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ESSENTRA

Annual Report 2015



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Cautionary forward-looking statement

This Annual 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 by the forward-looking statement. Each forward-looking statement speaks only as of the date of this Report. The Company accepts no obligations to revise or update publicly 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.



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ESSENTRA AT A GLANCE

Distribution

The Components business is a global market-leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating units in 29 countries serve a very broad industrial base of customers with a rapid supply of products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction.

The Speciality Tapes business has expertise in coating multiple adhesive systems in numerous technologies. With close to 3,000 adhesive products available for same-day shipping, Essentra's products can meet all high-performance needs, from foam, magnetic, fingerlift and acrylic high bond tapes to hook and loop and non-skid foam.

The Security business has access to a wide portfolio of products and services, including printers, software and consumables from leading manufacturers.

2015 highlights

- > Growth led by Components in Europe and Asia
- > Further extension of product range in springs and magnets
- > Benefit from geographical expansion and site openings
- > Incremental revenue opportunities in custom injection moulding
- > Acquisition of Specialty Plastics in Australia
- > Rapid integration of Abric Seals in Malaysia and Kelvindale in Australia

Revenue

2015: £268.6m 2014: £244.0m +10.1%

Operating profit¹

2015: £60.3m 2014: £56.9m +6.0%

Further details

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Health & Personal Care Packaging

A leading global provider of packaging and authentication solutions to a diversified blue-chip customer base in the pharmaceutical, health & personal care, consumer and specialist packaging sectors. The business focuses on delivering value-adding innovation, quality and service through the provision of a wide range of printed products and solutions, including cartons, tapes, leaflets, foils, labels and authentication technologies.

2015 highlights

- > Growth led by healthcare and consumer packaging, boosted by tobacco labels
- > Successful development of innovative new packaging and authentication solutions
- > Rapid integration of Clondalkin Specialist Packaging Division, to support targeted US\$24m cost synergy savings
- > Agreement to acquire the pharmaceutical assets of Kamsri Printing & Packaging Pvt. Ltd. in India
- > Investment in second, state-of-the-art manufacturing facility in Newport, UK, to support future revenue growth opportunities and operating efficiencies

Revenue

2015: £394.4m 2014: £169.3m +133.0%

Operating profit¹

2015: £52.2m 2014: £30.8m +69.5%

Further details

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Filter Products

The only global independent cigarette filter supplier. The nine worldwide locations, including a dedicated Technology Centre supported by three regional development facilities, provide a flexible infrastructure strategically positioned to serve the tobacco industry. The business supplies a wide range of value-adding high-quality innovative filters, packaging solutions to the roll your own segment, fully-functional and packaged smokeless products and analytical laboratory services for ingredient measurement to the industry.

2015 highlights

- > Growth driven by successful new products and additional services
- > Continued increase in revenue from innovative special filters and ongoing intellectual property development
- > Growth in Scientific Services, boosted by additional e-cigarette testing capability and UK government contract win
- > Further production and quality efficiencies from investment in high-speed, flexible combining equipment
- > Reconfiguration of site footprint, to better serve customers and drive further opportunities and efficiencies

Revenue

2015: £302.6m 2014: £291.5m +3.8%

Operating profit¹

2015: £55.4m 2014: £39.0m +42.1%

Further details

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Specialist Technologies

A leading provider of specialised solutions to an international customer base in a diverse range of industries, including oil and gas, construction, point of sale, health & personal care and consumer goods.

Essentra Porous Technologies is a leading developer and manufacturer of innovative custom fluid-handling components used in a variety of end-markets, engineered from a portfolio of technologies that includes bonded and non-woven fibre, polyurethane foam and porous plastics.

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 industries.

One of Europe's most advanced suppliers of co-extrusion and tri-extrusion to all branches of industry, Essentra Extrusion is a leading custom profile extruder located in the Netherlands, which offers a complete design and production service.

2015 highlights

- > Significant impact on Pipe Protection Technologies, owing to challenges in the oil & gas sector
- > Strong growth in Extrusion, driven by new business wins and more encouraging market conditions
- > Increase in Porous Technologies led by healthcare, and supported by speciality wipes and household
- > Continued investment in technological improvements and geographical expansion

Revenue

2015: £135.5m 2014: £162.1m -16.4%

Operating profit¹

2015: £19.8m 2014: £29.8m -33.6%

Further details

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¹ Excluding intangible amortisation and exceptional operating items

**WHAT WE DO****Our business model**

Essentra operates at a Company, a Strategic Business Unit ("SBU") and a regional level. The Company is responsible for managing the overall portfolio of business activities, to create sustainable long-term value for shareholders. Essentra has established processes and practices in place to ensure effective and efficient management across all of the categories which the Company serves.

Clear portfolio management**We have a clear model for managing our portfolio of business activities****Strategic framework**

Essentra's business and financial objectives are defined in its Drive for 2020 strategy, which calls for balanced, profitable organic growth complemented by value-creating acquisitions. Each of the businesses is responsible for contributing to Essentra's overall strategic priorities, to ensure the Company's ongoing success and, hence, the creation of sustainable long-term shareholder value.

Risk management

Effective management of risk and opportunity is essential to the protection of Essentra's reputation and the achievement of sustainable shareholder value. The Board of Directors is responsible for determining the risk attitude of the Company and for communicating to the organisation what constitutes acceptable risk-taking. The Board, supported by the Audit Committee, also oversees the management process for the identification, assessment and mitigation of risk across Essentra.

Talent management

Essentra's employees are a vital resource in the pursuit of operational excellence and the provision of quality products and service. The skills and experience of Essentra's employees drive the innovation which enables the Company to provide added value to its customers, enhance supply chain logistics with its suppliers and reduce the environmental impact of its operations. The Company regularly reviews its organisational structure to ensure that the business has the necessary personnel to deliver its strategic priorities.

Legal requirements and compliance

Essentra is committed to ensuring that all of its activities are conducted in accordance with all applicable legal and regulatory requirements and the highest standards of ethical business conduct. The Company's Code of Business Ethics policy aims to guide stakeholders, including employees, on the elements that drive the conduct of Essentra businesses. The way in which Essentra does business reflects its commitment to profitable growth, sustainable development and integrity, and the Company's policies continue to promote fair and ethical dealings with customers and competitors as a matter of law and conscience.



Shared business priorities

Leverage our scale

We have a well-invested and flexible international sourcing, supply chain and production infrastructure. This enables businesses across the Company the opportunity to use our existing infrastructure and management to exploit new opportunities efficiently and cost-effectively. Our international distribution network ensures the delivery of cost-competitive and high-quality products in response to customers' requirements. High levels of service and broad geographic reach are an important competitive differentiator.

Operate efficiently

We have a comprehensive international production and distribution footprint, which can be flexed to respond to customers' needs, whether they be product, service, cost or supply chain driven. Supported by sophisticated IT systems, we are focused on being a low-cost producer, to secure revenue growth at attractive margins. Continuous improvement programmes, with tight cost control and productivity gains, serve to reduce conversion costs.

Invest in new product innovation

The continued successful launch and commercialisation of new products and services is a key driver of our future growth. Investment in research and development functions, supported by the identification of additional product sourcing opportunities to deliver product innovation and range development, provides the platform to further enhance our competitive positions. Robust quality systems maintained to internationally accredited standards assist the fulfilment of customers' demands.

Benefit from our experienced management team and talent base

We have a highly experienced and well-regarded management team and employee base. Their detailed insight into customer needs and market trends allows us to respond proactively to changing priorities and to drive performance. Technical expertise is reflected in production and supply chain efficiencies and product innovation.

Develop long-term customer relationships

We develop and maintain a close relationship with a wide portfolio of blue-chip customers, who are successful leaders in their respective markets. The high standards of service and supply demanded by such customers help to drive continuous improvement across the Company. Our manufacturing and distribution expertise adds value in response to customer demands, and our innovative capabilities drive the joint development of new products and services with key strategic partners.



Delivering value

Building on our leading international market positions

We have secured leading international positions in many of our served markets in each of our four SBUs. With our investment in international infrastructure, technology, innovation and people, the strength of our businesses within their respective markets enables us to deliver balanced, profitable growth.



CHIEF EXECUTIVE'S REVIEW

In 2015, the first year of Drive for 2020, we delivered our strategic objectives; in addition, we exceeded £1bn of revenue for the first time in the Company's history. This is notwithstanding the significant negative impact on our Pipe Protection Technologies ("PPT") business of a sustained low oil price and the consequent impact on drilling activity.

Continued delivery of balanced, profitable growth

In FY 2015, like-for-like revenue growth excluding PPT was 4.6%, and was supported by continued innovation, new business wins and investment in both existing and new geographical markets. However, with a c. 65% decline in PPT, total Group revenue increased to £1,098.1m, with like-for-like growth of 0.7%.

FY 2015 adjusted operating profit was ahead 20.3% (at constant exchange) to £171.5m. Excluding the significantly dilutive impact of the acquisition of Clondalkin Specialist Packaging Division ("SPD"), the adjusted operating margin was up 10bps (at both actual and constant exchange) at 16.6%: ex-PPT, the uplift was higher, at 80bps (+70bps at constant exchange). With only a modest increase in our financing costs resulting from higher net debt post the Clondalkin SPD transaction, and a further 210bps improvement in the tax rate, adjusted earnings per share (at constant exchange) increased by 12.6%.

During the year, we continued to invest in future revenue growth opportunities, with FY 2015 net capital expenditure of £54.8m. However, notwithstanding this spend, our cash generation remained good and our financial ratios strong, with net debt to EBITDA of 1.8x and interest cover of 17.7x as at 31 December. Underpinned by this cash flow generation, we again confirmed our commitment to paying a progressive dividend, with a recommended 13.1% increase in the FY 2015 payout to 20.7p per share.

Consistent with our strategic objectives, we successfully completed a number of value-adding transactions which complemented the organic performance of the Company during the year. In Distribution, in February we announced that we had purchased Specialty Plastics, a leading Australian distributor of an extensive range of protective plastic products for a wide variety of attractive growth end-markets, including hydraulics, fabrication, construction and mining.

Separately, in Health & Personal Care Packaging, in January we completed the acquisition of Clondalkin SPD, a leading global provider of a broad suite of speciality secondary packaging solutions for the pharmaceutical, health and personal care industries. Valued at approximately US\$455m, Clondalkin SPD is by far the largest transaction we have undertaken to date and we have made significant progress with the integration of the business this year. Indeed, at the HY 2015 results stage, we increased the target for potential synergy savings by 50% to at least US\$24m on an annualised basis from 2016, underscoring our confidence in rapidly enhancing Clondalkin SPD's operating margin towards the Company average. Then, in October, we announced that we had signed an agreement to acquire the pharmaceutical packaging assets of Kamsri Printing & Packaging Pvt. Ltd. ("Kamsri"). Based in Bangalore, Kamsri is a leading manufacturer of premium packaging solutions for the pharmaceutical and healthcare sectors in India and provides Essentra with an entry point into this attractive market, thereby reinforcing our global capabilities and enhancing the opportunities for our customers. As anticipated, the acquisition completed shortly after the year-end.

In 2015, we also continued our investment in our site footprint, as well as identified further opportunities for rationalisation and efficiency savings through adopting a more Company-wide approach to our manufacturing and distribution capabilities: as a result, 14 facilities were closed during the year.

Our new, 23,000ft² purpose-built distribution centre in Leduc, Canada is strategically located in Alberta and accommodates both our PPT and Components businesses, thereby consolidating our previous activities on the west coast. Meanwhile, we officially opened a 4,500m² Components distribution centre in Paris, France to help support growth in this commercially significant market: already serving 12,000 active customers from a range of c. 18,500 essential components, this new facility – which consolidates our sales and distribution activities at a single site – will help to ensure that we provide our customers with an even better delivery and service proposition, and that we are optimally placed to meet their exacting product requirements. And in Sydney, Australia, our c. A\$3m investment in a dedicated manufacturing and distribution facility entails a 400% increase in stock locations to leverage our global supply chain, with products from the new site serving customers in 16 countries across Europe, Asia, Australasia and the US.

Further to a comprehensive review of our global site footprint in Filter Products, we took the decision to close our Jarrow, UK manufacturing facility and to transfer the filter manufacturing, product development and innovation activities to Szegedszentmiklós, Hungary. Indeed, as an innovator and complete solutions provider to the tobacco industry, it is essential that Essentra continues to identify evolving market trends and respond to them in a way that enables us to continue to add value to our customers. In Europe, these trends reflect the continued shift in consumer demand from mature western countries to the more dynamic, developing markets in eastern Europe. Over the past ten years, cigarette sales volume in western Europe has declined by almost 30%, with the tobacco companies supplied by Essentra responding to this trend by relocating their own manufacturing footprint to central and eastern Europe. Indeed, only a tiny percentage of the filter production at our Jarrow facility was destined for the



domestic UK market. As such, and by aligning with the strategies and footprint of our customers in the most efficient way possible, the transfer of activities to Hungary will help to underpin our long-term position as the leading global independent supplier of filter products and related services to the tobacco industry.

Additionally, we took the opportunity of consolidating certain of our smaller sites in the UK into larger, better-equipped existing facilities. As a result, we transferred our Speciality Tapes activities to our packaging site in Nottingham and our Security operations to our European distribution hub in Kidlington; further to this relocation, the facilities in Bridlington and Banbury were closed.

Drive for 2020 in action

In last year's Annual Report – which followed almost immediately after the completion of our acquisition of Clondalkin SPD – we commented that the diversification of Essentra's business activities into health and personal care packaging since 2013 represented the sort of bold thinking entailed by our Drive for 2020 strategy which is required to deliver the next phase of the Company's growth. And while the integration of Clondalkin SPD is still in hand – and there are naturally things we can continue to improve upon in our "core" business as well – nonetheless, the evolution of our Health & Personal Care Packaging SBU during 2015 provides some compelling examples of our Drive for 2020 strategic objectives in action and, accordingly, our relentless drive to deliver long-term value to our shareholders.

Having completed the transaction on 30 January 2015, we welcomed our Clondalkin SPD colleagues through an extensive day one on-site communication programme, co-ordinated across 24 sites in six countries in Europe and North America. Thereafter, and benefiting from our own experience in 2013, we rapidly rebranded the acquired business to Essentra within 60 days – from signage and workwear to office consumables and IT platforms – with formal customer and legal entity

change taking place three months later. Accordingly, with the transaction taking Essentra from a leading European player to the global number two in specialist health and personal care secondary packaging, we made a good start in terms of integrating our activities and leveraging our combined scale and skills under a single Essentra brand.

Given the responsibility of the SBUs to identify market trends and drive product innovation and range development, during the year we further enhanced our go-to-market efforts by category and, thus, increased our relevance and market penetration. Underpinning this was the agreement and communication of a strategic plan in Health & Personal Care Packaging across all geographic regions, behind a common set of objectives and criteria, and based on detailed industry insight. The commercial teams were provided with newly-created, Essentra-branded product sample kits and literature, highlighting the breadth of solutions that the Group can provide to meet the exacting requirements of multi-national customers in these sectors – from regulatory-compliant product leaflets to authentication and tamper-evident brand protection technologies. These efforts have been particularly important in the personal care and beauty space, in which the Clondalkin SPD acquisition significantly increased our exposure and where customers are not only focused on the practical attributes – but also the aesthetic qualities – of the components which form an intrinsic part of their overall brand proposition to consumers. In response to this demand, we have flexed the look and feel of our offering and communication, to better reinforce Essentra's capabilities in the field of prestige packaging components – from flared and embossed folding cartons to sophisticated printing capabilities.

Over the last couple of years, we have communicated our efforts to operate in a more co-ordinated fashion across the Essentra Group and how our rebranding has facilitated this objective. During

the year, we further built upon these foundations, and the adoption of our matrix organisational structure has demonstrated the opportunities which are still available to Essentra in terms of realising our Drive for 2020 strategic objectives – notwithstanding the improvement we delivered over the course of Vision 2015.

However, it is the operational aspect that has represented the heaviest lifting, and we are pleased with the progress in 2015 – both in terms of creating an efficient manufacturing footprint and the delivery of synergy savings. Indeed, having acquired 24 sites, we have either closed (or are in the process of closing) nine in the US, UK, Ireland and the Netherlands – with a view to either consolidating them into the Essentra footprint or other Clondalkin SPD facilities. A notable case in point is in Newport where, having already opened a state-of-the-art labels and foils site in 2014, our additional multi-million pound investment in an adjacent facility will receive the business of four smaller, capacity-constrained sites and will transform this combined location into a genuine centre of excellence, not only for our customers but also for our employees. Indeed, having held a recruitment Open Day in September for in excess of 100 roles which will be created as a result of our expansion, we were very pleased that some 250 people visited us to find out more about the exciting career opportunities which Essentra is looking to provide at this new site. We were equally encouraged by the feedback we received from those who already work in the printing and packaging industry, in terms of the calibre of our location and the working environment we can provide there. Accordingly, through creating centres of manufacturing excellence, we firmly believe that this will ensure that Essentra is optimally positioned to provide a market-leading product range and superior service level to our customers from a site footprint based on future growth opportunities.



Evolving our organisational structure for even greater focus

2015 represented the first full year of the implementation of our matrix organisational structure, with the grouping of our activities into the three geographic regions of Europe, Americas and Asia supplementing our SBUs. And while there are naturally aspects we can improve upon to ensure more seamless interaction across the Company, we are already seeing tangible benefits. For example, in Europe, further to operational challenges arising from winning more orders than we could profitably fulfil, we have developed and implemented best practice processes and procedures for the onboarding of new health and personal care packaging business which have been adopted throughout the Group. Meanwhile, in the Americas, we successfully leveraged the Essentra offering and technologies with a key writing instrument customer to exploit category selling opportunities, securing business not only in our traditional reservoir and nib offering, but also with speciality wipes and extruded plastic. Finally, in Asia, the regional structure facilitated the very rapid integration of the major operating subsidiaries of Abirc Berhad ("Abirc Seals") into the Essentra footprint and product range, such that the acquired business was fully rebranded and integrated within the space of four months.

Having had the opportunity of reviewing the structure in action – and also taking into account the impact of the acquisition of Clondalkin SPD – the Board and the Group Management Committee ("GMC") have taken the decision to further evolve the SBUs, to provide even greater focus to the organisation. As a result, with effect from 1 January 2016, we are operating with three: Health & Personal Care Packaging, Component Solutions and Filtration Products. In respect of the former, this will now see our pharmaceutical, health & personal care and consumer goods packaging activities grouped with Speciality Tapes, which shares many common features in terms of

manufacturing process and footprint – not least since the afore mentioned relocation of manufacturing to Nottingham. Component Solutions will comprise Components, PPT, Extrusion and Security – each of which serves customers in light and heavy industry – while our Filter Products and Porous Technologies businesses will combine to form the Filtration Products SBU, as they share many common raw material and production processes.

Talent

At all levels, our employees are a vital resource in the Company's pursuit of operational excellence and the provision of quality products and services to our customers.

Indeed, as an international organisation, it is important that we attract an appropriate level of local talent and enhance mobility through increasing cross-divisional moves. In this respect, we made further progress during the year, both in terms of developing our existing employees as well as adding to our talent base from outside the Company and through recent acquisitions.

At Board level, and consistent with the Company's comprehensive succession planning, Stefan Schellinger was appointed to the position of Group Finance Director. Having joined Essentra in 2013 as Corporate Development Director, Stefan combines excellent financial and leadership skills with an outstanding track record of strategic and corporate development. Stefan's appointment to the role followed the resignation of Matthew Gregory who, following a successful twelve-year career with Essentra, left to pursue an opportunity outside the Company.

Having introduced assessment-based Leadership Development Centres ("LDC") in 2014, a total of 89 colleagues across all geographical regions have now attended, with three management development programmes covering coaching,

influencing skills and performance management being launched at the end of the year in response to the LDC findings. In addition, a set of behavioural competencies was finalised, clearly articulating what is expected of our people at all levels of the organisation, which will be used to drive performance management further in 2016.

The Essentra Graduate Development Programme enjoyed further success in 2015. The two-year graduate programme has provided a talent pipeline for a number of years and, in 2015, 19 people joined the scheme, which continues to expand its international reach. The 2015 intake will join the 21 graduates recruited in 2014, and will have the opportunity to develop their management skills through bespoke training which takes place around Essentra's sites, giving graduates exposure to the business while carrying out an operational role from day one. Separately, in December, the 2013 graduate intake completed their programme, with a number of successful presentations hosted in Kidlington. Representatives from senior management were invited to watch the graduate teams drawn from across functions and geographies present on projects focusing on "Global Key Account Management" and "How to Improve Stakeholder Perceptions for Revenue Generation".

The Board and the GMC are committed to ensuring that Essentra is a great place to work and that we continue to improve as an organisation. Having undertaken our second Group-wide employee engagement survey in December 2014, action plans responding to the feedback were developed and implemented during the course of 2015. For example, in the Americas region, employee communication and recognition initiatives have been improved at Erie, Richmond and Greensboro in the US, and in Brazil. Meanwhile, in Asia, there has been a focus on employee training and development, including aspects such as new product awareness in Korea, job enrichment at



the Filter Products joint venture site in India and supervisory skills in Thailand. Finally, in Europe, there has been a focus on improved communications and performance development reviews across a number of sites including Cervia and Piacenza in Italy, as well as in Finland and Sweden.

These action plans will continue to be monitored and reviewed, and we intend to launch our third engagement survey during the course of 2016.

Further to the appointment of a new Chief Information Officer to the Group Leadership Team last year, in 2015 we made further progress in terms of addressing the growing Information Technology risks which all companies face in the cyber security domain. In addition, and consistent with our Drive for 2020 objective of Integration, we deployed a standard set of policies and controls across the Group behind a harmonised central IT platform – Standard Desktop, an industry-leading, best-in-class solution – which has also provided us with enhanced, more seamless global collaboration capabilities.

Continuing to build on our track record in health and safety

Essentra's overriding concern in the workplace continues to be the health, safety and welfare of all its employees and those who visit the Company's locations, as well as those who carry out work on our behalf.

In 2015, the regional leadership structure continued to help drive further improvements in the HSE standards which the Company has already achieved. Indeed, the Group-wide HSE management system and Stop, Think, Evaluate, Proceed ("STEP") shop floor programme which was rolled out in 2014 has already resulted in an improvement in performance and better engagement and reporting of HSE issues. As a result, such initiatives, which focus on risk identification – as opposed to mere accident reporting – have led to a further reduction in our lost-time accident rate.

Reinforcing the importance of HSE to the Company, we are expanding the annual Safety, Health, Environment & Quality Awards programme, the objective of which is to recognise employees and facilities that have achieved – or are progressing towards – world-class levels of HSE performance, including the development, sustainment and continuous improvement of a positive and supportive culture. Going forward, there will be five award categories: Certificate of Operational Safety Performance; Health & Safety Best Practice Project and Improvement Award; Environmental & Social Responsibility Award; Quality Best Practice & Improvement Award; and Safety, Health, Environment & Quality Champion Award.

As Essentra continues to increase in size – both organically and via acquisition – and the global legislative backdrop for HSE continues to change apace, the Board and the GMC are convinced that our regional structure will allow the Company to make continuous improvement, to benefit from local expertise and to share best practice around the organisation in this critical area.

Reinforcing our responsibilities

Essentra is committed to the highest standards of corporate governance and responsibility, to ensure that the way in which we manage our activities reflects the expectations of all the Company's stakeholders. As a member of both the FTSE4Good Index and the Carbon Trust, we recognise that our interaction with the environment and local communities is a critical component of the international reputation and quality of Essentra's businesses, as well as a cornerstone of developing a responsible, progressive and winning culture.

All our principal manufacturing facilities hold the ISO 14001 environmental accreditation and, with the exception of recently acquired sites (which, as per Essentra policy, have a period of 24 months to reach the required standard), they have also achieved the Occupational Health & Safety Management Systems

OHSAS 18001. In addition, eleven sites gained ISO 50001 during the year. Attaining the ISO 50001 energy management standard at all our manufacturing facilities is a key objective and, consistent with our target, we are on track to meet the more stringent conditions required to gain a single Group-wide certificate by the end of 2016.

Essentra is committed to efficiency in all aspects of our organisation, and we have further reduced the environmental impact of our business in other aspects, with our "War on Waste" initiative continuing to deliver better utilisation – and reuse – of raw materials across the Company.

Summary

Essentra made a solid start to our Drive for 2020 strategy notwithstanding the challenging environment in the oil & gas industry. We also made encouraging progress with the integration of the Clondalkin SPD, over and above which acquisition rationalisation we consolidated a further five facilities across the Group, to better leverage our footprint and generate further opportunities for efficiency savings.

In delivering these results, I would like to acknowledge the efforts of all our employees, and to thank them for their commitment and dedication to Essentra's continued growth and development.

Outlook

In an environment where economic growth is by no means well established or uniform – not least in the oil & gas sector – we are nonetheless confident of delivering balanced profitable growth in 2016, due to our international footprint and diverse range of products and end-markets.

COLIN DAY
Chief Executive
19 February 2016



STRATEGY AND PROGRESS

Our vision

To build a leading global provider of essential components and solutions.

Our objective

To create sustainable long-term value for our shareholders.

Our strategic priorities

- > Integration: Operate a global, integrated Essentra Group generating synergy across all regions, functions and business activities
- > Relevance: Increase relevance to customers and market penetration
- > Active management: Actively manage and upgrade the Group portfolio
- > Excellence: Drive operational excellence
- > High performance: Build a high-performing, diverse and global talent base

Our financial priorities

- > Deliver balanced, profitable growth in both our existing and future opportunity markets and technologies
- > Re-invest in the business for future growth
- > Focus on strong translation of profit into cash
- > Return cash to shareholders in the form of a progressive dividend

Our responsibilities

- > Manage our activities to reflect the high expectations of all our stakeholders
- > Establish safe operational procedures, and manage our impact on the environment
- > Attract and develop motivated and highly skilled employees
- > Conduct our business to the highest ethical standards

How we will achieve it

Integration

As Essentra becomes larger, it is imperative that we continue to evolve in order to maximise the opportunities available to the overall Group so as to outperform our underlying markets on a consistent basis. The implementation of our category-focused model and Key Account Management under a single Essentra brand, together with sharing facilities and back office functions (such as Human Resources, Finance and IT), allow us to leverage our size, scale, infrastructure and talent to better exploit available growth opportunities.

Relevance

To drive future revenue growth, we continually seek to increase our relevance to customers and the penetration of our targeted end-markets. In order to add value, we aim to leverage the collective capabilities of the Company in terms of our intellectual property, business know-how and commercial footprint, and accordingly invest in innovation and technical and / or process capabilities. Range expansion and moving into adjacent technologies also provide us with growth opportunities.

Active management

Essentra's aim is to build a market-leading portfolio of strongly performing essential components businesses focused on attractive existing and adjacent end-markets by leveraging our key capabilities. Not only does this entail complementing our balanced, profitable organic growth with value-adding acquisitions, it also involves improving or exiting businesses which do not meet our criteria for strategic and / or financial attractiveness.

Excellence

Continued investment in fewer, bigger and better facilities, combined with footprint rationalisation and co-location of our business activities, allows us to better support revenue growth opportunities as well as realise efficiency savings.

High performance

At all levels, our employees are a vital resource in the Company's pursuit of operational excellence and the provision of quality products and service to our customers. As an international organisation, it is critical that we operate a world-class global talent management process and create a high-performance culture. Accordingly, we seek to attract, retain and develop an appropriate level of local talent and enhance mobility through increasing cross-business moves.



