20 February 2014

ESSENTRA PLC
("the Company")

A leading international supplier of speciality plastic, fibre, foam & packaging components

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2013

FY 2013: CONTINUED DELIVERY OF VISION 2015 OBJECTIVES
WELL-POSITIONED FOR FURTHER BALANCED, PROFITABLE GROWTH IN 2014

FY 2013 highlights:

- Revenue up 20% at constant FX (like-for-like[1] +9%): growth in all divisions, led by Filter Products (LFL +17%).
- Adjusted operating profit[2, 3] up 23% (constant FX).
- Adjusted operating margin[2, 3] expansion of +40bps (constant FX) to 16.3%, +50bps at actual FX.
- Adjusted EPS[2, 3] ahead 20% (constant FX) to 38.0p.
- Net working capital improvement to 10.7% of revenue, down 40bps (80bps lower excluding current year acquisitions, constant FX). Tax rate reduced by 200bps to 27.4%.
- Net debt of £217m (FY 2012: £164m), with strong cash flow generation being offset by M&A transactions during the year and higher dividend payments.
- 23% increase in the full year dividend to 15.4p per share.
- Organisational change and continued investment to underpin future growth opportunities.

Results at a glance:

	FY 2013	FY 2012[3]	% change Actual FX	% change Constant FX
Revenue	£798.1m	£663.4m	+20%	+20%
Operating profit – adjusted[2]	£130.4m	£104.5m	+25%	+23%
Pre-tax profit – adjusted[2]	£119.8m	£93.8m	+28%	+26%
Net income – adjusted[2]	£86.9m	£66.2m	+31%	+29%
Earnings per share – adjusted[2]	38.0p	31.1p	+22%	+20%
Dividend per share	15.4p	12.5p	+23%	
Operating profit	£97.0m	£85.6m	+13%	+12%
Net income	£60.3m	£52.1m	+16%	+13%
Basic earnings per share	26.3p	24.3p	+8%	+6%

[1] Excludes the impact of acquisitions, disposals and foreign exchange (see page 2)
[2] Before intangible amortisation and exceptional operating items
[3] FY 2012 restated to reflect the adoption of IAS 19 (Revised 2011)

Commenting on today's results, Colin Day, Chief Executive, said:

"Essentra continued to deliver its Vision 2015 objectives in 2013, with like-for-like revenue up 9% and adjusted EPS growth of 20%. The results were supported by ongoing product innovation, further expansion in both existing and new markets and new business wins, and were underpinned by further capital investment.

In addition, we made good progress not only with the integration of recent acquisitions - including our largest transaction to date of Contego Healthcare Limited - but also in terms of adopting a more cohesive and co-ordinated identity and organisational structure, so as to ensure that we continue to maximise the opportunities available to the Company.

As such, Essentra is well-positioned for further balanced, profitable growth in 2014 and to continue to deliver its Vision 2015 objectives of at least mid single-digit like-for-like revenue growth and double-digit adjusted EPS growth at constant exchange."

Basis of Preparation

The term "constant FX" describes the performance of the business on a comparable basis, after adjusting for the impact of foreign exchange.

The term "like-for-like" ("LFL") describes the performance of the business on a comparable basis, excluding the impact of acquisitions, disposals and foreign exchange. The FY 2013 LFL results are adjusted to exclude the results of John R. Lyman Company and Big Blue Properties LLC (together "Lymtech Scientific", acquired on 13 June 2012), Ulinco Components AB ("Ulinco Components", acquired on 20 February 2013), Contego Healthcare Limited ("Contego", acquired on 30 April 2013), Dakota Packaging Limited ("Dakota", acquired on 7 November 2013) and Mesan Kilit A.S. ("Mesan", acquired on 30 December 2013). The impact of Securit World Limited (acquired on 17 February 2012) and Jae Yong Co. Ltd (acquired on 23 April 2012) is not excluded from the LFL results as they are no longer separately identifiable.

The term "adjusted" excludes the impact of intangible amortisation and exceptional operating items, less any associated tax relief. In FY 2013, intangible amortisation was £14.2m (FY 2012: £8.3m), and there was an exceptional pre-tax charge of £19.2m (FY 2012: £10.6m) mainly relating to integration costs and fees arising from the afore-mentioned acquisitions, and the re-branding of the Company to Essentra plc.

Changes in Accounting Policy

In the current financial year, Essentra adopted the amendments to IAS 1: *Presentation of Items of Other Comprehensive Income*, IAS 19 (revised 2011): *Employee Benefits* and IFRS 13: *Fair Value Measurements.* For the twelve months ended 31 December 2012, the restated adjusted operating profit and pre-tax profit are £0.8m and £2.0m lower respectively. Further details of these changes in accounting policy are set out in the Basis of Preparation in note 1 to the financial statements.

Operating Review

FY 2013 revenue increased 20.3% (+19.7% at constant exchange) to £798.1m, with LFL growth of 8.7% supported by continued range development, product innovation and investment in both existing and new geographical markets.

Ongoing operational initiatives, volume leverage and successful pricing programmes to mitigate input cost increases were partially offset by the mix effect of the very strong revenue growth in the lower margin Filter Products division. Current year acquisitions had a further dilutive impact such that, in total, the gross margin declined 100bps (120bps at constant exchange), to 34.9%.

On an adjusted basis, operating profit was ahead 24.8% (+23.2% at constant FX) at £130.4m, driven by ongoing cost efficiencies and the successful delivery of synergy savings: this equated to a 50bps uplift in the margin to 16.3% (+40bps at constant FX). Operating profit as reported was £97.0m, +13.3% versus last year (+11.8% at constant FX), owing to intangible amortisation of £14.2m and an exceptional pre-tax charge of £19.2m mainly relating to integration costs and fees arising from acquisitions during the year, and the re-branding of the Company to Essentra plc.

Net finance expense was broadly unchanged at £10.6m (FY 2012: £10.7m), due to higher net interest on net debt being offset by lower amortisation of bank fees and a decline in the IAS 19 pension finance charge. The effective tax rate on profit before tax (before exceptional operating items) reduced to 27.4% (FY 2012: 29.4%).

On an adjusted basis, net income of £86.9m was up 31.3% (+29.0% at constant FX) and earnings per share growth was 22.2% (+20.2% at constant FX) to 38.0p. On a reported basis, net income was £60.3m, an increase of 15.7% (+13.4% at constant FX), with earnings per share up 8.2% versus FY 2012 at 26.3p (+6.1% at constant FX).

Business Review

Summary growth in revenue by division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Component & Protection Solutions	+5%	+1%	+1%	+7%
Porous Technologies*	+6%	+8%	+3%	+17%
Packaging & Securing Solutions	+4%	+55%	(1)%	+58%
Filter Products	+17%	-	(1)%	+16%
Other	+2%	-	+4%	+6%
Total Company	**+9%**	**+11%**	**-**	**+20%**

* Includes intercompany revenue

The following review is given at constant exchange rates and on an adjusted basis, unless otherwise stated.

Component & Protection Solutions

	FY 2013 £m	% growth Actual FX	% growth Constant FX
Revenue	223.7	+7.3%	+5.7%
Operating profit	52.6	+14.6%	+11.8%
Operating margin	23.5%	+150bps	+130bps

Revenue increased 5.7% to £223.7m. Excluding the acquisition of Ulinco Components in February 2013, LFL growth was 4.6% and was supported by ongoing range development, improved marketing effectiveness and the roll out of new distribution sites.

Underlying growth in the Components business was broad-based across key end-market sectors and geographies. The product range was expanded, with the addition of a further 5,000 products in both existing segments (including hardware, fasteners and cable management) as well as new areas such as motion control and vibration mounts. In addition, consolidated catalogues featuring the combined trading brand ranges were launched for the first time in Europe, Asia and North America; in the case of the latter region, this means that customers can now select from over 60,000 products for next day delivery. The successful roll-out programme continued, with the opening of new sites in Memphis and Greensboro, US as well as market entry in Mexico during the period; the recently-established operations in Slovakia and Austria also performed well.

Notwithstanding a very strong prior year result, Pipe Protection Technologies delivered further growth in 2013. As anticipated, the comparative performance improved in the second half of the year, boosted by a better market backdrop, encouraging business wins with major customers and new product development. The innovative and industry-compliant MaxX range was further expanded, with the design and launch of a complimentary product line to service drilling wellsite applications that require protectors which allow pipes to be lifted individually onto the drilling floor.

The continued focus on efficient marketing investment and activity, particularly the increasing use of electronic marketing media, delivered strong lead indicators versus the prior year: marketing responses rose 8%, and the number of live accounts at the end of December increased to over 158,000 (+13%).

In November, the Components business commenced operations in a new purpose-built distribution centre at its principal European facility at Kidlington, UK. Entailing a total investment of over £7m, the 3,500m^2 site will not only provide the necessary space to continue the rapid expansion of the product range, but will also facilitate even greater improvements to the next day delivery offering through the Components' global supply chain network.

Operating profit grew 11.8% to £52.6m, equating to a 130bps improvement in the margin. This uplift was driven by the continued successful integration and delivery of synergy savings from the acquisitions of Richco, Inc. and Ulinco Components, combined with ongoing operating and process efficiencies.

On 20 February 2013, the division expanded its product range and geographic footprint with the acquisition of Ulinco Components. Based in Sweden, Ulinco Components is a leading distributor of plastic protection and finishing products, hardware and specialist masking solutions in the Nordic region, and the integration of the business to date is in line with expectations.

On 30 December 2013, the division acquired 100% of the share capital of Mesan. Mesan is the leading Turkish manufacturer and distributor of a range of locks, hinges, latches and hardware accessories for use in a wide variety of end markets, and significantly enhances the Components' offering in this attractive segment. Additionally, with exports into more than 75 countries, including the Middle East & Africa and Asia, Mesan provides entry into both Turkey and a number of other fast-growing markets.

Porous Technologies

	FY 2013 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	100.0	+16.6%	+14.0%
Operating profit	23.5	+14.1%	+12.1%
Operating margin	23.5%	(50)bps	(40)bps

Revenue increased 14.0% to £100.0m. Excluding the acquisition of Lymtech Scientific in June 2012, as well as the transfer of a portion of intercompany revenue to the Filter Products division, LFL growth was 5.6%.

In writing instruments (c. 28% divisional revenue), an increase of 10% was driven by a strong result in both nibs and ink reservoirs. Printer systems (c. 26% divisional revenue) rose 9%, led by continued growth with a large global OEM.

