.0m 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 (£29.3m). 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 3.0% applied at 31 December 2017 (2016: 2.7%).

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 £2.1m. An increase in the discount rate by 1% would result in a decrease in the financial liability of £0.7m, while a decrease in the discount rate by 1% would result in an increase in the financial liability of £0.7m. 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 £4.6m (2016: £1.5m) 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 £3.1m (2016: £0.8m increase) 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 (£29.3m). 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 2017.

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 £0.2m, while a 10% decrease would result in an increase in the financial assets of £0.7m 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.

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.

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27. FINANCIAL INSTRUMENTS CONTINUED

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The gearing ratio at year end is as follows:

	2017 £m	2016 £m
Borrowings (note 21)	**208.3**	409.1
Borrowings included in liabilities associated with assets classified as held for sale (note 17)	**8.5**	–
Cash and cash equivalents (note 20)	**(51.3)**	(64.5)
Cash and cash equivalents included in assets classified as held for sale (note 17)	**(1.1)**	–
Net debt	**164.4**	344.6
Equity	**578.5**	352.5
Net debt to equity ratio	**0.3**	1.0

There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

LIQUIDITY RISK

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 and 2016 based on contractual undiscounted payments.

Year ended 31 December 2017	On demand £m	Within 1 year £m	1 to 5 years £m	Total £m
Interest bearing loans and borrowings	0.2	6.8	233.2	240.2
Derivative financial instruments – put option	–	–	31.4	31.4
Trade and other payables	–	171.4	–	171.4
Other non-current liabilities	–	–	2.0	2.0
	0.2	178.2	266.6	445.0

Year ended 31 December 2016	On demand £m	Within 1 year £m	1 to 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

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.

27. FINANCIAL INSTRUMENTS CONTINUED

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:

	2017 £m	2016 £m
Expiring between one and two years	**199.9**	–
Expiring between two and three years	**–**	40.0

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 2017.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The US Private Placement loans with a book value of £91.8m (2016: £97.8m) have an estimated fair value of £90.8m (2016: £98.5m) which has been calculated by discounting cash flows at prevailing coupon rates as at 31 December 2017. The valuation method is Level 2 in the fair value hierarchy, and there has been no movement between levels during the year.

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

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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.

	2017		2016	
Issued and fully paid	**Shares**	**£m**	Shares	£m
Ordinary shares of 28.125p each				
At 1 January	**271,445,376**	**76.3**	268,088,884	75.4
Rights issue	**217,156,300**	**61.1**	–	–
Issued for exercise of share options	**311,331**	**0.1**	128,413	–
Issued as consideration for acquisition	**–**	**–**	3,228,079	0.9
At 31 December	**488,913,007**	**137.5**	271,445,376	76.3

In April 2017, the Group successfully completed an equity rights issue raising £184.6m of gross proceeds (£174.9m net after expenses of £9.7m).

At 31 December 2017, options to subscribe for 40,709 ordinary shares at a price of 303p were outstanding under the Company's executive share option schemes (2016: 40,709 ordinary shares at a price of 303p). The options outstanding under the schemes are held by one individual and are exercisable up to 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 58 to 88 sets out the general terms and conditions for long-term incentives and the vesting requirements for the 2017 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	Full vesting
Median to Upper Quartile	Pro-rata between 25% and full vesting
Below Median	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.	Full vesting
Between 8% p.a. and 13% p.a.	Pro-rata between 25% and full vesting
8% p.a.	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 2017 Annual Report & Financial Statements.

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	Full vesting
Median to Upper Quartile	Pro-rata on a straight-line basis between 25% and full vesting
Below Median	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.	Full vesting
Between 7.5% p.a. and 12.5% p.a.	Pro-rata on a straight-line basis between 25% and full vesting
7.5% p.a.	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 2017 Annual Report & Financial Statements.

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

Shares awarded in 2016 and 2017 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.	Full vesting
Between 10% p.a. and 26% p.a.	Pro-rata on a straight-line basis between 20% and full vesting
10% p.a.	Threshold 20% vesting
Less than 10% p.a.	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.

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29. SHARE BASED PAYMENTS CONTINUED

SPECIAL SHARE AWARDS

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

All share based payments are equity settled. An expense of £2.8m was recognised in the year (2016: £1.1m) 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.

	2017 Number	2016 Number
Outstanding as at 1 January	**326,287**	785,673
Granted during the year	**964,145**	432,409
Lapsed during the year	**–**	(689,991)
Vested and exercised during the year	**–**	(201,804)
Outstanding as at 31 December	**1,290,432**	326,287

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

	2017 Number	2016 Number
Outstanding as at 1 January	**2,131,607**	2,101,959
Granted during the year	**5,667,824**	198,642
Lapsed during the year	**–**	(168,994)
Vested and exercised during the year	**(365,126)**	–
Outstanding as at 31 December	**7,434,305**	2,131,607

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

	2017 Number	2016 Number
Outstanding as at 1 January	**1,736,112**	1,893,957
Granted during the year	**2,020,318**	614,872
Lapsed during the year	**–**	(150,051)
Vested and exercised during the year	**(939,802)**	(622,666)
Outstanding as at 31 December	**2,816,628**	1,736,112

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

	2017 Number	2016 Number
Outstanding as at 1 January	**121,129**	147,804
Granted during the year	**1,574**	–
Lapsed during the year	**–**	–
Vested and exercised during the year	**–**	(26,675)
Outstanding as at 31 December	**122,703**	121,129

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.