Strategic objectives	Progress in 2015	Priorities in 2016
Integration	<ul style="list-style-type: none"> > Rapidly rebranded Clondalkin SPD and other acquisitions to Essentra > Deployed standard policies and controls behind a harmonised central IT platform 	<ul style="list-style-type: none"> > Complete integration of Clondalkin SPD and deliver targeted US\$24m cost synergy savings
Relevance	<ul style="list-style-type: none"> > Converted manufacturing know-how and intellectual property into commercial success across SBUs > Exploited cross-selling opportunities through category-focused go-to-market > Continued range expansion and improved marketing effectiveness 	<ul style="list-style-type: none"> > Further successful exploitation of innovation and manufacturing capabilities in new technologies, products and services across the Company
Active management	<ul style="list-style-type: none"> > Completed the acquisition of Clondalkin SPD and announced an agreement to acquire the pharmaceutical packaging assets of Kamsri in Health & Personal Care Packaging > Acquired Specialty Plastics in Distribution 	<ul style="list-style-type: none"> > Successful integration of 2015 acquisitions > Identify further opportunities across SBUs
Excellence	<ul style="list-style-type: none"> > Significant integration of facilities, particularly in Health & Personal Care Packaging > Leveraged site footprint more efficiently > Increased consolidation of business activities at individual site level > Continued investment in upgrading / adding machinery and equipment, and capacity 	<ul style="list-style-type: none"> > Continued investment to support revenue growth opportunities > Drive revenue growth from a more focused go-to-market effort by category > Further leverage of collective capabilities across regions
High performance	<ul style="list-style-type: none"> > Increased participation in Leadership Development Centres > Launched three new management development programmes > Finalised behavioural competencies model, to help drive performance management > Extended geographic reach of the Graduate Development Programme > Developed and implemented action plans in response to 2014 employee engagement survey 	<ul style="list-style-type: none"> > Continue to grow and develop talent across Essentra > Increase intra-Company moves to enhance mobility > Attract appropriate level of talent for a global business > Continue to widen the geographic reach of the Leadership Development Centres and Graduate Development Programme > Undertake third Group-wide employee engagement survey



From a financial perspective, Drive for 2020 calls for balanced, profitable organic growth: a top-down model with an emphasis on strong performance across the board, rather than placing undue reliance on one particular metric to drive Essentra's results. The Company seeks to

complement this balanced, profitable organic growth with value-adding acquisitions across its SBUs.

The delivery of Essentra's strategic priorities is underpinned by focusing on key performance indicators which measure

the Company's progress in the delivery of shareholder value.

A number of these indicators have also been used as principal elements in assessing the short-term and long-term performance of the operating businesses.

◇ Performance measures
for the Executive Annual Bonus Plan

○ Performance measures
for the Executive Long-Term Incentive Plan

What we measure	Why we measure it	How did we do?
Revenue growth¹ ◇ % growth in like-for-like revenue	Measures the ability of the Company to grow sales by operating in selected geographies and categories, and offering differentiated, cost-competitive products and services	1 Revenue growth (%) (2014: 9%)
Operating margin² ◇ Operating profit ² as a % of revenue	Measures the profitability of the Company	15.6 Operating margin (%) (2014: 16.5%)
Earnings per share² ○ % change in earnings per share ²	Measures the benefits generated for shareholders from the Company's overall performance	47.6 Earnings per share (p) (2014: 42.3p)
Net working capital ratio³ ◇ Defined as inventories plus trade and other receivables less trade and other payables, adjusted to exclude deferred consideration receivable / payable, interest accruals / capital payables and other normalising items, as a % of revenue	Measures the ability of the Company to finance its expansion and release cash from working capital	12.5 Net working capital ratio (%) (2014: 11.5%)
Cash conversion Operating cash flow as a % of operating profit	Measures how the Company converts its profit into cash	57 Cash conversion (%) (2014: 75%)
Dividend per share % change in dividend per share	Measures the amount of cash per share which the Company returns to shareholders	20.7 Dividend per share (p) (2014: 18.3p)
Total shareholder return ○ Total annual increase in value based on the increase in share price and the dividend paid to shareholders	Measures the Company's ability to generate long-term value	15.5 Total shareholder return (%) (2014: -13.1%)

¹ At constant exchange rates, excluding acquisitions and disposals

² At constant exchange rates, excluding the impact of intangible amortisation and exceptional operating items

³ At constant exchange rates



FINANCIAL REVIEW

Basis of preparation

The financial information is prepared in accordance with IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board, and with the accounting policies set out on pages 89 to 95.

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. For the principal exchange rates for Essentra for the year ended 31 December 2015 ("FY 2015"), see the table below. Re-translating at FY 2015 average exchange rates decreases the prior year revenue and increases adjusted operating profit by £2.9m and £0.1m respectively.

Principal exchange rates	US\$:£	€:£
Average		
FY 2015	1.53	1.37
FY 2014	1.65	1.24
Closing		
FY 2015	1.47	1.36
FY 2014	1.56	1.28

Like-for-like basis

The term "like-for-like" describes the performance of the business on a comparable basis, excluding the impact of acquisitions, disposals and foreign exchange. The FY 2015 results are adjusted for Clondalkin Specialist Packaging Division ("Clondalkin SPD", acquired on 30 January 2015), excluding certain non-material activities of a distribution nature which have been fully integrated and managed therein. The impact of the major operating subsidiaries of Abirc Berhad ("Abirc Seals", acquired on 16 December 2014) is not excluded from the like-for-like results from 1 March 2015

(Europe and US) and 1 April 2015 (Asia), as it is no longer separately identifiable having been fully integrated into the Components business. The impact of Specialty Plastics (acquired on 27 February 2015) is not excluded from the like-for-like results, as it is not separately identifiable having been fully integrated into the Components business upon completion of the acquisition.

Adjusted basis

The term "adjusted" excludes the impact of intangible amortisation and exceptional operating items, less any associated tax relief. In FY 2015, intangible amortisation was £31.7m (2014: £17.5m), and there was an exceptional pre-tax charge of £39.1m (2014: £16.2m) mainly relating to integration costs and fees arising from the afore mentioned acquisitions and other site footprint consolidation.

Trading performance

Full year revenue increased +26.9% (+27.3% at constant exchange) to £1,098.1m, with like-for-like growth of 0.7%. Excluding Pipe Protection Technologies ("PPT"), like-for-like growth was 4.6% and was supported by investment in both existing and new geographical markets, continued product innovation and new business wins.

On an adjusted basis, operating profit was ahead 20.4% (+20.3% at constant exchange) to £171.5m. Excluding Clondalkin SPD, the adjusted operating margin was up 10bps (at both constant and actual exchange) at 16.6%: ex-PPT, the uplift was higher, at 80bps (+70bps at constant exchange). The integration of Clondalkin SPD proceeded well, with the rationalisation of nine sites already either closed or under consultation, and encouraging progress made on procurement savings. Operating profit as reported was £100.7m, -7.4% lower than last year (-7.8% at constant exchange).

Net finance expense

Net finance expense was higher at £10.3m (2014: £9.1m). The net interest charge on net debt increased to £9.4m (2014: £8.6m), the amortisation of bank facility fees was slightly lower at £0.7m (2014: £1.1m) and there was a IAS 19 pension finance charge of £0.2m (2014: credit of £0.6m).

Tax

The effective tax rate on profit before exceptional items and tax was 22.8% (2014: 24.9%). A significant driver of the movement was a reduction in the Group's weighted average applicable tax rate from changes in the underlying geographical balance of profits and corporate tax rates in those territories.

Net income

Adjusted net income was up 24.3% (+23.4% at constant exchange) to £124.4m. On a reported basis, net income of £68.7m decreased 4.3% (-5.6% at constant exchange). Fully diluted adjusted earnings per share of 47.0p was up 14.4% (13.6% ahead at constant exchange).

Dividends

The Board of Directors recommends a final dividend of 14.4p per share (2014: 12.6p), an increase of 14.3%. This takes the FY 2015 dividend to 20.7p per share (+13.1% versus FY 2014).

Net working capital

Net working capital is defined as "inventories plus trade and other receivables less trade and other payables, adjusted to exclude deferred consideration receivable / payable, interest accruals / capital payables and other normalising items."

Net working capital of £137.2m was £35.8m higher than the 31 December 2014 level of £101.4m as a result of acquisitions and growth. The net working capital / revenue ratio increased to 12.5% (2014: 11.5%).



Cash flow

Operating cash flow was lower, at £98.6m (2014: £107.0m). This included an outflow of net working capital for the year of £52.8m (2014: £25.4m) and gross capital expenditure of £58.6m (2014: £38.1m), with net capital expenditure at £54.8m (2014: £33.1m). Net capital expenditure equated to 172% (2014: 122%) of the depreciation charge for the year of £31.9m (2014: £27.2m). Net interest paid was £9.4m (2014: £8.5m) and tax payments decreased by £4.8m to £15.7m (2014: £20.5m). The outflow in respect of pension obligations was higher at £5.1m (2014: £2.5m).

Free cash flow of £68.4m compared to £75.5m in FY 2014.

Free cash flow reconciliation	(£m)
Adjusted operating profit	171.5
Non-cash / other items	34.7
Net working capital	(52.8)
Net capital expenditure	(54.8)
Adjusted operating cash flow	98.6
Tax paid	(15.7)
Net interest paid	(9.4)
Pension contributions	(5.1)
Free cash flow	68.4

Net debt

Net debt at the end of the period was £373.9m, an increase of £311.8m from 1 January 2015, with cash flow generation offset by the acquisition of Clondalkin SPD and higher dividends.

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 31 December 2015 was 1.8x (31 December 2014: 0.4x) and interest cover was 17.7x (31 December 2014: 15.5x).

Balance sheet

As at the end of 2015, the Company had shareholders' funds of £609.5m (2014: £592.8m), an increase of 2.8%. Net debt was £373.9m (2014: £62.1m) and total capital employed in the business was £989.1m (2014: £659.9m).

This finances non-current assets of £1,009.7m (2014: £671.9m), of which £288.8m (2014: £230.5m) is tangible fixed assets, the remainder being intangible assets, deferred tax assets, retirement benefit assets and long-term receivables.

The Company has net working capital of £137.2m (2014: £101.4m), current provisions of £8.0m (2014: £4.2m) and long-term liabilities other than borrowings of £120.5m (2014: £83.4m). The return on average invested capital (including intangibles) was 13.0% (2014: 17.3%), owing to acquisitions during the year.

Pensions

As at 31 December 2015, the Company's IAS 19 pension liability was £0.8m (2014: £1.7m) and the associated deferred tax asset was £1.9m (2014: £2.9m). The pension asset has been calculated after updating asset values and certain assumptions as at 31 December 2015.

Treasury policy and controls

Essentra has a centralised treasury function to control external borrowing and manage exchange 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 investing and 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 dealings are 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 2015, Essentra's US dollar-denominated assets were approximately 78% hedged by its US dollar-denominated borrowings, and its euro-denominated assets were approximately 58% 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.

STEFAN SCHELLINGER
Group Finance Director

19 February 2016



OPERATIONAL REVIEW

Distribution

A leading global manufacturer and distributor of a comprehensive range of components, used in diverse industrial applications and end-markets.

Revenue
2015: £268.6m 2014: £244.0m +10.1%

Operating profit¹
2015: £60.3m 2014: £56.9m +6.0%

Operating margin¹
2015: 22.4% 2014: 23.3% -90bps

Revenue per employee
2015: £122.0k 2014: £148.7k -18.0%

Revenue by destination	(%)
Europe & Africa	50.9
Americas	39.4
Asia including Middle East	9.7

Revenue by end-market	(%)
Electronics	30.9
Fabrication machinery	23.4
Automotive	11.4
Paper, board & point of sale	10.5
Document & identity solutions	5.6
Other	18.2

Who we are and what we do

The Components business is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating units in 29 countries serve a very broad industrial base of customers with a rapid supply of products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction.

The Speciality Tapes business is a leading manufacturer and distributor of adhesive-coated products for a wide range of industries and applications, in particular the point of sale and white goods sectors.

The Security business is a European leading provider of ID card printers, systems and accessories to direct and trade customers, providing the broadest product offering and most competitive value.

How we do it

The objective of our Components business is to leverage its extensive customer base, product range and distribution capability, using our efficient sourcing and manufacturing operations and integrated IT platform, to respond to the demands of our diverse customer base. Our tool library, product development skills and manufacturing experience, combined with our inventory and logistics infrastructure, are unique assets. We have sophisticated business-to-business, multi-channel marketing expertise, and support this with our knowledgeable sales resource and comprehensive product catalogues, which are available in many languages and online.

We target organic growth through increasing the range of products and effective marketing, expanding our customer base and entering new geographic markets. We also see opportunities to grow through acquisition, where it can move our business into complementary product categories or end-markets, or further our geographic distribution capability.

The Speciality Tapes business has expertise in coating multiple adhesive systems in numerous technologies. With close to 3,000 adhesive products available for same-day shipping, Essentra's products can meet all high-performance needs, from foam, magnetic, finger lift and acrylic high bond tapes to hook and loop and non-skid foam.

The Security business has access to a wide portfolio of products and services, including printers, software and consumables from leading manufacturers. Our systems produce durable, high-quality, credit card-style photo ID cards, which are compatible with the majority of security systems, and which can be specified to incorporate magstripes, barcodes, contactless chips or smart cards. To complement our ID card systems, the Security business also offers a range of manual and electronic visitor management systems, as well as an extensive range of ID accessories such as badge holders, clips and lanyards.

How we performed in 2015

Delivering balanced, profitable growth
Revenue increased 10.1% (11.4% at constant exchange) to £268.6m. On a like-for-like basis, growth was 10.0% and was driven by new business wins, the roll-out of distribution sites and range expansion.

In Components, the result reflected continued improvement in the trading environment in much of Continental Europe during the year, with an improved second-half performance in the UK as anticipated. The Asia region delivered strong, broad-based growth and continued to benefit from the opening of a regional distribution centre in Singapore in 2014, with our cable management and movement control products serving the electronics industry in south east Asia performing particularly well. Trading in the Americas was more challenging, although an underlying improvement in execution in the second half helped to mitigate a weakening market environment, notably in the oil & gas, agricultural and construction segments.

¹ Before intangible amortisation and exceptional operating items



Complementing our core standard components business, we made encouraging progress in expanding our custom injection moulding activities during the year, with incremental revenue opportunities generated in a number of end-markets – in particular in the automotive sector.

New catalogues were launched in all three geographic regions, with the European and Asian versions featuring some 7,000 new products predominantly in springs and magnets. Our hardware range performed particularly strongly, benefiting from our investment in dedicated specialist sales resources and larger project wins in the transport and cabinet manufacturing sectors. Further to the rapid rebranding of Abric Seals to Essentra, approximately 300 security seals were additionally included in the core catalogues and – with greater focus on targeted end-markets – there have been some encouraging early business wins, notably in the airlines sector.

The successful site roll-out programme continued in 2015 with market entry into South Korea and Dubai – in both cases co-locating with existing Essentra facilities. To support the expansion, dedicated local websites and catalogues were introduced in each of these markets: in the former, c. 7,000 cable management samples are now available for same-day delivery to customers in our targeted electronics sector, while the latter's product offer is particularly focused on pipe and flange components.

The result in Speciality Tapes was supported by an increase in the print finishing and industrial categories. Finger Lift tape continued to perform well, benefiting from the installation of high-speed aqueous coating equipment at the Chicago, US site which has broadened the range of adhesives and performance characteristics of the product offering: in conjunction with the business' hot melt capability, this advance has helped to generate further commercial opportunities. Custom gaskets and sealing solutions also increased, with investment in die-cutting equipment helping to boost further business wins with a major multi-national white goods customer. From a geographical perspective, the result reflected a continued good performance from the Express footprint in North America.

Adjusted operating profit grew 6.0% (6.8% at constant exchange) to £60.3m (at both constant and actual exchange) equating to a 90bps decline in the margin to 22.4%, largely due to the short-term dilutive impact of acquisitions. In addition, further benefits from the consolidation of the Components' site footprint, together with raw material and operating efficiency savings were offset by increased marketing spend in the first half of the year.

Complemented by value-adding M&A

On 20 February, we announced that we had completed the acquisition of Specialty Plastics. Based in Perth, Australia, Specialty Plastics is a leading distributor of an extensive range of protective plastic products for a wide variety of attractive growth end-markets. Having fully integrated Specialty Plastics with our existing business in Sydney and introduced some 13,000 products onto the combined ".au" website, we are even better-positioned to serve both domestic and export customers with a rapid supply of essential components, in particular in the construction, specialist transport and oil & gas industries.

Improving operational excellence and efficiency

During the year, we opened two new, purpose-built facilities in Leduc, Canada and in Sydney. In the case of the former, Essentra Components' customers can now select from nearly six million essential parts from our well-known general protection, cable management and MRO ranges, which are available in stock for rapid shipment: they can also benefit from free samples and CAD drawings. Meanwhile, the latter – which produced over 17 million parts and shipped more than 18,000 product lines in 2015 alone – secures domestic manufacturing capability and provides us with a strong foundation for ambitious growth in a targeted market, being supported by the afore mentioned Specialty Plastics transaction in western Australia and the expansion of our warehousing capabilities in our Asian regional hub of Singapore. Accordingly, both the investments underscore our ongoing commitment to providing our customers with even greater product choice and availability, combined with the best possible delivery and service proposition.

Reinforcing our manufacturing capability in 2015, we invested in the latest in plastic injection moulding equipment at our European hub in Kidlington to further enhance our production cycle time: we also installed a mezzanine level featuring spiral conveyors, which have allowed us to improve our "pick and pack" efficiency. In addition, we have taken the opportunity to automate certain manufacturing processes at the acquired security seals sites in Malaysia and Thailand, which has resulted in both productivity and labour savings.



2016 key initiatives

- > Exploit new business opportunities in the automotive and white goods segments, for both standard and custom components
- > Improve Components performance in the Americas
- > Further leverage hardware capabilities with telecoms and power distribution customers
- > Continue to improve inventory management, to deliver additional net working capital savings
- > Leverage geographic capabilities into new markets to exploit growth opportunities, particularly in point of sale and retail categories
- > Extend Key Account Management in household and white goods sectors, to globalise success with multi-national customers
- > Increase focus on key Industrial segments, such as electrical components and HVAC

Market trends

Given their very wide application, the global market for industrial components is large, fragmented and ill-defined for both suppliers and customers. However, management estimates the value of the available market for low-cost direct material components at c. £4.5bn pa.

Manufacturing GDP growth rate

With low-cost direct material components being used in a very broad spectrum of industrial end-markets, those countries with a higher manufacturing GDP growth rate are particularly attractive.

Increased use of standard components

There is an increasing move to small, specialised manufacturing businesses, which assemble their parts and equipment from a range of standard components. This approach provides them with flexibility, and the ability to move quickly to provide their own customers with the service they require.

Just-in-time delivery

As customers are required to deliver their own products "just-in-time", so their demand for critical components from their suppliers is increasingly on the same basis.

Increasing labour costs

Standardised manufacturing processes and components typically require less labour, thereby helping customers reduce their cost base. There is also a trend among larger customers to design in "higher technology" markets such as the US, UK, Germany, Japan and Singapore, and then to manufacture in lower labour cost regions (eg, eastern Europe, China and India), which benefits components suppliers with global reach.

Industry specification

As end-markets become more sophisticated and demanding, so the requirement for higher-quality components increases. Over and above this more general trend, certain customers are increasingly facing regulatory guidelines in terms of the specification of the components they use.

Weight reduction

Increasing focus on fuel efficiency in the automotive industry is resulting in weight reduction targets and a trend of replacing metal components with plastic.

Growing functionality

Increased product sophistication, particularly in the automotive and white goods sectors, is resulting in growing demand for cable management solutions.

Key new product opportunities

- > Continue range expansion, to provide customers with the broadest selection of components
- > Develop new sectors for existing customer base, such as hardware
- > Globalise successful local products through established supply chain
- > Enter new and adjacent product markets, such as Point of Sale
- > Launch products which are compliant with new industry standards

What we measure

NUMBER OF ACTIVE CUSTOMERS

Why we measure it

Reflects marketing effectiveness and measures the potential population for further growth opportunities

How we have done

13.7% decrease in active customer accounts on the prior twelve months, reflecting continued consolidation of customer accounts due to the migration to a single Essentra brand

NET PROMOTER SCORE

Why we measure it

Reflects our customers' overall satisfaction with our products and service, as well as loyalty to our brand

How we have done

A score of 30 compares to 29 in 2014

ON TIME IN FULL

Why we measure it

Demonstrates the ability to meet delivery demands

How we have done

88.3% compares to 85.4% in 2014



Health & Personal Care Packaging

A leading global provider of specialist packaging and authentication solutions to a diversified blue-chip customer base.

Revenue
2015: £394.4m 2014: £169.3m +133.0%

Operating profit¹
2015: £52.2m 2014: £30.8m +69.5%

Operating margin¹
2015: 13.2% 2014: 18.2% -500bps

Revenue per employee
2015: £110.2k 2014: £128.1k -14.0%

Revenue by destination	(%)
Europe & Africa	62.3
Americas	34.1
Asia including Middle East	3.6

Revenue by end-market	(%)
Healthcare	72.7
Food & beverage	13.1
Tobacco	9.3
Paper, board & point of sale	3.5
Other	1.4

Who we are and what we do

A leading global provider of packaging and authentication solutions to a diversified blue-chip customer base in the pharmaceutical, health & personal care, consumer and specialist packaging sectors. The business focuses on delivering value-adding innovation, quality and service through the provision of a wide range of printed products and solutions, including cartons, tapes, leaflets, foils, labels and authentication technologies.

Our product portfolio is led by our pharmaceutical, health and personal care offerings, positioned under the single Essentra brand throughout Europe and the Americas – and rapidly expanding in Asia. Our cartons, tapes, leaflets, foils, labels and brand protection technologies can combine to provide a multi-functional product choice for our customers. Accordingly, our range of solutions helps to ensure that the consumer does not get frustrated by opening packs, and receives products that have been protected in transit, have not been tampered with and can be confirmed as genuine.

Supported by an in-house design studio, R&D and multi-million pound print facilities, Essentra is positioned to deliver the very best in quality, service and reliability through its worldwide manufacturing and sales structure.

How we do it

Our objective is to use our business development philosophy and resource to identify innovation opportunities and translate these into novel, workable solutions. We seek to leverage our well-invested, international footprint to provide market-leading quality and service on a global basis, and to add value to both customers and consumers.

Operating from manufacturing sites across Europe, the Americas and Asia, Essentra is a leading global supplier of a broad suite of

innovative specialist secondary packaging and authentication solutions to meet the rapidly changing requirements of the pharmaceutical and health & personal care markets. Working in effective partnership with customers and strategic suppliers, Essentra is committed to quality, flexibility and creativity, and is well placed to meet the exacting needs of an international customer base.

In consumer packaging, Essentra is recognised as the leading manufacturer and supplier of pressure-sensitive tear tape, and a growing provider of other solutions such as cartons, labels, closures, seals, bags, sacks and commercial print. Essentra's range not only provides functional advantages for packaged consumer goods, such as easy opening or resealability, but can also be used as a medium for carrying branding and communication messages or brand protection features, including overt, covert and forensic technologies.

How we performed in 2015

Delivering balanced, profitable growth

Revenue increased 133.0% (140.6% at constant exchange) to £394.4m. Adjusting for the acquisition of Clondalkin SPD with effect from 30 January 2015, like-for-like growth was 2.3%; having been broadly flat at the half year stage, this FY 2015 outturn reflected an acceleration in the like-for-like performance in the second half, to 4.6%.

A strong result in the underlying health and personal care packaging business was boosted by new business wins, combined with the ongoing roll-out of the Company's Key Account Management strategy to its global customer base. This was partially offset by tobacco tear tape, where market conditions remain challenging owing to the ongoing trend of removing value-added features.

2015 was another positive year for packaging innovation and the further commercialisation of recently launched products. In the healthcare sector, we introduced serialised cartons to help

¹ Before intangible amortisation and exceptional operating items



customers ensure they are well placed to meet the rapidly evolving legislative requirements in respect of tracking, tracing and authenticating their products throughout the supply chain. In addition, to provide further layers of protection in the fight against counterfeit pharmaceutical and healthcare products, we continued to leverage our brand protection capabilities through the launch of fibre-tear labels, which cause irreversible damage to a product carton upon removal, allowing consumers to easily identify if packaging has been interfered with and, thus, providing a crucial tamper-evidence function.

In consumer packaging, our AquaSense™ label, launched in 2014 and being the first example of Essentra's Active Label Technology (which controls humidity and reduces product waste due to goods drying out), was further commercialised; we also achieved very good success with our broader range of "freshness" labels, particularly in the tobacco sector for both cigarettes and roll your own products.

Adjusted operating profit increased 69.5% (70.9% at constant exchange) to £52.2m. The 500bps decline (-540bps at constant exchange) in the margin was largely due to the significantly dilutive initial impact of the Clondalkin SPD business (being less than 10% on acquisition), together with the mix effect of the decline in value-added tear tape in the tobacco category.

Complemented by value-creating M&A

Having successfully completed the Clondalkin SPD transaction for US\$455m in January, action was taken to rapidly integrate the acquired activities into Essentra's underlying business. As such, at the HY 2015 results stage, we increased our cost synergy target by 50% versus our incoming expectation to US\$24m, and we are on track to deliver these on an annualised basis from 2016. In addition, during the acquisition process, certain lines of business were identified which were not consistent with Essentra's return and profitability metrics and

value-creation objectives; in this respect, progress is already being made to address such less attractive activities to underpin the margin expansion already entailed by the synergy target. Accordingly, the integration of Clondalkin SPD to date is in line with expectations, with the operating margin up by over 250bps and returns progressing towards the Company's previously communicated acquisition objectives.

In healthcare, the resulting expansion in our footprint – combined with the breadth of range and capabilities which we can collectively offer – has already elevated the dialogue which we are able to have with multi-national customers and expanded the potential commercial opportunities. At the same time, our increased scale catalysed a review of our tendering and onboarding processes, such that our revised procedures now better reflect the requirements of a global leading player with a more complex operational footprint. Meanwhile, in beauty and personal care – where Clondalkin SPD materially expanded our market presence – we are already seeing the benefits of a more comprehensive product offering and a reinvigorated go-to-market campaign behind a single Essentra brand which has been duly positioned to reflect the aesthetic demands of this sector, over and above the practical requirements of packaging. This is particularly resonant given our combined expertise in sophisticated printing capabilities and tactile labels and cartons. As such, while revenue opportunities are typically slower to realise in health and personal care packaging than in other end-markets in which we operate – not least owing to regulatory considerations and customer quality standards – we have made a positive start since completion. Meanwhile, in consumer packaging, we have won some exciting new business which has arguably benefited from the expanded Essentra Group capabilities, not least a sizeable contract with a well-known foodservice brand.

Subsequently, on 16 October, we announced that we had signed an agreement to acquire the pharmaceutical packaging assets of Kamsri. Based in Bangalore, Kamsri is a leading manufacturer of premium packaging solutions for the pharmaceutical and healthcare end-markets in India. Indeed, with a highly complementary product range, Kamsri provides Essentra with an entry point into these attractive industries in India, thereby reinforcing our global packaging capabilities and enhancing the opportunities for our customers. As anticipated, the acquisition completed shortly after year-end, with the assets already being transferred to our dedicated pharmaceutical-capable manufacturing facility, also in Bangalore.

Improving operational excellence and efficiency

During the year, we continued to invest in equipment and our site footprint, both to underpin future revenue growth opportunities as well as to generate further operational efficiencies. To support the afore mentioned launch of serialised cartons, we installed additional equipment and technology which enable us to operate to the required degree of complexity entailed in printing unique data, as well as capturing the huge volume of resulting information in an appropriately robust manner to ensure regulatory compliance. We also added to our digital capability, to allow us to print smaller runs in a more cost-effective and expeditious manner; with the new printer able to accommodate sophisticated tactile finishes and varnish effects, we are now even better placed to provide our customers with a rapid and flexible service. In addition, we invested in six further carton and leaflet presses, which have not only increased our capacity but also improved both manufacturing efficiency and product quality.

Key to the delivery of the targeted synergy savings from the Clondalkin SPD acquisition is the consolidation of our combined site footprint. Further to the completion of the transaction, we closed the Portland and Evansville facilities in the US and transferred the activities to Moorestown and Charlotte



respectively. Meanwhile, in Ireland, the activities at Swiftbrook and Cherry Orchard were folded into Essentra's existing Dublin healthcare site, while the consumer packaging operations at Denekamp in the Netherlands are in the process of being absorbed by the Leeuwarden site.

However, it is the UK which has presented the greatest operational complexity, where we have shut – or are in the process of shutting – four sites. The business from these facilities has been / is being transitioned to a new, state-of-the-art operation in Newport, adjacent to our existing site which was officially opened at the end of 2014. The investment in this second location will entail a six-fold increase in our existing footprint and see Newport become a centre of excellence for labels and foil production, with additional capability for cartons manufacturing.

Consistent with our Group target, eleven Clondalkin SPD sites gained accreditation to ISO 50001 during the year.

2016 key initiatives

- > Grow market share and build global Key Account Management, to increase customer relevance
- > Continue to address less attractive acquired activities, to support balanced, profitable growth objective
- > Deliver creativity in market-led product development and leverage in-house design expertise
- > Scale production in North America, particularly in beauty, blister foils and tamper-evident solutions
- > Expand offering in India, further to the acquisition of Kamsri
- > Launch global Quality Management System, to ensure alignment of standards around the world

Market trends

Management estimates the value of the global market addressable for specialist secondary health and personal care packaging and pressure sensitive tear tapes at c. £10bn, growing at a low to mid single-digit level depending on the end-markets served.