Successful new product development in porous plastics, bonded fibre and foam in healthcare (c. 20% divisional revenue) was more than offset by the impact of a significant customer insourcing their wound care production, resulting in a decline of 3%. Growth of 2% in household products & personal care (collectively c. 9% divisional revenue) was supported by new business wins with multinational customers in air care.

Investment in resources in Europe and Asia for the clean room wipes business started to deliver progress towards the division's objective of globalising this product line, with encouraging new sales growth in both geographic regions.

In 2013, the division continued its successful track record of converting its intellectual property and manufacturing know-how into commercial success. Key new products included a dual technology, patented porous plastic filter valve for use in suction canisters, further advances in superior medical grade foam for wound care applications and unique oil coalescing filters manufactured from bonded fibre for a range of industrial and transportation purposes.

A number of operational initiatives were completed during the year, including extending sterile alcohol bottling capacity at the Richmond, US facility to support growth opportunities for clean room wipes, as well as upgrading writing instrument reservoir production lines in Korea. In addition, with the opening of Essentra's new purpose-built facility in Bangalore, India in 2013, the division also established local manufacturing capability for the first time in this strategically important, faster-growing opportunity market, where it seeks to build on its established writing instruments business to exploit growth opportunities in healthcare, nibs, consumer care and speciality filtration.

Operating profit rose 12.1% to £23.5m, equating to a 40bps decline in the margin. Successful productivity improvements and cost reduction initiatives were more than offset by the short-term dilutive impact of infrastructure investment at Lymtech Scientific to generate future revenue growth opportunities.

Packaging & Securing Solutions

	FY 2013 £m	% growth Actual FX	% growth Constant FX
Revenue	181.8	+58.2%	+58.7%
Operating profit	30.2	+38.5%	+38.6%
Operating margin	16.6%	(240)bps	(240)bps

Revenue increased 58.7% to £181.8m. Excluding the acquisition of Contego in April and Dakota in November, LFL growth was 4.1%.

Underlying revenue in Packaging (ie, excluding Contego and Dakota) increased 2%, led by promotional solutions in the wrapped food category and growth in the tobacco sector, particularly in Asia. During the year, a number of new products were launched under the division's new "Packaging Resolved" commercial positioning, which focuses on the four key aspects of effective packaging: Open, Close, Inform and Protect. These included the Prism high impact holographic tape range and the innovative AquaSense™ label, a joint development project with the Porous Technologies division, which helps to control humidity within a pack or tin.

Security declined 2%, with continued sales from the Blue Badge contract in the UK and the distribution of personal ID products being offset by weakness in certain non-core film and card activities. Following the acquisition of Contego, a strategic review of the division's Packaging and Security operations was carried out, further to which the decision was taken to withdraw from the manufacture and production of certain lower growth / margin, non-core products (including security and protection films and ID cards) at the Banbury, UK site. Excluding these exited activities, the Security business posted growth of 4% in 2013. The division will continue to provide customers with the widest range of ID card printers, systems and accessories, but will solely align its authentication technologies capabilities in brand protection and security with the core packaging offering.

The Speciality Tapes business delivered a strong result (+12%), driven by the point of purchase, industrial and food end-markets. The performance was supported by the continued development of finger lift tapes combined with successful new product launches, such as Duraco Red whose clarity keeps graphics sharp and legible and which has been particularly well-received by point of purchase customers. All global locations performed well, with a strong contribution from the developing Express site format in North America and an encouraging start for the new site openings in Greensboro and Jacksonville, US and in Poland.

Innovation continued to gain recognition, with the Packaging business winning the award for Design Team of the Year at the UK Packaging Awards. It also received an Asian Manufacturing Award in the Innovative Food / Beverage Packaging Design category for wide-width message tape and a Sustainable Package Technical Award from the 4th China Package Technology Innovation and Sustainable Development Forum for Rippatape™.

To help support future revenue growth opportunities and to generate further efficiency savings, a number of operational initiatives were completed during the year. These included investment in hot melt capability at the Speciality Tapes facility in Chicago, US which will enhance the potential for finger lift tapes, and the addition of new die stations at the Packaging site in Cardiff, UK, to allow for higher speed production of complex labels.

Operating profit increased 38.6% to £30.2m, equating to a 240bps decline in the margin: on a like-for-like basis the margin was 50bps ahead. A continued focus on cost reduction initiatives and efficiency improvements was more than offset by additional infrastructure investment and the initial dilutive impact from acquisitions, where integration is proceeding in line with expectations.

Two value-adding acquisitions were completed in the period, both of which significantly extended the division's packaging capabilities in the pharmaceutical and healthcare markets. On 19 March 2013, the division announced the acquisition of Contego, a leading pan-European specialist business providing a range of innovative print, packaging and support services. The consideration of £156.3m was funded in part by a placing of 21,142,613 new ordinary shares, representing 9.99% of the issued ordinary share capital of the Company prior to the placing, and the acquisition completed on 30 April 2013. Subsequently, on 7 November 2013, the division announced the acquisition of Dakota, a Dublin-based supplier of printed, folding and litho-laminate cartons, adding significant additional scale in the Irish market.

Filter Products

	FY 2013 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	269.9	+15.5%	16.5%
Operating profit	40.1	+40.2%	41.1%
Operating margin	14.9%	+270bps	+260bps

Revenue increased 16.5% to £269.9m. Underlying volumes were ahead of the prior year, with particularly strong growth in Asia, and in both special and flavoured filters. In FY 2013, Asia accounted for 61% of volumes (FY 2012: 56%).

A number of new products and development initiatives were launched during the year. These included Groove Core – a distinctive shaped variant offering high visual brand differentiation - as well as the BiTech™ filter which is aimed at reducing overall cost for manufacturers without compromising on brand quality or taste. Joint activity increased by 11% in 2013, and the division's future innovation capabilities were further underpinned by the filing of 21 patent and trademark applications.

Successfully fulfilling its objective of continuing to strengthen customer relationships through supporting their innovation and improving their speed to market, the division was awarded a long-term contract with a major multinational customer. This new business win – being the largest individual contract in the Company's history – is for an innovative combined filter in European markets: the incremental impact on the FY13 results was not material, as initial shipments only commenced at the end of Q3.

Further to the investment in expanding the Scientific Services laboratory in Jarrow, UK in 2012, additional services were introduced during the year with the site now fully accredited to provide the testing methods for all 93 compounds proposed by the US Food and Drug Administration, as well as cigarette ignition propensity. There was a significant increase in the level of e-cigarette testing undertaken, and the laboratory was also awarded a three-year government contract for testing all brands in the UK.

In order to ensure a flexible and competitive geographic manufacturing footprint, the division continued to review the location of its facilities during the year and took the decision to close the site in Jordan.

Ongoing investment in new machines, including high-speed, flexible triple filter combiners, delivered additional productivity improvements while simultaneously reducing conversion costs. This investment allows the division to meet not only its customers' current needs in terms of quality and functional tolerances, but also their future requirements as the global tobacco industry continues to evolve.

Operating profit rose 41.1% to £40.1m, equating to a 260bps improvement in the margin. Higher raw material and other input costs were successfully offset by further productivity improvements, quality enhancement initiatives and continued cost control.

On 21 February 2013, the division announced the formation of a joint venture with BBM Bommidala Group in the United Arab Emirates to manufacture filters, for which a new 29,000 sq. ft. facility was constructed and was operational in Q3 as anticipated.

Other

	FY 2013 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	24.8	+6.0%	+1.8%
Operating profit	1.5	(6.3)%	(9.6)%
Operating margin	6.0%	(80)bps	(70)bps

Revenue from the Extrusion business increased 1.8% to £24.8m, benefiting from a more encouraging end-market backdrop and a strong improvement in orders in Q4, including continued business development with a major international furniture retail chain. Operating profit of £1.5m was slightly below the prior year, with ongoing cost savings initiatives more than offset by investment in future revenue growth opportunities.

Financial Review

Foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying performance of the Company.

The principal exchange rates for Essentra in FY 2013 were:

	Average		**Closing**	
	FY 2013	**FY 2012**	**FY 2013**	**FY 2012**
US$:£	1.57	1.59	1.66	1.63
€:£	1.18	1.23	1.20	1.23

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Re-translating at FY 2013 average exchange rates increases the prior year revenue and adjusted operating profit by £3.6m and £1.3m respectively.

Net finance expense. Net finance expense was £10.6m, broadly unchanged versus the prior year (FY 2012: £10.7m), and is broken down as follows:

£m	FY 2013	FY 2012
Net interest charged on net debt	9.5	8.5
Amortisation of bank fees	1.0	1.3
IAS 19 pension finance charge	0.1	0.9
Total net interest expense	**10.6**	**10.7**

Positive numbers represent net finance expense, negative numbers reflect net finance income

Tax. The effective tax rate on profit before tax (before exceptional operating items) was 27.4% (FY 2012: 29.4%).

Net working capital. Net working capital is defined as Inventories plus Trade & Other Receivables less Trade & Other Payables, adjusted to exclude Deferred Consideration Receivable / Payable, Interest Accruals, Capital Payables and Other Normalising Items ("Adjustments").

Net working capital of £85.7m was £7.7m higher than the 31 December 2012 level of £78.0m as a result of acquisitions and growth. However, the net working capital / revenue ratio reduced to 10.7% (FY 2012: 11.1% at constant exchange) due to continued efforts to utilise the Company's working capital more efficiently.

£m	FY 2013	FY 2012
Inventories	75.5	76.7
Trade & other receivables	140.7	94.5
Trade & other payables	(135.1)	(100.9)
Adjustments	4.6	7.7
Net working capital	**85.7**	**78.0**

Cash flow. Operating cash flow increased 36.6% to £107.2m. Free cash flow of £74.2m was £29.8m higher than FY 2012 (+67.1%).

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£m	FY 2013	FY 2012
Operating profit – adjusted	**130.4**	**104.5**
Depreciation	26.7	22.6
Share option expense / other movements	(0.9)	2.4
Change in working capital	(5.3)	(7.8)
Net capital expenditure	(43.7)	(43.2)
Operating cash flow – adjusted	**107.2**	**78.5**
Tax	(17.5)	(17.6)
Net interest paid	(9.4)	(8.9)
Pension obligations	(6.1)	(7.6)
Free cash flow - adjusted	**74.2**	**44.4**

Net debt. Net debt at the end of the period was £217.1m, a £53.6m increase from 1 January 2013, primarily as a result of M&A transactions in the year and higher dividend payments.