	2017 Number	**2017 WAEP (p)**	2016 Number	2016 WAEP (p)
Outstanding as at 1 January				
Option prices 206–280p	**–**	**–**	288,788	211
Option prices 281–397p	**40,709**	**303**	291,820	336
	40,709	**303**	580,608	274
Lapsed	**–**	**–**	(539,899)	271
	40,709	**303**	40,709	303
Option prices 206–280p	**–**	**–**	–	–
Option prices 281–397p	**40,709**	**303**	40,709	303
	40,709	**303**	40,709	303
Exercisable at 31 December	**–**	**–**	–	–

All options in the table above were recognised in accordance with IFRS 2 as noted above. No share options were exercised in 2017 (no share options were exercised in 2016). For the share options outstanding at 31 December 2017, the weighted average remaining contractual life is 0.2 years (2016: 1.2 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:

	2017	2016
LTIP	**103**	272
MTIP	**118**	326
RSP	**130**	332
Special	**–**	–

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29. SHARE BASED PAYMENTS CONTINUED

The following table lists the inputs to the valuation models for the years ended 31 December 2016 and 31 December 2017.

	LTIP, MTIP & RSP 2017	LTIP, MTIP & RSP 2016
Dividend Yield (%)	**3.0**	4.0
Expected Share Price volatility (%)	**47**	30
Expected comparator volatility (%)	**12-78**	9-70
Risk-free interest rate (%)	**N/A**	N/A
Expected life of LTIP/option (years)	**3.0**	3.0
Weighted average share price (p)	**148.20**	372.24

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

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 £6.0m from the Company, held 1,215,318 ordinary shares at 31 December 2017 (2016: 774,519). 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 £1.7m (2016: £1.2m).

The Laird 1990 Employee Benefit Trust

The Trust purchased and held shares in Laird PLC for the benefit of current and former employees. The Group intends to close this Trust which, as at 31 December 2017, did not hold any ordinary shares (2016: 6,843). The Group does not expect any significant accounting impacts to arise from the potential closure.

OTHER RESERVES

During 2017, the Group raised net proceeds of £174.9m via a rights issue (consisting of £184.6m of gross proceeds less expenses of £9.7m). A cash box structure was used in such a way that merger relief was available under the Companies Act 2006, section 612. In this circumstance no share premium can be recorded and the £115.1m excess of the net proceeds over the nominal value of the share capital issue has been recorded in Other reserves.

The remaining balance in Other reserves (£33.3m) consists of a charge booked to Other reserves on the initial recognition of the financial liability put option in respect of the non-controlling interest in Model Solution in 2014. Further details of the financial liability put option are given in note 27 Financial Instruments.

31. ADDITIONAL CASH FLOW INFORMATION

Explanatory note:
Cash generated from operations is the starting point of our cash flow statement on page 106. This table makes adjustments for any non-cash accounting items to reconcile our result for the year to the amount of cash we have generated from our continuing operations.

CASH GENERATION FROM OPERATIONS

	2017 £m	2016 £m
Profit/(loss) after taxation	**71.8**	(110.8)
Depreciation and other non-cash items		
Depreciation of property, plant and equipment	**22.9**	22.9
Amortisation of software	**3.7**	3.9
Amortisation of capitalised development costs	**14.3**	8.2
Impairment of capitalised development costs	**1.8**	4.9
Amortisation of acquired intangible assets	**13.8**	17.2
Impairment of goodwill	**–**	155.5
Pension curtailment gain	**–**	(1.1)
Change in valuation of put and call options	**(2.6)**	(3.8)
Exceptional other non-cash items	**(0.5)**	–
Share based payments	**2.8**	1.1
Financial instruments – fair value adjustments	**(2.8)**	1.9
Other net finance costs	**9.6**	10.8
Taxation	**(14.8)**	(11.5)
Changes in working capital (a)		
Inventories	**(17.2)**	(13.5)
Trade and other receivables	**3.3**	(28.8)
Trade, other payables and provisions	**(22.3)**	19.0
	(36.2)	(23.3)
Cash generated from operations	**83.8**	75.9

Note:
(a) Changes in working capital from continuing operations include creditor decreases of £19.6m (2016: £13.1m increases) in respect of exceptional costs.

Notes to the financial statements
continued

for the year ended 31 December 2017

31. ADDITIONAL CASH FLOW INFORMATION CONTINUED

NET CASH OUTFLOW ON ACQUISITIONS AND DISPOSALS

	2017 £m	2016 £m
Acquisition of businesses		
Consideration:		
Cash consideration	**–**	(39.4)
Net overdraft acquired	**–**	(0.3)
Net cash outflow on acquisition of businesses	**–**	(39.7)

CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash and cash equivalents (note 20)	**51.3**	64.5
Cash and bank balances included in assets classified as held for sale (note 17)	**1.1**	–
Cash and cash equivalents as disclosed in the cash flow statement	**52.4**	64.5

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as shown above.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES AND ANALYSIS OF MOVEMENTS IN NET BORROWINGS

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Year to 31 December 2017	At 1 January 2017 £m	Financing cash flows £m	Finance leases repaid during year £m	Non-cash other changes £m	**At 31 December 2017 £m**
Bank Loans	(214.5)	176.6	(8.5)	2.7	**(43.7)**
US Private Place Loans	(97.8)	(0.4)	–	6.4	**(91.8)**
Schuldschein Loans	(87.7)	6.4	–	0.6	**(80.7)**
Finance leases	(9.1)	0.3	8.5	(0.3)	**(0.6)**
Total liabilities from financing activities	(409.1)	182.9	–	9.4	**(216.8)**