Increasing consumer communication

Packaging is increasingly used to communicate brand messages, and to engage with consumers via promotions or competitions.

Functionality and convenience of packaging

There is a growing demand for packaging which not only offers optimum product protection, but is also easy for consumers to access without frustration.

Brand and identity protection and verification

Brand owners have a continued need to protect their assets from counterfeiters, while public and private organisations require secure identification of individuals.

Legislation

Increasing regulatory requirements, such as the European Falsified Medicines Directive, are driving demand for tamper-evident packaging, while the more standardised pack requirements of the EU Tobacco Products Directive potentially limit the scope for innovative solutions.

Sustainability and waste reduction

There is a growing need for packaging to be resealable so as to maintain freshness and reduce waste, as well as to have a lower environmental impact.

Provision of total solutions

Customers are increasingly seeking a partner which can deliver a complete offering – from design to end-supply – as well as individual products capable of providing multiple pack benefits.

Key new product opportunities

- > Investment in technology, to develop novel, value-added packaging and brand protection solutions
- > Functional packaging benefits, such as opening, closing and tamper evidence
- > Eco-friendly packaging solutions, such as closing and resealing
- > Creative and secure design solutions to provide enhanced communication and authentication opportunities

What we measure

INNOVATION – PERCENTAGE OF SALES DERIVED FROM RECENTLY DEVELOPED PRODUCTS

Why we measure it

Demonstrates the success of new products and technologies

How we have done

8.3% of revenue generated from products launched in the last three years, reflecting the impact of the acquisition of Clondalkin SPD

ON TIME IN FULL

Why we measure it

Drives performance of quality systems and service delivery

How we have done

92.9% compares to 94.4% in 2014, reflecting the impact of the acquisition of Clondalkin SPD

CUSTOMER SATISFACTION – CUSTOMER COMPLAINTS

Why we measure it

Drives performance of quality systems and performance delivery

How we have done

65.0% increase in complaints from 2014, reflecting the impact of the acquisition of Clondalkin SPD



Filter Products

The only global independent provider of filters and related solutions to the tobacco industry.

Revenue
2015: £302.6m 2014: £291.5m +3.8%

Operating profit¹
2015: £55.4m 2014: £39.0m +42.1%

Operating margin¹
2015: 18.3% 2014: 13.4% +490bps

Revenue per employee
2015: £175.6k 2014: £168.3k +4.3%

Revenue by destination	(%)
Europe & Africa	39.7
Asia including Middle East	39.0
Americas	21.3

Sales volume by type	(%)
Monoacetate	43.5
Other special	38.0
Carbon	13.0
Flavour	5.5

Who we are and what we do

Our Filter Products business unit is the only global independent supplier of filters. Not only do we manufacture standard filters, but as the leading supplier of special filters we also provide innovative solutions that meet the consumer-driven demands of the tobacco industry against a backdrop of ongoing legislative changes. In addition, our offering extends to nicotine delivery solutions, where we have a number of fully-functional and packaged e-cigarette products, which draw upon the broad range of solutions which the entire Essentra Group can deliver.

We also increasingly provide adjacent services to the tobacco industry. Our Scientific Services facility located in the UK was one of the first independent, externally accredited laboratories for the testing of cigarettes, cigarette filters, smokeless devices (including e-cigarettes) and low ignition propensity ("LIP") for cigarette papers, and has over 20 years' experience of providing analytical services to state monopolies, and both independent and multi-national customers. Additionally, we offer a full bespoke range for the design, packing and packaging of filters for roll your own brands, providing an efficient and cost-effective solution to delivering retail-ready products to the market.

The Filter Products business unit supplies over 700 product specifications to c. 300 customers, including all the multi-national tobacco companies. We have eight manufacturing facilities in seven countries, supported by a dedicated research facility and three regional development centres.

How we do it

Innovation is at the heart of our business, and our objective is to develop value-creating partnerships with our customers. We seek to leverage our long-standing experience, expertise and insight to provide brand differentiation and identity solutions, as well as excellence in both manufacturing and service. Our recognised ability to provide new value-added products and services is key to the future growth of our business, as market dynamics in the tobacco industry continue to evolve.

Research in filters is carried out at a dedicated Technology Centre, supported by three regional development facilities. Together, they work closely with customers to understand their specific needs, and strive to deliver innovative solutions which will give their brands differentiation and relevance, at a pace appropriate to local market conditions and legislative requirements. Our offering is further enhanced by our ability to complement our customers' own strengths and assets in a variety of tolling, or outsourced management, relationship arrangements, as well as our growing adjacent services activities.

We continuously upgrade our technology and footprint, to ensure we exceed our customers' expectations and remain at the forefront of market trends. Our flexible global manufacturing capability allows us to respond rapidly to market changes and customer demand for surge volumes, while a consistent focus on high standards of quality, cost control and production efficiency act as further sources of competitive advantage.

¹ Before intangible amortisation and exceptional operating items



How we performed in 2015

Delivering balanced, profitable growth

Revenue increased 3.8% (3.0% at constant exchange) to £302.6m. Underlying volumes were ahead of the prior year, with a particularly good result in both special and non-standard diameter filters (eg, Slims).

In FY 2015, Asia accounted for 61% volumes (FY 2014: 60%). While China and India were both more challenging (owing to short-term inventory destocking and substantial tax increases respectively), our Indonesian and Dubai JV businesses delivered particularly strong underlying growth. In addition, our Thai facility supported the successful commercialisation of a bespoke innovative special filter under a long-term agreement with a multi-national customer, although this did not fully compensate for the impact of a sizeable contract in Europe which is starting to mature.

Building on our track record of successful innovation, a number of new products and development initiatives were launched during the year. Among these was the Super Slim Corinthian, a filter which provides a distinctive flute definition to give a unique consumer experience and – as a multi-segment filter – can be combined with carbon, flavour, coloured acetate tow or a recess, to offer numerous possibilities for visualisation and brand differentiation. We also supported our customers with bespoke solutions tailored to their specific needs; these included innovative tube and dual- / triple-segment filters (certain of which incorporating flavour capsules), more environmentally friendly roll your own products – combining our Ochre filter tip with our unique, degradable plugwrap material – and the introduction of demi- and micro-slim filters to further leverage our know-how in the fast-growing “non-standard diameter” segment. As a result, joint development activity increased 8% versus FY 2014.

Our Scientific Services unit continued to perform well, further building on its extensive experience and expanded range of accredited testing methods. During the year, a new facility dedicated exclusively to the testing of e-cigarettes was added to the existing analytical laboratory services, to ensure the delivery of high-quality analysis which remains at the forefront of industry trends and regulatory requirements in this growing segment. In addition, we won new business for the testing of ignition propensity, and successfully renewed our three-year contract with the UK government for the testing of all cigarette brands.

Adjusted operating profit rose 42.1% (43.2% at constant exchange) to £55.4m, equating to a 490bps improvement (+510bps at constant exchange) in the margin to 18.3%. This uplift was driven by a further improvement in productivity and efficiency initiatives, together with a full year benefit of savings from the closure of our site in Italy in 2014. The margin was further boosted by a favourable product mix and raw material procurement savings, although the certainty of maintaining either or both of these positive factors cannot be assured.

Improving operational excellence and efficiency

In order to ensure that we continue to deliver value, we are committed to maintaining a flexible and competitive geographic footprint. With our customers continuing to shift their production from western to eastern Europe and Asia, we took the decision to transfer our filter manufacturing, product development and innovation activities based in Jarrow, UK to our facility in Hungary, and as a consequence we closed the Bedesway site at the end of the year.

In 2015, we also continued our investment in modern, high-speed combining equipment to underpin our objective of improving capability and capacity – notably in our Hungarian and Thai facilities – to ensure we remain optimally positioned to meet the exacting requirements of our international customer base.

2016 key initiatives

- Continue to align geographic footprint with market shift in production volume
- Further increase innovation in special filters to capture growing demand, particularly in Asia and the Middle East
- Improve value proposition in more competitive mature markets
- Maintain focus on delivering further quality and productivity improvements
- Leverage further benefits from investment in high-speed, more flexible equipment

Market trends

The global tobacco market is valued at c. US\$810bn, with broadly flat cigarette retail volume growth.

Regulation

The tobacco industry is heavily regulated around the world on health grounds, with significant restrictions on the way in which products can be marketed to consumers. Legislation continues to evolve, both in respect of traditional cigarettes and innovations such as e-cigarettes, as well as surrounding the testing and packaging requirements for these products.

Illicit trade

Counterfeiting of tobacco products is a significant and increasing challenge for the industry, undermining brand value, presenting a risk to consumers from low quality goods and reducing tax revenues. The illicit trade accounts for approximately 11% of duty-paid cigarette volumes and is estimated to be growing at c. 9% pa – well ahead of the overall industry.

“Beyond tobacco” products

The market for products beyond traditional cigarettes continues to evolve rapidly. There is increased interest in other nicotine delivery mechanisms which offer “heat not burn”, in particular in e-cigarettes which are reportedly delivering rapid growth (albeit from a low base) and which are forecast to continue doing so.

**East versus west**

Accounting for over 70% of total world cigarette volume, the growth markets of Asia dominate the global tobacco industry and are forecast to continue to increase.

Consumer engagement

As per capita income rises – particularly in eastern markets – so lifestyles change and new segments are created, with different consumer expectations and aspirations from the products which they purchase. As such, there is an increasing demand for new products to reflect these changes.

Consumer need

Consumers are increasingly concerned with environmental matters, such as sustainability and pollution, and the impact of products which they purchase. Such needs are often unspoken but create challenges for the industry to supply products which address such considerations.

Cost and price

As the price of cigarettes has continued to increase, growth opportunities have been created for other industry segments including roll your own and Other Tobacco Products, such as chewing tobacco.

Key new product opportunities

- > Lifestyle solutions (eg, Slims / Super Slims, low / ultra-low tar, “eco” ranges)
- > Brand-specific requirements, such as recessed filters
- > Enhanced user experience, such as capsules, flavoured thread and activated carbon
- > Full bespoke service for roll your own brands
- > Provision of scientific services
- > Adjacent sectors, such as e-cigarettes and “heat not burn” products

What we measure**CONVERSION COSTS AS A PERCENTAGE OF REVENUE****Why we measure it**

Continued focus delivers financial performance

How we have done

21.1%, a 510bps improvement from 26.2% in 2014

ON TIME IN FULL**Why we measure it**

Demonstrates the ability to meet delivery demands

How we have done

92.9% compares to 92.4% in 2014

QUALITY COMPLAINTS PER BILLION RODS**Why we measure it**

Drives productivity and the efficient use of material

How we have done

4.9 complaints per billion rods, an increase from 3.8 in 2014

WASTE**Why we measure it**

Drives productivity and the efficient use of material

How we have done

6.8%, a slight increase from 6.7% in 2014



Specialist Technologies

A leading provider of specialised solutions to an international customer base in a wide range of end-markets.

Revenue
2015: £135.5m 2014: £162.1m -16.4%

Operating profit¹
2015: £19.8m 2014: £29.8m -33.6%

Operating margin¹
2015: 14.6% 2014: 18.4% -380bps

Revenue per employee
2015: £148.7k 2014: £158.6k -6.2%

Revenue by destination	(%)
Americas	50.1
Europe & Africa	34.4
Asia including Middle East	15.5

Revenue by end-market	(%)
Writing instruments	20.3
Healthcare	18.2
Clean room	14.8
Oil & gas	12.7
Construction	7.9
Household	7.4
Printer systems	5.7
Other	13.0

Who we are and what we do

Our Specialist Technologies business unit is a leading provider of specialised solutions to an international customer base in a wide range of end-markets, including oil & gas, construction, point of sale, health & personal care and consumer goods.

Essentra Porous Technologies is a 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 plastics. Representing 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.

The Pipe Protection Technologies ("PPT") 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.

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

How we do it

In Porous Technologies, our objective is to leverage our technical expertise in collaboration with our customers, to provide them with innovative, high-quality, reliable, quick-to-market solutions to their respective fluid- and vapour-handling challenges. Our R&D teams focus on each of our three material technologies

and constantly develop new intellectual property regarding materials, processes and applications, with a view to providing new and existing customers with unique solutions.

As a global leading supplier to the oil & gas sectors, our PPT business provides the broadest range of custom thread and pipe protection products for a complete range of OCTG tubulars, line pipe and drilling pipe applications. Our objective is to leverage our state-of-the-art manufacturing footprint headquartered in Houston, US, to meet global demand while ensuring adherence to the latest industry regulations.

Offering a full range of value-added design and production services, Essentra Extrusion is well placed to provide purpose-developed products based on unique specifications. Our objective is to leverage our extensive in-house capabilities – including a laboratory, R&D department and tooling expertise – to partner with customers from the earliest stages of new product development and provide them with a compelling value proposition, no matter how complex the finished product.

How we performed in 2015

Revenue decreased 16.4% (-18.0% at constant exchange) to £135.5m, driven predominantly by the impact of weakness in the oil & gas industry on the PPT business. Excluding PPT, revenue was ahead 2.4% (1.7% at constant exchange) to £118.4m.

In Porous Technologies, the result was supported by new contract awards, the commercialisation of recent product innovation and geographic expansion. The increase in healthcare benefited from further developments in advanced wound care, as well as strong growth in cosmetic foam and products using porous plastics. Further distribution channel and range expansion, and line extensions boosted speciality wipes, while household benefited from further development and scaling up of both reed and porous plastic

¹ Before intangible amortisation and exceptional operating items



aircare wicks. In writing instruments, the performance was underpinned by continued portfolio expansion in nibs to both current and new customers. The result in printer systems reflected an accelerating decline in the market, where conditions are increasingly challenging and in light of which a strategic review of Essentra's Porous Technologies' footprint has been initiated.

In 2015, the business continued its track record of converting its intellectual property into commercial success. This included new contract wins for infused antimicrobial advanced wound care foam to provide enhanced infection prevention / control to address this growing market trend, and the development of new insecticide and innovative air freshener wick opportunities. Further progress was made with our filtration components: in India, we launched our first product for sediment removal into the residential water filtration segment as well as an automotive paint filter, with encouraging early results also being delivered for our water and diesel components in Europe, the US and India. At the same time, the patented reservoir technology which was initially developed in 2014 to support the Essentra Group's commercialisation of a range of nicotine delivery solutions was further refined for even better performance.

Like-for-like revenue in PPT declined 64.9% to £17.1m owing to developments in the oil & gas sector, with a significant decline in the North American rig count driving a consequent reduction in drilling activity and demand from the pipe mills. Notwithstanding this challenging backdrop, our MaxX® range of American Petroleum Institute-compliant, premium thread and API standard thread protectors – which come in both standard and liftable versions – performed well, benefiting from being specified by certain large customers as their product of choice. In addition, the business expanded and reinforced its geographic footprint outside the US, successfully leveraging the Essentra Group's international network. In Asia,

a drill pipe thread protector line was stocked for the first time at our regional hub warehouse in Singapore as well as in Australia, with the MaxX® and Mega™ ranges also being launched in Saudi Arabia. Meanwhile, the result in the Americas benefited from a new business win in Brazil with an international customer, thanks to our continued investment in regional product availability at our facility in Paraguay.

Further new contract wins, combined with more encouraging market conditions, drove a strong result in Extrusion, with particular success in more complex, technical extruded components. These included plastic profiles used in the purification of drinking and processed water in both municipal and industrial installations; extruded finishing parts used in the furniture sector, such as plinths and edge bands, where additional business was won with a major multinational retailer during the year; and in construction across a range of internal and external applications.

Adjusted operating profit decreased 33.6% (-36.1% at constant exchange) to £19.8m and the margin declined by 380bps (-410bps at constant exchange). An improvement in Extrusion – which benefited from more benign raw material costs and continued efficiency programmes – was offset by the impact of the decline in revenue in the higher margin PPT and Porous Technologies' printer systems businesses, notwithstanding rapid cost and headcount reduction.

Investing in operational excellence and execution

A number of operational initiatives were successfully completed during the year.

In Porous Technologies, writing instrument nib production was transferred from Korea to a state-of-the-art manufacturing facility in Indonesia which – together with investment in additional high-speed ink reservoir capacity in both India and China – will allow us to serve our global customer

base even better with a full technology platform, as well as reduce the cost base. In addition, to support future growth in the attractive healthcare sector, we added a further pregnancy test wick line at our Ningbo, China facility to meet rising demand for these essential diagnostic components.

In Extrusion, we installed innovative, high-speed equipment at our facility in Buitenpost, the Netherlands, which allows us to manufacture significantly larger profiles than before. As a result, we are now better positioned to exploit new business opportunities, particularly in the construction sector. In addition, we installed a second line for the production of high-quality profiles incorporating foil application: such products are typically used in kitchens, with the further investment in our capability meaning that we are well-placed to continue to support the requirements of our blue-chip customer base.

In PPT, we continued to invest in technology for large capacity, energy efficient injection presses, as well as developed the latest in part moulding tooling, utilising multi-cavity moulds that can produce up to 16 parts per moulding cycle. These advances have helped to ensure consistent product quality while reducing cost. In addition, we added robotics and automated parts handling systems to over 60% of our presses, resulting in further improvements in quality and labour cost savings.

During the year, we also completed an infrastructure build-out and total refurbishment of our former injection moulding activities into a centre to accommodate an expanded CNC threading plant in Houston, such that we are now one of the few thread protector manufacturers globally to offer our customers two separate facilities for product moulding and high-speed product threading capabilities. Finally, we installed automated computerised indexing tool and mould storage systems in our dedicated fireproof



storage room, to provide a more secure environment for our high-value tools and moulds which are the foundation of our capability to manufacture the broadest range of thread protection products in the industry. As a result of these investments in our manufacturing efficiency, we are even better placed to provide our customers with competitively priced products, combined with excellent delivery and service levels. Accordingly, these advances help to ensure that the business is optimally positioned for a recovery in the oil & gas industry.

Separately, we consolidated our presence on the west coast of Canada, with the opening of a new 23,000ft² facility in Leduc, strategically located in the heart of the Alberta oil patch and accommodating both our PPT and Components ranges. This new distribution centre provides the necessary space to continue the rapid expansion of our offering to this important market, where our PPT range includes the Tector Plus® series of thread protectors, a heavier closed-end product designed specifically to meet the requirements of the Canadian market, providing protection from environmental elements as well as easy handling.

2016 key initiatives

- > Continued range and geographic expansion to drive growth opportunities in speciality wipes
- > Further development of antimicrobial wound care foam and medical components to meet growing need for infection prevention and control
- > Drive writing instrument nib conversion of global customer base, leveraging capabilities in fibre, acrylic and porous plastics
- > Continue to manage PPT cost base effectively, to contain the financial impact of the ongoing challenging environment in the oil & gas industry
- > Expand further in technical extruded plastic profiles, and identify additional cross-selling opportunities through leveraging the Group's Key Account Management strategy

Porous Technologies

Market trends

Management estimates the global addressable market for our porous technologies products at around £1.2bn, with low to high single-digit growth. The underlying growth rates and key trends vary depending on the end-market served and the respective fluid- or vapour-handling challenge being addressed.

Printing systems: platform extension and performance improvements

Customers continue to introduce new platforms, as well as enhance the performance of their products (such as through the use of increasingly complex inks).

Healthcare: infection prevention / control, enhanced fluid-handling capabilities and changing customer / patient needs

Infection prevention and control is increasingly a critical requirement, prompting the development of antimicrobial components.

Market growth is also partly driven by the migration from slower and more expensive laboratory-based testing to results being provided at the point of care.

In addition, a globally ageing population is resulting in a change in the incidence of medical conditions (such as diabetes) which require advanced wound care products.

Household and personal care: emerging market growth and "lifestyle" trends

Consumers are increasingly transitioning to more sophisticated household and personal care products. In addition, insecticide products continue to evolve from solvent to water-based systems.

Non-woven products: growing requirement for sensitive environments

Industries such as electronics operate in controlled environments, while others (eg, hospitals) have a requirement for clean room conditions to combat infection and /

or contamination risk. Such controlled environments are increasingly being adopted as best practice on a global basis.

Writing instruments: range expansion

Customers are increasingly looking for a total solutions provider – from ink reservoirs to nibs.

Key new product opportunities

- > Improved technologies to further enhance fluid- and vapour-handling capability
- > Additional technology platforms, to take advantage of new end-market opportunities
- > Further range expansion
- > Investment in faster-growing product end-markets, such as medical
- > Continued focus on customer partnerships

What we measure

INNOVATION – PERCENTAGE OF SALES DERIVED FROM NEW PRODUCTS

Why we measure it

Demonstrates the success of new products and technologies

How we have done

12.9% of revenue generated from products launched in the last three years

SUSTAINED IP DEVELOPMENT

Why we measure it

Continued development of intellectual property to support future growth and strong development project pipeline

How we have done

Currently 34 (2014: 38) patents in force in the US, with 10 (2014: 10) applications pending

CUSTOMER COMPLAINTS

Why we measure it

Drives performance of quality systems and service delivery

How we have done

57 complaints, being a 29.6% decrease versus 2014



MAN HOURS PER MACHINE HOUR

Why we measure it

Indicative of shop floor productivity

How we have done

1.85 (2014: 1.73) man hours per machine hour

Pipe Protection Technologies

Market trends

The global oil and gas market is prone to volatility in supply, with the consequent fluctuations in energy prices having an impact on the level of drilling activity and rig count.

Evolving oil and gas production techniques

Over the cycle, the significant increase in shale gas and oil will result in the development of more efficient drilling rigs and the adoption of new technologies, which benefit suppliers with the ability to invest in supporting industry growth.

Industry specification

As end-markets become more sophisticated and demanding, so the requirement for higher quality components increases. Over and above this more general trend, customers are increasingly facing regulatory guidelines in terms of the specification of the components they use.

Cost

Continued customer focus on their cost base benefits suppliers with a broad product offering across price points and the ability to invest in more efficient equipment and manufacturing processes.

Key new product opportunities

- > Continue to invest in state-of-the-art manufacturing capability and further capacity, to meet industry demands
- > Launch products which are compliant with new industry standards
- > Leverage new product development expertise, to provide customers with the most comprehensive and cost-competitive range

What we measure

SALES PER MACHINE HOUR

Why we measure it

Indicative of business mix and productivity

How we have done

6.0% decrease in sales per machine hour, reflecting the slowdown in the oil & gas industry

NEW CUSTOMERS ADDED

Why we measure it

Reflects our ability to successfully target new growth opportunities

How we have done

85 compares to 67 in 2014

ON TIME IN FULL

Why we measure it

Demonstrates the ability to meet delivery demands

How we have done

94.6% compares to 91.0% in 2014

Extrusion

Market trends

Management estimates the global addressable market for extruded plastic products at around EUR 400m, with low to high single-digit growth. The underlying growth rates and key trends vary depending on the end-market served and the respective solution being provided.

Increased demand for fully-engineered and rapid solutions

Customers are increasingly seeking more sophisticated and bespoke solutions to their needs, which typically require more value-added equipment and a more technically-educated workforce. In addition, with solutions required ever more rapidly, the ability to provide prototype tooling (for example, through the use of 3D printing), as well as to integrate the design and manufacturing process, is becoming more important.

Practicality and reliability

In many end-markets, particularly in construction and furniture, the use of plastic is increasingly displacing more traditional materials (such as wood and metal), in a wide variety of applications – from finishing to protection, and for interiors and exteriors alike.

Regulatory requirements and sustainability

As regulation evolves and sustainability concerns increase, so there is a growing demand for products which use more environmentally-friendly, non-PVC raw materials.

Key new product opportunities

- > Continue to invest in high value-added tooling and design capabilities, to meet demand for technical and efficient high-end profile solutions and reduce lead times
- > Actively outsource tools where appropriate, to provide greater capacity flexibility
- > Investigate alternative suppliers and / or raw materials to meet regulatory / sustainability requirements and customer need

What we measure

NEW CUSTOMERS WON FROM MADE QUOTES

Why we measure it

Demonstrates the ability to translate quotes into revenue-generating opportunities

How we have done

18% compares to 12% in 2014

WASTE

Why we measure it

Drives productivity and the efficient use of materials

How we have done

15.5%, an improvement from 16.6% in 2014

REGIONAL REVIEW

Summary growth in revenue by Region (by destination)

% growth	Like-for-like	Acquisitions / disposals	Foreign exchange	Total reported
Europe	+6.3	+25.1	-6.5	+24.9
Americas	-9.2	+44.7	+7.4	+42.9
Asia	+2.8	+1.4	+2.8	+7.0
Total Company	+0.7	+26.6	-0.5	+26.8
PPT	-64.9	-	+1.8	-63.1
Total ex-PPT	+4.6	+28.2	-0.9	+31.9
<i>Europe ex-PPT</i>	+6.5	+25.2	-6.6	+25.1
<i>Americas ex-PPT</i>	+2.6	+53.9	+8.7	+65.2

Europe

	£m	% growth Actual exchange	% growth Constant exchange
Revenue	547.7	+24.9	+31.4
Revenue ex-PPT	546.7	+25.1	+31.7

Revenue increased 24.9% (31.4% at constant exchange) to £547.7m, with like-for-like growth of 6.3% (+6.5% ex-PPT).

Underlying growth was driven by a strong performance in the industrial, furniture and health & personal care categories, supported by tobacco and food & drink. Metal hardware delivered a strong result in both existing and export industrial markets, with range extensions and early success in custom injection moulding also contributing. Enhanced project conversion, new business wins and cross-selling opportunities for extruded plastics boosted the result in the furniture segment, while innovative labels and tapes contributed to the increase in FMCG sectors.

In health & personal care, there was good growth in speciality wipes, advanced wound care and noise protection porous components, as well as in the core packaging portfolio which was supported by new product launches – including authentication solutions – which are well placed to meet evolving regulatory requirements.

The performance of the Clondalkin SPD business was in line with expectations, with efforts already under way to address less profitable activities. Substantial progress was made in rationalising the site footprint, with seven sites already – or in the process of being – closed.

Over and above this acquisition integration activity, an additional four facilities were shut during the year and transitioned to existing Essentra operations in the region.



Americas

	£m	% growth Actual exchange	% growth Constant exchange
Revenue	371.6	+42.9	+35.5
Revenue ex-PPT	355.5	+65.2	+56.5

Revenue increased 42.9% (35.5% at constant exchange) to £371.6m: like-for-like revenue was down -9.2% (+2.6% growth excluding PPT).

The result in the Americas was driven by the afore mentioned developments in the oil & gas sector, and the consequent impact on the PPT business. However, consistent with its positive longer-term view of the industry, the Company continued to invest in opportunities for future growth, including new technologies, robotics and process automation to help ensure even greater consistency in product quality while reducing cost and improving labour savings, as well as a new purpose-built distribution centre in Alberta. Notwithstanding the rapid consolidation of the Abirc Seals range into the Components offering, trading was also more challenging in the broader industrial segment, although an underlying improvement in execution in the second half helped to mitigate a weakening market environment.

Underlying growth in health & personal care was driven by portfolio and distribution channel expansion in speciality wipes and success in advanced wound care, while an increase in the household segment was boosted by the further successful commercialisation of recent business wins in both aircare and writing instruments for products using porous plastics. New packaging projects supported the performance in the food & drink category, with development activity and the roll-out of the Company's e-cigarette offering continuing in tobacco.

The integration of Clondalkin SPD proceeded rapidly during the year, with some encouraging new business wins and the closure of two manufacturing facilities.

Asia

	£m	% growth Actual exchange	% growth Constant exchange
Revenue	178.8	+7.0	+4.2

Revenue increased 7.0% (4.2% at constant exchange) to £178.8m, with like-for-like growth of 2.8%.

Growth in Asia came across the majority of categories, with particularly good progress in the industrial category in India. The result in tobacco was supported by flavoured and non-standard diameter filters, combined with joint development activity with key multi-national customers and strong growth in Dubai: this was partially offset by the impact of temporary inventory destocking in China and material tax increases in India. The healthcare segment was boosted by growth in medical devices, while household benefited from the transfer of writing instrument nib activity from South Korea to a new facility in Indonesia – the full benefits of which will be realised in 2016 – although weakness in printer systems reflected an accelerating decline in market conditions.

Total revenue was boosted by the rapid integration of the Specialty Plastics and Abirc Seals businesses, both of which have performed well and benefited from some encouraging new business wins.