£m	FY 2013
Net debt as at 1 January 2013	163.5
Free cash flow	(74.2)
Dividends	31.2
Acquisitions	207.6
Issue of shares	(141.7)
Foreign exchange	(0.4)
Exceptional items	17.0
Employee trust shares	11.6
Other	2.5
Net debt as at 31 December 2013	**217.1**

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 31 December 2013 was 1.3x (31 December 2012: 1.3x) and interest cover was 13.0x (31 December 2012: 11.1x).

Balance sheet. At the end of 2013, the Company had shareholders' funds of £398.8m (2012: £238.4m), an increase of 67.3%. Net debt was £217.1m (2012: £163.5m) and total capital employed in the business was £620.1m (2012: £407.2m).

This finances non-current assets of £638.7m (2012: £412.2m), of which £213.7m (2012: £180.3m) is tangible fixed assets, the remainder being intangible assets, deferred tax assets and retirement benefit assets. The Company has net working capital of £85.7m (2012: £78.0m), current provisions of £12.3m (2012: £17.5m) and long-term liabilities other than borrowings of £66.9m (2012: £47.5m).

Pensions. As at 31 December 2013, the Company's IAS 19 pension asset was £10.6m (FY 2012: liability of £3.9m) and the associated deferred tax liability was £1.6m (FY 2012: deferred tax asset of £2.8m). The pension asset has been calculated after updating the asset values and certain assumptions as at 31 December 2013.

Dividends. The Board of Directors recommends a final dividend of 10.6 pence per share (2012: 8.6 pence), an increase of 23.3%. This takes the FY 2013 dividend to 15.4 pence per share (+23.2% versus FY 2012). Subject to approval at the Company's Annual General Meeting ("AGM") on 29 April 2014, the final dividend will be paid on 2 May 2014 to equity holders on the share register on 11 April 2014: the ex-dividend date will be 9 April 2014. Essentra operates a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrars, Computershare Investor Services PLC.

Board changes. On 27 June 2013, the Company announced the appointment of Lorraine Trainer and Peter Hill, CBE, as Non-Executive Directors of the Company with effect from 1 July 2013.

Paul Drechsler will be stepping down as the Senior Independent Non-Executive Director, as Chairman of the Remuneration Committee, and also as a member of the other Board committees following the Company's 2014 AGM. Paul has been a Non-Executive Director of Essentra since the formation of the Company in 2005 and, as such, will no longer be regarded as independent after May 2014, in accordance with the Corporate Governance Code.

Following the 2014 AGM, Lorraine Trainer will be appointed as the Chairman of the Remuneration Committee, and Terry Twigger will be appointed as the Senior Independent Non-Executive Director, subject to their election as Non-Executive Directors at the AGM.

The Board noted with regret the passing of Lars Emilson in June 2013. Lars resigned as a Non-Executive Director on 5 February 2013 on health grounds, having served on the Board since 2007. He was a valued colleague who made a significant contribution to the development and success of the Company, and will be sadly missed by all who worked with him.

Treasury policy and controls. Essentra has a centralised treasury function to control external borrowings and manage exchange rate risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial investments that may be employed and the criteria for borrowing cash. The Company uses derivatives only to manage foreign currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. Treasury activities are subject to independent reviews by the Group Assurance department. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Controls over exposure changes and transaction authenticity are in place, and dealing is restricted to those banks with the relevant combination of geographical presence and suitable credit rating. Essentra monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets. As at 31 December 2013, Essentra's US dollar-denominated assets were approximately 45% hedged by its US dollar-denominated borrowings, while its euro-denominated assets were approximately 82% hedged by its euro-denominated borrowings.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and so transaction exposure is limited. However, where they do occur, the Company's policy is to hedge the exposures as soon as they are committed using forward foreign exchange contracts.

2014 Outlook

Essentra is well-positioned to deliver further balanced growth in 2014 and is on track to achieve its Vision 2015 objectives of at least mid single-digit like-for-like revenue growth and double-digit adjusted EPS growth at constant exchange.

Vision 2015

Essentra's Vision 2015 strategy seeks to maximise shareholder value through the delivery of balanced profitable growth in both its existing and future opportunity markets and technologies. The strategy also calls for strong conversion of profit into cash and a progressive dividend policy. The Company looks to complement this balanced organic growth with value-adding acquisitions.

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Presentation

1. A copy of these results is available on www.essentra.com

2. A live audiocast of today's presentation of these results to investors and analysts will start at 08:30 (UK time) on www.essentra.com/webcasts.aspx. The audiocast can also be accessed using the following details.

Dial-in number:	+44 (0)20 3427 1912 (UK / international participants) +1 212 444 0481 (US participants)
Toll-free number:	0800 279 5004 (UK participants) +1 877 280 1254 (US participants)
PIN code:	9710160

A recording of the audiocast will be made available on the website later in the day. A replay will additionally be available as follows:

Replay number:	+44 (0)20 3427 0598 (UK / international participants) +1 347 366 9565 (US participants)
Toll-free number:	0800 358 7735 (UK participants) +1 866 932 5017 (US participants)
Replay access code:	9710160
Replay available:	For 7 days

Cautionary forward looking statement

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Company accepts no obligation to revise or update these forward-looking statements publicly or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Notes to Editors

Essentra plc is a FTSE 250 company and a leading international supplier of speciality plastic, fibre, foam and packaging products. Through its four principal operating divisions, Essentra focuses on the light manufacture and distribution of high volume, essential components which serve customers in a wide variety of end-markets and geographies.

Component & Protection Solutions

The Components business is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating units in 25 countries serve a very broad industrial base of customers with a rapid supply of primarily plastic products for a variety of applications in industries such as hydraulics, pneumatics, electrical controls and construction.

The Pipe Protection Technologies business specialises in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys for use in a range of end-markets. Locations in four countries, combined with a wide distributor network, serve customers around the world.

Porous Technologies

A global market leading developer and manufacturer of custom fluid handling components, engineered from a portfolio of technologies that includes bonded and non-woven fibre, polyurethane foam and porous plastic. Representing leading innovations used in healthcare, consumer and industrial applications, its enabling components are found in a wide range of products from medical diagnostics tests to advanced wound care pads, inkjet printer cartridges, writing instruments, clean room wipes and air fresheners. Customers in over 56 countries are served from six manufacturing facilities with research and development centres supporting the division globally.

Packaging & Securing Solutions

A leading global provider of packaging and securing solutions to a diversified blue-chip customer base. With a focus on delivering value adding innovation, quality and service to customers through a range of cartons, tapes, leaflets, foils and labels for the consumer and specialist packaging, point of sale and paper & board industries. The division is also a leading supplier of authentication technologies and identity solutions. Customers in over 100 countries are served from facilities operating in eight countries.

Filter Products

The only global independent cigarette filter supplier. The nine worldwide locations, including a UK-based research facility and three regional development centres provide a flexible infrastructure strategically positioned to serve the tobacco industry. The division supplies a wide range of value adding high quality innovative filters, packaging solutions to the roll your own sector and analytical laboratory services for ingredient measurement for the industry.

Other

The Extrusion business is a leading custom profile extruder located in The Netherlands and offers a complete design and production service. One of the first companies to extrude plastics in 1956, Enitor is now one of Europe's most advanced suppliers of co-extrusions and tri-extrusions to all branches of industry.

Headquartered in the United Kingdom, Essentra's global network extends to 32 countries and includes c. 5,700 employees, 42 principal manufacturing facilities, 64 sales & distribution operations and 5 research & development centres. For further information, please visit www.essentra.com.

Consolidated Income Statement
for the year ended 31 December 2013

	Note	**2013** **£m**	2012 (Restated) £m
Revenue	2	**798.1**	663.4
Operating profit before intangible amortisation and exceptional operating items		**130.4**	104.5
Intangible amortisation		**(14.2)**	(8.3)
Exceptional operating items	3	**(19.2)**	(10.6)
Operating profit	2	**97.0**	85.6
Finance income	4	**1.0**	1.1
Finance expense	4	**(11.6)**	(11.8)
Profit before tax		**86.4**	74.9
Income tax expense		**(26.1)**	(22.8)
Profit for the year		**60.3**	52.1
Attributable to:			
Equity holders of Essentra plc		**60.1**	50.8
Non-controlling interests		**0.2**	1.3
Profit for the year		**60.3**	52.1
Earnings per share attributable to equity holders of Essentra plc:			
Basic	5	**26.3p**	24.3p
Diluted	5	**25.7p**	23.5p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2013

	Note	2013 £m	2012 (Restated) £m
Profit for the year		**60.3**	52.1
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	8	**11.2**	6.1
Deferred tax (charge)/credit on remeasurement of defined benefit pension schemes		**(3.1)**	(1.2)
		8.1	4.9
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement		**0.1**	(1.1)
Effective portion of changes in fair value of cash flow hedges		**(0.1)**	(0.1)
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**(14.7)**	(15.7)
Arising on effective net investment hedges		**0.2**	6.4
Income tax charge on effective net investment hedges		**-**	(1.6)
Attributable to non-controlling interests		**(0.5)**	(0.2)
		(15.0)	(12.3)
Other comprehensive income for the year, net of tax		**(6.9)**	(7.4)
Total comprehensive income		**53.4**	44.7
Attributable to:			
Equity holders of Essentra plc		**53.7**	43.6
Non-controlling interests		**(0.3)**	1.1
Total comprehensive income		**53.4**	44.7