31. ADDITIONAL CASH FLOW INFORMATION CONTINUED

ANALYSIS OF MOVEMENTS IN NET BORROWINGS

Year to 31 December 2017	At 1 January 2017 £m	Cash flow £m	Transfer between balance sheet categories £m	Exchange differences £m	**At 31 December 2017 £m**
Cash and cash equivalents	64.5	(10.6)	(1.1)	(1.5)	**51.3**
Assets classified as held for sale (note 17)	–	–	1.1	–	**1.1**
Borrowings due within one year	(0.3)	(0.2)	–	–	**(0.5)**
Liabilities directly associated with assets classified as held for sale (note 17)	–	–	(8.5)	–	**(8.5)**
Borrowings due after more than one year	(408.8)	182.5	8.5	10.0	**(207.8)**
Total	(344.6)	171.7	–	8.5	**(164.4)**

Year to 31 December 2016	At 1 January 2016 £m	Cash flow £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)

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.

	2017 £m	2016 £m
Future capital expenditure not provided in the financial statements		
Contracts placed	**3.8**	2.7

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.

Notes to the financial statements
continued

for the year ended 31 December 2017

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 410 employees (2016: 450) are members of 6 (2016: 6) different defined benefit schemes and these schemes have approximately 1,500 (2016: 1,500) deferred and current pensioners. The employer contributions made to these schemes during the year were £1.5m (2016: £1.4m).

The total assessed value of the schemes' assets at 31 December 2017, at their market value, is estimated at £131.8m (2016: £134.8m) and the liabilities estimated at £117.2m (2016: £129.3m).

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 asset under IAS 19 is £5.2m (2016: £1.2m liability).

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 operated the Emerson and Cuming Pension Plan which was a funded, insured lump sum defined benefit scheme and the Emerson and Cuming Pre-Pension Plan which was 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. During 2017, these plans were closed and all liabilities were settled.

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 nine pensioners (2016: seven).

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.

34. 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:

	2017			2016		
	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	**5.7**	**–**	**5.7**	6.5	–	6.5
Equities						
– Overseas quoted	**22.1**	**–**	**22.1**	23.5	–	23.5
Gilts and bonds						
– Government backed	**71.8**	**–**	**71.8**	70.2	–	70.2
– Investment grade corporate bonds	**23.4**	**–**	**23.4**	22.3	–	22.3
Other including cash	**0.4**	**8.4**	**8.8**	0.1	12.2	12.3
Total market value of assets	**123.4**	**8.4**	**131.8**	122.6	12.2	134.8
Present value of scheme liabilities	**(96.6)**	**(20.6)**	**(117.2)**	(103.4)	(25.9)	(129.3)
Funded status	**26.8**	**(12.2)**	**14.6**	19.2	(13.7)	5.5
Disallowed assets	**(9.4)**	**–**	**(9.4)**	(6.7)	–	(6.7)
Surplus/(deficit) in the schemes	**17.4**	**(12.2)**	**5.2**	12.5	(13.7)	(1.2)

The disallowed asset consists of the element of the UK surplus that, under current legislation, the Group does not have unconditional right to a refund.

The mortality assumption used at the 2017 year end (and 2016 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 1.25% (2016: 1.50%) p.a. long-term trend from 2002. The expected lifetime of a participant at 31 December 2017 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	21.8	24.1	23.4	25.7
65 in 15 years	23.0	25.5	24.7	27.1

For IAS 19 the schemes' liabilities have been calculated under the projected unit method and the main financial assumptions were: UK schemes – inflation of 3.25% p.a. (2016: 3.45%), salary increases of 3.25% – 4.25% p.a. (2016: 3.45% – 4.45%) and a discount rate for liabilities of 2.45% p.a. (2016: 2.50%); Novero arrangement (Germany) – inflation of 1.75% p.a. (2016: 1.95%), salary increases of 1.60% p.a. (2016: 1.75%) and a discount rate for liabilities of 2.00% p.a. (2016: 2.00%); and Model Solution scheme (Korea) – salary increases of 5.50% p.a. (2016: 5.50%) and a discount rate for liabilities of 2.80% p.a. (2016: 2.40%).

Notes to the financial statements
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for the year ended 31 December 2017

34. POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

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

	2017 £m	2016 £m
Current service cost	**1.0**	1.0
Past service credit – restructuring-related curtailment gain	**–**	(1.1)
Settlement loss included in exceptional items	**0.1**	–
Total charge/(credit) to operating profit	**1.1**	(0.1)
Net interest credit on net defined benefit asset/(liability)	**(0.2)**	(0.2)
Total charge/(credit) to income statement before deduction of tax	**0.9**	(0.3)

The charge in respect of defined contribution schemes was £3.6m during 2017 (2016: £3.2m).