MANAGEMENT OF PRINCIPAL RISKS

Risk management approach

The sound management of risk within the parameters of a clearly defined risk attitude statement underpins the delivery of the Company's Drive for 2020 strategy. By focusing on the challenges which arise in the international environment in which Essentra conducts business, and reflecting the Company's attitude to risk in the delivery of its business objectives, Essentra's risk management practices are designed to ensure risks are continuously monitored, associated action plans are reviewed and challenged, appropriate contingencies are provisioned and information is reported through established management control procedures.

Essentra seeks continuously to 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.

Throughout 2015, Essentra further embedded its enterprise risk management framework, which includes both Operational and Executive Risk Management Committees meeting on a quarterly basis, to discuss and monitor the changing risk environment to which Essentra is exposed and ensure any necessary mitigating actions are undertaken. Such meetings are preceded by individual discussions on risk with committee members, in order that a suitable view of the risk landscape can be determined. The Board and Audit Committee review the output from these respective committees in fulfilling their risk management responsibilities.

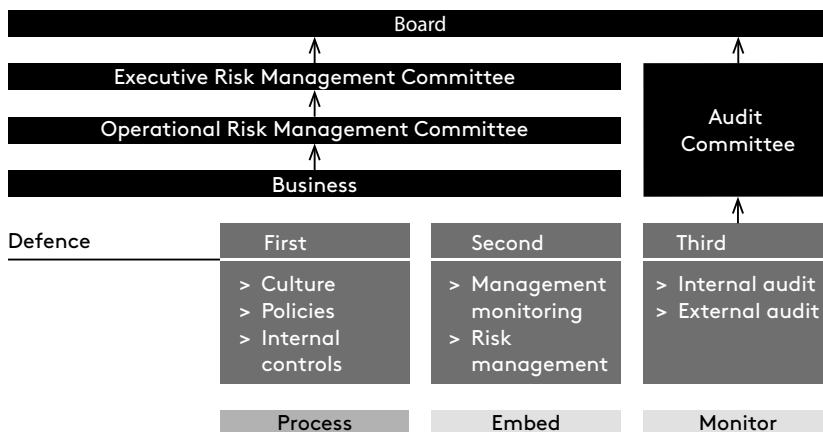
Essentra recognises that the ability to monitor, assess and respond to business risks quickly and effectively may provide a competitive advantage. Reporting within the Group is structured so that key issues are escalated, as appropriate, at the earliest opportunity. Each area of the business is required to review its areas of risk and uncertainty formally and regularly. There 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 may be impacted by many risks and uncertainties, not all of which are

within the Company's control. Outside the formal processes, the Company also seeks to ensure risk management is embedded in its everyday activities and is the subject of ongoing review and discussion.

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 materials costs.

The Directors have undertaken a robust systematic assessment of the Group's principal risks and uncertainties detailed on pages 31 to 35. The Board believes these risks and uncertainties are specific to Essentra, having regard to its strategic objectives, together with the Company's 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 so in the future. There have been no significant failings in the controls during the year.

Structure





■ Disruption to infrastructure

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 attack 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.

Impact	Mitigation
<p>A material disruption to operational facilities or the loss of critical assets may negatively affect the Company's:</p> <ul style="list-style-type: none">> Production capability and asset base> Supply chain management> Customer relationships> Reputation> Revenue> Profit> Financial condition	<p>Essentra seeks to manage the risk of potential disruption of the supply of its customers by:</p> <ul style="list-style-type: none">> 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> Aligning Group information technology resources

■ Emerging technologies and new competition pressures

Essentra faces pressure from direct competitors, as well as new competition from alternative technologies. Some of the Company's competitors may derive advantage from greater financial resources, economies of scale or additional purchasing power or a lower cost base, and Essentra may face aggressive pricing practices.

Impact	Mitigation
<p>Demand for competitors' products and the development of competing technologies may result in:</p> <ul style="list-style-type: none">> Loss of market positions> Erosion of margins> Intellectual property challenges> Decline in revenue> Decline in profitability> Deterioration in financial condition	<p>Essentra seeks to mitigate the risk of competitive pressure by:</p> <ul style="list-style-type: none">> 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

Innovation

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 and the ability of the Company to be innovative with its operations in order to create efficiencies. There can be no assurance that the Company will anticipate market demand, develop, complete and commercialise current and suitable new products, or be successfully innovative in its operations.

Impact	Mitigation
<p>If Essentra fails to meet the challenges of innovation, the Company may experience:</p> <ul style="list-style-type: none"> > Lower growth rates > Delay in the achievement of strategic objectives > Reduced profitability 	<p>Essentra addresses the challenges of international business development with:</p> <ul style="list-style-type: none"> > Experienced and skilled management > Detailed due diligence and planning > Continuous improvement programmes > Investment programmes > Strategic Business Unit innovation programmes

Mergers and acquisitions

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. There can be no assurance that the Company will be successful in completing and integrating suitable acquisitions.

Impact	Mitigation
<p>If Essentra fails to meet the challenges of business development arising from acquisitions, the Company may experience:</p> <ul style="list-style-type: none"> > Lower growth rates > Delay in the achievement of strategic objectives > Increased costs > Reduced profitability 	<p>Essentra addresses the challenges of mergers and acquisitions with:</p> <ul style="list-style-type: none"> > Experienced and skilled management > Detailed due diligence and planning > Project risk reviews > External expert advice

Customer profile

In some of Essentra's businesses the customer base is relatively concentrated. Should Essentra's customers decide to satisfy their requirements internally or from other suppliers, and if Essentra were unable to secure new revenue streams, this could result in a significant loss of business. Essentra must serve an increasingly complex profile of customers, who will be heavily reliant on the Company in some cases. There is now an increased expectation from these customers, and Essentra risks losing business should it fail to adequately measure customer satisfaction and manage relationships.

Impact	Mitigation
<p>The loss of certain of Essentra's key customers may expose the Company to:</p> <ul style="list-style-type: none"> > Reduced revenue > Restructuring costs > Profit decline > Deterioration in financial condition > Reputational damage 	<p>To counteract the Company's exposure to its customer profile, Essentra:</p> <ul style="list-style-type: none"> > 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 its customer base

Key raw materials supply

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, including energy costs, the Company's revenue and profitability may be materially and adversely affected.

Impact	Mitigation
<p>If Essentra is exposed to raw materials price increases or supply shortages, the Company may suffer:</p> <ul style="list-style-type: none"> > Disruption to supply > Increased costs > Profit decline > Reduced revenue 	<p>To counteract the Company's exposure to increases in raw materials costs or supply shortages, Essentra seeks to:</p> <ul style="list-style-type: none"> > Adopt appropriate procurement practices > Secure longer-term supply agreements > Implement cost recovery programmes > Investigate the availability of alternative supply options > Use consignment stock

Cyber security

Essentra holds sensitive information relating to its customers, suppliers and employees, as well as intellectual property and financial data that needs to be held securely. Should security be breached, Essentra risks loss of major customers, information breach fines, disruption of normal operations and reputational damage.

Impact	Mitigation
<p>Failure to have adequate cyber security measures in place may lead to:</p> <ul style="list-style-type: none"> > Reduced revenue and profit > Disruption of normal operations > Litigation > Reputational damage 	<p>To counteract the Company's exposure to cyber security breaches, Essentra:</p> <ul style="list-style-type: none"> > Invests in industry best practice security software > Maintains a Security Operations Centre and acts upon external expert advice > Undertakes internal cyber security development initiatives

Tobacco industry market dynamics

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 market dynamics within the industry, including commercial pressures from customers, global consumption shift from western to eastern markets, overall declining market growth, customer self-manufacture, new-generation development (such as e-cigarettes) and evolving legislation. Essentra cannot be competitive unless it manages and adapts its operational capacity in line with these trends. Tobacco-related litigation could also adversely affect Essentra, although there is no history of the Company being involved in such claims.

Impact	Mitigation
<p>Tobacco industry market dynamics may lead to:</p> <ul style="list-style-type: none"> > Reduced revenue > Restructuring costs > Profit decline > Reputational damage > Deterioration in financial condition 	<p>In seeking to minimise the potential impact of the exposure to the tobacco industry, Essentra:</p> <ul style="list-style-type: none"> > 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

People and experience

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 assurance 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 Essentra's strategic objectives.

Impact	Mitigation
<p>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:</p> <ul style="list-style-type: none"> > Experience > Expertise > Commercial relationships > Market insight > Product innovation 	<p>In order to manage the risk of personnel change, Essentra:</p> <ul style="list-style-type: none"> > 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

Risk related to regulatory and legislative changes involves the possible failure of the Company to comply with current, changing or new legislation or 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
<p>Failure by the Company or its employees or others acting on its behalf to abide by the laws and regulations could result in:</p> <ul style="list-style-type: none"> > Administrative, civil or criminal liability > Significant fines and penalties > Suspension or debarment of the Company from trading > Reputational damage > Loss of commercial relationships 	<p>In order to manage compliance risk Essentra:</p> <ul style="list-style-type: none"> > 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



CORPORATE RESPONSIBILITY

Corporate responsibility encompasses a broad range of philosophies, activities and standards.

Essentra considers the issues that are material to its business and seeks to respond to them in a manner appropriate to the interests of all its stakeholders.

Priorities / goals

Reduce the impact of carbon emissions and secure continuous improvement in environmental performance

How do we manage it?

- > Understand current environmental performance and establish Group expectations for improvements and results
- > Establish Group minimum expectations for environmental management
- > Identify and understand the environmental aspects and impacts associated with the Company's activities
- > Implement initiatives to reduce waste and increase recycling
- > Explore the use of energy-saving technology in manufacturing
- > Develop new techniques with suppliers and customers for environmentally friendly products
- > Gain ISO 14001 accreditation at all manufacturing sites
- > Gain ISO 50001 accreditation at all manufacturing sites

Secure continuous improvement in health and safety

- > Identify and understand the health and safety risks posed by Essentra's activities
- > Establish Group minimum expectations for the management of health and safety
- > Understand current health and safety performance, and establish Group expectations for improvements and results
- > Encourage employee initiatives to reinforce Company training
- > Gain OHSAS 18001 accreditation at all manufacturing sites

Ensure the highest standards of business integrity and conduct

- > Promote Essentra Values
- > Establish clear policies and guidance
- > Secure employee awareness and engagement
- > Continue to promote Right to Speak policy
- > Regular review of adherence with policies and guidance by Group Assurance



How did we do?	How will we do it?
<ul style="list-style-type: none"> > Conducted energy audits across UK operations in compliance with Energy Savings Opportunities Scheme ("ESOS") Regulations 2014 > Included environmental and sustainability improvement initiatives in site annual HSE improvement plans > Continued to invest in more flexible equipment to improve energy and production efficiency > Reduced environmental impact through site consolidation > Gained accreditation to ISO 50001 at a further eleven sites 	<ul style="list-style-type: none"> > Establish Group-wide core minimum standards for the identification and control of environmental impacts (including the provision of training) > Continue to implement three-year HSE improvement plan for the Group, supported by individual site improvement plans > Offset emissions when possible > Continue to prioritise "War on Waste" initiative > Continue to drive achievement of ISO 14001 and ISO 50001 accreditation for all manufacturing facilities
<ul style="list-style-type: none"> > Introduced Essentra Health and Safety Management System and STEP initiative across all acquired businesses > Launched a standardised Safety, Health, Environment and Quality ("SHEQ") reporting scorecard and key performance indicators for all manufacturing and significant distribution sites > Introduced an Essentra Health, Safety & Environment Culture and Organisational Maturity Survey Tool in support of the drive for cultural excellence 	<ul style="list-style-type: none"> > Establish Group-wide core minimum standards for the identification and control of health and safety risks (including the provision of training) > Continue to implement three-year HSE improvement plan for the Group, supported by individual site improvement plans > Demonstrate year-on-year improvement in the lost-time and all accident incident rates > Continue to drive achievement of OHSAS 18001 accreditation for all manufacturing facilities
<ul style="list-style-type: none"> > Continued communication of core policies through e-learning and reviews in Essentra Group System > Implemented new compliance systems > Continued to train employees in Code of Business Ethics 	<ul style="list-style-type: none"> > Respond to new risks and requirements > Provide further training > Drive employee responsibility > Investigate complaints

Essentra recognises the significance and importance of being a responsible corporate citizen in the workplace, marketplace, environment and community. The Company's international operations fulfil their responsibility to record, monitor and make publicly available the potential impact of its activities. In pursuing its corporate strategy, Essentra's aim is to adopt business practices that are economically, socially and environmentally sustainable, and to promote these to its stakeholders in order to strengthen relationships, share knowledge and encourage best practice.

The Company's risk management processes include consideration of the potential impact of corporate responsibility issues on Essentra's performance. The Company's investment decisions take into account appropriate evaluations of the potential consequences for its employees, customers and suppliers and the environment.

The Essentra Values are fundamental to the Company's adoption of the highest standards of business ethics and integrity that underpin its relationships with both internal and external stakeholders. Essentra's culture is one of openness, integrity and accountability. Employees are encouraged to act fairly in their dealings with fellow colleagues, customers, suppliers and business partners.

The Essentra Values can be found on the Company's website www.essentraplc.com.



Workplace

Health and safety

Essentra's overriding commitment in the workplace continues to be the health, safety and welfare of its employees and all those who visit the Company's operations, as well as those who carry out work on behalf of the Group. The Board provides health and safety leadership, and the Chief Executive has primary responsibility for setting the principal health and safety objectives within which the detailed policies operate, and for reviewing progress against those objectives.

The Group-wide intranet-based management reporting system continues to facilitate an extensive live programme of active monitoring, which measures in detail how successful the Company is in managing the safety of its workplaces at an individual site level. This has been supplemented during the year by a structured common key performance indicator scorecard covering SHEQ at a site, regional, SBU and Group level.

The Company manages occupational health by identifying key risk activities, undertaking health assessments and,

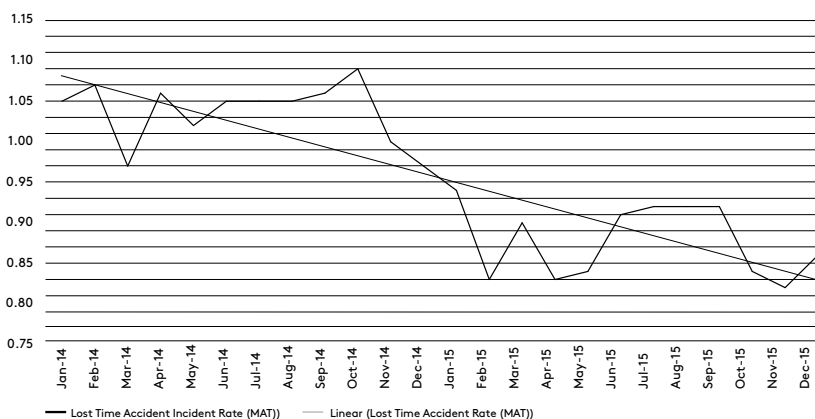
where appropriate, implementing health surveillance programmes. The Company has achieved the Occupational Health & Safety Management Systems OHSAS 18001 standard for all its principal manufacturing facilities and is now driving this into all sites.

As part of its three-year improvement plan, a twelve-point Essentra Safety and Health Management System ("ESHAM") – supported by a comprehensive communications programme – was introduced in 2014 across all sites, to facilitate the adoption of best practice and encourage behavioural change, and has continued to show an improvement in scores during 2015. This programme, together with the shop floor STEP initiative (to improve hazard spotting, reporting and corrective action), has been rolled out to acquired sites during the year.

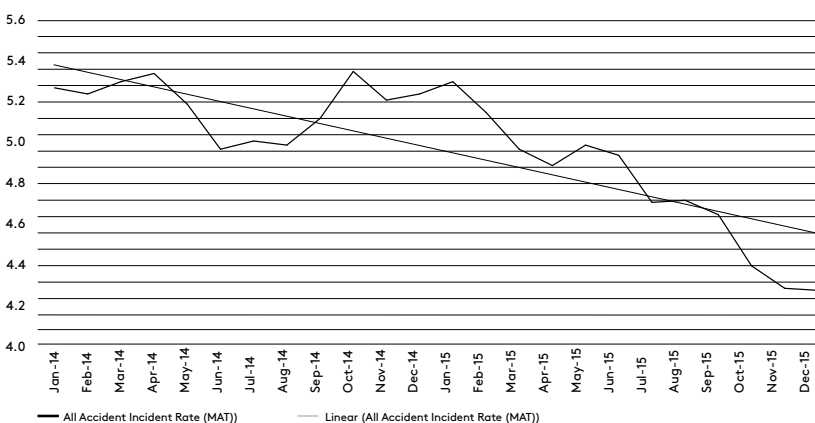
Although acquisitions and growth have led to an increase in the raw number of accidents, sustained reductions in both lost-time accident incidence rate and all accident incidence rate have been achieved in 2015. However, notwithstanding these improvements, the number of accidents occurring is still seen as an area for further improvement and thus, in 2016, a Group-wide "back to basics" initiative is to be introduced in support of local site performance improvement programmes. During 2015, an Essentra Health, Safety & Environment Culture and Organisational Maturity Survey Tool, in support of our drive for cultural excellence, was introduced. The tool is utilised at a site level, and there is a requirement that an action plan is developed locally to address the main opportunities for improvement identified in the survey.

Details of Essentra's health and safety performance for 2015, and subsequent progress throughout 2016, can be viewed on the Company's website www.essentraplc.com.

Lost-Time Accident Incidence Rate (MAT) (No. lost time accidents per 100 employees)



All Accident Incidence Rates (MAT) (No. all accidents per 100 employees)





Employees

Essentra's employees are a vital resource in the pursuit of operational excellence and the provision of quality products and service to its customers. The skills and expertise of Essentra's employees drive the innovation which enables the Company to provide added value to its customers, enhance supply chain logistics with its suppliers and reduce the environmental impact of its operations.

The Company regularly reviews its organisational structure to ensure that the business has the necessary personnel to deliver its strategic priorities.

Essentra understands the importance of having the right people with the right skills – now and in the future – to deliver the exceptional service and expertise which is the bedrock of the Company's long-term relationships with its customers. To deliver that service and expertise, Essentra is continually improving its comprehensive talent pool, from graduates to senior management. Essentra runs a very successful graduate training programme, which continues to expand its international reach.

Key strategic aspects of recruitment, training and development are overseen or co-ordinated at a Group level, to ensure consistency of approach, to identify strategic threats and opportunities, and to open up a wider range of opportunities for employees.

Essentra encourages its employees to develop and manage their own careers. It facilitates this by providing relevant job training and, where appropriate, aims to fill vacancies with existing staff where employees are suitably qualified and experienced.

Essentra encourages the involvement of employees in the Company's performance through employees' share schemes.

Essentra is committed to improving employee engagement and learning more about the needs of its workforce. In addition to the impact of the training and development programmes, employee engagement is enhanced by the communication practices which have been adopted across the businesses. Essentra values highly the commitment of its employees and recognises the importance of communication to good working relationships and practices. The Company seeks to ensure that employees are informed on matters relating to their employment and on financial and economic factors affecting the businesses. The Company actively seeks feedback and ideas from employees to improve its operations, and forums appropriate to Essentra's local businesses have been established to allow employees to voice their views as to how the Company should fulfil the demands of all its local and international stakeholders. The Company's European Information and Consultation Forum facilitates the discussion of issues across all of its operations in the European Union.

The Company recognises the importance of, and the benefits to be derived from, diversity across its international operations and is committed to offering equal opportunities to all people without discrimination of any form. Essentra remunerates fairly with respect to skills, performance and local market conditions.

The gender of Essentra's employees as at 31 December 2015 was:

	Male	Female
Non-Executive Directors	5	1
Executive Directors	2	0
Senior Managers	38	2
All employees	6,181	2,685

The Company gives full and fair consideration to employment applications by disabled people. In the event of employees becoming disabled, every effort is made to ensure that the training, career development and promotion opportunities available to disabled persons are as far as possible identical to those of non-disabled employees.

Throughout its global activities Essentra supports human rights as set down by the United Nations Declaration and its applicable International Labour Organisation conventions. Operations based in India, Indonesia and Thailand are also accredited to SA 8000 which details fundamental principles of human rights.

The Group's activities are carried out in developed countries that have strong legislation governing human rights. The Group complies fully with appropriate legislation in the countries in which it operates. Essentra's commitment to human rights is repeated in its Values and Code of Business Ethics policy.



Marketplace

Essentra's reputation with its customers and suppliers, and in the communities where it operates, is based not only on the quality of its performance, but also on the integrity of its management of the workplace and the environment, and its ethical and responsible conduct in the marketplace. The development and continuation of long-term business relationships reflects the trust placed in the Company, and such commitments are an important component in the ongoing success of Essentra.

Essentra's Code of Business Ethics policy is applicable to all its businesses around the world. The policy details the standards expected by Essentra in the conduct of its business and its relationships with third parties, including free and fair competition, plus the prohibition of bribery and political donations, and provides general guidance on honest and fair dealings with suppliers, customers and local and national authorities.

Essentra is committed to working with its suppliers to ensure the welfare of workers and employment conditions within its supply chain meet or exceed internationally recognised standards.

Environment

Essentra applies a structured approach to maintaining its environmental impact by:

- > Implementing and maintaining environmental and energy management systems certified to ISO 14001 and ISO 50001 on a global basis
- > Measuring and monitoring consumption and emissions, and setting targets to improve performance
- > Conducting environmental impact assessments and developing site management plans
- > Providing training to employees, and engaging with customers and suppliers to raise environmental awareness
- > Providing facilities to segregate and reuse or recycle waste

Essentra is listed in the FTSE4Good Index which is designed to measure the performance of companies striving to meet globally recognised corporate responsibility standards, and to facilitate investment in those companies where corporate responsibility issues are an influencing factor in an investor's decision-making process.

In the UK, Essentra's sites comply with the Carbon Reduction Commitment ("CRC") legislation. The Company is registered for Phase II and has complied with all relevant data submissions. Essentra continues to apply the principles of the CRC to its global operations and is well placed to manage further legislative changes in its operating regions.

Given the diversity of Essentra's international operations, local management drives environmental performance in accordance with Group policy, copies of which can be found on the Company's website www.essentraplc.com. Specific site-level objectives are established to ensure compliance with local legislative and external management systems (ISO 14001 and ISO 50001).

Essentra uses a variety of indicators to monitor environmental performance, but the following core impacts are identified for the Group as a whole:

- > Greenhouse gas emissions from energy use, including electricity, natural gas, heating fuel, transport and travel
- > Use of resources, including water
- > Generation and disposal of waste

Essentra continually seeks ways to improve its utilisation of natural resources. A process of continuous improvement is applied, not only to the impact of its usage, but also to the measurement and capture of key environmental data. The Group has research and development facilities in the UK, Asia and the US to investigate the use of renewable resources and recyclable biodegradable versions of products.

The following assumptions, methodology, definitions and data validation processes have been used to report the Group's key environmental performance indicators in 2015. The reported data complies with the Companies Act, for the Mandatory Reporting of Greenhouse Gases ("GHG").

- > Boundary scope: Data from all locations over which the Company has operational control is collected and measured
- > Primary data sources: These include billing, invoices and other systems provided by the supplier of the energy to communicate energy consumption
- > Secondary data sources: These include the Company's internal systems used to record and report the above consumption data
- > Internal data validation: The process used to review and compare primary data with secondary data. All invoices and data loggers for locations consuming more than 1 million kWh per year are cross-checked with the data held within the Company's own internal data capture systems



- > Conversion factors: The 2015 Government GHG Conversion Factors for Company Reporting, published by the UK Department for Environment Food & Rural Affairs ("DEFRA"), are used when converting gross emissions. The applicable country conversion factors published in this guidance have been applied to operations outside the UK
- > Intensity metric: Total carbon emissions per £m of revenue are used to calculate the Company's intensity metric.

Tonnes of CO₂ e (gross)

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Scope 1	11,543	8,967
Scope 2	104,820	74,039
Total gross emissions	116,363	83,006
Total carbon emissions per £m revenue	104.95	95.88

Acquisitions and growth have contributed to Essentra's increased use of energy. The application of energy improvement initiatives is expected to improve the Company's overall utilisation of energy and raw materials.

Core impacts

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
General waste ¹	5,371	3,052
Recycled factory waste & cardboard ²	1,026	1,716
Water ³	299.5m ³	257.0m ³

¹ Tonnes of waste to landfill

² Tonnes of production waste

³ Per £million of Company revenue

Essentra is committed to ensuring good environmental practices at all its locations, in its operational processes and investment decisions. Essentra's principal manufacturing locations are ISO 14001 accredited, and all the Company's European businesses comply with EU and domestic regulations.

Due to the scale of Essentra's international operations, the use of energy and raw materials has both environmental and commercial importance. Where possible, and financially viable, raw materials and energy from renewable resources are utilised to limit environmental impact, commercial risk and costs.

Essentra actively engages with its employees, customers, and suppliers to exploit opportunities offered by new technologies, improved process operations and novel materials, to reduce its environmental impact and improve profitability further.

Community

Essentra's commitment to being a responsible corporate citizen extends to support for appropriate non-political and non-sectarian projects across a range of organisations and charities. Regardless of regional or national boundaries, the Company aims to support the creation of prosperous, educated, sustainable and healthy communities in the countries and cultures in which it operates. In its attempts to bring benefits back to those communities whose support provides a basis for Essentra's success, the Company has focused on education and enterprise, health and welfare and the environment, with support driven at a local, rather than a corporate, level. The approach is to support and enhance employee efforts in their communities through the application of the Company's resources. In pursuit of its aims within the community, Essentra has developed targeted programmes for local communities, often involving commercial sponsorship and significant employee engagement through direct involvement or secondment.

Ethics

Essentra's culture is one of openness, integrity and accountability. Employees are required to act fairly in their dealings with fellow colleagues, suppliers, customers and business partners. All employees undertake training in the Company's Code of Business Ethics policy which is updated annually. In addition, all employees are required to review and confirm their acceptance of critical Group policies, with the majority of employees being required to review and accept all of the Group policies. Essentra operates a confidential whistleblowing policy called "Right to Speak", with an external call centre which enables all Group employees to raise any concerns.

Essentra adopts a zero tolerance approach to bribery and corruption, which extends to all business dealings and transactions in which the Company is involved. This includes prohibiting political donations, offering or receiving inappropriate gifts and making facilitation payments.

**GROUP MANAGEMENT COMMITTEE****Colin Day**
Chief Executive

Colin's biographical details can be found on page 44.

Stefan Schellinger
Group Finance Director

Stefan's biographical details can be found on page 45.

Hugh Ross
Managing Director, Europe

Hugh Ross joined Essentra in 1999. Before being appointed to his current position in January 2014, Hugh was President of the Speciality Tapes business in the US, prior to which he held increasingly senior roles in the Filter Products and the Packaging & Securing Solutions divisions in North America. Hugh is a Chartered Accountant, having qualified with PricewaterhouseCoopers, and served as an Officer in the British Army.

Malcolm Waugh
Group Commercial Director
/ Managing Director, Health
& Personal Care Packaging

Malcolm Waugh joined Essentra in 2007 as Managing Director of the Tear Tape business, and was appointed to the role of Group Commercial Director in January 2012. Prior to joining Essentra, Malcolm was Commercial Director at Tetra Pak UK and Ireland, holding a variety of business development and commercial positions during his 18-year career there.

Brett York
President, Americas

Brett York joined Essentra in 2001 as Vice President of Sales & Marketing for the US Components business. Before being appointed to his current role in January 2014, Brett held the position of President of Component Distribution Americas from 2012 and President of the Speciality Tapes business from 2007. Prior to joining Essentra, Brett held a variety of increasingly senior commercial and operational positions at a number of companies, including Industrial Molding Corp., Waddington and PepsiCo.

Joanna Speed
Corporate Affairs Director

Joanna Speed joined Essentra in 2011 as Corporate Affairs Director, having previously held the position of Investor Relations Director at Reckitt Benckiser Group plc and Scottish & Newcastle plc. Prior to this, Joanna was an equity analyst and worked in investment banking for a number of international banks. Joanna is a Chartered Accountant, having qualified with Arthur Andersen.

Scott Fawcett
Managing Director, Distribution

Scott Fawcett joined Essentra in 2010 as Managing Director of the European Components business, and was appointed to his current role in January 2014. Prior to joining Essentra, Scott was Head of eCommerce at Electrocomponents plc, where he held a variety of increasingly senior sales, marketing and eCommerce positions during his 17-year career there.