Consolidated Balance Sheet
at 31 December 2013

	Note	**31 December 2013 £m**	31 December 2012 (Restated) £m	1 January 2012 (Restated) £m
Assets				
Property, plant and equipment	6	**213.7**	180.3	168.1
Intangible assets	7	**396.7**	206.3	185.5
Deferred tax assets		**6.4**	11.5	8.9
Retirement benefit assets	8	**21.9**	14.1	-
Total non-current assets		**638.7**	412.2	362.5
Inventories		**75.5**	76.7	66.4
Income tax receivable		**4.0**	2.2	7.0
Trade and other receivables		**140.7**	94.5	85.4
Derivative assets		**0.2**	0.3	1.2
Cash and cash equivalents		**44.1**	41.4	35.8
Total current assets		**264.5**	215.1	195.8
Total assets		**903.2**	627.3	558.3
Equity				
Issued capital	9	**60.1**	54.8	54.8
Merger relief reserve	9	**136.4**	-	-
Capital redemption reserve		**0.1**	0.1	0.1
Other reserve		**(132.8)**	(132.8)	(132.8)
Cash flow hedging reserve		**(0.1)**	(0.1)	1.1
Translation reserve		**(9.9)**	4.6	15.5
Retained earnings		**345.0**	311.8	271.7
Attributable to equity holders of Essentra plc		**398.8**	238.4	210.4
Non-controlling interests		**4.2**	5.3	6.4
Total equity		**403.0**	243.7	216.8
Liabilities				
Interest bearing loans and borrowings		**254.7**	204.9	177.3
Retirement benefit obligations	8	**11.3**	18.0	19.6
Provisions		**3.1**	2.8	2.2
Other financial liabilities		**5.4**	-	-
Deferred tax liabilities		**47.1**	26.7	16.1
Total non-current liabilities		**321.6**	252.4	215.2
Interest bearing loans and borrowings		**6.5**	-	3.4
Derivative liabilities		**0.3**	0.2	0.5
Income tax payable		**24.4**	12.6	18.4
Trade and other payables		**135.1**	100.9	91.2
Provisions		**12.3**	17.5	12.8
Total current liabilities		**178.6**	131.2	126.3
Total liabilities		**500.2**	383.6	341.5
Total equity and liabilities		**903.2**	627.3	558.3

Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

2013

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2013 – As previously reported	**54.8**	**-**	**0.1**	**(132.8)**	**(0.1)**	**4.6**	**308.4**	**5.3**	**240.3**
Impact of changes in accounting policies							3.4		**3.4**
At 1 January 2013 – Restated	**54.8**	**-**	**0.1**	**(132.8)**	**(0.1)**	**4.6**	**311.8**	**5.3**	**243.7**
Profit for the year							**60.1**	**0.2**	**60.3**
Other comprehensive income					**-**	**(14.5)**	**8.1**	**(0.5)**	**(6.9)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(14.5)**	**68.2**	**(0.3)**	**53.4**
Issue of shares	**5.3**	**136.4**							**141.7**
Issue of shares to non-controlling interests								**1.5**	**1.5**
Acquisition of non-controlling interests							**(0.6)**	**(1.3)**	**(1.9)**
Purchase of employee trust shares							**(16.3)**		**(16.3)**
Share options exercised							**4.7**		**4.7**
Share option expense							**5.1**		**5.1**
Tax relating to share-based incentives							**3.3**		**3.3**
Dividends paid							**(31.2)**	**(1.0)**	**(32.2)**
At 31 December 2013	**60.1**	**136.4**	**0.1**	**(132.8)**	**(0.1)**	**(9.9)**	**345.0**	**4.2**	**403.0**

2012 (Restated)

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2012 – As previously reported	54.8	-	0.1	(132.8)	1.1	15.5	268.3	6.4	213.4
Impact of changes in accounting policies							3.4		3.4
At 1 January 2012 – Restated	54.8	-	0.1	(132.8)	1.1	15.5	271.7	6.4	216.8
Profit for the year							50.8	1.3	52.1
Other comprehensive income					(1.2)	(10.9)	4.9	(0.2)	(7.4)
Total comprehensive income for the year	-	-	-	-	(1.2)	(10.9)	55.7	1.1	44.7
Acquisition of non-controlling interests							(0.9)	(1.0)	(1.9)
Purchase of employee trust shares							(6.1)		(6.1)
Share options exercised							5.7		5.7
Share option expense							4.0		4.0
Tax relating to share-based incentives							4.9		4.9
Dividends paid							(23.2)	(1.2)	(24.4)
At 31 December 2012	54.8	-	0.1	(132.8)	(0.1)	4.6	311.8	5.3	243.7

Consolidated Statement of Cash Flows
for the year ended 31 December 2013

	Note	**2013** £m	2012 (Restated) £m
Operating activities			
Profit for the year		**60.3**	52.1
Adjustments for:			
Income tax expense		**26.1**	22.8
Net finance expense	4	**10.6**	10.7
Intangible amortisation	7	**14.2**	8.3
Exceptional operating items	3	**19.2**	10.6
Depreciation	6	**26.7**	22.6
Share option expense		**5.1**	4.0
Other movements		**(1.8)**	(1.6)
Increase/(decrease) in inventories		**6.1**	(9.2)
Increase in trade and other receivables		**(23.3)**	(10.4)
Increase in trade and other payables		**11.9**	11.8
Cash outflow in respect of exceptional operating items		**(10.5)**	(7.5)
Additional pension contributions		**(6.1)**	(7.6)
Movements in provisions		**(10.8)**	-
Cash inflow from operating activities		**127.7**	106.6
Income tax paid		**(17.5)**	(17.6)
Net cash inflow from operating activities		**110.2**	89.0
Investing activities			
Interest received		**0.3**	0.3
Acquisition of property, plant and equipment		**(44.1)**	(43.8)
Proceeds from sale of property, plant and equipment		**0.4**	0.6
Acquisition of businesses net of cash acquired	11	**(188.9)**	(36.0)
Proceeds from sale of businesses		**-**	3.1
Income tax paid on sale of businesses		**-**	(0.2)
Net cash outflow from investing activities		**(232.3)**	(76.0)
Financing activities			
Interest paid		**(9.6)**	(9.2)
Dividends paid to equity holders		**(31.2)**	(23.2)
Dividends paid to non-controlling interests		**(1.0)**	(1.2)
Acquisition of non-controlling interests	13	**(1.9)**	(1.9)
Proceeds from equity issue	9	**141.7**	-
Proceeds from issue of shares to non-controlling interests		**1.5**	-
Repayments of short-term loans		**-**	(3.3)
Proceeds from short-term loans		**0.2**	-
Proceeds from long-term loans		**37.5**	32.9
Purchase of employee trust shares		**(16.3)**	(6.1)
Proceeds from sale of employee trust shares		**4.7**	5.7
Net cash inflow/(outflow) from financing activities		**125.6**	(6.3)
Net increase in cash and cash equivalents	10	**3.5**	6.7
Net cash and cash equivalents at the beginning of the year		**41.4**	35.8
Net increase in cash and cash equivalents		**3.5**	6.7
Net effect of currency translation on cash and cash equivalents		**(0.8)**	(1.1)
Net cash and cash equivalents at the end of the year	10	**44.1**	41.4

1. Basis of preparation

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") in accordance with EU law (IAS Regulation EC 1606/2002) ("adopted IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention except for derivatives which are stated at fair value and retirement benefit obligations which are valued in accordance with IAS 19 *Employee Benefits*.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Changes in accounting policies
In the current financial year, Essentra adopted the following accounting pronouncements. Otherwise, the accounting policies and presentation in this set of financial statements are consistent with those applied in the prior years.

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* requires items of other comprehensive income to be grouped by those items that are or may be reclassified subsequently to profit or loss and those that will not, together with the associated income tax. The amendments have been applied retrospectively. The effect is evident from the consolidated statement of comprehensive income.

IAS 19 (revised 2011) *Employee Benefits* and the related consequential amendments have impacted the Group's accounting for defined benefit schemes, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit asset/liability. For the year ended 31 December 2012, the restated profit is £1.4m lower (including associated tax impact of £0.6m) and other comprehensive income £1.4m higher than previously reported. In addition, IAS 19 (revised 2011) requires the costs of administering the schemes to be recognised when the administration services are provided, with costs relating to the management of plan assets deducted from the return on plan assets. As a result, the defined benefit obligation as at 1 January 2013 and 1 January 2012 decreased by £4.4m to remove the impact of actuarial assumption for administration costs, with an associated decrease in the deferred tax liability of £1.0m. The basic earnings per share for 2012 is restated from 25.0p to 24.3p, and the diluted earnings per share is restated from 24.2p to 23.5p. Management considered it not practicable to determine the impact of the revised standard on the current period, as under the new policy interest income on plan assets is no longer determined based on their long-term rate of expected return.

2. Segment analysis

In accordance with IFRS 8, Essentra has determined its operating segments based upon the information reported to the Group Management Committee. These segments are as follows:

Component & Protection Solutions consists of a Component Distribution business and a Pipe Protection Technologies business. Component Distribution is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded, and metal items. The Pipe Protection Technologies business specialises in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys.

Porous Technologies is a global market leading developer and manufacturer of custom fluid handling components, engineered from a portfolio of technologies that includes bonded and non-woven fibre, polyurethane foam, and porous plastic.

Packaging & Securing Solutions is a global market leading provider of packaging and securing solutions through a range of cartons, tapes, leaflets, foils and labels for the healthcare, consumer and specialist packaging, point of sale and paper & board industries. The division is also a leading supplier of authentication technologies and identity solutions.

Filter Products is an independent cigarette filter manufacturer supplying a wide range of value adding high quality innovative filters, packaging solutions to the roll your own sector and analytical laboratory services for ingredient measurement for the industry.

Other represents Extrusion which is a leading custom profile extruder located in The Netherlands offering a complete design and production service.

2. **Segment analysis** continued

On 1 January 2013, Essentra implemented a new organisational structure for its previous Protection & Finishing Products division. From 1 January 2013, the Component Distribution businesses, together with Pipe Protection Technologies, have been reported together as the renamed “Component & Protection Solutions division”. The Speciality Tapes activities now form part of the Packaging & Securing Solutions division. The results for the year ended 31 December 2012 have been restated to reflect this change and the impact of adoption of IAS 19 (revised 2011).