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

	2017			2016		
	Funded plans £m	**Un-funded plans £m**	**Total £m**	Funded plans £m	Un-funded plans £m	Total £m
As at 1 January	**121.8**	**7.5**	**129.3**	92.8	6.2	99.0
Current service cost	**1.0**	**–**	**1.0**	1.0	–	1.0
Interest cost	**2.9**	**0.2**	**3.1**	3.5	0.2	3.7
Actuarial gains and losses – financial assumptions	**(1.4)**	**(0.1)**	**(1.5)**	20.1	1.3	21.4
Actuarial gains and losses – experience	**(1.4)**	**–**	**(1.4)**	(0.1)	–	(0.1)
Actuarial gains and losses – demographic assumptions	**(1.6)**	**(0.1)**	**(1.7)**	–	–	–
Benefits paid by the fund	**(5.9)**	**–**	**(5.9)**	(5.3)	–	(5.3)
Benefits paid by the Group	**(0.2)**	**(0.3)**	**(0.5)**	(0.3)	(0.2)	(0.5)
Past service cost – curtailment	**–**	**–**	**–**	(1.1)	–	(1.1)
Acquisition	**–**	**–**	**–**	9.1	–	9.1
Settlements	**(1.7)**	**–**	**(1.7)**	(0.1)	–	(0.1)
Currency	**0.7**	**–**	**0.7**	2.2	–	2.2
Transfer to assets held for sale	**(4.2)**	**–**	**(4.2)**	–	–	–
As at 31 December	**110.0**	**7.2**	**117.2**	121.8	7.5	129.3

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

	2017 £m	2016 £m
As at 1 January	**134.8**	106.0
Employer contributions	**1.5**	1.4
Benefits paid by the fund	**(5.9)**	(5.3)
Interest income	**3.2**	3.9
Return on assets excluding interest	**3.3**	22.5
Administration costs	**(0.3)**	(0.3)
Acquisition	**–**	5.5
Settlements	**(1.8)**	(0.1)
Transfer to assets held for sale	**(3.5)**	–
Currency	**0.5**	1.2
As at 31 December	**131.8**	134.8

34. POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

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

	2017 £m	2016 £m
Other actuarial gains	**7.9**	1.2
Movement in disallowed assets	**(2.7)**	(1.1)
	5.2	0.1

Employer contributions included no additional payments made over and above regular contributions (2016: £nil).

EXPECTED CASH FLOWS

Over the year to 31 December 2018, the Group is expected to contribute 35.9% of pensionable salaries in respect of Ordinary Section members and 64.3% 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 Group's defined benefit schemes will be £1.0m in 2018.

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 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 £10.0m
Inflation	Decrease by 0.5% Increase by 0.5%	Decrease by £6.0m Increase by £5.5m
Assumed life expectancy at age 65	0.25% reduction in the long-term trend of 1.25% to 1.00%	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.

Notes to the financial statements
continued

for the year ended 31 December 2017

35. POST BALANCE SHEET EVENTS

On 1 March 2018 the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC at a price of 200p per share by a wholly-owned indirect subsidiary of funds managed by Advent International Corporation.

The offer, which would be effected by means of a scheme of arrangement under Part 26 of the Companies Act, is subject to shareholder approval and standard conditions set out in the 2.7 notice, including relevant clearances from competition and regulatory authorities in China, EU and US.

There have been no other material post balance sheet events.

Financial statements of parent company

Parent company statement of changes in equity

for the year ended 31 December 2017

Note		Equity share capital £m	Share premium £m	Retained earnings £m	Investment in own shares £m	Other reserves £m	Total £m
	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
	Total comprehensive loss	–	–	(115.2)	–	–	(115.2)
	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/Restricted shares	–	–	(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
	for the year ended 31 December 2017						
	At 1 January 2017	**76.3**	**281.9**	**44.7**	**(2.7)**	**–**	**400.2**
	Profit for the year	–	–	84.9	–	–	84.9
	Other comprehensive income	–	–	4.8	–	–	4.8
	Total comprehensive income	–	–	89.7	–	–	89.7
	Exercise of share options	0.1	0.3	–	–	–	0.4
	Net proceeds from rights issue	61.1	–	–	–	115.1	176.2
14	Share based payments	–	–	2.8	–	–	2.8
	Treasury shares	–	–	–	(0.6)	–	(0.6)
	Vesting of LTIPs/Restricted shares	–	–	(0.3)	0.3	–	–
2	Dividends paid	–	–	(5.5)	–	–	(5.5)
	At 31 December 2017	**137.5**	**282.2**	**131.4**	**(3.0)**	**115.1**	**663.2**

Other reserves consists of an amount related to the rights issue. For further details refer to note 30 of the consolidated financial statements

Investment in own shares consists of the shares held by the Laird PLC Employee Benefit Trust and the Laird 1990 Employee Benefit Trust. For further details refer to note 30 of the consolidated financial statements.

Financial statements of parent company

Parent company statement of financial position

as at 31 December 2017

Note		2017 £m	2016 £m
	Fixed assets		
3	Tangible assets	**0.1**	0.1
4	Intangible assets	**0.2**	0.3
5	Investments in subsidiaries	**1,122.2**	1,122.2
6	Retirement benefit assets	**17.4**	12.5
		1,139.9	1,135.1
	Current assets		
7	Debtors: amounts falling due within one year	**35.3**	6.2
8	Debtors: amounts falling due after more than one year	**305.5**	323.9
	Cash at bank	**5.3**	6.8
		346.1	336.9
	Creditors: amounts falling due within one year		
9	Other creditors	**(28.0)**	(10.2)
	Net current assets	**318.1**	326.7
	Total assets less current liabilities	**1,458.0**	1,461.8
	Creditors: amounts falling due after more than one year		
10	Borrowings	**(207.5)**	(400.0)
9	Other creditors	**(580.1)**	(654.1)
		(787.6)	(1,054.1)
	Net assets excluding pension deficit	**670.4**	407.7
6	Retirement benefit liabilities	**(7.2)**	(7.5)
		663.2	400.2
	Capital and reserves		
12	Ordinary share capital	**137.5**	76.3
	Share premium account	**282.2**	281.9
	Retained earnings	**131.4**	44.7
	Treasury shares	**(3.0)**	(2.7)
	Other reserves	**115.1**	–
	Equity shareholders' funds	**663.2**	400.2

No separate profit and loss account or statement of comprehensive income have been presented by the Company as permitted by Section 408 of the Companies Act 2006. The profit attributable to the Company is £84.9m (2016: £ 115.7m loss).