PT Sreekumar
Managing Director, Filter Products
/ Managing Director, Asia

PT Sreekumar joined Essentra in 1995, being initially responsible for the Company's joint venture in India. Before being appointed to the role of Managing Director, Filter Products in 2005, Sreekumar was Regional Director for Asia Pacific, responsible for the business in Asia and the Middle East. Prior to joining Essentra, Sreekumar worked for the Indian tobacco company Godfrey Philips.

**Jon Green****Company Secretary & General Counsel**

Jon Green joined Essentra in 2005, and was appointed Company Secretary & General Counsel in July 2005. Prior to joining Essentra, Jon worked as an in-house lawyer for a number of large international businesses, including Hays plc and Unilever plc. Jon is a qualified solicitor.

Alan Richards**Group Operations Director**

Alan Richards joined Essentra as Group Operations Director in 2012. Prior to joining Essentra, Alan was Senior Director – Manufacturing Excellence at the Mars Group, and has held a number of increasingly senior operational roles in the pharmaceutical, cosmetic and mining industries. Since 1 January 2013, Alan has been responsible for the Group's Health, Safety & Environment practices.

Gavin Leathem**Group Human Resources Director**

Gavin Leathem joined Essentra as Group Human Resources Director in 2014. Prior to joining Essentra, Gavin was Vice President of HR for Europe, Middle East and Africa at Emerson Network Power Systems, before which he was Group HR Director at Chloride Group plc during his 13-year career there. Gavin is a Chartered Fellow of the Institute of Personnel & Development.

**BOARD OF DIRECTORS****Jeff Harris**

Non-Executive Chairman
Appointed to the Board: May 2005

Skills and experience

Chairman of Essentra since its formation in 2005, Jeff has played a key role in ensuring continuity upon demerger and in the subsequent development of the Company. Jeff is a Chartered Accountant, having spent over 25 years working in public companies, and brings a wealth of experience to Essentra.

Jeff will retire as Non-Executive Chairman of Essentra following the Company's 2016 Annual General Meeting ("AGM") on 20 April 2016.

Past appointments

Chief Executive and Chairman of Alliance UniChem plc, Non-Executive Chairman of Bunzl plc, Non-Executive Director of Associated British Foods plc, Non-Executive Chairman of Cookson Group plc, Non-Executive Director of WH Smith plc and Non-Executive Director and Senior Independent Director of Synergy Health plc.

Committee membership

Chairman of the Nomination Committee.

Paul Lester, CBE

Non-Executive Chairman Designate
Appointed to the Board: December 2015

Skills and experience

Paul is currently Chairman of the FTSE 250 company John Laing Infrastructure Fund, Greenery – the second largest private company in the UK – and Knight Square Holdings. Paul brings a wealth of experience to Essentra, gained in increasingly senior operational and strategic executive roles, and has also served on a number of Boards in a non-executive capacity for more than 20 years.

Paul will assume the role of Non-Executive Chairman, following the retirement of Jeff Harris at the Company's 2016 AGM on 20 April 2016.

Other appointments

Chairman of John Laing Infrastructure Fund, Greenery and Knight Square Holdings.

Past appointments

Chairman of Parabis Group, Chief Executive of VT Group plc and Graseby plc, Group Managing Director of Balfour Beatty plc, President of the Society of Maritime Industries, the BSA and the Engineering Employers Federation.

Terry Twigger

Senior Independent
Non-Executive Director
Appointed to the Board: June 2009

Skills and experience

Terry has considerable mergers and acquisitions experience and has also held a number of senior finance roles, including having previously been Finance Director at Meggitt PLC. Prior to his retirement in 2013, Terry was Chief Executive of Meggitt PLC.

Other appointments

Senior Independent Non-Executive Director and Chairman of the Audit Committee of X Power Limited.

Past appointments

Chief Executive of Meggitt PLC, Director of Lucas Aerospace.

Committee membership

Chairman of the Audit Committee, member of the Remuneration and Nomination Committees.

Colin Day

Chief Executive
Appointed to the Board: April 2011

Skills and experience

Prior to joining Essentra, Colin was Chief Financial Officer at Reckitt Benckiser Group plc for over ten years. In addition to leading the finance function there, Colin was instrumental in both mergers and acquisitions activity and the development of group strategy. Before joining Reckitt Benckiser, Colin held a range of senior finance and operational positions at a variety of companies.

Other appointments

Non-Executive Director of Meggitt PLC, AMEC Foster Wheeler plc and FM Global.

Past appointments

Chief Financial Officer of Reckitt Benckiser Group plc and Aegis Group plc, Non-Executive Director of WPP Group plc, EasyJet plc, Imperial Tobacco Group plc and Cadbury plc.

**Stefan Schellinger**

Group Finance Director

Appointed to the Board: October 2015

Skills and experience

Stefan joined Essentra in 2013, and prior to being appointed to his current position in 2015, he was Corporate Development Director where he played a key role in the development of the Company's strategy and in building its mergers and acquisitions activity. Before joining Essentra, Stefan was Finance Director – Emerging Markets at Gilbarco Veeder Root from 2011, having initially joined the Danaher Corporation as Director, Corporate Development – Europe in 2005. Stefan has extensive investment banking and accountancy experience, having previously worked at JP Morgan and Arthur Andersen.

Tommy Breen

Non-Executive Director

Appointed to the Board: April 2015

Skills and experience

Tommy is currently Chief Executive of DCC plc, an international sales, marketing, distribution and business support services group, headquartered in Dublin and with operations in 13 countries. Tommy brings significant experience to Essentra, in particular of growing diverse businesses both organically and via acquisition during his 30-year career with DCC.

Other appointments

Chief Executive of DCC plc.

Committee membership

Member of the Audit, Remuneration and Nomination Committees.

Peter Hill, CBE

Non-Executive Director

Appointed to the Board: July 2013

Skills and experience

Peter is currently Non-Executive Chairman of Volution Group plc, a leading supplier of ventilation products. Peter brings a wealth of experience to Essentra, gained in particular in increasingly senior operational and strategic executive roles, and has also served on a number of Boards in a non-executive capacity for over 20 years.

Other appointments

Chairman of Volution Group plc, Non-Executive Director of the Royal Air Force.

Past appointments

Chairman of Alent plc, Chief Executive of Laird PLC, Executive Director of Costain Group PLC, Non-Executive Director of Cookson Group plc, Meggitt PLC and Oxford Instruments plc, Non-Executive Board member of UK Trade & Investment.

Committee membership

Member of the Audit, Remuneration and Nomination Committees.

Lorraine Trainer

Non-Executive Director

Appointed to the Board: July 2013

Skills and experience

Lorraine began her executive career at Citibank, and has some 20 years' experience in Human Resources at such blue-chip companies as the London Stock Exchange and Coutts NatWest Group. Lorraine currently combines her Board work with consultancy at and around Board level in Director development.

Other appointments

Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee of Jupiter Fund Management plc, Non-Executive Director of Sonae – SGPS, S.A.

Past appointments

Non-Executive Director of Aegis Group plc and Colt Group S.A.

Committee membership

Chairman of the Remuneration Committee, member of the Audit and Nomination Committees.



CHAIRMAN OF THE BOARD'S LETTER

Dear Shareholder,

As previously announced, following ten years of service, I shall be retiring at the 2016 AGM as Chairman of the Board and a Non-Executive Director. I was appointed in 2005 when Essentra first listed as an independent company, and over the course of my tenure I have seen the Company grow and strengthen significantly. I am pleased to report that I will be leaving an experienced Board under the stewardship of Paul Lester.

During my time as Chairman, I have visited numerous sites around the world and had the opportunity to meet many of our employees, and have consistently been impressed by the dedication, commitment and enthusiasm of my Essentra colleagues.

2015 saw the completion of a number of value-creating acquisitions, most notably that of the Clondalkin Specialist Packaging Division which significantly increases the Group's position in the specialist secondary packaging market for the pharmaceutical, health and personal care industries. I would like to take this opportunity of formally welcoming all new employees to the Essentra Group. These acquisitions have already been successfully integrated, and have enabled Essentra to continue to expand its geographical footprint and enter new – or improve its penetration of existing – targeted end-markets, including the US, the Netherlands, Spain and Poland in healthcare packaging, Malaysia and Thailand in security seals and Australia in components.

In its first year of Drive for 2020, it is disappointing that the performance of the overall Group has been significantly impacted by downturn in the global oil & gas industry, with a sustained low oil price – and the consequent effect on drilling activity – having a materially negative impact on the performance of our PPT business. Indeed, having visited the opening of our new, state-of-the-art headquarters in Houston in 2012, I have seen first-hand the excellence of the site and its hard-working employees, and I would like to pay tribute to the resilience of the entire team in securing business wherever possible in a very challenging environment.

During the year, two new Non-Executive Directors were appointed, firstly Tommy Breen in April and latterly Paul Lester as Chairman Designate in December, both of whom bring a wealth of experience to Essentra, gained across a number of different industries and in increasingly senior strategic and operational roles. In addition, and consistent with the Group's succession planning, Stefan Schellinger was appointed to the position of Group Finance Director in October; Stefan joined Essentra in 2013 as Corporate Development Director, in which role he was responsible for developing Essentra's corporate strategy, including leading the Company's mergers and acquisitions activity and successfully completing a number of transactions.

Given the number of changes to the composition of the Board in 2015 – and the prospective change in Chairman – it was not considered appropriate to commission a Board evaluation during the year.

I strongly believe that good governance is founded on the core values and behaviours established by the Board and communicated throughout the Group. Essentra continues to promote a strong culture of the highest standards of business ethics, based on clear principles. The Board's participation in the Company's compliance training programmes, and its commitment to the development of new governance policies and practices, serves to ensure that such standards are clearly understood and reinforced by the "tone from the top".

The continuing strong compliance programme helps to reassure the Board that, as Essentra continues to grow in size and complexity, we have in place the appropriate people, culture and processes to fully exploit the opportunities for further balanced, profitable growth which are available, and to mitigate effectively the risks to which the Company is exposed.

We have made a solid start to Drive for 2020, and I am confident that the Board will continue to focus on the successful execution of Essentra's strategic objectives in 2016 and beyond. While the aforementioned challenges in the oil & gas industry resulted in a c. £30m decline in revenue – and material reduction in operating margin – for our PPT business, the Group has nonetheless delivered balanced, profitable organic growth, complemented by value-adding acquisitions in 2015. Indeed, the Board's confidence in the resilience and prospects of the Company is underscored by the recommended 13% increase in the dividend per share – consistent with Essentra's commitment to paying a progressive dividend to shareholders.

JEFF HARRIS
Chairman

19 February 2016



CORPORATE GOVERNANCE FRAMEWORK

The Board

In fulfilling its role, the Board:

- > Sets, continually reviews and tests the Company's strategic aims
- > Determines the nature and extent of acceptable risks in achieving its strategic objectives
- > Oversees the establishment of formal and transparent arrangements for the application of corporate reporting, risk management and internal control requirements and principles
- > Ensures that the necessary financial and human resources are in place for the Company to meet its objectives
- > Sets the Company's values and standards
- > Reviews the performance of the Company's executive management
- > Presents a fair, balanced and understandable assessment of the Company's position and prospects to its shareholders

The Audit Committee supports the Board in establishing formal and transparent arrangements for considering how it should apply the required financial reporting, internal control principles and risk management processes, and the audit of the Financial Statements of the Company.

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policy and aligning senior executives' remuneration with the interests of shareholders and other stakeholders, particularly in the design of the performance-related elements of remuneration packages.

The Nomination Committee is responsible for selecting and recommending candidates for appointment as Executive and Non-Executive Directors of the Company, taking into account the balance, structure and composition of the Board, and the future challenges and opportunities facing the Company.

The terms of reference for each of the Audit, Remuneration and Nomination Committee can be found on the Company's website www.essentraplc.com.

The Group Management Committee ("GMC") provides general executive management of the Company within agreed delegated authority limits determined by the Board.

In fulfilling its role, the GMC:

- > Develops and implements strategy, financial and operational plans, and targets and allocates resources
- > Monitors and delivers financial and operating performance
- > Maintains an effective internal control framework and is responsible for compliance
- > Implements an effective management structure and develops comprehensive succession plans
- > Is responsible for effective internal and external reporting and communication

The Group Leadership Team ("GLT") comprises the most senior managers from across the Group who are collectively charged with driving the Company's Drive for 2020 strategic objectives. The GLT plays a key role in reinforcing the behaviours that contribute to a robust governance culture across the Group.



CORPORATE GOVERNANCE REPORT

Board membership and meeting attendance

Board Chairman: Jeff Harris

Jeff Harris	6 (6)
Paul Lester	0 (0)
Colin Day	6 (6)
Terry Twigger	6 (6)
Stefan Schellinger	1 (1)
Tommy Breen	4 (4)
Peter Hill	6 (6)
Lorraine Trainer	6 (6)
Matthew Gregory	3 (3)
Paul Drechsler	2 (2)

Figures in brackets denote the maximum number of meetings that could have been attended.

The Essentra Board is accountable to all the Company's stakeholders for the standards of governance which are maintained across Essentra's diverse range of global businesses.

During the year, Essentra was and continues to be subject to the UK Corporate Governance Code ("the Code") 2014 published by the Financial Reporting Council, a copy of which can be found on its website www.frc.org.uk.

The Board has reviewed its operations and governance framework and confirms that as at the date of this report, the Company has complied with the provisions set out in the UK Corporate Governance Code, except for B.6.11. As stated in the Chairman's letter, during the year there was not a performance evaluation review conducted of the Board's effectiveness, nor of its Committees nor individual Directors.

The succession planning processes associated with the appointments of Tommy Breen and Paul Lester involved the Board, under the direction of the Nomination Committee, carrying out a detailed review and assessment of the current composition and dynamics of the Board as a whole, with careful consideration of the future needs of the Board, having regard to the Company's strategic objectives as outlined in Drive for 2020.

Given the nature and extent of those discussions and the appointments made during the course of 2015, the Board considered that there was no additional need to commission a separate Board evaluation. With Jeff Harris retiring at the 2016 AGM in April, no evaluation was undertaken of his performance as Chairman during 2015. The Remuneration and Audit Committees each undertook discussions regarding their respective performance during the year and the anticipated challenges in 2016 and beyond.

The Company applies the Code's principles of openness, integrity and accountability through its own behaviour, corporate governance best practice and by adopting, as appropriate and proportionate for a company of the size and nature of Essentra, recommendations of relevant professional bodies.

The Board is collectively responsible for the long-term success of the Company, and its role is to provide entrepreneurial leadership within a framework of prudent and effective controls, which enables risk to be assessed and managed in the pursuit of the Company's strategic objectives.

Board composition and independence

As at the date of this report, the Board has eight members, comprising a Non-Executive Chairman, Non-Executive Chairman Designate, two Executive Directors and four Non-Executive Directors. The names of the Directors serving during and at the end of the year are set out below and their biographical details can be found on pages 44 to 45.

Jeff Harris	Non-Executive Chairman
Paul Lester	Non-Executive Chairman Designate, appointed 23 December 2015
Colin Day	Chief Executive
Terry Twigger	Senior Independent Non-Executive Director
Tommy Breen	Non-Executive Director, appointed 23 April 2015
Peter Hill	Non-Executive Director
Lorraine Trainer	Non-Executive Director
Stefan Schellinger	Executive Director, appointed 8 October 2015
Matthew Gregory	Executive Director, resigned 28 August 2015



The Board believes that it and its Committees have the appropriate composition to discharge their respective duties effectively with the appropriate level of challenge and level of independence, and that the members of the Board in conjunction with the senior executive teams are well equipped to drive, and are capable of delivering, the Company's Drive for 2020 strategic objectives. The Board is of the view that it has a highly competent Chairman who, together with each of the other Non-Executive Directors, has considerable international experience at a senior level in the management of activities broadly similar to those carried out by Essentra and the material issues likely to arise for the Group.

As previously announced, Paul Lester will assume the role of Chairman at the close of the 2016 AGM. The Board is of the view that Paul will be a competent Chairman, and brings to the Board considerable international experience at a senior level in the management of activities broadly similar to those carried out by Essentra.

The roles of the Chairman and the Chief Executive are separately held and are so defined as to ensure a clear separation of responsibilities. Details are available on the Company's website www.essentraplc.com. The Chairman leads the Board and ensures its effectiveness, and the Chief Executive is responsible for the executive management and performance of Essentra's operations. Together with the primary responsibilities of the Senior Independent ("SI") Non-Executive Director, the other Non-Executive Directors and the clear definition of reserved matters and delegated authorities, there is a system which exists of checks and balances in which no individual has unfettered decision-making power.

Board roles

The SI Non-Executive Director, currently Terry Twigger, can be contacted via the Company's registered office. In that role, he is available to shareholders to discuss and develop an understanding of their issues and any concerns which cannot be resolved by discussions with the Chairman, the Chief Executive or Group Finance Director, or where such contact is inappropriate.

Chairman

- > Leads the Board
- > Ensures effective communication with shareholders
- > Ensures effective communication flows between Directors
- > Facilitates the effective communication of all Directors

Chief Executive

- > Implements strategy
- > Develops manageable goals and priorities
- > Leads and motivates the management teams
- > Develops proposals to present to the Board on all areas reserved for its judgement

Company Secretary

The Company Secretary maintains a record of attendance at Board meetings and Committee meetings. The Company Secretary's other responsibilities include ensuring good information flows to the Board and its Committees, and between senior management and the Non-Executive Directors, advising the Board on all legal and corporate governance matters, and assisting the Chairman in ensuring that the Directors have suitably tailored and detailed induction and ongoing professional development programmes.

The Board maintains that, for the year ended 31 December 2015, the Non-Executive Directors were each considered to be independent.

In assessing independence, the Board considers that the Chairman and Non-Executive Directors are independent of management and free from business and other relationships which could interfere with the exercise of independent judgement now and in the future. The Board believes that any shareholdings of the Chairman and Non-Executive Directors serve to align their interests with those of the shareholders.

The Board considers that the Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy. Non-Executive Directors also ensure a sound basis for good corporate governance for the Company, challenging management's performance and, in conjunction with the Executive Directors, ensuring that rigorous financial controls and systems of risk management are maintained as appropriate to the needs of the businesses within Essentra.

The Board is content that the Non-Executive Directors devote sufficient time to the business of Essentra.

Executive Directors may accept outside appointments, provided that such appointments do not in any way prejudice the ability to perform their duties on behalf of Essentra.

Colin Day, the Chief Executive, currently holds three external non-executive positions, but the Board is of the view that these are not detrimental to the performance of his duties given the time requirements involved.



The letters of appointment for Non-Executive Directors are available for review at the Company's registered office and prior to the AGM.

The Company's Articles of Association require that all new Directors seek election to the Board at the AGM following their appointment. In addition, the Board has agreed that, in compliance with the Code, all eligible Directors will put themselves forward for re-election on an annual basis. The Board is satisfied that each of the Directors being put forward for re-election at the AGM continues to be effective and that their ongoing commitment to the role is undiminished.

The conduct of Board matters

In managing the affairs of the Company, the Board has adopted a schedule of reserved matters which are to be reviewed annually including:

- Strategy and resources
- Annual plan
- Treasury policies
- Major capital and operating expenditure proposals
- Major acquisitions and disposals
- Debt facilities
- Key Group policies
- Appointments to the Board
- Systems of internal control
- Dividend payments
- Categories of public announcements

The detailed implementation of all these, and general operational matters, are the responsibility of executive senior management and regular formal reports are provided to the Board.

During 2015, the Board was closely engaged in the detailed monitoring of performance and the actions necessary to maintain the balanced, profitable growth of the Company in accordance with its Drive to 2020 objectives, details of which can be found on the Company's website www.essentraplc.com.

Boards and Committees

During the year, there were six scheduled Board meetings. In addition to these scheduled formal meetings, the Board met on a number of other occasions as required and, in particular, reviewed in detail the further development and delivery of the Group's strategy.

The Chairman and Chief Executive maintain regular contact with the Directors, and the Chairman also holds as appropriate, from time to time, informal discussions with Non-Executive Directors individually or collectively without any of the Executive Directors being present, to review performance, discuss succession issues, to monitor corporate control mechanisms and to discuss any other material matters relevant to the Board.

The Chairman, in conjunction with the Company Secretary & General Counsel, sets the programme for the Board during the year. The Board considers reports from the Chief Executive and the Group Finance Director covering operational, financial performance and other significant business issues. Board meetings are structured to allow open discussion, and all Directors participate in determining the Group's strategy and regularly reviewing the trading and financial performance of the Company.

Committees are a valuable part of the Company's corporate governance structure, and the Board looks to the Audit Committee in particular to undertake the majority of the work involved in monitoring and seeking assurance as to compliance

with the controls within this framework. However, the Board as a whole maintains oversight of such important matters and after each Committee meeting, the Chairman of the Audit Committee reports on the matters which have been reviewed.

Other specific responsibilities are delegated to the Nomination and Remuneration Committees. These Committees report as appropriate to the Board. Each of the Committees have terms of reference approved by the Board, copies of which are available on the Company's website www.essentraplc.com or on request from the Company Secretary & General Counsel.

Operational matters and the responsibility for the day-to-day management of the businesses are delegated to the Chief Executive, supported by members of senior executive management and the respective Regional Managing Directors or Presidents as appropriate, within delegated authority limits and in accordance with clearly defined systems of internal control.

Essentra operates within a matrix organisational structure, with the establishment of three geographical regions to supplement the existing SBU structure. The role of the regions is to drive in-market execution, with the SBUs taking responsibility for those activities of a longer-term, more strategic nature.

The Board was supported during the year by the GMC, which ensures a strong link between Essentra's overall corporate strategy and its implementation within an effective internal control environment.

The GMC, which provides general executive management of the Company within agreed delegated authority limits determined by the Board, consists of senior executive management, and the regional and SBU heads.



Engagement with management

The Board receives detailed reports at each scheduled Board meeting on the operational and financial performance of the businesses from the Chief Executive and the Group Finance Director, together with regular updates on any material issues which may impact the Group.

The Board received detailed presentations from senior management across a range of businesses within the Company during the course of the year, in addition to reviewing strategic plans and budgets of the Company. The Board also considers reports from senior functional management about matters of material importance to the Company which arise from time to time.

There is a programme of meetings, both formal and informal, with members of the senior executive management and the Board has the opportunity to engage with local management during site visits. The Board derives a better understanding of the Company's operations and business model as a result of such contact.

Applying Essentra's Corporate Responsibility principles

The Chief Executive is the Director with primary responsibility for the implementation and integration of Essentra's Corporate Responsibility principles across the Company. During 2015, the Group Operations Director, supported by the Company Secretary & General Counsel, was responsible for co-ordinating the operation of detailed policies on health and safety, ethics and the environment which support Essentra's commitment to its Corporate Responsibility principles. Further details of these policies can be viewed via the Corporate Responsibility page on the Company's website www.essentraplc.com.

Conflict of interests

Directors have a statutory duty to avoid actual or potential conflicts of interest. The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. In addition, the Company has a Conflict of Interests policy governing the responsibilities of Directors in such situations. The decision to authorise a conflict of interest can only be made by non-conflicted Directors (those who have no interest in the matter being considered) and in making such a decision the Directors must act honestly and in good faith when giving authorisation where they think this is appropriate, and will be most likely to promote the Company's success. The Company Secretary & General Counsel maintains a register of Directors' interests so that any potential concerns are addressed before any material concerns may arise. During the course of the year, there were no material conflicts of interest impacting on the conduct of the Board's activities.

Information and professional development

The Chairman, supported by the Company Secretary & General Counsel, takes responsibility for ensuring that the Directors receive accurate, timely and clear information.

On appointment, an induction programme tailored to their individual needs is available to Directors, and is designed to assist them in their understanding of Essentra and its operations. Throughout a Director's tenure, they are encouraged to develop their knowledge of the Group through meetings with senior management and site visits. Directors are also provided with updates, as appropriate, on matters such as fiduciary duties, Companies Act requirements, share dealing restrictions and corporate governance matters.

Both Tommy Breen and Paul Lester have met a number of the senior management team and undertaken visits to operational sites. It is intended that this programme will continue throughout 2016.

All Directors have access to the advice and services of the Company Secretary & General Counsel, who is responsible to the Chairman for ensuring that Board procedures are complied with and that applicable rules and regulations are followed. During the year under review, the Company Secretary & General Counsel's advice was sought in relation to share dealings. In the furtherance of their duties, there are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. No Director took independent professional advice during the year.

Shareholder communications

The Board recognises the importance of effective communication, and seeks to maintain open and transparent relationships with its shareholders and other stakeholders, including providers of finance, customers and suppliers. This is achieved by regular updates through press announcements, the corporate website and other published material.

All shareholders have the opportunity to meet any of the Directors of the Company should they so wish. Feedback from meetings with shareholders is provided to the Board so they are aware of any issues or concerns and ensures that the Board has a balanced view from the major investors. Additionally, the Board uses the AGM as an occasion to communicate with all shareholders, including private investors, who are provided with the opportunity to question the Directors. At the AGM, the level of proxy votes lodged on each resolution is made available, both at the meeting and subsequently on the Company's website. Each substantially separate issue is presented as a separate resolution, and the Chairmen of the Audit, Nomination and Remuneration Committees are available to answer questions from shareholders.



The Company also communicates regularly with its major institutional shareholders and ensures that all the Directors, including the Non-Executive Directors, have an understanding of the views and concerns of major shareholders, and are able to explain business developments and financial results as appropriate. The Chief Executive, Group Finance Director and Corporate Affairs Director have primary responsibility for investor relations. Presentations for analysts and shareholders were held during the year, and meetings were also undertaken with key institutional investors to discuss strategy, financial performance and investment activities. Slide presentations are made immediately available after the full- and half-year results, and are also available on the Company's website to view and download. The Company ensures that any price-sensitive information is released to all shareholders at the same time, in accordance with regulatory requirements.

Financial reporting

The Directors have acknowledged, in the Statement of Directors' Responsibilities set out on page 83, their responsibility for preparing the Financial Statements of the Company and the Group. The Directors are responsible for preparing the Annual Report and Accounts, and they consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable. The external auditor has included, in the Independent Auditor's Report set out on pages 138 to 142, a statement about their reporting responsibilities.

The Directors are also responsible for the publication of Half Year Results, as required by the Disclosure and Transparency Rules of the Financial Services Authority. This provides a general description of the financial position and performance of the Company and the Group during the relevant period.

Directors' and Officers' insurance

In accordance with the Company's Articles of Association, and to the extent permitted by the laws of England and Wales, the Directors are granted an indemnity from the Company in respect of those liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a Directors' and Officers' Liability Insurance policy throughout the year. It is anticipated this policy will be renewed. Neither the Company's indemnity nor the insurance provides cover to the extent that a Director is proven to have acted dishonestly or fraudulently.

Internal controls

In accordance with the Code, the Board acknowledges its overall responsibility to shareholders to ensure that an adequate system of risk management and internal control is in place. This is essential for reliable financial reporting and also for the effective management of the Group.

Overseeing the effectiveness of the system has been delegated to the Audit Committee, which assesses the quality of the control environment when monitoring and reviewing the integrity of the Group's Financial Statements, and any significant judgements that were made in their preparation. Essentra's internal controls are designed to safeguard the Company's assets, and to ensure the integrity and reliability of information used both within the businesses and for public announcements. The Board has overall responsibility for the Company's system of internal control and risk management, and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The following procedures are in place which enable the Board to review the effectiveness of the system of internal control:

- The Audit Committee meets regularly and reviews the effectiveness of the internal control environment of the Group
- The Audit Committee is supported by the Group Assurance function, which undertakes extensive internal audit responsibilities across the Group
- Risk management reports are presented which detail an analysis of the key risks at a Group level, summarise developments potentially impacting the Group from a risk, governance or compliance perspective, and propose actions for the Company in response to such developments
- The Board has the opportunity to review the internal control environment at local sites when Board meetings are held away from the Company's head office
- Every month, each region and SBU submits detailed operating and financial reports covering all aspects of performance. These are reviewed within the Group's central finance function, and summary reports are communicated to the GMC and the Board
- Certificates are required from the businesses to confirm compliance with the Group's policies and procedures
- Self-certification is required from all businesses, at both the half year and year end, to confirm compliance with Group financial policies and procedures



Policies and procedures, which are subject to ongoing review and updated as required in response to strategic, operational, business, legal or regulatory developments, with the approval of the Board or its respective Committees as appropriate, are communicated across the Group. Essentra's internal controls are designed to ensure significant risks, investment decisions and management issues are identified, considered and escalated as necessary at the earliest opportunity. Regional Managing Directors and Presidents are responsible for ensuring the communication of, and compliance with, Essentra's internal controls across their respective regions.