										2013
	Component & Protection Solutions £m	**Porous Techno-logies £m**	**Packaging & Securing Solutions £m**	**Filter Products £m**	**Other £m**	**Elimin-ations £m**	**Central Services[1] £m**	**Continuing operations £m**	**Discontinued operations £m**	**Total £m**
External revenue	223.4	98.7	181.3	269.9	24.8	-	-	798.1	-	798.1
Intersegment revenue	0.3	1.3	0.5	-	-	(2.1)	-	-	-	-
Total revenue	**223.7**	**100.0**	**181.8**	**269.9**	**24.8**	**(2.1)**	**-**	**798.1**	**-**	**798.1**
Operating profit/(loss) before intangible amortisation and exceptional operating items	52.6	23.5	30.2	40.1	1.5	-	(17.5)	130.4	-	130.4
Intangible amortisation	(5.2)	(2.2)	(6.8)	-	-	-	-	(14.2)	-	(14.2)
Exceptional operating items	(2.8)	(0.9)	(13.8)	(0.2)	(0.3)	-	(1.2)	(19.2)	-	(19.2)
Operating profit/(loss)	**44.6**	**20.4**	**9.6**	**39.9**	**1.2**		**(18.7)**	**97.0**	**-**	**97.0**
Segment assets	120.8	65.0	113.5	115.4	13.5	-	1.7	429.9	-	429.9
Intangible assets	136.7	46.0	206.9	-	6.8	-	0.3	396.7	-	396.7
Unallocated items	-	-	-	-	-	-	76.6	76.6	-	76.6
Total assets	**257.5**	**111.0**	**320.4**	**115.4**	**20.3**	**-**	**78.6**	**903.2**	**-**	**903.2**
Segment liabilities	39.6	10.5	40.5	39.7	2.5	-	20.8	153.6	2.3	155.9
Unallocated items	-	-	-	-	-	-	346.6	346.6	-	346.6
Total liabilities	**39.6**	**10.5**	**40.5**	**39.7**	**2.5**		**367.4**	**500.2**	**2.3**	**502.5**
Other segment items										
Capital expenditure	12.3	2.7	5.0	21.6	1.7	-	0.8	44.1	-	44.1
Depreciation	7.1	3.2	5.9	8.9	1.4	-	0.2	26.7	-	26.7
Average number of employees	1,413	611	1,264	1,494	199	-	47	5,028	-	5,028

[1] Central Services includes group finance, tax, treasury, legal, group assurance, human resources, information technology, corporate development, corporate affairs and other services provided centrally to support the operating segments

2. Segment analysis continued

2012 (Restated)

	Component & Protection Solutions £m	Porous Techno-logies £m	Packaging & Securing Solutions £m	Filter Products £m	Other £m	Elimin-ations £m	Central Services[1] £m	Continuing operations £m	Discontinued operations £m	Total £m
External revenue	208.4	83.4	114.6	233.6	23.4	-	-	663.4	-	663.4
Intersegment revenue	-	2.4	0.3	-	-	(2.7)	-	-	-	-
Total revenue	208.4	85.8	114.9	233.6	23.4	(2.7)	-	663.4	-	663.4
Operating profit/(loss) before intangible amortisation and exceptional operating items	45.9	20.6	21.8	28.6	1.6	-	(14.0)	104.5	-	104.5
Intangible amortisation	(4.7)	(1.6)	(2.0)	-	-	-	-	(8.3)	-	(8.3)
Exceptional operating items	(7.5)	(2.1)	(1.7)	-	1.6	-	(0.9)	(10.6)	-	(10.6)
Operating profit/(loss)	33.7	16.9	18.1	28.6	3.2	-	(14.9)	85.6	-	85.6
Segment assets	109.7	60.8	62.7	105.0	12.1	-	1.2	351.5	-	351.5
Intangible assets	100.5	47.0	52.2	-	6.6	-	-	206.3	-	206.3
Unallocated items	-	-	-	-	-	-	69.5	69.5	-	69.5
Total assets	210.2	107.8	114.9	105.0	18.7	-	70.7	627.3	-	627.3
Segment liabilities	36.5	11.8	15.2	43.1	1.7	-	10.6	118.9	2.3	121.2
Unallocated items							262.4	262.4	-	262.4
Total liabilities	36.5	11.8	15.2	43.1	1.7	-	273.0	381.3	2.3	383.6
Other segment items										
Capital expenditure	18.1	3.3	6.7	14.2	1.3	-	0.2	43.8	-	43.8
Depreciation	7.0	3.1	4.1	7.0	1.3	-	0.1	22.6	-	22.6
Average number of employees	1,429	551	594	1,263	207	-	38	4,082	-	4,082

[1] Central Services includes group finance, tax, treasury, legal, group assurance, human resources, information technology, corporate development and other services provided centrally to support the operating segments

3. Exceptional operating items

	2013 £m	2012 £m
Acquisition fees[1]	**4.7**	1.2
Acquisition integration and restructuring costs[2]	**12.6**	8.8
Other[3]	**1.9**	0.6
Net operating expense	**19.2**	10.6

1 Transaction costs incurred during the year in respect of the acquisitions of Ulinco, Contego, Dakota and Mesan, as well as transactions that did not complete (2012: acquisitions of Securit, Jae Yong and Lymtech)
2 Acquisition integration and restructuring costs incurred during the year associated with the acquisitions of Richco, Ulinco, Contego, Dakota and Mesan (2012: Richco, Securit, Jae Yong and Lymtech)
3 Other exceptional items incurred during the year, which comprise £2.4m relating to costs incurred in relation to rebranding of the Group to Essentra, a £0.8m credit adjustment for contingent deferred consideration in relation to the acquisition of Reid Supply Company, and £0.3m relating to Extrusion restructuring (2012: a release of pension obligations in Extrusion (£1.7m) and costs arising from further reconfiguration of the Group)
4 The tax effect of the exceptional items is a credit of £2.8m (2012: £2.4m)

4. Net finance expense

	2013 £m	2012 (restated) £m
Finance income		
Bank deposits	**0.2**	0.3
Other finance income	**-**	0.5
Net interest on net pension scheme assets (note 8)	**0.8**	0.3
	1.0	1.1
Finance expense		
Interest on loans and overdrafts	**(9.4)**	(9.2)
Amortisation of bank facility fees	**(1.0)**	(1.3)
Other finance expense	**(0.3)**	(0.1)
Net interest on pension scheme liabilities (note 8)	**(0.9)**	(1.2)
	(11.6)	(11.8)
Net finance expense	**(10.6)**	(10.7)

5. Earnings per share

	2013 £m	2012 (Restated) £m
Continuing operations		
Earnings attributable to equity holders of Essentra plc	**60.1**	50.8
Adjustments		
Intangible amortisation	**14.2**	8.3
Exceptional operating items	**19.2**	10.6
	33.4	18.9
Tax relief on adjustments	**(6.8)**	(4.8)
Adjusted earnings	**86.7**	64.9
Basic weighted average ordinary shares in issue (m)	**228.2**	209.0
Dilutive effect of employee share option plans (m)	**6.1**	7.1
Diluted weighted average ordinary shares (m)	**234.3**	216.1
Continuing operations		
Basic earnings per share	**26.3p**	24.3p
Adjustment	**11.7p**	6.8p
Adjusted earnings per share	**38.0p**	31.1p
Diluted basic earnings per share	**25.7p**	23.5p
Diluted adjusted earnings per share	**37.0p**	30.0p

Adjusted earnings per share is provided to reflect the underlying earnings performance of Essentra.

The basic weighted average number of ordinary shares in issue excludes shares held in treasury and shares held by an employee benefit trust.

6. Property, plant and equipment

				2013
	Land and buildings £m	**Plant and machinery £m**	**Fixtures, fittings and equipment £m**	**Total £m**
Cost				
Beginning of year	**87.2**	**282.1**	**44.1**	**413.4**
Acquisitions (note 11)	2.7	21.7	1.5	**25.9**
Additions	4.5	28.6	8.4	**41.5**
Disposals	(0.2)	(6.1)	(1.8)	**(8.1)**
Currency translation	(1.9)	(8.4)	(0.4)	**(10.7)**
End of year	**92.3**	**317.9**	**51.8**	**462.0**
Depreciation and impairment				
Beginning of year	**24.3**	**178.0**	**30.8**	**233.1**
Depreciation charge for the year	2.0	21.1	3.6	**26.7**
Impairment charge	0.3	0.9	0.1	**1.3**
Disposals	(0.1)	(6.0)	(1.5)	**(7.6)**
Currency translation	(0.7)	(4.1)	(0.4)	**(5.2)**
End of year	**25.8**	**189.9**	**32.6**	**248.3**
Net book value at end of year	**66.5**	**128.0**	**19.2**	**213.7**

				2012
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	82.8	262.7	42.2	387.7
Acquisitions	1.1	0.6	-	1.7
Additions	6.9	27.6	5.6	40.1
Disposals	(0.7)	(2.0)	(0.8)	(3.5)
Currency translation	(2.9)	(6.8)	(2.9)	(12.6)
End of year	87.2	282.1	44.1	413.4
Depreciation				
Beginning of year	23.8	166.3	29.5	219.6
Depreciation charge for the year	2.3	17.4	2.9	22.6
Disposals	(0.2)	(1.8)	(0.8)	(2.8)
Currency translation	(1.6)	(3.9)	(0.8)	(6.3)
End of year	24.3	178.0	30.8	233.1
Net book value at end of year	62.9	104.1	13.3	180.3

The impairment charge recognised during the year primarily relates to write-down of plant and machinery and land and buildings as a result of the Group's decision to withdraw from the manufacture and production of certain lower growth or margin, non-core products (including security and protection films and ID cards) at the Banbury site in the UK. This charge is attributable to the Packaging & Securing Solutions division. The recoverable amount is estimated on the basis of fair value less costs to sell, based on expected disposal proceeds. In addition, £1.1m of inventories was also written down.

Contractual commitments to purchase property, plant and equipment amounted to £3.0m at 31 December 2013 (2012: £0.7m).

7. Intangible assets

	Goodwill £m	**Customer relationships £m**	**Other intangible assets £m**	**Total £m**
				2013
Cost				
Beginning of year	**96.5**	**121.3**	**12.7**	**230.5**
Acquisitions (note 11)	101.1	104.4	1.7	**207.2**
Currency translation	(1.4)	(1.6)	(0.2)	**(3.2)**
End of year	**196.2**	**224.1**	**14.2**	**434.5**
Amortisation				
Beginning of year	**-**	**21.0**	**3.2**	**24.2**
Charge for the year	-	12.1	2.1	**14.2**
Currency translation	-	(0.4)	(0.2)	**(0.6)**
End of year	**-**	**32.7**	**5.1**	**37.8**
Net book value at end of year	**196.2**	**191.4**	**9.1**	**396.7**

	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
				2012
Cost				
Beginning of year	86.4	104.0	11.7	202.1
Acquisitions	13.2	21.8	1.7	36.7
Currency translation	(3.1)	(4.5)	(0.7)	(8.3)
End of year	96.5	121.3	12.7	230.5
Amortisation				
Beginning of year	-	14.5	2.1	16.6
Charge for the year	-	7.1	1.2	8.3
Currency translation	-	(0.6)	(0.1)	(0.7)
End of year	-	21.0	3.2	24.2
Net book value at end of year	96.5	100.3	9.5	206.3

Other intangible assets principally comprise trade names acquired with Lendell and Reid Supply, developed technology acquired with Lendell, Richco and Lymtech, and order backlog.