The financial statements of Laird PLC (Company number 55513) were approved by the Board of Directors on 1 March 2018 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 2017

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 2017 were authorised for issue by the Board of Directors on 1 March 2018 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.

The separate financial statements of the Company are presented as required by the Companies Act 2006. 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.

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 2017.

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 in relation to 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.

Where required, equivalent disclosures are given in the consolidated financial statements.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 101 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 judgements and estimates.

In the course of preparing the financial statements no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

CRITICAL SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the current reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries was £1,122.2m. The Company has used discount rates in the range of 13.1% to 15.4% to test for impairment and a terminal growth rate of 3%. Downside sensitivities have been applied to the estimates to assess the impact upon the headroom over the carrying value of investments in subsidiaries and provide comfort that no impairment is required.

Notes to the financial statements of parent company
continued

for the year ended 31 December 2017

1. ACCOUNTING POLICIES CONTINUED

The Directors have considered the following individual sensitivities which are considered reasonably possible and headroom would be eliminated if the pre-tax discount rate increased to 17.5% or if no growth was assumed in the terminal value for each cash-generating unit in isolation.

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	10 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.

INTANGIBLE ASSETS

Intangible assets consist of computer software and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful live of intangible assets. The estimated useful life of software is five to seven years.

LOANS AND RECEIVABLES

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

INVESTMENTS

Fixed asset investments in subsidiaries are shown at cost less, where appropriate, provisions for impairment.

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.

1. ACCOUNTING POLICIES CONTINUED

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 costs.

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.

IMPAIRMENT OF ASSETS, RETIREMENT BENEFIT OBLIGATIONS, DIVIDENDS, PROVISIONS, TREASURY SHARES AND SHARE BASED PAYMENTS

The Company's accounting policies for the impairment of assets, retirement benefit obligations, dividends, provisions, treasury shares and share based payments are the same as that for the Group, as set out in note 2 of the consolidated financial statements.

2. DIVIDENDS PAID AND PROPOSED

On 1 March 2018 the Board announced that it had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Laird PLC. Further details are provided in note 35 of the consolidated financial statements. As a result of this announcement no final dividend is currently proposed.

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	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Final 2015	**–**	23.3	**–**	–
Interim 2016	**–**	12.2	**–**	12.2
Interim 2017	**5.5**	–	**5.5**	–
	5.5	35.5	**5.5**	12.2

	Dividends paid		Dividends declared/proposed*	
Dividends per share	**2017 Pence**	2016 Pence	**2017 Pence**	2016 Pence
Final 2015	**–**	8.60	**–**	–
Interim 2016	**–**	4.53	**–**	4.53
Interim 2017	**1.13**	–	**1.13**	–
	1.13	13.13	**1.13**	4.53

* Attributable to the year.

Notes to the financial statements of parent company
continued

for the year ended 31 December 2017

3. TANGIBLE ASSETS

The fixed assets of the Company, comprising office equipment, were acquired at a cost of £0.6m (2016: £1.0m) and have accumulated depreciation of £0.5m (2016: £0.9m) charged against them. Depreciation in the year was £0.1m (2016: £nil). Additions in the year were acquired at a cost of £0.1m (2016: £0.2m). During the year, assets totalling £0.5m cost (2016: £nil) and £0.5m accumulated depreciation (2016: £nil) were disposed of.

4. INTANGIBLE ASSETS

The intangible assets of the Company, comprising computer software, were acquired at a cost of £0.3m (2016: £0.4m) and have accumulated amortisation of £0.1m (2016: £0.1m) charged against them. Amortisation in the year was £0.1m (2016: £nil). Additions in the year were acquired at a cost of £0.1m (2016: £0.2m). During the year, assets totalling £0.2m costs (2016: £nil) and £0.2m accumulated amortisation (2016: £nil) were disposed of.

5. INVESTMENTS IN SUBSIDIARIES

	2017 £m	2016 £m
Shares in subsidiaries at cost	**1,207.5**	1,207.5
Less provisions for impairment	**(85.3)**	(85.3)
	1,122.2	1,122.2

Principal subsidiary undertakings at 31 December 2017 are disclosed in the consolidated financial statements on pages 171 to 174.

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

	2017 £m	2016 £m
At 1 January	**1,122.2**	1,122.0
Additions	**–**	70.6
Impairment	**–**	(70.4)
At 31 December	**1,122.2**	1,122.2

6. POST EMPLOYMENT BENEFIT OBLIGATIONS

The Company operates two defined benefit schemes.

Two employees (2016: five) are members of these defined benefit schemes and these schemes have approximately 1,400 (2016: 1,400) deferred and current pensioners. The employer contributions made to these schemes during the year were less than £0.1m (2016: £0.1m).

The total assessed value of the schemes' assets at 31 December 2017 at their market value is estimated at £123.4m (2016: £122.6m) and the liabilities estimated at £103.8m (2016: £110.9m).

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 £10.2m (2016: £5.0m asset).

6. POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

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

	2017			2016		
	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	**5.7**	**–**	**5.7**	6.5	–	6.5
Equities						
– UK	**–**	**–**	**–**	–	–	–
– Overseas	**22.1**	**–**	**22.1**	23.5	–	23.5
Gilts and bonds						
– Government backed	**71.8**	**–**	**71.8**	70.2	–	70.2
– Investment grade corporate bonds	**23.4**	**–**	**23.4**	22.3	–	22.3
Other including cash	**0.4**	**–**	**0.4**	0.1	–	0.1
Total market value of assets	**123.4**	**–**	**123.4**	122.6	–	122.6
Present value of scheme liabilities	**(96.6)**	**(7.2)**	**(103.8)**	(103.4)	(7.5)	(110.9)
Funded status	**26.8**	**(7.2)**	**19.6**	19.2	(7.5)	11.7
Disallowed assets	**(9.4)**	**–**	**(9.4)**	(6.7)	–	(6.7)
Surplus/(deficit) in the schemes	**17.4**	**(7.2)**	**10.2**	12.5	(7.5)	5.0

The mortality assumption used at the 2017 year end (and 2016 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 1.25% (2016: 1.50%) p.a. long-term trend from 2002. The expected lifetime of a participant at 31 December 2017 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	21.8	24.1	23.4	25.7
65 in 15 years	23.0	25.5	24.7	27.1

For IAS 19, the schemes' liabilities have been calculated under the projected unit method and the main financial assumptions were inflation of 3.25% p.a. (2016: 3.45%), salary increases of 3.25% – 4.25% p.a. (2016: 3.45% – 4.45%) and a discount rate for liabilities of 2.45% p.a. (2016: 2.50%).

Notes to the financial statements of parent company
continued

for the year ended 31 December 2017

6. POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

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

	2017 £m	2016 £m
Current service cost	**0.1**	0.1
Total charge to operating profit	**0.1**	0.1
Net interest credit on net defined benefit asset	**(0.3)**	(0.4)
Total credit to profit and loss account before deduction of tax	**(0.2)**	(0.3)

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

	2017			2016		
	Funded plans £m	**Un-funded plans £m**	**Total £m**	Funded plans £m	Un-funded plans £m	Total £m
As at 1 January	**103.4**	**7.5**	**110.9**	86.3	6.2	92.5
Current service cost	**0.1**	**–**	**0.1**	0.1	–	0.1
Interest cost	**2.5**	**0.2**	**2.7**	3.1	0.2	3.3
Actuarial gains and losses – financial assumptions	**(1.0)**	**(0.1)**	**(1.1)**	18.8	1.3	20.1
Actuarial gains and losses – experience	**(1.4)**	**–**	**(1.4)**	–	–	–
Actuarial gains and losses – demographic assumptions	**(1.6)**	**(0.1)**	**(1.7)**			
Benefits paid by the fund	**(5.4)**	**–**	**(5.4)**	(4.9)	–	(4.9)
Benefits paid by the Company	**–**	**(0.3)**	**(0.3)**	–	(0.2)	(0.2)
As at 31 December	**96.6**	**7.2**	**103.8**	103.4	7.5	110.9

The defined benefit obligation comprises £7.2m (2016: £7.5m) arising from an unfunded plan, and £96.6m (2016: £103.4m) from a scheme that is wholly funded.

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

	2017 £m	2016 £m
As at 1 January	**122.6**	102.4
Employer contributions	**–**	0.1
Benefits paid	**(5.4)**	(5.0)
Interest income	**3.0**	3.7
Administration costs	**(0.1)**	(0.3)
Return on assets excluding interest	**3.3**	21.7
As at 31 December	**123.4**	122.6

Employer contributions of less than £0.1m (2016: £0.1m) during the year include £nil (2016: £nil) of additional payments made over and above regular contributions.

6. POST EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

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

	2017 £m	2016 £m
Other actuarial gains	**7.5**	1.6
Movement in disallowed assets	**(2.7)**	(1.1)
	4.8	0.5

EXPECTED CASH FLOWS

Over the year to 31 December 2018 the Company is expected to contribute 35.9% of pensionable salaries in respect of Ordinary Section members and 64.3% 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 less than £0.1m in 2018.

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 £5.0m Increase by £4.5m
Assumed life expectancy at age 65	0.25% reduction in the long-term trend of 1.25% to 1.00%	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.

Notes to the financial statements of parent company
continued

for the year ended 31 December 2017

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £m	2016 £m
Amounts owed by subsidiary undertakings	**34.0**	5.6
Derivative financial instruments	**0.7**	–
Prepayments	**0.6**	0.5
Taxation	**–**	0.1
	35.3	6.2

8 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £m	2016 £m
Amounts owed by subsidiary undertakings	**305.5**	323.9

9. OTHER CREDITORS

	2017 £m	2016 £m
Due within one year:		
Amounts owed to subsidiary undertakings	**22.1**	1.1
Derivative financial instruments	**–**	2.1
Other creditors	**0.3**	5.3
Accruals	**3.4**	1.7
Taxation	**2.2**	–
	28.0	10.2
Due after more than one year:		
Amounts owed to subsidiary undertakings	**580.1**	654.1

10. BORROWINGS

	Interest	Maturity	2017 £m	2016 £m
Non-current:				
US Private Placement loans – USD	3.69%	2020	**9.7**	10.5
US Private Placement loans – USD	4.02%	2021	**68.7**	74.5
US Private Placement loans – EURO	2.59%	2021	**13.4**	12.8
Schuldschein loans – USD		2021	**25.8**	28.2
Schuldschein loans – EURO		2021	**54.9**	59.5
Bilateral revolving bank loans			**35.0**	214.5
Total borrowings			**207.5**	400.0
Borrowings are repayable as follows:				
Between one and five years				
US Private Placement and Schuldschein loans			**172.5**	185.5
Bank			**35.0**	214.5
Total borrowings			**207.5**	400.0

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 consolidated financial statements.