Control of significant risks

The Board's responsibility for risk and risk management in Essentra encompasses:

- Determining the Company's approach to risk
- Setting and instilling the appropriate culture throughout the Company
- Identifying the risks inherent in the Company's business model and strategy, including risks from external factors
- Monitoring the Company's exposure to risk and the key risks that could undermine its strategy, reputation or long-term viability
- Providing an effective oversight of the risk management processes in the Company
- Ensuring the Company has effective crisis management systems

A Group risk framework is in place which supports the Board in fulfilling these responsibilities and serves to reinforce the risk review processes embedded within the businesses.

The Audit Committee enhances the quality of the Board's oversight of the risk management process within Essentra, but does not determine the Company's attitude and tolerance for risk.

The risk management activities within the Company are supported by the Operational Risk Management Committee, which reports to the Audit Committee through the Group Head of Assurance, and the Executive Risk Management Committee which reports to the Board through the Chief Executive.

The respective risk committees met on a regular basis during the year and reported to the Board or Audit Committee, as appropriate, on the Company's identification and mitigation of risk within the parameters established by the Board.

The Board is of the view that a rigorous ongoing process for identifying, evaluating and managing significant risks faced by the Company was in place throughout 2015, and up to the date of approval of the 2015 Annual Report. This process has been reviewed by the Audit Committee and will be assessed routinely, to ensure that the system of internal control and risk management remains fit for purpose.

The risk attitude established by the Board provides clarity on those areas where the Board wishes to take little or no risk, and those where the Board would be comfortable adopting a greater level of risk taking. It is intended that this assessment will be used to support the Board's ongoing decision making and underpin the risk management processes across the Company.

Risk attitude will change over time to reflect changes in the economic environment, strategy and performance of the Company, and it is the intention of the Board to review this at least on an annual basis in conjunction with its strategic and financial planning processes.

The Company has an established process for the development of risk practices. Further to the setting of the risk attitude by the Board, there is a more formal method of defining acceptable levels of risk within the organisation. The risk process has evolved and is validated through the preparation of risk registers which are used to assess risk tolerance, and the registers are reviewed and discussed by senior management prior to being put forward to the Audit Committee or the Board.

With the continued development of the Group Assurance function, further controls have been introduced to improve effectiveness, reduce costs and support business performance.

The risk management technology platform continues to enhance the reporting tools currently being used, and allows the Company to improve risk management, develop risk strategies into risk mitigation and eliminate any lack of coverage. The platform allows real time reporting of risks from the operational businesses to the executive management.

**Nomination Committee**

Committee Chairman: Jeff Harris

Membership as at 31 December 2015 and attendance

Jeff Harris Non-Executive Chairman	3 (6)
Terry Twigger SI Non-Executive Director	6 (6)
Tommy Breen Non-Executive Director	4 (4)
Peter Hill Non-Executive Director	6 (6)
Lorraine Trainer Non-Executive Director	6 (6)

Figures in brackets denote the maximum number of meetings that could have been attended.

The Company Secretary & General Counsel acts as Secretary to the Nomination Committee.

Other attendees

The Chief Executive, Paul Drechsler (to April 2015) and the Group Human Resources Director attended by invitation as appropriate.

The Nomination Committee is responsible for selecting and recommending candidates for appointment as Executive and as Non-Executive Directors of the Company. In the furtherance of these duties and when considering succession planning, the Nomination Committee looks at the balance, structure and composition of the Board and takes into account the future challenges and opportunities facing the Company.

The Nomination Committee meets as required, and during 2015 it met six times.

During the year, the Nomination Committee met three times to discuss the succession and appointment of a new Chairman. The current Chairman,

Jeff Harris, did not attend those meetings and the SI Non-Executive Director, Terry Twigger, acted as Chairman of the Nomination Committee in his absence.

The Nomination Committee, and the Board as a whole, supports the spirit of the recommendations set out in the Lord Davies Report "Women on Boards". Securing the right combination of skills, experience and expertise allows the Board to effectively lead the sustainable growth and success of the Company for the benefit of all stakeholders. The fundamental objective must be to ensure that the best people are appointed to do the best job for Essentra, taking into consideration other factors, such as market and international experience, and diversity of thought and background. Appointing people on merit, without any form of discrimination, is a key component of Essentra policies across all its international operations at all levels.

Nomination Committee 2015 key activities

- > Reviewed the composition and structure of the Company's Board and the Committees
- > Reviewed the succession planning for the Board and senior executives, and in doing so considered diversity, experience, knowledge and skills
- > Reviewed the Group Conflict of Interests policy and register, and was satisfied that there were no material issues of conflict
- > Reviewed the capabilities of external consultants to assist the Committee in the search for, and evaluation and appointment of, new individuals to the Board and its Committees
- > Developed, in conjunction with external consultation, the key requirements for the new appointments to the Board, and assessed the capabilities of potential candidates

- > Made recommendations to the Board for the appointment of Paul Lester as Chairman Designate Stefan Schellinger as Group Finance Director and Tommy Breen as a Non-Executive Director

The Nomination Committee was satisfied that all the appointments made during the year provide the Board with additional skills and current experience relevant to the activities of the Company and its future development. The biographies of Paul Lester, Stefan Schellinger and Tommy Breen are available on pages 44 to 45.

JCA Group was engaged to assist the Committee's review and evaluation of potential candidates for the role of an additional Non-Executive Director.

Zygos was engaged to assist the Committee's review and evaluation of potential candidates for the roles of Chairman Designate and Group Finance Director.

There is no related party connection with JCA Group or Zygos, and their respective assignments were undertaken on an arms length basis.

**AUDIT COMMITTEE CHAIRMAN'S LETTER**

Dear Shareholder,

As Chairman of the Essentra plc Audit Committee, I am pleased to present the 2015 Audit Committee Report to shareholders and to be able to confirm, on behalf of the Board, that the Annual Report is fair, balanced and understandable.

The Audit Committee is satisfied that the Company has maintained robust risk management and internal controls throughout the year, and that the internal audit programme is appropriately formulated and sufficiently resourced to confirm that these controls are effective.

The updated Corporate Governance Code, made a number of changes in September. The majority of the changes focused on risk management and internal controls, and the need for them to be embedded into the day-to-day processes of the Company.

The two new risk committees which were introduced towards the end of 2014 have contributed to the enhancement of the risk management process. The risk committees report directly to the Board, and the Audit Committee ensures the risk management processes are effective.

The report aims to provide the following information:

- How the Audit Committee operates and engages with the Company, including the Group Assurance function and the Executive Directors

- The key activities which were reviewed by the Audit Committee, including those items of regular annual review and other current areas of focus
- The discussions and actions undertaken, in conjunction with the external auditor, on any significant judgements and / or issues
- Details of the ongoing review of the external auditor and the amount of non-audit work undertaken

The Audit Committee has reported to the Board that the re-appointment of KPMG LLP should be proposed at the forthcoming AGM, and I hope that you will support me in this resolution. I am pleased to report that the Audit Committee intends to commence an audit tender during 2016. While the Audit Committee is recommending the appointment of KPMG for the 2016 audit, it is intention to proceed with a full tender for the 2017 audit, after the 2016 AGM, in response to the EU tendering requirements.

TERRY TWIGGER
Audit Committee Chairman
19 February 2016

**REPORT OF THE AUDIT COMMITTEE**

Committee Chairman: Terry Twigger

Committee membership and meeting attendance

Terry Twigger SI Non-Executive Director	4 (4)
Tommy Breen Non-Executive Director	2 (3)
Peter Hill Non-Executive Director	4 (4)
Lorraine Trainer Non-Executive Director	4 (4)

Figures in brackets denote the maximum number of meetings that could have been attended.

Tommy Breen was unable to attend one meeting due to an existing commitment prior to his appointment to the Audit Committee.

The Company Secretary & General Counsel acts as Secretary to the Audit Committee.

Other attendees

The external auditor, Chairman of the Board, Group Finance Director, Paul Drechsler (February meeting only), Group Head of Assurance and members of the GMC attended meetings by invitation, as appropriate. During the year, the Audit Committee met the external auditor, KPMG LLP, and the Group Head of Assurance without the Executive Directors being present.

Governance

All the Audit Committee members are independent Non-Executive Directors, and have financial and / or related business experience gained in senior positions in other large diverse organisations.

Terry Twigger has been the Chairman of the Audit Committee since 2009, and the Board is satisfied that Terry has recent and relevant financial experience, further details of which can be found on page 44.

The Audit Committee supports the Board and reports to it on a regular basis, certainly no less frequently than at every Board meeting following a meeting of the Audit Committee.

There is an annual cycle of items that are to be considered by the Audit Committee. The timetable of these items is scheduled in accordance with the requirements of the annual audit cycle and any other requirements of the Audit Committee. The responsibilities of the Audit Committee are defined in its terms of reference, which are reviewed annually and copies of which are available at www.essentraplcc.com.

Significant financial judgements for 2015**Tax liabilities**

The Group is, from time to time, subject to tax assessments which may represent potential future tax exposures, which arise in the ordinary course of business from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such exposures in the context of the tax laws of the countries in which it operates and, where applicable, makes provisions for any settlements which it considers appropriate.

The Audit Committee reviewed the tax liabilities which existed at the start of the year and those created during the year and the effective tax rate, together with their corresponding assumptions. The Audit Committee questioned and challenged the Group Finance Director as to the Company's risk attitude in this area.

Having considered the explanations and rationale provided by the Company, and taking this into consideration, along with the conclusion of the external auditor, the Audit Committee was satisfied that the tax liabilities were appropriate, and that the Group's tax disclosures were adequate given the nature of the activity undertaken by the Group.

Other provisions

The Group holds provisions in relation to exposures in cases where there is a probable legal or constructive obligation as a result of a past event. These provisions are categorised as Reorganisation and Other. Provisions for Reorganisation represent exit and redundancy costs for sites where there is a constructive obligation in place for closure at the balance sheet date. Other provisions contain warranty, onerous lease and dilapidations provisions, which have arisen in the ongoing business as well as in those which have been acquired.

The Audit Committee noted that, by their nature, these provisions are judgemental, reflecting management's assessment of a number of variables (including possible amounts and timing), but that the Company had continued to adopt a consistent approach in accordance with its relevant policies and an appropriate level of prudence. After careful consideration of the rationale, outlined by the Group Finance Director, the Audit Committee was satisfied that the Company's treatment of these items was appropriate, and concurred with the accounting treatment for the externally reported provisions.

Revenue recognition

There are a large number of sales transactions that are incurred across the Group where the estimation of product returns and warranty require significant judgement. Given the risk that sales may be recognised in the incorrect period over reporting dates, the Group needs to ensure that there are effective controls regarding the recording of sales transactions.

Revenue recognition was considered as a key area of audit focus, and the external auditor addressed the potential issue with the Audit Committee during the planning of the external audit process and scope. The Group Finance Director outlined the direction given to the finance and commercial organisations on all aspects of revenue recognition, as well as the reviews undertaken by management.



The Group Finance Director also acknowledged the degree of reliance on local judgement, but emphasised that in-market controls and internal reporting requirements would make it unlikely that there were material or systematic errors.

The Audit Committee was notified of the changes to revenue recognition which will occur as a result of the implementation of IFRS 15 *Revenue from Contracts with Customers* effective for the year ending 31 December 2018, and which will involve significant judgements and has extensive disclosure requirements. The Group Finance Director informed the Audit Committee that the Company will undertake a thorough review of the impact of the changes during the course of 2016 and 2017 with the assistance of the external auditor, and will discuss this with the Audit Committee at future meetings.

Acquisition accounting

As a result of the Group's recent acquisitions, there are significant intangible assets and goodwill recognised on the balance sheet. The valuation of these assets is based on sales forecasts, discount rates and other key assumptions which are subject to significant judgement. Other assets and liabilities acquired are recognised at their fair value on acquisition date. The fair value adjustments are also subject to key assumptions based on market data and valuation techniques, including discounted cash flows.

Acquisition accounting was considered as a key area of audit focus, and the external auditor addressed the potential issue with the Audit Committee during the planning of the external audit process and scope. The Audit Committee noted that management had engaged with suitably qualified external parties to provide valuations of the intangible assets and properties, and that the methodologies used by the advisers were consistent with those used by the Company in the past.

The external auditor used its own valuation specialists to critically challenge the key valuation assumptions and methodologies. After careful consideration of the reports from the Company and the external auditor, the Audit Committee was satisfied with the assumptions made and the judgements applied, and that the Company's approach to acquisition accounting was appropriate and in line with accounting standards.

Audit Committee 2015 key activities

Financial Statements and reports

- Examined the 31 December 2014 Annual Report and Accounts and the 30 June 2015 Half Year Report. This involved reviewing, challenging and recommending for approval the going concern basis of preparation, the accounting policies and disclosures, the financial reporting issues and the assumptions and judgements made
- Reviewed in detail the key judgements of the Financial Statements and levels of disclosure
- Reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements
- Reviewed the impact of new IFRS pronouncements
- Reviewed the key responsibilities of the Directors, particularly in relation to the issues which should be considered in order to conclude the annual accounts are fair, balanced and understandable
- Considered the accounting principles to be adopted in the preparation of the 2016 accounts

Risk management and internal audit

- Reviewed and considered reports from the Group Head of Assurance, including any issues relating to internal controls and the status of actions taken in response to any identified concerns
- Monitored the development of risk management practices through the Group Assurance function
- Received reports from the Group Head of Assurance regarding the activities of the Operational Risk Management and the Executive Risk Management Committees
- Assessed the areas of focus for internal audit and the adequacy of coverage, having regard to the potential risks impacting the Group
- Reviewed the output from the Group processes used to identify, evaluate and mitigate risk, and considered the key risks arising from the Company's activities and the response of senior management to those challenges
- Assessed the Company's response to cyber security and information technology risks
- Reviewed the adequacy of the Company's resources in relation to financial reporting, tax and treasury management requirements
- Oversaw compliance activities while monitoring the regulatory environment, and assessed any impact to the business
- Reviewed the Company's whistleblowing processes and reports made during the year under its Right to Speak policy
- Reviewed and considered the Human Resources risk review report
- Considered the development and testing of the Company's business continuity plans



The Audit Committee takes responsibility for reviewing the Group's internal controls through its engagement with the Group Assurance function. The Group Head of Assurance is responsible for providing assurances as to the adequacy of internal controls throughout the Company, and attends each Audit Committee meeting. Prior to the start of each year, the Audit Committee agrees the annual internal audit plan, which is drawn up on a risk-based approach across a broad section of the Company's activities. Any significant findings from internal control audits undertaken during the year have been appropriately investigated, and necessary action taken to address and rectify any weaknesses that may have been identified.

With the significant growth and acquisition activity undertaken by the Company, and the expansion into new markets and geographies, the Audit Committee has sought assurance that the internal controls, together with risk management and compliance activities, have continued to develop in accordance with all relevant requirements, and that appropriate resource is being made available to respond to those demands.

During the year, the Audit Committee continued to review the Company's cyber security capabilities and received regular presentations from both the Group Finance Director and the Chief Information Officer. The Audit Committee noted the comprehensive Information Technology scorecard which had been devised to detail the key actions being undertaken, and the extent of the progress during the year. One of the key improvement initiatives was the commencement of the "Standard Desktop" project which bought the Group's entire laptop infrastructure and email environments together, to enable the central IT function to monitor activity across the Group, deploy updates and controls remotely and guarantee a consistent set-up on each machine.

The Audit Committee continued its focus on the Group's compliance activities and received regular presentations from the Company Secretary & General Counsel. The Audit Committee noted the investment made by the Company in new systems designed to better facilitate compliance policy management and training across the Group, and deliver due diligence processes to assist in the management of third-party risk.

External auditor and non-audit work

- Reviewed and agreed the scope of the audit work to be undertaken by the external auditor
- Agreed the terms of engagement and fees to be paid to the external auditor for their audit of the 31 December 2015 Financial Statements
- Reviewed the qualifications, expertise, resources and independence of the external auditor, and assessed their performance
- Reviewed proposals for the engagement of the external auditor for non-audit services, and confirmed that their independence was safeguarded

The internal procedures implemented by the Company to ensure the Board maintains overall control for all material strategic, financial, operational and compliance matters affecting the Company are included within the internal control section of this Report.

The Board establishes the standards and values that govern the Group, and agrees the structure of the Group's internal controls.

Engagement of the external auditor

Although the external auditor has been in place since the Company's public listing in 2005, the external auditor periodically changes the audit partners at a Group, divisional and country level in accordance with professional and regulatory standards, in order to protect independence and

objectivity and provide fresh challenge to the business. Such changes are carefully planned, to ensure that the Group benefits from staff continuity without incurring undue risk of inefficiency.

The external auditor provides the Audit Committee with relevant reports, reviews, information and advice throughout the year, as set out in the terms of their engagement. Their performance was formally assessed by the Audit Committee in conjunction with the executive management team, and the Audit Committee is satisfied that the external auditor continues to be effective and provides appropriate independent challenge of the Company's management. In making its assessment of the external auditor, the Audit Committee had due regard to their expertise, resourcing and independence.

As such, the Audit Committee has not considered it necessary this year to conduct a tender process for the appointment of its external auditor. Having carried out the review described above, and having satisfied itself that the external auditor remains independent and effective, the Audit Committee has recommended to the Board that the external auditor be reappointed at the 2016 AGM.

The Audit Committee has been kept up-to-date with the development of new EU-wide regulations concerning audit tenure and the longevity of audit firm relationships with companies they audit.

Under EU transitional arrangements, the current intention is to initiate an audit re-tender during the course of 2016. There are no contractual obligations restricting the Audit Committee's choice of external auditor.



To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

- > Changes in senior audit personnel in the audit plan for the current year
- > A report from the external auditor describing the arrangements to identify, report and manage any conflicts of interest
- > The extent of non-audit services provided by the external auditor

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- > The external auditor's fulfilment of the agreed audit plan and variations from it, and reports highlighting the major issues that arose during the course of the audit
- > Feedback from the businesses evaluating the performance of each audit team

The external auditor is engaged to express an opinion on the Financial Statements. The audit includes the review and test of the system of internal financial control and the data contained in the Financial Statements, to the extent necessary for expressing an audit opinion on the truth and fairness of the Financial Statements.

Non-audit services policy

The importance of maintaining the objectivity and independence of the external auditor, by minimising its involvement in projects of a non-audit nature, is of fundamental concern to the Audit Committee. It is, however, also acknowledged that, due to its detailed understanding of the Company's business, it may sometimes be necessary to involve the external auditor in non-audit related work, principally comprising further assurance services relating to due diligence and other duties carried out in respect of acquisitions, disposals and tax services. The Audit Committee has adopted a policy in relation to the engagement of the external auditor to supply non-audit services, with defined parameters and approval requirements in relation to any such appointments.

Details of the fees paid to KPMG LLP during the year can be found in note 2 to the Financial Statements on page 101.



REMUNERATION COMMITTEE CHAIRMAN'S LETTER

Dear Shareholder,

At the 2015 AGM we sought shareholder approval for a new Remuneration Policy ("the Policy") which was aligned with the strategic objectives of Drive for 2020. The Remuneration Committee was delighted to receive strong support from our shareholders, with over 97% in favour for the new Policy.

A summary of the Policy is included, for the reference of shareholders, on pages 62 to 66, and a copy of the full Policy as approved by shareholders is available at www.essentraplc.com.

The Annual Report on Remuneration ("the ARR") on pages 67 to 78 contains details of the remuneration received by the Directors in 2015, together with full details of how we intend to implement the Policy during 2016. The ARR will be subject to an advisory shareholder vote at the 2016 AGM.

Supporting strategic priorities

The Policy has been structured to support the financial objectives and strategic priorities of Drive for 2020, in a manner that is aligned with shareholders' interests. The Remuneration Committee's implementation of the Policy during the year has been consistent with these principles:

- Supporting financial objectives:
Key financial objectives that underlie Drive for 2020 are balanced, profitable growth and strong conversion of profit into cash. The Remuneration Committee has set performance measures for the annual bonus and Long-Term Incentive Plan ("LTIP") that reward delivery of these financial objectives. Performance targets have been set that are consistent with Drive for 2020, in particular the aspiration of doubling the size of the Company by 2020.
- Supporting strategic priorities:
Our Drive for 2020 strategy requires development of a focused and high-performing executive team. During the past year, the Remuneration Committee, in conjunction with the Nomination Committee, has been focused on ensuring that a seamless succession planning process was implemented for the Group Finance Director and Company Chairman roles. The Remuneration Committee has also ensured that it continues to set challenging performance targets that will drive excellence throughout the senior executive team.

- Providing alignment with shareholders:
Underlying Drive for 2020 is a focus on sustainable value creation. During the year, the Remuneration Committee approved an award over a fixed number of LTIP shares to senior executives. Those individuals will receive an award over the same number of shares in both 2016 and 2017, to provide direct alignment with the strategy of value creation. In order to provide consistency with the logic underlying the Policy, the Remuneration Committee determined that the new Group Finance Director should receive LTIP awards in 2016 and 2017 over the same number of shares as were awarded to his predecessor in 2015.

Rewarding performance in 2015

The financial and operating performance of Essentra during 2015 is set out on pages 2 to 41 in the Strategic Report. As reported, we delivered our strategic objectives, in addition to exceeding £1bn of revenue for the first time in the Company's history, notwithstanding the significant impact of challenges in the oil & gas sector on our PPT business. As a result of this performance, the Remuneration Committee determined that the annual bonus would be 30.8% of the maximum for Colin Day and 29.3% of the maximum for Stefan Schellinger (pro-rated from date of appointment as Group Finance Director). Full details of the basis for the Remuneration Committee's bonus determination are set out on page 69.

The three-year performance period for the Earnings per Share ("EPS") element of the 2013 LTIP awards was completed at the end of 2015. The maximum EPS growth target was exceeded, and so this element of the awards will vest in full during 2016. The performance period for the relative Total Shareholder Return ("TSR") element of the 2013 awards will end during 2016, and partial vesting is anticipated. Full details are set out on pages 71 to 72.

**Departure of former Group****Finance Director**

Matthew Gregory resigned as Group Finance Director on 28 August 2015. Matthew remained as an employee until 30 November 2015, and continued to receive salary and benefits until that date. He received no bonus in respect of 2015, and all of his outstanding share awards at the date of his departure lapsed, including the Deferred Annual Share Bonus awards.

Appointment of new Group**Finance Director**

Stefan Schellinger was initially appointed as interim Group Finance Director on 1 September 2015, before being appointed on a permanent basis on 8 October 2015. Upon this appointment, Stefan's remuneration was reviewed by the Remuneration Committee, taking into account all relevant factors including his experience, the pay level of his predecessor and the principles of our Policy. Details of Stefan's new pay arrangements are set out in the ARR on pages 67 to 78.

Decisions for 2016

Full details of the remuneration structure for our Executive Directors for 2016 are outlined on pages 63 to 66. Specific points to highlight in relation to that structure are as follows:

- > Colin Day's salary is fixed until 1 January 2018 and Stefan Schellinger's salary will not be reviewed until 1 January 2017. There will therefore be no salary adjustments for the Executive Directors in 2016.
- > The 2016 annual bonus plan will offer the same level of potential reward as the 2015 plan. It will be based on financial measures, targets and personal objectives aligned with Drive for 2020, which should drive longer-term shareholder value creation.
- > Consistent with the principles of the Policy, the Chief Executive and Group Finance Director will receive LTIP awards in 2016 over the same number of shares as were awarded to the holders of these positions in 2015. LTIP awards will continue to be based half on a relative TSR performance condition and half on an adjusted EPS performance condition, in order to reward the delivery of longer-term shareholder value creation. For 2016, the EPS performance conditions will remain the same as 2015, at 8% pa to 15% pa growth.

I hope you will find this report to be clear and helpful in understanding our remuneration practices, and that you will be supportive of the resolution relating to remuneration at the AGM. As ever, the Remuneration Committee welcomes any questions or comments from shareholders.

LORRAINE TRAINER

Remuneration Committee Chairman

19 February 2016



REMUNERATION POLICY REPORT

This Remuneration Policy Report ("the Report") sets out the policies under which the Executive and Non-Executive Directors are remunerated. This Report, together with the Annual Report on Remuneration, is intended to be in full compliance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code 2008 (as amended) issued by the Financial Reporting Council and the Listing Rules.

The current Remuneration Policy ("the Policy"), a summary of which is set out below, was approved by shareholders at the 2015 AGM and was effective from 1 January 2015. There have been no changes to the Policy during the year ended 31 December 2015, and therefore the Policy will not be subject to a vote at the 2016 AGM. The Policy can be found, in full, on the Company's website www.essentraplc.com or in the Essentra Annual Report 2014, a copy of which can be obtained from the Company's registered office or downloaded from www.essentraplc.com.

Summary of components of Executive Directors' remuneration

The Remuneration Committee structures senior executive remuneration in two distinct parts: (i) fixed remuneration of basic annual salary, pension and benefits; and (ii) variable, performance-related remuneration in the form of a cash bonus, deferred share bonus and long-term incentive arrangements.

Remuneration for Executive Directors is structured so that the variable, performance-related pay element forms a significant portion of each package. The majority of total remuneration at the maximum performance level will derive from the Company's long-term incentive arrangements, which are aligned to Essentra's ambition under Drive for 2020 to create long-term shareholder value.