8. Employee benefits

Post-employment benefits

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2012 and annual actuarial valuations are performed on the principal US defined benefit schemes. The assets and liabilities of the defined benefit schemes have been updated to the balance sheet date from the most recent actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

The amounts included in the consolidated financial statements are as follows:

	2013	2012 (Restated)
	£m	£m
Amounts expensed against operating profit		
Defined contribution schemes	**3.2**	2.4
Defined benefit schemes	**2.4**	2.3
Other post-employment obligations	**-**	-
Total operating expense	**5.6**	4.7
Amounts included in exceptional operating items		
Settlement of pension obligations	**-**	(1.7)
Total credit to exceptional operating items	**-**	(1.7)
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets (note 4)	**(0.8)**	(0.3)
Net interest on defined benefit scheme liabilities (note 4)	**0.9**	1.2
Net financial expense	**0.1**	0.9
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	**10.8**	7.4
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	**0.4**	(1.3)
Remeasurement of defined benefit schemes	**11.2**	6.1

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

		2013		2012
	Europe	**US**	Europe	US
Increase in salaries (pre-2010) [1]	3.00%	3.00%	3.00%	3.00%
Increase in salaries (post-2010) [1]	3.00%	3.00%	3.00%	3.00%
Increase in pensions [1]				
at RPI capped at 5%	3.30%	n/a	2.80%	n/a
at CPI capped at 5%	2.40%	n/a	2.20%	n/a
at CPI minimum 3%, capped at 5%	3.30%	n/a	3.30%	n/a
at CPI capped at 2.5%	1.90%	n/a	1.80%	n/a
Discount rate	4.50%	4.90%	4.50%	4.10%
Inflation rate	2.90%	n/a	2.50%	n/a

1 For service prior to April 2010, pension at retirement is linked to salary at retirement. For service after April 2010, pension is linked to salary at April 2010 with annual increases capped at 3%

Due to the timescale covered, the assumptions applied may not be borne out in practice.

The life expectancy assumptions used to estimate defined benefit obligations at the year end are:

		2013		2012
	Europe	**US**	Europe	US
Male retiring today at age 65	**22.3**	**19.3**	21.3	19.2
Female retiring today at age 65	**24.7**	**21.1**	24.0	21.0
Male retiring in 20 years at age 65	**24.2**	**19.3**	23.2	19.2
Female retiring in 20 years at age 65	**26.5**	**21.1**	25.9	21.0

8. Employee benefits continued

Movement in fair value of post-employment obligations during the year

	2013				2012 (Restated)			
	Defined benefit scheme assets £m	**Defined benefit scheme liabilities £m**	**Other £m**	**Total £m**	Defined benefit scheme assets £m	Defined benefit scheme liabilities £m	Other £m	Total £m
Beginning of year	**207.2**	**(211.1)**	**-**	**(3.9)**	198.8	(218.4)	-	(19.6)
Service cost and administrative expense	**(0.7)**	**(1.7)**	**-**	**(2.4)**	(0.8)	(1.5)	-	(2.3)
Employer contributions	**8.5**	**-**	**-**	**8.5**	9.9	-	-	9.9
Employee contributions	**0.4**	**(0.4)**	**-**	**-**	0.4	(0.4)	-	-
Return on plan assets excluding amounts in net finance income	**10.8**	**-**	**-**	**10.8**	7.4	-	-	7.4
Actuarial gains/(losses) arising from change in financial assumptions	**-**	**3.6**	**-**	**3.6**	-	(8.3)	-	(8.3)
Actuarial gains/(losses) arising from change in demographic assumptions	**-**	**(2.6)**	**-**	**(2.6)**	-	-	-	-
Actuarial gains/(losses) arising from experience adjustment	**-**	**(0.6)**	**-**	**(0.6)**	-	7.0	-	7.0
Finance income/(expense)	**9.2**	**(9.3)**	**-**	**(0.1)**	8.8	(9.7)	-	(0.9)
Benefits paid	**(7.3)**	**7.3**	**-**	**-**	(7.2)	7.2	-	-
Settlements	**-**	**-**	**-**	**-**	(7.9)	9.6	-	1.7
Currency translation	**(1.5)**	**1.5**	**-**	**-**	(2.2)	3.4	-	1.2
Business combination	**-**	**-**	**(1.1)**	**(1.1)**	-	-	-	-
Other	**-**	**-**	**(1.6)**	**(1.6)**	-	-	-	-
End of year	**226.6**	**(213.3)**	**(2.7)**	**10.6**	207.2	(211.1)	-	(3.9)

Sensitivity
For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the income statement and balance sheet for the year ended 31 December 2013.

	Scheme liabilities			**Annual service cost**		
	Europe £m	US £m	**Total £m**	Europe £m	US £m	**Total £m**
0.5% decrease in the discount rate	(14.7)	(3.4)	**(18.1)**	(0.1)	(0.1)	**(0.2)**
1.0% increase in the rate of inflation	(10.6)	n/a	**(10.6)**	-	n/a	**-**
1.0% increase in rate of salary/pension increases	(4.7)	(0.3)	**(5.0)**	-	-	**-**
1 year increase in life expectancy	(3.8)	(1.3)	**(5.1)**	-	-	**-**
0.5% increase in the discount rate	12.7	3.1	**15.8**	0.1	0.1	**0.2**
1.0% decrease in rate of salary/pension increases	4.4	0.3	**4.7**	0.1	-	**0.1**
1.0% decrease in the rate of inflation	9.1	n/a	**9.1**	0.1	n/a	**0.1**

9. Share capital

	2013 £m	2012 £m
Issued and fully paid ordinary shares of 25p (2012: 25p) each	**60.1**	54.8

Number of ordinary shares in issue		
Beginning of year	219,326,796	219,326,796
Issue of shares during the year	21,142,613	-
End of year	**240,469,409**	219,326,796

At 31 December 2013 the Company held 5,305,790 (2012: 7,944,568) of its own shares in treasury.

To fund the acquisition of Contego (see note 11), Essentra issued a total of 21,142,613 new ordinary shares of 25p each at a price of 675p per share, raising gross proceeds of £142.7m. Issue costs of £1.0m were incurred. The excess of the net proceeds over the nominal value of shares issued is recorded in a merger relief reserve in accordance with Section 612 of the Companies Act 2006.

10. Analysis of net debt

	1 Jan 2013 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	**31 Dec 2013 £m**
Cash at bank and in hand	40.2	2.3	(0.5)	-	**42.0**
Short-term bank deposits and investments	1.2	1.2	(0.3)	-	**2.1**
Cash and cash equivalents in the statement of cash flows	41.4	3.5	(0.8)	-	**44.1**
Debt due within one year	-	(0.2)	0.3	(6.6)	**(6.5)**
Debt due after one year	(204.9)	(37.5)	0.9	(13.2)	**(254.7)**
Net debt	(163.5)	(34.2)	0.4	(19.8)	**(217.1)**

The non-cash movements represent the amortisation of prepaid facility fees and the increase in net debt from loans acquired.

	1 Jan 2012 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	31 Dec 2012 £m
Cash at bank and in hand	31.0	10.4	(1.2)	-	40.2
Short-term bank deposits and investments	4.8	(3.7)	0.1	-	1.2
Cash and cash equivalents in the statement of cash flows	35.8	6.7	(1.1)	-	41.4
Debt due within one year	(3.4)	3.3	0.1	-	-
Debt due after one year	(177.3)	(32.9)	6.6	(1.3)	(204.9)
Net debt	(144.9)	(22.9)	5.6	(1.3)	(163.5)

The non-cash movement is the amortisation of prepaid facility fees and movement of debt due after one year to debt due within one year.

11. Acquisitions

2013 acquisitions: Ulinco

On 20 February 2013, Essentra acquired 100% of the share capital of Ulinco Components AB ("Ulinco Components") from Ulinco Invest Aktiebolag. Ulinco Components is a distributor of plastic protection and finishing products, hardware and specialist masking solutions in the Nordic region of Europe, and is reported under the Component & Protection Solutions division. The acquisition of Ulinco Components expanded the product range and customer base of the Component Distribution businesses and extended the division's geographical presence in the Nordic region.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair values to Essentra. Had the acquisition been completed on 1 January 2013, the Group's revenue and operating profit before amortisation and exceptional items would have been £798.6m and £130.5m respectively.

Ulinco Components contributed £3.1m to revenue in the period from acquisition to 31 December 2013. The amount of post-acquisition operating profit cannot be reliably estimated, as the operations of Ulinco Components have since been integrated with Essentra's other operations in Sweden, and the results have become indistinguishable. Related acquisition expenses of £0.3m were recognised in the income statement in exceptional operating items.

A summary of the acquisition of Ulinco Components is detailed below:

	Fair value of assets/(liabilities) acquired £m
Property, plant and equipment	-
Inventories	0.4
Receivables	0.4
Cash and cash equivalents	0.2
Deferred tax	(0.9)
Payables	(0.5)
Provisions	(0.1)
	(0.5)
Customer relationships	3.9
Other intangible assets	0.2
Goodwill	3.9
Consideration	7.5
Satisfied by:	
Initial cash consideration	6.7
Deferred contingent consideration	0.8
Cash consideration	6.7
Cash and cash equivalents acquired	(0.2)
Net cash flow in respect of the acquisitions	**6.5**

The deferred contingent consideration of £0.8m becomes payable between 1 and 2 years after completion subject to the achievement of certain performance conditions.

Property, plant and equipment, inventories, receivables and payables were all reassessed to their fair value. The fair value of receivables represents the gross contractual amounts receivable. The provisional fair values as shown in the table above have been adjusted from the amounts previously disclosed in the 2013 half-yearly financial statements, mainly reflecting a more detailed valuation of the customer relationship intangible assets and adjustments to liabilities including deferred tax.

Goodwill represents the expected operating synergies and financial synergies, and the value of an assembled workforce. Goodwill is not deductible for tax purposes. The adjustment to deferred tax is the tax effect of recognising customer relationships and other intangible assets and the tax effect of the fair value adjustments above.