Notes:
(a) Company borrowings are unsecured.
(b) The Company had committed bilateral revolving bank loan facilities of £235.0m (2016: £255.0m) which were underwritten in excess of four years. Drawings by Group companies under these facilities were £35.0m (2016: £214.5m). 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.

11. DEFERRED TAXATION

Deferred tax liabilities have been recognised on other temporary differences of £nil (2016: £nil).

The amount of deferred tax that has not been provided on non-trading losses is £9.0m (2016: £11.7m) and other deductible temporary differences is £nil (2016: £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 (2016: £3.6m) where it is unlikely that future relief would be available at the balance sheet date.

Notes to the financial statements of parent company
continued

for the year ended 31 December 2017

12. ISSUED SHARE CAPITAL

	2017		2016	
Issued and fully paid	**Shares**	**£m**	Shares	£m
Ordinary shares of 28.125p each				
At 1 January	**271,445,376**	**76.3**	268,088,884	75.4
Rights issue	**217,156,300**	**61.1**	–	–
Issued for exercise of share options	**311,331**	**0.1**	128,413	–
Issued as consideration for acquisition	**–**	**–**	3,228,079	0.9
At 31 December	**488,913,007**	**137.5**	271,445,376	76.3

488,913,007 ordinary shares of 28.125p each were in issue at the year end (2016: 271,445,376 shares of 28.125p each).

In April 2017, the Company successfully completed an equity rights issue raising £184.6m of gross proceeds (£174.9m net after expenses of £9.7m) from the issue of 217,156,300 ordinary shares.

In addition, the Company issued 311,331 for exercise of share options at nil proceeds.

Distributable reserves at 31 December 2017 are £243m.

13. CONTINGENT LIABILITIES

At 31 December 2017, 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 consolidated financial statements.

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 financial statements of Laird PLC because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

16. EMPLOYEES

The average monthly number of employees (including Executive Directors) was 37 (2016: 38), all of whom work in the corporate head office supporting the Company's divisions. The total number of Company employees at 31 December 2017 was 37 (2016: 38).

Employee costs (including Directors' remuneration)	**2017 £m**	2016 £m
Wages and salaries	**6.0**	4.7
Social security costs	**0.8**	0.9
Other pension costs	**0.3**	0.5
Share based payments	**2.8**	1.2
	9.9	7.3

Related undertakings

The following were the related undertakings at 31 December 2017. 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 asterisk, 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
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
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 | 251 Little Falls Drive | Wilmington | New Castle County | Delaware 19808 | USA	Dormant company
E&C Microwave Materials Asia Pacific Limited	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 | 251 Little Falls Drive | Wilmington | New Castle County | Delaware 19808 | USA	Holding company
Laird Asia Holdings Limited[1]	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Holding company
Laird Asia Limited	Unit 2507 | 25th Floor Office Tower | Langham Place | 8 Argyle Street | Mongkok | Kowloon | HONG KONG	Holding company
Laird Bochum GmbH	Meesmannstraße 103 | 44807 Bochum | GERMANY	Connected Vehicle Solutions
Laird Brasil Comercio Ltda	Rod. SP – 340 | KM 142 + 100M | Santo Antônio de Posse | SP CEP 13830-000 | BRASIL	Wireless and Thermal Systems

Related undertakings
continued

Company	Registered Office Address	Nature of business
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 Limited	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 | Shenzhen 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. 1) Limited	No. 2 Lochrin Square | 96 Fountainbridge | Edinburgh | EH3 9QA | UNITED KINGDOM	Dormant company
Laird Nominees (No. 7) Limited	No. 2 Lochrin Square | 96 Fountainbridge | Edinburgh | EH3 9QA | UNITED KINGDOM	Dormant company
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 Shenzhen 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

Company	Registered Office Address	Nature of business
Laird R&F Products, Inc.	3481 Rider Trail South | Earth City | MO 63045 | USA	Performance Materials
Laird Resources (Jersey) 2017 Limited	44 Esplanade | St. Helier | JE4 9HG | USA	Dormant company
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) Company Limited	Building No. 3, No. 398, Yuandian Road | Xinzhuang Industry Zone | Shanghai City | CHINA	Wireless and Thermal Systems
Laird Technologies (Shenzhen) Company Limited	No. 1 Workshop, Dejin Industrial Park | Fuyuanyi Road, Heping Community | Fuyong Town, Bao An District | Shenzhen City | Guangdong Province, 518103 | CHINA	Performance Materials and Wireless and Thermal Systems
Laird Technologies AB	Kryptongatan 20 | 41 53 Molndal | SWEDEN	Wireless and Thermal Systems
Laird Technologies GmbH	Daimlerring 31 | DE. 31135 | Hildesheim | GERMANY	Wireless and Thermal Systems
Laird Technologies Gothenburg AB	Kryptongatan 20 | 41 53 Molndal | SWEDEN	Wireless and Thermal Systems
Laird Technologies Inc.	Corporation Service Company | 251 Little Falls Drive | 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 Yuhan Hoesa	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	Performance Materials
Laird Wireless Shanghai Limited	No. 6, 7, 8 Buildings | No.179 Cailun Road | China (Shanghai) Pilot Free Trade Zone | Shanghai, 201210 | CHINA	Wireless and Thermal Systems
Lairdtai Limited	100 Pall Mall | London | SW1Y 5NQ | UNITED KINGDOM	Finance company
Model Solution Co Limited (51%)	24, Beotkkot-ro 20-gil | Geumcheon-gu | Seoul 153-828 | KOREA	Performance Materials