Policy table

Purpose and link to strategy	Operation	Opportunity	Performance measures
Basic annual salary			
To reflect the particular skills and experience of an individual and to provide a competitive basic salary	<p>For the duration of this Remuneration Policy, basic salaries of the current Executive Directors will be set at levels not exceeding those set out in this table. These salaries have been set by reference to a rounded assessment which considers:</p> <ul style="list-style-type: none"> > The skills, performance and experience of the individual > Their roles and responsibilities > External market data 	<p>Colin Day: £675,000 (fixed until 1 January 2018)</p> <p>Matthew Gregory¹:</p> <ul style="list-style-type: none"> > From 1 January 2015: £340,000 > From 1 January 2016: £375,000 > From 1 January 2017: £390,000 	Not applicable
Annual bonus			
To incentivise the delivery of Company performance-related objectives, to aid retention and to align Directors' interests with those of the Company's shareholders	<p>One half of the total annual bonus is paid in cash shortly after the announcement of the annual results. The other half is deferred into shares in the Deferred Annual Share Bonus award (the "DASB"), which will normally vest after three years subject to continued service</p> <p>Performance is assessed against measures and targets which are established on an annual basis by the Remuneration Committee. As performance increases, so does the percentage payable up to the maximum</p> <p>The bonus is subject to malus and clawback provisions for a period of three years following the determination of the bonus. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's Financial Statements, error in assessing the performance conditions, serious misconduct by an individual or serious reputational damage to the Company or a relevant business unit</p> <p>An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards, to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis)</p>	<p>Chief Executive – 150% of basic salary</p> <p>Group Finance Director – 125% of basic salary</p>	<p>The bonus will be based on performance assessed over one year using appropriate financial, strategic and individual performance measures</p> <p>The majority of the bonus will be determined by measure(s) of the Company's financial performance</p> <p>The remainder of the bonus will be based on financial, strategic or operational measures appropriate to the individual Director</p> <p>The selected measures for the next financial year are set out in the Annual Report on Remuneration on page 77</p>

¹ During 2015, Stefan Schellinger replaced Matthew Gregory as Group Finance Director. Stefan Schellinger's salary was set at £360,000 upon his permanent appointment to the role in October 2015 and will be reviewed in January 2017



Policy table

Purpose and link to strategy	Operation	Opportunity	Performance measures
Long-Term Incentive Plan 2015 ("LTIP 2015")			
To drive the long-term delivery of the Company's strategic objectives, with particular focus on the delivery of Drive for 2020, to aid retention and to align Directors' interests with those of the Company's shareholders	An annual award of performance share awards with a three-year performance, and usually with a three-year vesting, period	An award to any Executive Director is limited to a maximum of 300% of salary, with the exception that Colin Day and Matthew Gregory ¹ will receive a fixed award over up to the same number of performance shares in each of 2016 and 2017 as were awarded to them in 2015	Vesting will be subject to performance conditions, as determined by the Remuneration Committee on an annual basis. The performance conditions will usually consist of relative TSR performance and adjusted EPS performance, measured over a three-year period
	Awards are subject to malus and clawback provisions for a period of three years following the vesting of the awards. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's Financial Statements, error in assessing the performance conditions, serious misconduct by an individual or serious reputational damage to the Company or a relevant business unit	The basis for the determination of the size of the 2015 award for each of Colin Day and Matthew Gregory, within the 300% of salary limit, is outlined in the Annual Report on Remuneration	The Remuneration Committee may adjust the weightings of the performance conditions to include an additional or alternative performance measure which is aligned with the corporate strategy. 25% of each element vests at threshold performance, usually rising on a straight-line basis for performance up to the maximum level for full payment

¹ During 2015 Stefan Schellinger replaced Matthew Gregory as Group Finance Director. Stefan will receive a fixed LTIP award in 2016 and 2017 over the same number of performance shares as were awarded to Matthew Gregory in 2015 subject to the value of those shares as at the date of grant not exceeding the individual limit of 300% salary



Policy table

Purpose and link to strategy	Operation	Opportunity	Performance measures
All employee plans			
To create alignment of employees' interests with those of shareholders, and an awareness of the Company's share price performance	<p>Under the UK Sharesave, employees (including Executive Directors) are invited to enter a savings contract of three years or five years, whereby the proceeds can be used towards the exercise of an option granted at the time they participate. The option price can be up to a 20% discount to the share price at the time invitations to participate are issued</p> <p>An equivalent US plan is operated in a similar manner to the UK Sharesave, although with a two-year savings contract and an option price of up to a 15% discount</p>	<p>For the UK plan, shares worth up to the value of the savings an Executive Director agrees to make over the saving period at the previously agreed option price. The savings amount is subject to the HMRC limit, currently £500 per month</p> <p>The US plan is limited to the monthly dollar equivalent of the UK Sharesave plan</p>	No performance conditions apply to all employee plans
Pension			
To provide cost-effective long-term benefits comparable with similar roles in similar companies	A contribution to a defined contribution plan or paid as a cash supplement	<p>Chief Executive – 25% of basic salary</p> <p>Group Finance Director – 20% of basic salary</p>	Not applicable
Other benefits			
To provide cost-effective benefits comparable with similar roles in similar companies	<p>Other benefits include medical expenses, life insurance, a company car and / or car allowance and fuel allowance</p> <p>The Remuneration Committee may vary these benefits from time to time to suit business needs, but they will be provided on broadly similar terms to those offered to other Group employees</p> <p>Executive Directors are entitled to reimbursement of reasonable expenses</p>	There is no overall maximum, as the level of benefits depends on the annual cost of providing individual items in the relevant local market and the individual's specific role	Not applicable



Policy table

Purpose and link to strategy	Operation	Opportunity	Performance measures
Shareholding requirement			
To align the interests of Executive Directors and shareholders, and to encourage a focus on long-term performance and risk management	<p>These shareholding guidelines are to be built up over five years from date of appointment</p> <p>The Remuneration Committee will review progress towards the guidelines on an annual basis, and has the discretion to adjust the guidelines in what it feels are appropriate circumstances</p>	<p>The guideline minimum level is 300% of basic salary for the Chief Executive and 200% of basic salary for the Group Finance Director</p> <p>Non-Executive Directors are encouraged to hold a minimum of 7,500 shares</p>	Not applicable
Non-Executive Directors Fees			
To attract high-calibre Non-Executive Directors with the relevant experience and skills	<p>The fee for the Chairman of the Board is determined by the Remuneration Committee, while the fees for Non-Executive Directors are determined by the Board as a whole</p> <p>A basic fee is payable to all Non-Executive Directors with supplementary fees for those with additional responsibilities, such as acting as Senior Independent Non-Executive Director or chairing a Board Committee</p> <p>Fees are reviewed on an annual basis with reference to market levels in companies of a comparable size and complexity, and taking account of the responsibilities and time commitment of each role</p> <p>No Non-Executive Director participates in the Group's incentive arrangements or pension plan, or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit, in which case a Non-Executive Director may receive the grossed-up costs of travel as a benefit</p> <p>Non-Executive Directors are entitled to reimbursement of reasonable expenses</p>	<p>Fees for the current year are stated in the Annual Report on Remuneration</p> <p>Fee increases may be greater than those of the wider workforce in any particular year, as they reflect changes to responsibilities and time commitments, and the periodic nature of any increases</p>	Not applicable

**ANNUAL REPORT ON REMUNERATION**

Committee Chairman: Lorraine Trainer

Committee membership and meeting attendance

Lorraine Trainer Non-Executive Director	4 (4)
Tommy Breen Non-Executive Director	2 (3)
Terry Twigger SI Non-Executive Director	4 (4)
Peter Hill Non-Executive Director	4 (4)

Tommy Breen was unable to attend one meeting due to an existing commitment prior to his appointment to the Remuneration Committee.

The Company Secretary & General Counsel acts as Secretary to the Remuneration Committee.

Other attendees

During the year, the Chief Executive, Group Finance Director, and the Group Human Resources Director were invited by the Remuneration Committee to provide views and advice.

In addition, with the approval of the Remuneration Committee, the Company received services and advice from the following independent and expert consultants:

- > Deloitte LLP, who are a member of the Remuneration Consultants Group and have signed up to its Code of Conduct, provided advice on the Company's long-term share incentive plan, and on the remuneration of the Executive Directors and other senior executives within the Company. Fees charged for the year under review are £80,275. Deloitte also provided tax services to the Company during 2015

- > New Bridge Street, a part of Aon Hewitt, who are a member of the Remuneration Consultants Group and have signed up to its Code of Conduct, provided advice on the Company's long-term share incentive plans. Fees charged for the year under review were £27,011. Aon Hewitt also provided actuarial advice to the Company for its US pension scheme and are appointed as the Group's insurance broker

The Remuneration Committee continuously monitors and reviews the Company's relationship with independent advisers. The Company is comfortable that no conflicts of interest exist.

Remuneration Committee 2015 key activities

- > Approved the Remuneration Report for the Annual Report 2014
- > Reviewed and approved a UK Sharesave invitation for 2015
- > Reviewed and approved a US Stock Purchase plan invitation for 2015
- > Approved the cash bonus paid in 2015, based on the achievements of the 2014 objectives
- > Approved the bonus rules and targets for 2015, including the personal objectives for the Group Management Committee
- > Approved the LTIP 2015 grant of awards made in April 2015
- > Monitored the Group Leadership Team's shareholding requirements
- > Approved the remuneration for the new Group Finance Director in line with the Company's Remuneration Policy

- > Confirmed the Executive Directors fixed salaries in line with the Remuneration Policy and the Company Secretary's basic salary for 2016
- > Considered and approved, as appropriate, good leaver terms, for participants in the Company's share incentive plans who left the business
- > Reviewed the senior executive remuneration risk policy
- > Reviewed shareholder feedback on the 2014 Remuneration Report, including the 2015 AGM voting results
- > Approved the remuneration for the new Chairman Designate in line with the Company's Remuneration Policy
- > Reviewed the remuneration for the Group Management Committee



This section of the Remuneration Report will be subject to an advisory vote at the 2016 AGM.

Total Single Remuneration Table for 2015 (audited)

The remuneration received by Executive Directors for the year ended 31 December 2015 (and the 31 December 2014 comparative) was as follows:

	Year	Salary and fees for the year or from date of appointment	Taxable benefits ¹ £000	Cash in lieu of pension ² £000	Bonus (cash and deferred shared) ³ £000	Long-Term Incentive Plan £000	Other £000	Total £000
Executive Directors								
Colin Day	2015	675	31	169	312	1,400 ⁴	15 ⁵	2,602
	2014	618	27	155	557	4,304 ⁵	–	5,661
Stefan Schellinger ⁷	2015	84	3	17	31	165 ⁴	–	300
	2014	–	–	–	–	–	–	–
Matthew Gregory ⁸	2015 ⁷	224	9	45	–	–	–	278
	2014	300	15	60	225	816 ⁵	–	1,416
Non-Executive Directors								
Jeff Harris	2015	200	–	–	–	–	–	200
	2014	190	–	–	–	–	–	190
Paul Lester	2015	3	–	–	–	–	–	3
	2014	–	–	–	–	–	–	–
Tommy Breen	2015	36	–	–	–	–	–	36
	2014	–	–	–	–	–	–	–
Peter Hill	2015	52	–	–	–	–	–	52
	2014	50	–	–	–	–	–	50
Lorraine Trainer	2015	63	–	–	–	–	–	63
	2014	57	–	–	–	–	–	57
Terry Twigger	2015	70	–	–	–	–	–	70
	2014	64	–	–	–	–	–	64
Paul Drechsler ⁹	2015	22	–	–	–	–	–	22
	2014	55	–	–	–	–	–	55

¹ Taxable benefits comprise a fully expensed car and / or cash allowance plus private medical insurance and life insurance cover

² Colin Day received a pension contribution of 25% of basic salary while Stefan Schellinger and Matthew Gregory received a pension contribution of 20% of basic salary (inclusive of 5% of salary paid into the Company scheme by the Company)

³ 50% of the annual bonus is deferred into shares for a period of three years. Further details on the bonus relating to performance in 2015 are set out on page 69

⁴ These values represent the estimated value of vesting of LTIP B awards whose performance conditions ended (or were substantially complete) on 31 December 2015. The actual vesting date for these awards will be during 2016

⁵ The values of these awards have been restated to reflect the actual value at the date of vesting. For the LTIP B August 2011 award, this reflects a 100% vesting and a share price of £9.63 as at 20 February 2015 compared to the estimated 100% vesting and a share price of £7.33 used in last year's table. For the LTIP B April 2012 award, this reflects a 100% vesting and a share price of £9.80 as at 27 April 2015 compared to the estimated 84.6% vesting and a share price of £7.33 used in last year's table

⁶ Exercise of a three-year savings contract in the Company's Sharesave scheme. The valuation is the difference between the exercise price and the option price on the date of exercise

⁷ Stefan Schellinger's pay is shown from the date of his appointment to the Board on 8 October 2015

⁸ Salary, benefits and pension were paid, as a Director, to the date of resignation, 28 August 2015. Matthew Gregory continued as an employee until 30 November 2015. All incentive plans including Deferred Bonus Plan awards lapsed as at the date of leaving

⁹ Paul Drechsler's fees were paid, to the date of retirement 23 April 2015

Outside appointments (unaudited)

Colin Day held the following non-executive director appointments during the year ended 31 December 2015; AMEC Foster Wheeler plc, Meggitt PLC (from 1 October 2015), FM Global and WPP Group plc (to 9 June 2015). Colin received fees of £330,000 in respect of these directorships.



Annual bonus (audited)

Under the terms of the annual bonus arrangements for 2015, Colin Day was potentially entitled to a maximum bonus of up to 150% of basic salary and Stefan Schellinger was, in relation to his period as an Executive Director, potentially entitled to a maximum bonus of up to 125% of basic salary pro-rated from the date of his appointment to the Board. Following his resignation, Matthew Gregory was not entitled to a bonus payment in relation to 2015.

Bonus payments are normally made one half in cash and one half in shares in the Company, the entitlement to such shares being deferred for three years, in accordance with the rules of the DASB.

For the year ended 31 December 2015, the performance measures for the Executive Directors were based upon balanced growth, working capital and personal objectives. Balanced growth combines revenue and operating profit performance measured via a balanced scorecard. There is no payout under the balanced growth measure if either revenue growth or operating profit growth fails to achieve a base level of performance.

Performance measure	Proportion of bonus determined by measure		Base performance	Target performance	Stretch performance	Actual performance	% of maximum bonus payable
Balanced growth	80%	Operating profit	16.0% growth	19.9% growth	22.5% growth	19.9% growth	20.8%
		Revenue	27.0% growth	34.0% growth	36.5% growth	27.3% growth	
			10% of bonus payable	40% of bonus payable	80% of bonus payable		
Working capital	10%	Based on the working capital ratio at the year end ¹				Nil target achieved	0%
Personal objectives	10%	Chief Executive: Measures relating to the integration of acquisitions, succession planning to deliver and implement the strategy, and driving the effectiveness of the Board and the Executive team ²					10.0%
		Group Finance Director: Transitional development on new role ²					8.5%
Total							Chief Executive 30.8%
Total							Group Finance Director 29.3%

¹ The targets relating to the working capital measure are regarded as commercially sensitive by the Board

² Following the year end, the Remuneration Committee assessed performance against the personal objectives for each Director

For Colin Day, the Remuneration Committee determined that the objectives have been fully satisfied and that the maximum portion of the bonus subject to these objectives should be paid. For Stefan Schellinger, the Remuneration Committee determined that the majority of the personal objectives have been fully satisfied and that 85% of the bonus subject to these objectives should be paid. The targets relating to the personal objectives are regarded as commercially sensitive by the Board. The Remuneration Committee has reviewed the personal objectives and can confirm that they appropriately reflect the strategic direction of the Company.

Total bonuses awarded in respect of performance for the period that individuals were employed as Executive Directors during the year ended 31 December 2015 were therefore:

Name of Directors	Cash bonus £000	Deferred share bonus award £000	Total bonus £000
Colin Day	156	156	312
Stefan Schellinger	16	15	31
Matthew Gregory	Nil	Nil	Nil

The Remuneration Committee is satisfied that the level of bonus payable is reflective of the corporate and individual performance during the year.



Equity incentives (audited)

Details of the awards granted and outstanding during the year to the Executive Directors under the LTIP Part B, LTIP 2015 and DASB are as follows:

	Date of grant	At 1 Jan 2015 ¹	Awarded in year	Transferred in year	Lapsed at date of leaving the Company	At 31 Dec 2015	Share price at date of grant	Earliest vesting date	Expiry date
Colin Day									
LTIP Part B	20 April 2011	259,842	–	259,842	–	–	317.50p	20 April 2014 ¹	19 April 2017
LTIP Part B	26 August 2011	80,929	–	80,929	–	–	339.80p	26 February 2015 ¹	25 August 2017
LTIP Part B	27 April 2012	359,840	–	359,840	–	–	400.70p	27 April 2015	26 April 2018
LTIP Part B	21 March 2013	260,115	–	–	–	260,115	692.00p	21 March 2016	20 March 2019
LTIP Part B	24 February 2014	211,643	–	–	–	211,643	876.00p	24 February 2017	23 February 2020
LTIP 2015	30 April 2015	–	203,109	–	–	203,109	950.50p	30 April 2018	29 April 2021
DASB	24 February 2012	57,688	–	57,688	–	–	446.90p	1 March 2015	1 March 2015
DASB	21 March 2013	61,100	–	–	–	61,100	692.00p	1 March 2016	1 March 2016
DASB	24 February 2014	51,369	–	–	–	51,369	876.00p	1 March 2017	1 March 2017
DASB	1 April 2015	–	26,926	–	–	26,926	993.50p	1 March 2018	1 March 2018
Stefan Schellinger²									
LTIP Part B	29 April 2013	39,505	–	–	–	39,505	706.00p	29 April 2016	28 April 2019
LTIP Part B	24 February 2014	45,662	–	–	–	45,662	876.00p	24 February 2017	23 February 2020
LTIP 2015	30 April 2015	–	36,158	–	–	36,158	950.50p	30 April 2018	29 April 2021
DASB	24 February 2014	5,279	–	–	–	5,279	876.00p	1 March 2017	1 March 2017
DASB	1 April 2015	–	3,872	–	–	3,872	993.50p	1 March 2018	1 March 2018
Matthew Gregory³									
LTIP Part B	27 April 2012	67,021	–	67,021	–	–	400.70p	27 April 2015	26 April 2018
LTIP Part B	21 March 2013	80,924	–	–	80,924	–	692.00p	21 March 2016	20 March 2019
LTIP Part B	24 February 2014	68,493	–	–	68,493	–	876.00p	24 February 2017	23 February 2020
LTIP 2015	30 April 2015	–	74,222	–	74,222	–	950.50p	30 April 2018	29 April 2021
DASB	24 February 2012	13,425	–	13,425	–	–	446.90p	1 March 2015	1 March 2015



	Date of grant	At 1 Jan 2015 ¹	Awarded in year	Transferred in year	Lapsed at date of leaving the Company	At 31 Dec 2015	Share price at date of grant	Earliest vesting date	Expiry date
DASB	21 March 2013	13,450	–	–	13,450	–	692.00p	1 March 2016	1 March 2016
DASB	24 February 2014	19,977	–	–	19,977	–	876.00p	1 March 2017	1 March 2017
DASB	1 April 2015	–	10,892	–	10,892	–	993.50p	1 March 2018	1 March 2018

¹ Or date of appointment

² Stefan Schellinger's outstanding LTIP B, LTIP 2015 and DASB awards were all granted when he was a member of the Group Management Committee and before he was appointed as an Executive Director

³ All of Matthew Gregory's incentive plan awards and deferred share awards lapsed as at the date of leaving

A total of 915,597 (2014: 1,023,158) share incentive awards under the LTIP 2015 and the DASB were granted during the year ended 31 December 2015 to Executive Directors and other senior executives, including members of the Group Leadership Team.

LTIP awards included in the Total Single Remuneration Table (audited)

All LTIP B and LTIP 2015 awards are subject half to a relative TSR performance condition and half to an adjusted EPS performance condition.

The TSR performance conditions are measured against the FTSE 250 (excluding investment trusts) index at the beginning of the performance period, over a three-year performance period from the date of grant. 25% of the TSR element of the awards vests if Essentra is median ranked, increasing to 100% vesting if Essentra is upper quartile ranked.

The adjusted EPS performance targets for March and April 2013 awards are 8.0% pa to 15.0% pa; for February 2014 awards, the targets are 8.5% pa to 15.5% pa; and for April 2015 awards, the targets are 8.0% to 15.0% pa. 25% of the EPS element of the awards vests for achieving the lower target, increasing to 100% vesting for achieving the higher target.

The performance outturn for the LTIP awards included in the 2015 Total Single Remuneration Table is summarised below.

The LTIP B awards granted to Colin Day in March 2013 will vest in March 2016. The EPS performance period for these awards is complete. The TSR performance period will end in March 2016 so the figures below are estimates as at 31 December 2015.

Performance condition	Condition definition	Threshold	Maximum	Actual outturn	Vesting
Relative TSR (50% of the total award)	TSR measured against the constituents of the FTSE 250 (excluding investment trusts) index over the three years from date of grant	If median rank is achieved, 25% of the TSR element vests	If upper quartile rank is achieved 100% of the TSR element vests	50.86% Rank 90 out of 186 companies	28.58% of the TSR element of the award is on track to vest
EPS (50% of the total award)	Annualised adjusted EPS growth	8% pa for 25% of the EPS element to vest	15% pa for 100% of the EPS element to vest	17.87%	100% of the EPS element of the award vests

The Remuneration Committee is satisfied that the level of vesting is a fair reflection of the performance of the business over the three-year performance period.



The LTIP B awards granted to Stefan Schellinger in April 2013 will vest in April 2016. The EPS performance period for these awards is complete. The TSR performance period will end in April 2016 so the figures below are estimates as at 31 December 2015.

Performance condition	Condition definition	Threshold	Maximum	Actual	Vesting
Relative TSR (50% of the total award)	TSR measured against the constituents of the FTSE 250 (excluding investment trusts) index over the three years from date of grant	If median rank is achieved, 25% of the TSR element vests	If upper quartile rank is achieved, 100% of the TSR element vests	35.21% Rank 98 out of 187 companies	0% of the TSR element of the award is on track to vest
EPS (50% of the total award)	Annualised adjusted EPS growth	8% pa for 25% of the EPS element to vest	15% pa for 100% of the EPS element to vest	17.87%	100% of the EPS element of the award vests

The Remuneration Committee is satisfied that the level of vesting is a fair reflection of the performance of the business over the three-year performance period.

The estimated value of LTIP B awards which will vest to the Executive Directors during the year ended 31 December 2016 is summarised in the table below:

Executive	Number of awards granted	Estimated vesting	Number of shares	Total
Colin Day (March 2013 award)	260,115	64.29%	167,227	1,400
Stefan Schellinger ¹ (April 2013 award)	39,505	50.00%	19,752	165

¹ Award made while Stefan Schellinger was a member of the Group Management Committee

² The indicative value shown has been included in the total single figure for remuneration table based on the three-month average share price to 31 December 2015 of £8.37

Long-term incentive awards granted during the year (audited)

The following LTIP 2015 awards were granted to Executive Directors on 30 April 2015.

Executive	Type of award	Number of awards granted	Share price on grant	Face value ¹	Percentage which vests at threshold
Colin Day	Performance share	203,109	£9.97	£2,024,996 ²	25%
Stefan Schellinger	Performance share	36,158	£9.97	£360,495 ³	25%
Matthew Gregory	Performance share	74,222	£9.97	£739,993 ⁴	n/a

¹ Face value is based on the mid-market closing share price on 23 April 2015

² At the time of grant, these shares were worth 300% of Colin Day's 2015-17 annual salary (£675,000)

³ This award was granted when Stefan Schellinger was a member of the Group Management Committee and made in accordance with the Company's remuneration policy

⁴ At the time of grant, these shares were worth 200% of Matthew Gregory's proposed average annual salary for the period 2015-17 (£370,000). Matthew Gregory's award lapsed upon cessation of employment



Save As You Earn scheme (audited)

The Company also operates a Save As You Earn share option scheme ("SAYE"). Details of the awards granted and outstanding under the SAYE are as follows:

	Date of grant	At 1 Jan 2015	Granted in year	Exercised in year	Lapsed on leaving employment	At 31 Dec 2015	Exercise price	Share price at date of exercise	Earliest vesting date	Expiry date
Colin Day										
SAYE	1 May 2012	2,540	–	2,540	–	–	354.2p	962.5p	1 May 2015	31 October 2015
SAYE	1 May 2015	–	4,500	–	–	4,500	770.4p	–	1 May 2018	31 October 2018
Stefan Schellinger										
SAYE	1 May 2014	5,250	–	–	–	5,250	701.0p	–	1 May 2017	31 October 2017
SAYE	1 May 2015	–	2,250	–	–	2,250	770.4p	–	1 May 2018	31 October 2018
Matthew Gregory										
SAYE	1 May 2013	3,030	–	–	3,030	–	495.0p	–	1 May 2018	31 October 2018

¹ These SAYE options were granted when Stefan Schellinger was a member of the Group Management Committee

The middle market price of an ordinary share in the Company on 31 December 2015 was £8.28. The middle market price of an ordinary share in the Company during the year ranged from £7.14 to £10.69.



Directors' shareholdings (audited)

The beneficial interests of the current Directors in office at 31 December 2015, and the date of this Report, in the issued ordinary share capital of the Company were as follows:

	Beneficially owned		% of salary held under shareholding guideline	LTIP B / LTIP 2015 awards	DASB	SAYE	Total
	31 Dec 2014	31 Dec 2015		Unvested	Unvested	Unvested	31 Dec 2015
Executive Directors							
Colin Day	265,851	545,948	670	674,867	139,395	4,500	1,364,710
Stefan Schellinger	-	-	-	121,325	9,151	7,500	137,976
Non-Executive Directors							
Jeff Harris	59,651	59,651					59,561
Paul Lester	-	-					-
Tommy Breen	-	-					-
Peter Hill	10,000	10,000					10,000
Lorraine Trainer	7,562	7,714					7,714
Terry Twigger	7,500	7,500					7,500

Salary used is the prevailing annual salary as at 31 December 2015.

An additional 17,078 shares are also held by Colin Day's family members.

Colin Day has met the requirement of the Essentra shareholding policy by holding shares worth 300% of salary.

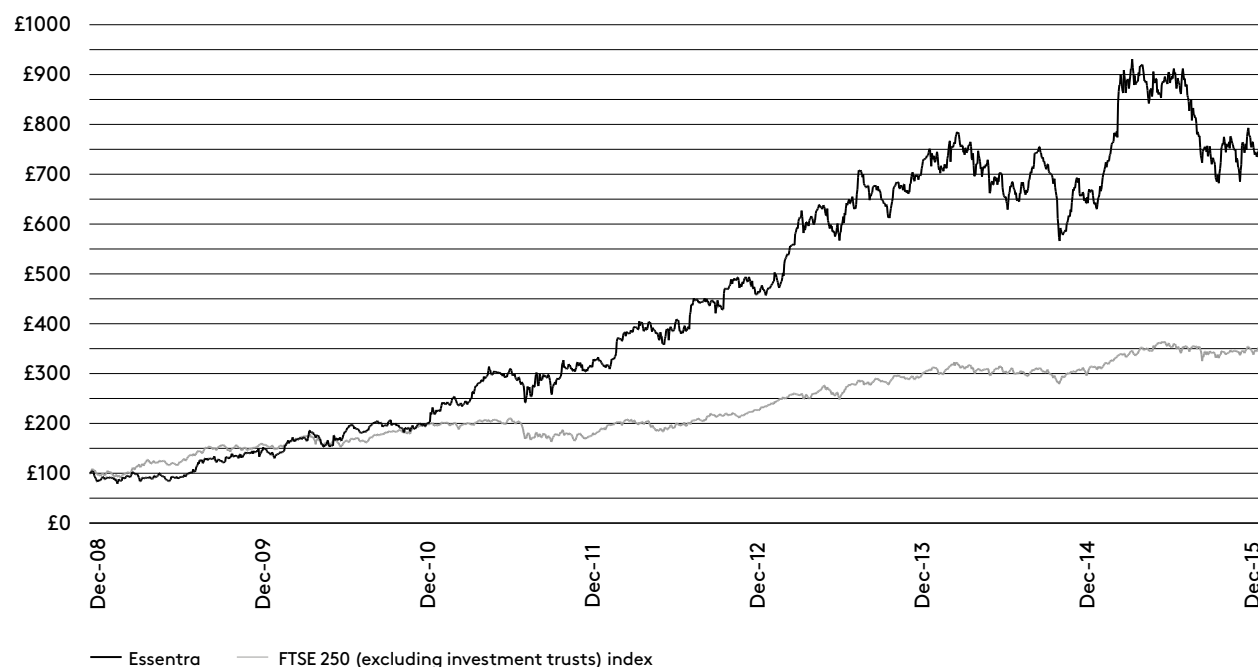
Stefan Schellinger is required to build up a shareholding worth 200% of salary from the date of appointment.

The Executive Directors are regarded as being interested in 1,828,789 (2014: 3,379,383) ordinary shares in Essentra plc currently held by the Essentra Employee Benefit Trust ("EBT") as they are, together with other Essentra employees, potential beneficiaries of the EBT. These shares are held in order to satisfy employee entitlements relating to the Company's share plans.

As at 31 December 2015, potential and actual share issuance through employee related share plans totalled 1.9%, which is well below UK institutional shareholder limits of 10% of the Company's issued share capital.

Performance graph (unaudited)

The graph right represents the comparative TSR performance of the Company versus the FTSE 250 (excluding investment trusts) index for the last seven years. This index has been selected as it is considered the most appropriate published general index in which the Company is a constituent.



Seven-year Chief Executive table (unaudited)

	Mark Harper				Colin Day			
	2009	2010	1 Jan – 14 April 2011	April – 31 Dec 2011	2012	2013	2014	2015
Total remuneration (£000)	1,038	2,932	1,715	1,046	1,570	3,824	5,661	2,602
Annual bonus (%)	20%	100%	100%	100%	100%	100%	60.0%	46.2%
LTIP vesting (%)	73%	100%	100%	n/a	n/a	100%	100%	64.3%

Mark Harper retired on 14 April 2011 and Colin Day was appointed as a Director on 1 April 2011.

The annual bonus and LTIP figures show the payout as a percentage of the maximum. Annual bonuses for 2011 were pro rated for both executives to reflect time served. Mark Harper's LTIP B award vested on the normal date, pro-rated for time and performance.

Percentage increase in the remuneration of the Chief Executive Officer (unaudited)

	2015 £000	2014 £000	% change	% change UK GMC
Salary	675	618	9.2	4.0
Benefits	31	27	14.8	-10.3
Bonus	312	557	-44.0	-28.7

The table above shows the percentage movement in the salary, benefits and annual bonus for the Chief Executive and members of the UK GMC between the current and previous financial year.



UK senior executives have been chosen as the most appropriate comparator group, as they represent those employees eligible to participate in the same reward plans as the Chief Executive. Group-wide figures can be distorted by different reward practices in different geographies and movements in the number of employees.

Relative importance of spend on pay (unaudited)

	2014 £m	2015 £m	% change
Staff costs ¹	194.5	260.2	33.8
Distributions to shareholders	38.1	49.0	28.6
Revenue	865.7	1,098.1	26.8
Adjusted operating profit	142.5	171.5	20.4

¹ Staff costs are as per note 5 on page 103

Implementation of Remuneration Policy for 2016 (unaudited)

Salary

Basic salary for each Executive Director is determined by the Remuneration Committee, taking into account the roles, responsibilities, performance and experience of the individual.