11. Acquisitions continued

2013 acquisitions: Contego

On 30 April 2013, Essentra acquired 100% of the share capital of Contego Healthcare Limited ("Contego") from Maximus Holding II. S.Á.R.L. and Storey Evans & Company Limited. Contego is a pan-European specialist business, providing a range of innovative print, packaging and support services to the pharmaceutical and healthcare markets from operational sites across Europe. Contego's product portfolio is complementary to Essentra's existing packaging solutions capabilities in the pharmaceutical and healthcare markets of labels, tear tape and authentication technologies. As such, the acquisition enhances the range and innovation offered to existing Contego and Essentra customers, and provides access to potential new customers through leveraging skills in the combined Group. The acquisition of Contego also provides opportunities for further development in both Porous Technologies and in speciality tapes through an expanded and more focused category-based commercial approach.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair values to Essentra. Due to the timing of the transaction the fair value adjustments are provisional and subject to finalisation for up to one year from the date of acquisition. Had the acquisition been completed on 1 January 2013, the Group's revenue and operating profit before amortisation and exceptional items would have been £833.7m and £135.6m respectively.

Contego contributed £61.4m to revenue and £7.0m to operating profit before intangible amortisation in the period from acquisition to 31 December 2013. Related acquisition expenses of £2.5m were recognised in the income statement in exceptional operating items.

A summary of the acquisition of Contego is detailed below:

	Fair value of assets/(liabilities) acquired £m
Property, plant and equipment	24.2
Inventories	6.0
Receivables	23.9
Cash and cash equivalents	10.7
Deferred tax	(18.7)
Loans and borrowings	(14.0)
Payables	(18.2)
Income tax	(0.8)
Provisions	(3.2)
Retirement benefit obligations	(1.1)
	8.8
Customer relationships	74.4
Other intangible assets	1.2
Goodwill	71.9
Consideration	156.3
Satisfied by:	
Initial cash consideration	156.3
Cash consideration	156.3
Cash and cash equivalents acquired	(10.7)
Net cash flow in respect of the acquisitions	**145.6**

Property, plant and equipment, inventories, receivables and payables were all reassessed to their fair value. The fair value of trade receivables acquired is stated net of an allowance for impairment losses of £0.9m. The amount of the allowance represents the best estimate as at the date of acquisition. The provisional fair values as shown in the table above have been adjusted from the amounts previously disclosed in the 2013 half-yearly financial statements, mainly reflecting a more detailed valuation of the customer relationship intangible assets and adjustments to liabilities including deferred tax and provisions.

Goodwill represents the expected operating synergies and financial synergies, and the value of an assembled workforce. Goodwill is not deductible for tax purposes. The adjustment to deferred tax is the tax effect of recognising customer relationships and other intangible assets and the tax effect of the fair value adjustments above.

11. Acquisitions continued

2013 acquisitions: Dakota and Mesan

On 7 November 2013, Essentra acquired 100% of the share capital of Dakota Packaging Limited ("Dakota"). Based in Dublin, Dakota is a supplier of printed, folding and litho-laminate cartons to the pharmaceutical and healthcare end-markets in Ireland, and is reported under the Packaging & Securing Solutions division. The acquisition of Dakota reinforced the division's product range and customer base in healthcare packaging, and provided significant additional scale in the Irish market.

On 30 December 2013, Essentra acquired 100% of the share capital of Mesan Kilit A.S. ("Mesan"). Mesan is reported under the Component & Protection Solutions division. Mesan is a Turkish manufacturer and distributor of a range of locks, hinges, latches and hardware accessories for use in a wide variety of attractive growth end-markets. These markets include electricity and power distribution, telecoms, industrial, IT and transportation. Based in Istanbul, Mesan additionally exports to more than 75 countries, including to the Middle East & Africa and Asia. The acquisition of Mesan enhanced Essentra's offering in the growing hardware sector, and provided entry into the Turkish market and a number of other fast-growing export markets for the Components business, as well as a platform for the geographical expansion of Essentra's other activities in the region.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair values to Essentra. Due to the timing of the transactions the fair value adjustments are provisional and subject to finalisation for up to one year from the respective date of acquisition. The impact on Group revenue and operating profit if the acquisitions had been completed on 1 January 2013 is currently being assessed.

Dakota contributed revenue of £0.9m and an operating loss of £0.1m in the period from acquisition to 31 December 2013. Related acquisition expenses of £0.5m were recognised in the income statement in exceptional operating items.

As Mesan was acquired shortly before the year-end, it contributed no revenue and operating profit to the Group during 2013. Related acquisition expenses of £0.6m were recognised in the income statement in exceptional operating items.

A summary of the acquisitions of Dakota and Mesan is detailed below:

	Fair value of assets/(liabilities) acquired		
	Dakota £m	Mesan £m	Total £m
Property, plant and equipment	0.5	1.2	1.7
Inventories	0.8	1.3	2.1
Receivables	1.7	1.9	3.6
Cash and cash equivalents	-	0.3	0.3
Deferred tax	(1.1)	(3.8)	(4.9)
Loans and borrowings	-	(4.7)	(4.7)
Payables	(2.0)	(2.4)	(4.4)
Provisions	(1.8)	-	(1.8)
	(1.9)	(6.2)	(8.1)
Customer relationships	7.3	18.8	26.1
Other intangible assets	0.3	-	0.3
Goodwill	7.3	16.2	23.5
Consideration	13.0	28.8	41.8
Satisfied by:			
Initial cash consideration	13.0	23.4	36.4
Deferred contingent consideration	-	5.4	5.4
Cash consideration	13.0	23.4	36.4
Cash and cash equivalents acquired	-	(0.3)	(0.3)
Net cash flow in respect of the acquisitions	**13.0**	**23.1**	**36.1**

The Mesan deferred contingent consideration becomes payable within three years after completion subject to the achievement of certain performance conditions.

11. Acquisitions continued

Property, plant and equipment, inventories, receivables and payables were all reassessed to their fair value. The fair value of receivables shown in the table above represents the gross contractual amounts receivable less an allowance for impairment losses of £0.6m. The amount of the allowance represents the best estimate as at the date of acquisition.

Goodwill represents the expected operating synergies and financial synergies, and the value of an assembled workforce. Goodwill is not deductible for tax purposes. The adjustment to deferred tax is the tax effect of recognising customer relationships and other intangibles and the tax effect of the fair value adjustments above.

Relevant previous acquisitions

During 2013, Essentra reassessed the fair value adjustments made in respect of Securit, Lymtech and Jae Yong, which were acquired in 2012, and made changes to certain accruals and adjustments to the fair value of receivables and inventories. These adjustments were insignificant individually and in aggregate, and had no overall impact on goodwill recognised in respect of these acquisitions. In addition, deferred tax in relation to Lymtech was increased by £1.8m, resulting in an increase in goodwill by the same amount.

12. Dividends

	Per share		**Total**	
	2013	2012	**2013**	2012
	p	p	**£m**	£m
2012 interim: paid 26 October 2012		3.9		8.2
2012 final: paid 30 April 2013		8.6		20.0
2013 interim: paid 28 October 2013	**4.8**		**11.2**	
2013 proposed final: payable 2 May 2014	**10.6**		**24.7**	
	15.4	12.5	**35.9**	28.2

13. Transactions with related parties

On 3 July 2013, Essentra acquired a further 14.545% of the share capital of Filthai Company Limited ("Filthai") from the minority shareholders for a cash consideration of £1.9m. Other than the acquisition of further shares in Filthai Company Limited ("Filthai") and the compensation of key management, Essentra has not entered into any material transactions with related parties during the year.

14. Adjusted measures

Management reviews the adjusted operating profit and operating cash flow as measures of the performance of the business. Adjusted operating profit is stated before intangible amortisation and exceptional operating items which are considered not relevant to measuring the performance of the business. Operating cash flow is adjusted operating profit before depreciation, share option expense and other non-cash items, less working capital movements and net capital expenditure as shown below:

	2013	2012
	£m	£m
Operating profit	**97.0**	85.6
Intangible amortisation	**14.2**	8.3
Exceptional operating items	**19.2**	10.6
Adjusted operating profit	**130.4**	104.5
Depreciation	**26.7**	22.6
Share option expense	**5.1**	4.0
Other non-cash items	**(6.0)**	(1.6)
Working capital movements	**(5.3)**	(7.8)
Net capital expenditure	**(43.7)**	(43.2)
Operating cash inflow	**107.2**	78.5

15. Financial instruments

The table below sets out Essentra's accounting categories and fair value for each class of financial asset and liability.

	2013				2012			
	Fair value £m	**Loans and receivables £m**	**Amortised cost £m**	**Total carrying and fair value £m**	**Fair value £m**	**Loans and receivables £m**	**Amortised cost £m**	**Total carrying and fair value £m**
Trade and other receivables	-	136.0	-	**136.0**	-	90.2	-	**90.2**
Cash and cash equivalents	-	44.1	-	**44.1**	-	41.4	-	**41.4**
Interest bearing loans and borrowings	-	-	(261.2)	**(261.2)**	-	-	(204.9)	**(204.9)**
Trade and other payables	-	-	(94.4)	**(94.4)**	-	-	(65.5)	**(65.5)**
Level 2 of fair value hierarchy								
Derivative assets	0.2	-	-	**0.2**	0.3	-	-	**0.3**
Derivative liabilities	(0.3)	-	-	**(0.3)**	(0.2)	-	-	**(0.2)**
Level 3 of fair value hierarchy								
Other non-current financial liabilities	(5.4)	-	-	**(5.4)**	-	-	-	**-**
Other current payables	(0.8)	-	-	**(0.8)**	(1.2)	-	-	**(1.2)**
	(6.3)	**180.1**	**(355.6)**	**(181.8)**	**(1.1)**	**131.6**	**(270.4)**	**(139.9)**

Total trade and other receivables carried at £140.7m (2012: £94.5m) include prepayments and accrued income of £4.7m (2012: £4.3m) which are not financial assets and are therefore excluded from the above analysis. Fair values of forward foreign exchange contracts and cross currency swaps have been calculated at year end forward exchange rates compared to contracted rates. These are determined to be level 2 in the fair value hierarchy.

The only financial instrument with fair value determined by reference to significant unobservable inputs, which is classified as level 3 in the fair value hierarchy, is the deferred contingent consideration of £6.2m relating to the acquisitions of Ulinco Components and Mesan Kilit A.S. (2012: deferred contingent consideration of £1.2m relating to the acquisition of Reid Supply Company). The fair value of the deferred contingent consideration is estimated based on an assessment of the likely outcome of the acquired business' financial performance. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements. During the year, a fair value gain of £0.8m in respect of financial instruments at level 3 fair value hierarchy was recognised within exceptional items (see note 3), and £0.4m was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

Included within interest bearing loans and borrowings are $160m US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £95.5m (2012: £97.1m). The Group estimates that the total fair value of the Loan Notes at 31 December 2013 is £105.7m (2012: £111.7m).