Related undertakings
continued

Company	Registered Office Address	Nature of business
ModelSolution Inc (51%)	Corporation Service Company | 251 Little Falls Drive | Wilmington | New Castle County | Delaware 19808 | USA	Performance Materials
RecepTec Corp.	Corporation Service Company | 251 Little Falls Drive | 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 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
Tianjin Laird Technologies Limited	C3 & C4 Hongtai Industry Park | No 87 Taifeng Road | TEDA Tianjin, 300457 | CHINA	Performance Materials
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	**2017 £m**	2016[1] £m	2015[2] £m	2014 £m	2013 £m
Revenue	**936.6**	801.6	630.4	564.9	537.0
Operating profit	**76.9**	61.9	80.7	71.2	67.2
Impairment of goodwill	**–**	(155.5)	–	–	–
Amortisation of acquired intangible assets	**(13.8)**	(17.2)	(13.2)	(13.3)	(13.6)
Exceptional items	**0.7**	1.2	(45.0)	0.7	(4.4)
Profit on disposal of businesses	**–**	–	–	–	0.4
Finance costs (net)	**(9.6)**	(10.8)	(7.6)	(8.0)	(7.1)
Financial instruments – fair value adjustments	**2.8**	(1.9)	0.5	(2.5)	1.3
Profit/(loss) before tax	**57.0**	(122.3)	15.4	48.1	43.8
Taxation	**14.8**	11.5	(23.0)	2.1	(13.0)
Profit/(loss) after tax	**71.8**	(110.8)	(7.6)	50.2	30.8
Underlying profit before tax	**67.3**	51.1	73.1	63.2	60.1
Non-current assets	**700.3**	778.8	708.4	663.2	594.6
Current assets	**419.2**	374.0	283.5	271.9	231.4
Total equity	**578.5**	352.5	418.0	450.1	436.1
		(restated)			
Basic earnings/(loss) per share	**15.8p**	(31.8)p	(3.1)p	18.8p	11.6p
Basic underlying earnings per share	**11.1p**	10.5p	21.8p	19.1p	18.6p
Dividends per share	**1.13p**	4.53p	13.0p	12.5p	12.0p

Notes:
1. Earnings/(loss) per share for 2016 has been restated for the 2017 rights issue. Figures for 2013–15 have not been restated for this change.
2. Figures for 2015 have been restated for changes to the fair value of identifiable assets and liabilities of LS Research (acquired in 2015).

Shareholder information

REGISTERED OFFICE

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www.laird-plc.com

Registered in England – No. 55513

PROPOSED FINANCIAL CALENDAR

1 March 2018	Announcement of 2017 full year results
27 April 2018	Annual General Meeting
27 July 2018	Announcement of 2018 half year results

FINAL DIVIDEND

No final dividend is currently proposed.

ADVISERS

Company brokers

JPMorgan Cazenove Limited
Numis Securities Limited

Financial advisers

N M Rothschild & Sons Limited
JPMorgan Cazenove Limited

Principal bankers

Commerzbank AG
Royal Bank of Scotland plc

Standard Chartered Bank

Principal lawyers

Freshfields Bruckhaus Deringer LLP
Baker & McKenzie LLP

SHAREHOLDER ADMINISTRATIVE ENQUIRIES

Administrative enquiries concerning shareholdings in Laird PLC, such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to our Registrar:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300 (in the UK)*
+44 (0)371 664 0300 (outside the UK)

* (Calls cost 12p per minute plus network extras. Lines are open 9.00am – 5.30pm Monday – Friday).

Email: enquiries@linkgroup.co.uk
Web Portal: www.signalshares.com

Shareholder portal

Link Asset Services also offer a number of online facilities in respect of your shareholding, so please log on to the website www.signalshares.com to register.

You will need to input your name, investor code and postcode. You will also be asked to provide an email address and to select a password. Should you have any questions about this service, please email Link Asset Services on enquiries@linkgroup.co.uk.

More shareholder information can be found on the Shareholder Information page of Laird's website: http://www.laird-plc.com/shareholder-information.

Dividend bank mandates

It is recommended that your dividends be paid directly into a bank or building society account. Notification will be sent to your shareholder registered address when a dividend is paid. Please contact the Company's Registrar, Link Asset Services, for a dividend mandate form or register your mandate details online at www.signalshares.com.

Glossary

CAGR
Compound annual growth rate

CVS
Connected Vehicle Solutions

DTRS
Disclosure and Transparency Rules

EIOT
Enterprise Internet of Things

EMI
Electromagnetic Interference

IEC
International Electrochemical Commission

LISTING RULES
The Listing Rules of the London Stock Exchange, as issued by the Financial Conduct Authority

LTE
Long-term evolution

OEM
Original Equipment Manufacturer

PM
Performance Materials

RF
Radio Frequency

RGSC
Risk and Governance Steering Group

WI-FI
Wireless Fidelity

WTS
Wireless and Thermal Systems

4G/5G
Fourth/Fifth Generation of Mobile telecommunications technology

CAUTIONARY STATEMENT

This Annual Report & Financial Statements is intended to focus on matters which are relevant to the interests of shareholders of the Company. The purpose of this Annual Report & Financial Statements is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose. Forward-looking statements are made in good faith, based on a number of assumptions concerning future events and information available to Directors at the time of their approval of this report. These forward-looking statements should be treated with caution due to the inherent uncertainties underlying any such forward-looking information. The user of this Annual Report & Financial Statements should not rely unduly on these forward-looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

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