All other financial assets, classified as 'loans and receivables', and trade and other payables, classified as 'amortised cost', are held at amortised cost and have short terms to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values. Unsecured bank loans, included within interest bearing loans and borrowings, incur interest at floating rates and as a result their carrying amounts also approximate fair values at the reporting date.

16. Cautionary forward-looking statements

This Report contains forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Company accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

17. Directors' responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- this announcement includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Colin Day	Matthew Gregory
Chief Executive	Group Finance Director

20 February 2014

Principal Risks

Effective management of risk and opportunity is essential to the protection of Essentra's reputation and the achievement of sustainable shareholder value.

Vision 2015

The management of risk underpins the Company's Vision 2015 strategy, focusing on the challenges which arise in the international environment in which Essentra conducts business and reflecting the Company's appetite for risk in the delivery of its business objectives. As such, risks are continuously monitored, associated action plans are reviewed, appropriate contingencies are provisioned and information is reported through established management control procedures.

The Company seeks to continuously improve its risk management processes and continues to develop new systems which serve to enhance the Company's response to the risks inherent in its international business activities.

Essentra recognises that the ability to monitor, assess and respond to business risks may provide a competitive advantage. Reporting within the Group is structured so that key issues are escalated through the management team and ultimately to the Board if appropriate. Each area of the business is required to review its principal areas of risk and uncertainty formally and regularly. This is an ongoing process to ensure that there are clear and consistent procedures for monitoring, updating and implementing appropriate controls to manage identified risks.

Essentra's short- and long-term performance can be impacted by many risks and uncertainties not all of which are within the Company's control.

The Company is subject to the general risks and uncertainties which impact other international organisations, including political instability in the countries in which the Company operates and sources raw materials, the impact of natural disasters and changes in general economic conditions, including currency and interest rate fluctuations, tax regimes and raw material costs.

Detailed below are the principal risks and uncertainties which the Board believes are specific to Essentra, having regard to its strategic objectives, together with the Company risk management response thereto. The details provided are not exhaustive and do not purport to be a complete explanation of all potentially relevant issues. There may be other risks and uncertainties which are unknown to the Board or which may not be deemed by the Board to be material at present but which could prove to be material in the future.

Disruption to infrastructure

<table>
<tr><td colspan="2">Risk
A catastrophic loss of the use of all or a portion of any of Essentra's manufacturing or distribution facilities due to accident, labour issues, fire, terrorist attack, natural disaster, information technology failure, cyber security attacks or otherwise which, whether short- or long-term, could adversely affect the Company's ability to meet the demands of its customers. Some of the assets maintained by the Company, such as tooling and IT systems, are critical to the manufacture and delivery of particular products.</td></tr>
<tr><td>Impact – A material disruption to operational facilities or the loss of critical assets may negatively affect the Company's:
• Production capability and asset base
• Supply chain management
• Customer relationships
• Reputation
• Revenue
• Profit
• Financial condition.</td><td>Mitigation – Essentra seeks to manage the risk of potential disruption of the supply of its customers by:
• Operating within a flexible global infrastructure
• Installing fire and other risk prevention systems
• Implementing disaster recovery and business continuity plans
• Assessing operational risks
• Maintaining a comprehensive insurance programme
• Alignment of Group information technology resources</td></tr>
</table>

Emerging technology and competition pressures

Risk	
Essentra faces pressures from direct competitors as well as competition from alternative technologies. Some of the Company's competitors may derive competitive advantage from greater financial resources, economies of scale, additional purchasing power or a lower cost base, and Essentra may face aggressive pricing practices.	
Impact Demand for competitors' products and the development of competing technologies may result in: • Loss of market positions • Erosion of margins • Intellectual property challenges • Decline in revenue • Decline in profitability • Deterioration in financial condition	**Mitigation** Essentra's seeks to mitigate the risk of competitive pressure by: • Sustained investment in research and development to develop the quality and breadth of its product and service offering • Exploiting innovation and manufacturing capabilities in new technologies, products and services • Developing long-term relationships with customers at a senior level • Protecting its intellectual property rights • Expanding its international distribution, sales and marketing expertise • Investing in both organic and acquisition growth opportunities

Failure to drive business development

Risk	
Essentra's development and growth has benefited from the success of start-up operations and the continued growth of already established businesses. The rate of success of any development may in part be dependent on the Group's innovation pipeline; employees who have the ability to successfully extend the product range or identify and develop new products. Additionally continued development will be dependent on the successful implementation of the new organisational structure. There can be no assurance that the Company will develop, complete and integrate current and new suitable products, and expand further through start-up operations.	
Impact If Essentra fails to meet the challenges of business development the Company may experience: • Lower growth rates • Delay in the achievement of strategic objectives • Reduced profitability	**Mitigation** Essentra addresses the challenges of international business development with: • Experienced and skilled management • Detailed planning • Project risk reviews • External expert advice • Regional structure development

Mergers and acquisitions

Risk	
Essentra's development and growth has benefited from value-adding acquisitions. The rate of any future acquisition integration may in part be dependent on the success of identifying the correct acquisitions and having sufficient resources available for integration. There can be no assurance that the Company will be successful in completing and integrating suitable acquisitions.	
Impact If Essentra fails to meet the challenges of business development arising from acquisitions the Company may experience: • Lower growth rates • Delay in the achievement of strategic objectives • Increased costs • Reduced profitability	**Mitigation** Essentra addresses the challenges of mergers and acquisitions with: • Experienced and skilled management • Detailed due diligence and planning • Project risk reviews • External expert advice

Customer concentration

Risk	
In some of Essentra's businesses the customer base is relatively concentrated. In addition, trends in certain markets, particularly in the oil and gas industry, may reduce the demands for the Company's products. Should Essentra's customers decide to satisfy their requirements internally or from other suppliers and if Essentra were unable to secure new business this could result in a significant loss of business.	
Impact	**Mitigation**
The loss of certain of Essentra's key customers may expose the Company to • Reduced revenue • Restructuring costs • Profit decline • Deterioration in financial condition • Reputational damage	To counteract the Company's exposure to a concentration of key customers, Essentra: • Invests in innovative, high quality, value-added products and services • Develops long-term relationships and loyalty with customers at all levels through key account management techniques • Seeks new markets and growth opportunities to expand the customer base

Key raw material supply

Risk	
Some of Essentra's businesses are dependent on the availability of specialist raw materials or components which are incorporated into the Company's products. Key raw materials may be subject to price fluctuations from supply shortages. If rapid increases occur in the price of such raw materials prices, including energy costs, the Company's revenue and profitability may be materially and adversely affected.	
Impact	**Mitigation**
If Essentra is exposed to raw material price increases or supply shortages, the Company may suffer: • Disruption to supply • Increased costs • Profit decline • Reduced revenue	To counteract the Company's exposure to increases in raw material costs or supply shortages, Essentra seeks to: • Adopt appropriate procurement practices • Secure longer-term supply agreements • Implement cost recovery programmes • Investigate the availability of alternative supply options • Use consignment stock

Intellectual property development and protection

Risk	
A key component to Essentra's future success is the ability to develop new and innovative products and services. In addition to seeking internationally applied patent and trademark rights, the Company relies on unpatented proprietary know-how and trade secrets. In the event that Essentra is unable to respond to competitive technological advances or to protect its intellectual property portfolio, the future performance of the Company may be adversely affected.	
Impact	**Mitigation**
Failure to develop and protect intellectual property rights may expose the Company to • Reduced revenue • Profit decline • Litigation • Reputational damage	To counteract the Company's exposure to the erosion of its intellectual property portfolio, Essentra: • Invests in research and development • Secures formal registrations of patent and trademark rights • Adopts appropriate confidentiality and licensing practices • Monitors potential infringements and takes appropriate enforcement actions

Relationship with tobacco industry

Risk	
A substantial part of Essentra's business relates to the supply of filter products and packaging solutions to manufacturers in the tobacco industry. Future performance may be affected by trends in the tobacco industry, such as changes in the consumption of filter products, self-manufacture and increasingly restrictive regulations. Tobacco-related litigation could also adversely affect Essentra, although there is no history of the Company being involved in such claims.	
Impact	**Mitigation**
Essentra's relationship with the tobacco industry may lead to: • Reduced revenue • Restructuring costs • Profit decline • Reputational damage • Deterioration in financial condition	In seeking to minimise the potential impact of the exposure to the tobacco industry, Essentra: • Invests in the research and development of innovative and new value-added products and services • Targets growth opportunities outside the manufacture of filter products • Focuses on low cost filter production • Takes internal and external legal advice to manage litigation risk • Seeks to add value with a range of low cost and innovative packaging solutions

Talent management

Risk	
Essentra's international operations are dependent on existing key executives and certain other employees in order to sustain, develop and grow its businesses and there can be no assurances that these employees will remain with the Company. The success of the Company will reflect its ability to retain, attract and motivate highly qualified executives and other personnel equipped to deliver on Essentra's strategic objectives.	
Impact	**Mitigation**
If Essentra fails to retain, attract or motivate the required calibre of employees, its operational performance and financial condition may be materially impacted by a lack of : • Experience • Expertise • Commercial relationships • Market insight • Product innovation	In order to manage the risk of personnel change, Essentra: • Regularly reviews personal development and succession planning • Sets appropriate key performance indicators • Implements management development schemes and other training programmes • Sets effective remuneration programmes • Provides long-term share-based incentive plans • Uses a talent management system • Continues to recruit graduates on its development programme

Compliance risk – laws and regulations

Risk	
Risk related to regulatory and legislative changes involves the possible inability of the Company to comply with current, changing or new legislation / regulation. Many of Essentra's current business activities are subject to increasing regulation and enforcement activity by relevant authorities. As the Company moves into new markets and territories in pursuit of its strategic priorities, Essentra is exposed to new and additional compliance risk.	
Impact	**Mitigation**
Failure by the Company or its employees or others acting on its behalf to abide by the laws and regulations could result in: • Administrative, civil or criminal liability • Significant fines and penalties • Suspense or debarment of the Company from trading • Reputational damage • Loss of commercial relationships	In order to manage compliance risk Essentra: • Establishes a clear compliance culture from the top down: • Conducts risk assessments and ongoing compliance reviews • Implements relevant policies and procedures • Provides behavioural guidance and training to all employees • Monitors compliance through verification procedures • Engages local advisers as appropriate