Colin Day's salary is fixed until 1 January 2018 and Stefan Schellinger's salary will not be reviewed until 1 January 2017.

	Colin Day	Stefan Schellinger
Annual salary effective from 1 January 2016	£675,000	£360,000
Annual salary effective from 1 January 2015	£675,000	£360,000 ¹

¹ Effective from 8 October 2015. On his appointment Stefan Schellinger's remuneration was reviewed by the Remuneration Committee, taking into account all relevant factors including his experience, the pay level of his predecessor and the principles of our Policy

Benefits

Executive Directors are provided with the following benefits:

- > Car, fuel and / or car allowance
- > Private medical insurance with family level cover
- > Life insurance cover of four times basic salary

Pension

Colin Day will receive a supplementary payment equal to 25% of annual salary to permit him to secure pension benefits.

Stefan Schellinger will receive a supplementary payment of 20% of his basic salary to permit him to secure pension benefits.



Annual bonuses

Each year, the Remuneration Committee reviews the annual bonus, to ensure the performance measures and targets remain appropriate and aligned with the Company's short-term strategy, while remaining within the appropriate risk profile.

Under the terms of the annual bonus arrangements for 2016, Colin Day is potentially entitled to a maximum bonus of up to 150% of basic salary and Stefan Schellinger is potentially entitled to a maximum bonus of up to 125% of basic salary. Bonus payments are normally made one half in cash and one half in shares in the Company, the entitlement to such shares being deferred for three years, in accordance with the rules of the DASB.

For the year ended 31 December 2016, the performance criteria will be as follows:

Performance criteria	Weighting (%)
Balanced growth (revenue and operating profit)	80
Working capital	10
Personal objectives	10

The Remuneration Committee believes that revenue, profit and working capital targets are commercially sensitive, although targets will be set so as to provide alignment with the goals of Drive for 2020. Therefore, the Remuneration Committee will not disclose the targets on a prospective basis. The targets and actual performance against them will be disclosed on a retrospective basis where possible.

In addition to the financial measures, the Remuneration Committee has also set the personal performance measures for Colin Day and Stefan Schellinger, which are designed to deliver further progress by the Company towards the objectives associated with its Drive for 2020 strategy.

The Remuneration Committee has the discretion, within a three-year period after the determination of the bonus, to withhold or recover annual cash bonuses or DASB awards through malus and clawback provisions in specified circumstances. These circumstances take into account where the original bonus was paid to a greater extent than it should have done, due to a material misstatement in the Company's Financial Statements or due to an error in assessing the applicable performance conditions or if there has been serious misconduct by an individual or if there has been serious reputational damage to the Company or a relevant business unit.

Essentra Long-Term Incentive Plan 2015 ("LTIP 2015")

An award granted under LTIP 2015 consists of a conditional right to receive shares in the Company, subject to satisfaction of performance conditions. As outlined in the Remuneration Policy Report, the Remuneration Committee has fixed the size of grants to the current Chief Executive and Group Finance Director for the three-year period of the Policy. Therefore, the Chief Executive and Group Finance Director will receive awards in 2016 over the same number of LTIP shares as were awarded to the holders of these positions in April 2015 as set out below:

	Colin Day	Stefan Schellinger
Number of shares to be granted in 2016	203,109 ¹	74,222 ²

¹ At the time of the April 2015 grant, these shares were worth 300% of Colin Day's 2015-17 annual salary (£675,000)

² At the time of the April 2015 grant, these shares were worth 200% of the former Group Finance Director's average 2015-17 annual salary (£370,000)

A share award under LTIP 2015 will not normally be exercisable before the third anniversary of its award, and may only be exercised to the extent that the applicable performance conditions have been satisfied. The awards are structured as nil cost options.

For awards to be granted to the Executive Directors in 2016, one half of the awards will be subject to a TSR performance condition and one half of the awards will be subject to an adjusted EPS performance condition. The Remuneration Committee believes that these conditions provide appropriate alignment with the strategic priorities outlined in Drive for 2020. The TSR performance condition assesses Essentra's TSR performance relative to the constituents of the FTSE 250 (excluding investment trusts) index. Performance is measured over three years from the time of grant. 25% of the TSR element vests for median performance, increasing on a straight line basis to 100% vesting for upper quartile performance or above.



The adjusted EPS performance condition for these awards requires the Company's EPS growth (adjusted to exclude items which did not reflect the Company's underlying financial performance and intangible amortisation) over three financial years to be in excess of 8% per annum for 25% of the EPS element to vest. The proportion of the awards vesting will increase on a straight line basis, and for 100% of the EPS element to vest the adjusted EPS growth must be in excess of 15% per annum. The 15% per annum upper target is consistent with the aspiration of Drive for 2020, namely to double the size of the Company by 2020.

Awards granted under the LTIP 2015 are subject to malus and clawback provisions for a period of up to three years following the vesting date of the award. Potential circumstances in which the malus and clawback provisions may be applied are consistent with those applying to annual bonus awards as described above.

Non-Executive Director fees

The fees for the Chairman are set by the Remuneration Committee, while fees for the Non-Executive Directors are determined by the Board as a whole.

	Chairman	Chairman Designate	Non-Executive Director	Senior Independent Non-Executive Director	Additional fee for chairing a Committee
Annual fee effective from 1 April 2016	250,000	–	52,000	7,000	11,000
Annual fee effective from 1 January 2015	200,000	125,000 ¹	52,000	7,000	11,000

¹ Or date of appointment

Statement of shareholder voting (unaudited)

The results of shareholder voting in relation to the approval of the Directors' Remuneration Report at the 2015 AGM were as follows:

	Annual Report on Remuneration		Directors' Remuneration Policy Report	
	No. of votes	%	No. of votes	%
Votes cast in favour	224,009,975	99.16	221,255,379	97.15
Votes cast against	1,893,395	0.84	6,464,266	2.85
Total votes cast	225,903,370		227,719,595	
Abstentions	1,860,580		45,194	

This Report of the Remuneration Committee has been approved by the Board.

By order of the Board

LORRAINE TRAINER
Remuneration Committee Chairman



OTHER STATUTORY INFORMATION

The Directors present their Report prepared in accordance with the Companies Act 2006, which requires the Company to provide a fair review of the business of the Group during the financial year ended 31 December 2015, and audited Financial Statements of the Company and its subsidiary undertakings for the year ended 31 December 2015.

The Company's Registered Office is Avebury House, 201-249 Avebury Boulevard, Milton Keynes, MK9 1AU.

The Directors' Report comprises pages 42 to 83 and the sections of the Annual Report incorporated by reference are as set out below:

Membership of Board during 2015 financial year	page 48
Financial instruments and financial risk management	page 91
Greenhouse gas emissions	page 41
Corporate Governance report	pages 48 to 54
Future developments of the business of the Group	page 9
Employee equality and diversity	page 39

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4 is set out in the Directors' Report.

Results and dividends

The profit on ordinary activities after taxation of the Group for the year ended 31 December 2015 was £68.7m (2014: £71.8m).

As at 19 February 2016, the Company has paid the following dividend in respect of the year ended 31 December 2015:

	Per share p	Total £m
Interim dividend paid 30 October 2015	6.3	32.6

The Directors recommend that a final dividend of 14.4p (2014: 12.6p) per share be paid, making a total dividend distribution for the year of 20.7p (2014: 18.3p).

The final dividend, subject to shareholder approval at the AGM, will be paid on 3 May 2016 to shareholders on the register on 18 March 2016.

Directors

As at 31 December 2015, the Board of Directors comprised:

Jeff Harris	Non-Executive Chairman
Paul Lester	Non-Executive Chairman Designate
Colin Day	Chief Executive
Terry Twigger	SI Non-Executive Director
Stefan Schellinger	Group Finance Director
Tommy Breen	Non-Executive Director
Peter Hill	Non-Executive Director
Lorraine Trainer	Non-Executive Director

The Company is adopting the requirements of the UK Corporate Governance Code September 2014 in relation to Directors' appointments, and in particular the annual re-election of all Directors.

Paul Lester, Tommy Breen and Stefan Schellinger will be putting themselves forward for election at the 2016 AGM, having been appointed as Directors since the 2015 AGM.

Jeff Harris will not be standing for re-election after more than ten years serving on the Board.

Except for the above, in accordance with provision B.7.1 of the UK Corporate Governance Code, all the Directors previously elected at an AGM, and being eligible, will offer themselves up for re-election.

None of the Non-Executive Directors have service contracts.

In accordance with the Company's Conflict of Interests policy, Directors are required to review their potential conflict of interests at least on an annual basis and to notify any changes to the Company Secretary & General Counsel as soon as possible. The current register was approved by the Board in October 2015, and no material conflicts of interest were identified during the year.



At no time during the year has any Director had any material interest in a contract with the Group, being a contract of significance in relation to the Group's business. A statement of Directors' interests in shares of the Company is on page 74.

Share capital

The issued share capital of the Company is shown in note 19 to the Financial Statements on pages 123 to 124.

On 31 December 2015, there were 264,129,170 ordinary shares of 25p each in issue. There were 1,750,571 ordinary shares of 25p each held in treasury.

The rights and obligations attaching to the Company's ordinary shares, and the provisions governing the appointment and replacement of, as well as the powers of, the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company, except, in the case of transfers of securities:

- That certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Whereby, pursuant to the Listing Rules of the Financial Conduct Authority, certain employees of the Company require approval of the Company to deal in the Company's ordinary shares

No persons hold securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Substantial shareholders

At the close of business on 19 February 2016, the Company was advised of the following voting rights attaching to the Company's shares in accordance with the Disclosure and Transparency Rules:

	% of total voting rights
Standard Life Investments (Holdings) Limited	9.99
FMR LLC	9.15
BlackRock Inc	6.01
Royal London Asset Management Limited	3.03

Employees

As at 31 December 2015, the Company employed 8,866 people globally and 1,749 people in the UK. Information on the Group's policies on employee recruitment, engagement and the employment of disabled persons can be found in the Corporate Responsibility Statement on page 39.

Political contributions

In line with Group policy, the Company made no political contributions (2014: £nil).

Environmental

The disclosures concerning greenhouse gas emissions required by law are included in the Strategic Report on page 41.

Directors' indemnities

During the year, and as at the date of this Report, indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary & General Counsel, in addition to other senior executives who are Directors of subsidiaries of the Company, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in

connection with the execution of their powers, duties and responsibilities as a Director or Officer of the Company or any of its subsidiaries, including the pension scheme trustee companies. The scope of the indemnities extends to include liabilities to third parties.

Significant agreements

The Company has committed bank facilities consisting of two five-year multi-currency revolving credit facilities of £271.0m and €167.5m. Under the terms of these facilities, the banks can give notice to Essentra to repay outstanding amounts and cancel the commitments where there is a change of control of the Company.

Under a note purchase agreement dated 29 April 2010 relating to US\$80m senior notes due 29 April 2017 and US\$80m senior notes due 29 April 2020, on a change of control the Company must make an offer to prepay all the notes at par, without any premium of any kind, together with accrued and unpaid interest thereon.

All of the Company's share schemes contain provisions relating to a change in control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

There are a number of other agreements, involving the Company or its subsidiaries, that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts and joint venture agreements. None are considered to be significant in terms of their potential impact on the business of the Group as a whole, to any potential bidder for the Company or Group.

Annual General Meeting

The AGM of the Company will be held at the Holiday Inn Hotel, 500 Saxon Gate West, Milton Keynes, Buckinghamshire, MK9 2HQ on Wednesday 20 April 2016 at 12 noon.



In addition to the ordinary business of the AGM, resolutions in respect of the following matters of special business are included in the Notice of Annual General Meeting:

Authority to allot unissued shares

At the 2015 AGM, the Directors were granted authority to allot relevant securities up to a nominal amount of £21,773,455, which expires at the end of the forthcoming AGM.

At this year's AGM, shareholders will be asked to grant the Directors' authority to allot shares or grant rights to subscribe for or convert any security into shares:

- (i) up to an aggregate nominal amount of £21,865,426 representing approximately one-third of the Company's issued share capital, excluding treasury shares, at 19 February 2016 (such an amount to be reduced by the nominal amount allotted or granted under section (ii) below in excess of such sum); and (iii) comprising equity securities up to an aggregate nominal amount of £43,730,853 representing approximately two-thirds of the issued share capital, excluding treasury shares, at 19 February 2016 (such an amount to be reduced by any allotments or grants made under section (i) above) in connection with an offer by way of a rights issue.

The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded. The Directors have no present intention of exercising either of these authorities, which will expire at the end of next year's AGM (or, if earlier, the close of business on 20 June 2017) except in relation to share options.

Allotment of shares for cash

At the 2015 AGM, shareholders approved a special resolution to enable the Directors to allot shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That approval expires at the end of the forthcoming AGM and resolution 14 in the Notice of AGM seeks to renew it.

This year the Company seeks a resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £6,559,464 (representing 26,237,859 ordinary shares). This aggregate nominal amount represents approximately 10% of the issued ordinary share capital of the Company (excluding treasury shares). This disapplication authority is in line with institutional shareholder guidance in the form of the Pre-Emption Group's Statement of Principles, which were revised in 2015 to permit the disapplication of pre-emption rights for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued ordinary share capital provided the Directors confirm their intention to use the additional 5% authority only in relation to an acquisition or specified capital investment.

The Directors confirm their intention to only allot, if applicable, shares representing more than 5% of the issued ordinary share capital of the Company (excluding treasury shares), for cash without first offering them to existing shareholders in proportion to their existing shareholdings, where that allotment is in connection with an acquisition or specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

This authority will expire at the conclusion of the following AGM or, if earlier, on 20 June 2017. The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded.

Purchase of own shares

At the 2015 AGM, shareholders approved a special resolution to enable the Company to purchase its own shares. That approval expires at the end of the forthcoming AGM.

At this year's AGM, the Directors consider it expedient to seek shareholders' approval to enable the Company to purchase, in the market, up to 10% of its issued share capital (excluding any treasury shares) for cancellation, or to be held in Treasury, such power to apply until the end of next year's AGM (or if earlier, 20 June 2017). In accordance with the requirements of the Listing Rules of the Financial Services Authority, the minimum price (exclusive of expenses) which may be paid for a share is its nominal value and the maximum price (exclusive of expenses) for shares which may be paid is the highest of: (i) an amount equal to 105% of the average market value for a share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

The Directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future. The Directors will only utilise this authority if satisfied that to do so would be in the best interests of the Company and its shareholders generally, and could be expected to result in an increase in earnings per share of the Company.

During the financial year ending 31 December 2015 1,699,114 ordinary shares were transferred out of Treasury by the Company to satisfy share options under the Company's Sharesave and executive share incentive plans.

No dividends have been paid on shares while held in Treasury and no voting rights attach to the treasury shares.



Auditor

The Auditor, KPMG LLP, is willing to continue in office. Separate resolutions will be put to the AGM to re-appoint the Auditor, and to authorise the Board to agree their remuneration.

Recommendation

The Directors believe that the resolutions in the Notice of Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and unanimously recommend that shareholders vote in favour of each resolution.

Derivatives

Information related to derivatives is included in the Accounting Policies on page 91 and in note 14.

Going concern statement

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis in preparing the consolidated Financial Statements.

Further information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 13 to 14. In addition, note 1 to the Financial Statements on pages 97 to 99 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and exposures to credit, market and liquidity risk. Cash balances and borrowings are included in note 21 on page 124. This disclosure has been prepared in accordance with the Financial Reporting Council's "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting (September 2014)".

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a period longer than the twelve months required by the "Going Concern" statement. In making this assessment, the Directors have taken into account the Group's current position and the potential impact of the principal risks documented on pages 31 to 35. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over the three-year period to 31 December 2018.

The Directors have determined that a three-year period to 31 December 2018 is an appropriate period over which to provide its viability statement. This is the period reviewed by the Group Board in its strategic planning process. The Directors believe that this presents a reasonable degree of confidence over this longer-term outlook.

In making this statement, the Board's assessment has been made with reference to the resilience of the Group and its strong financial position, the Group's current strategy, the Board's risk appetite and the Group's principal risks, including those that would threaten its business model, future performance, solvency or liquidity, and how these are managed, as described in the Strategic Report on pages 30 to 35.

The Board considers annually and on a rolling basis a three-year, bottom-up strategic plan. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to "business as usual" risks, such as profit growth and working capital variances and severe but plausible events. It also considers the ability of the Group to raise finance and deploy capital. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

The geographical and sector diversification of the Group's operations and markets reduces the risk of serious business interruption or catastrophic damage to its reputation. Furthermore, the business model is structured so that the Group is not reliant on one particular group of clients or sector, and has the ability to flex the cost base which protects the Company's viability in the face of adverse economic conditions and / or political uncertainty.

While this review does not consider all of the risks that the Group may face, the Directors consider that this sensitivity testing-based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

Directors' statement as to disclosure of information to the external auditor

As required by section 418(2) of the Companies Act 2006, the Directors who were members of the Board at the time of approving this Report, having made enquiries of fellow Directors and of the external auditor, confirm that:

- As far as each Director is aware, there is no relevant audit information of which the Company's external auditor is unaware
- Each Director has taken all steps that he ought to have taken as a Director to ascertain any relevant audit information, and to ensure that the Company's external auditor is aware of that information

The Strategic Report and Directors' Report, including the Report of the Remuneration Committee, were approved by the Board on 19 February 2016.

By order of the Board

JON GREEN
Company Secretary
19 February 2016

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

In respect of the Annual Report and the Financial Statements, the Directors are responsible for preparing the Directors' Report, the Remuneration Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the Financial Statements in accordance with International Reporting Standards ("IFRS") as adopted by the EU, and the Company Financial Statements and the Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom generally accepted accounting practice, UK GAAP). In preparing the Financial Statements, the Directors have also elected to comply with IFRS, issued by the International Accounting Standards Board ("IASB"). Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU and, with regard to the Company Financial Statements, that applicable UK Accounting Standards have been followed
- Prepare financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably

open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Engaging professional accountants to compile the Financial Statements cannot be regarded as providing assurance on the adequacy of the Company's systems or on the incidence of fraud, non-compliance with laws and regulations or weaknesses in internal controls, and does not relieve the Directors of their responsibilities in this respect.

Each of the Directors, whose names and functions are listed on pages 44 to 45 confirms that:

- To the best of their knowledge, the Financial Statements and the Company Financial Statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU and UK GAAP respectively, give a true and fair view of the assets and liabilities, financial position and profit of the Company
- To the best of their knowledge, the Strategic Report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- They consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy

COLIN DAY
Chief Executive

STEFAN SCHELLINGER
Group Finance Director
19 February 2016



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Revenue	1	1,098.1	865.7
Operating profit before intangible amortisation and exceptional operating items		171.5	142.5
Intangible amortisation	2	(31.7)	(17.5)
Exceptional operating items	2	(39.1)	(16.2)
Operating profit	1	100.7	108.8
Finance income	3	1.5	1.4
Finance expense	3	(11.8)	(10.5)
Profit before tax		90.4	99.7
Income tax expense	4	(21.7)	(27.9)
Profit for the year		68.7	71.8
Attributable to:			
Equity holders of Essentra plc		67.9	71.0
Non-controlling interests		0.8	0.8
Profit for the year		68.7	71.8
Earnings per share attributable to equity holders of Essentra plc:			
Basic	6	26.2p	30.0p
Diluted	6	25.8p	29.4p



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year		68.7	71.8
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	17	1.9	(15.8)
Deferred tax (charge)/credit on remeasurement of defined benefit pension schemes	4,15	(0.2)	5.0
		1.7	(10.8)
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		(0.5)	0.1
Net change in fair value of cash flow hedges transferred to the carrying amount of non-financial assets		(6.2)	–
Effective portion of changes in fair value of cash flow hedges		3.3	3.4
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		(6.8)	3.4
Arising on effective net investment hedges		(6.0)	(2.3)
Income tax (charge)/credit on effective net investment hedges	4	(0.1)	0.5
Attributable to non-controlling interests		0.1	0.3
		(16.2)	5.4
Other comprehensive income for the year, net of tax		(14.5)	(5.4)
Total comprehensive income		54.2	66.4
Attributable to:			
Equity holders of Essentra plc		53.3	65.3
Non-controlling interests		0.9	1.1
Total comprehensive income		54.2	66.4



CONSOLIDATED BALANCE SHEET

At 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m
Assets			
Property, plant and equipment	7	288.8	230.5
Intangible assets	8	691.6	406.4
Long-term receivables		0.8	3.1
Deferred tax assets	15	4.6	11.8
Retirement benefit assets	17	23.9	20.1
Total non-current assets		1,009.7	671.9
Inventories	9	118.7	84.8
Income tax receivable		4.7	8.9
Trade and other receivables	10,18	253.2	165.4
Derivative assets	14,18	0.4	3.9
Cash and cash equivalents	11,18	30.2	46.0
Total current assets		407.2	309.0
Total assets		1,416.9	980.9
Equity			
Issued share capital	19	66.0	66.0
Merger relief reserve	19	298.1	298.1
Capital redemption reserve		0.1	0.1
Other reserve	20	(132.8)	(132.8)
Cash flow hedging reserve		–	3.4
Translation reserve		(21.4)	(8.5)
Retained earnings	20	399.5	366.5
Attributable to equity holders of Essentra plc		609.5	592.8
Non-controlling interests		5.7	5.0
Total equity		615.2	597.8
Liabilities			
Interest bearing loans and borrowings	13,18	403.5	104.2
Retirement benefit obligations	17	24.7	21.8
Provisions	16	2.8	3.4
Other financial liabilities	18	–	3.5
Deferred tax liabilities	15	93.0	54.7
Total non-current liabilities		524.0	187.6
Interest bearing loans and borrowings	13,18	0.6	5.8
Derivative liabilities	14,18	0.4	0.1
Income tax payable		26.8	28.6
Trade and other payables	12,18	241.9	156.8
Provisions	16	8.0	4.2
Total current liabilities		277.7	195.5
Total liabilities		801.7	383.1
Total equity and liabilities		1,416.9	980.9

The consolidated Financial Statements on pages 84 to 127 were approved by the Board of Directors on 19 February 2016 and were signed on its behalf by:

Colin Day
Chief Executive

Stefan Schellinger
Group Finance Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	2015								
	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 2015	66.0	298.1	0.1	(132.8)	3.4	(8.5)	366.5	5.0	597.8
Profit for the year							67.9	0.8	68.7
Other comprehensive income					(3.4)	(12.9)	1.7	0.1	(14.5)
Total comprehensive income for the year	–	–	–	–	(3.4)	(12.9)	69.6	0.9	54.2
Purchase of employee trust shares							(1.0)		(1.0)
Share options exercised							5.4		5.4
Share option expense							5.7		5.7
Tax relating to share-based incentives							2.3		2.3
Dividends paid							(49.0)	(0.2)	(49.2)
At 31 December 2015	66.0	298.1	0.1	(132.8)	–	(21.4)	399.5	5.7	615.2

	2014								
	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 2014	60.1	136.4	0.1	(132.8)	(0.1)	(9.9)	345.0	4.2	403.0
Profit for the year							71.0	0.8	71.8
Other comprehensive income					3.5	1.6	(10.8)	0.3	(5.4)
Total comprehensive income for the year	-	-	-	-	3.5	1.6	60.2	1.1	66.4
Issue of shares	5.9	161.7							167.6
Changes in non-controlling interests in subsidiaries								(0.1)	(0.1)
Transfer to loss on disposal of subsidiary						(0.2)			(0.2)
Purchase of employee trust shares							(12.3)		(12.3)
Share options exercised							4.3		4.3
Share option expense							6.8		6.8
Tax relating to share-based incentives							0.6		0.6
Dividends paid							(38.1)	(0.2)	(38.3)
At 31 December 2014	66.0	298.1	0.1	(132.8)	3.4	(8.5)	366.5	5.0	597.8



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Operating activities			
Profit for the year		68.7	71.8
Adjustments for:			
Income tax expense		21.7	27.9
Net finance expense	3	10.3	9.1
Intangible amortisation	2,8	31.7	17.5
Exceptional operating items	2	39.1	16.2
Depreciation	2,7	31.9	27.2
Share option expense	17	5.7	6.8
Other movements		(0.5)	(2.9)
Increase in inventories		(14.6)	(5.5)
Increase in trade and other receivables		(51.2)	(22.4)
Increase in trade and other payables		13.0	2.5
Cash outflow in respect of exceptional operating items		(22.1)	(6.9)
Adjustment for pension contributions		(5.1)	(2.5)
Movements in provisions		(2.3)	(8.1)
Cash inflow from operating activities		126.3	130.7
Income tax paid		(15.7)	(20.5)
Net cash inflow from operating activities		110.6	110.2
Investing activities			
Interest received		0.6	0.3
Acquisition of property, plant and equipment		(58.6)	(38.1)
Proceeds from sale of property, plant and equipment		3.8	5.0
Acquisition of businesses net of cash acquired	23	(304.5)	(26.1)
Net cash outflow from investing activities		(358.7)	(58.9)
Financing activities			
Interest paid		(10.0)	(8.8)
Dividends paid to equity holders		(49.0)	(38.1)
Dividends paid to non-controlling interests		(0.2)	(0.2)
Proceeds from equity issue	19	–	167.6
Repayments of short-term loans		(4.9)	(3.8)
Repayments of long-term loans		–	(158.1)
Proceeds from long-term loans		292.8	–
Purchase of employee trust shares		(1.0)	(12.3)
Proceeds from sale of employee trust shares		5.4	4.3
Net cash inflow / (outflow) from financing activities		233.1	(49.4)
Net (decrease) / increase in cash and cash equivalents	21	(15.0)	1.9
Net cash and cash equivalents at the beginning of the year		46.0	44.1
Net (decrease)/increase in cash and cash equivalents		(15.0)	1.9
Net effect of currency translation on cash and cash equivalents		(0.8)	–
Net cash and cash equivalents at the end of the year	11,18	30.2	46.0



ACCOUNTING POLICIES

A. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its individual Company Financial Statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"); these are presented on pages 128 to 137.

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 preparation of Financial Statements that conform with adopted IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

For the purposes of these Financial Statements "Essentra" or "the Group" means Essentra plc ("the Company") and its subsidiaries.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if relevant.

The accounting policies used in the preparation of these Financial Statements are detailed below. These policies have been consistently applied to all periods presented.

Changes in accounting policies

In the current financial year, Essentra adopted amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* which clarify that an entity is permitted to recognise employee contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service, if the amount of the contributions is independent of the number of years of service. The adoption of these amendments did not have an impact on the Group in relation to measurement, recognition and presentation. Other than this, the accounting policies and presentation in this set of Financial Statements are consistent with those applied in the prior years.

The following standards or interpretations have not yet been adopted by the Group. The Group is currently assessing the impact of IFRS 15, IFRS 9 and IFRS 16, and does not currently expect the adoption of the other standards or interpretations to have a material impact on the consolidated results or financial position of the Group:

IFRS 15 *Revenue from Contracts with Customers* establishes a new five-step model that will apply to revenue arising from contracts with customers, and provides a more structured approach to measurement and recognition of revenue.

IFRS 9 *Financial Instruments* introduces new requirements for classification and measurement, impairment and hedge accounting, and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9.

IFRS 16 *Leases* eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model under which a lessee is required to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement.

Amendments to IAS 1 *Disclosure Initiative* clarify that an entity should use professional judgement in determining what information should be disclosed in the Financial Statements, and the location and order of presentation in financial disclosures.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* clarifies that the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and can only be used to amortise intangibles in very limited circumstances.

**A. Basis of preparation** continued

Amendments to IAS 7 *Disclosure Initiative* require disclosure of information about changes in liabilities arising from financing activities, including cash flows and non-cash changes. As Essentra provides disclosure on reconciliation of individual elements of net debt, these amendments are not expected to have a significant impact.

All other new pronouncements did not have, or are not expected to have, a significant impact on the Group.

Information regarding the financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the Financial Review on pages 13 to 14. In addition, note 18 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are detailed in note 21. The Directors have prepared plans and forecasts for a period of at least twelve months from the date of signing these Financial Statements. Based on these, and taking into consideration the risks detailed in note 18, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the consolidated Financial Statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

B. Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by Essentra. Control exists when Essentra is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions are eliminated in preparing the consolidated Financial Statements.

C. Foreign currency

Items included in the Financial Statements of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("functional currency"). The consolidated Financial Statements are prepared in sterling (functional currency of the parent company).

(i) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date and recognised in the income statement unless hedge accounting criteria apply (see policy for financial instruments).

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average exchange rates.

(iii) Net investment in foreign operations

Exchange differences on retranslation at the closing rate of the opening balances of overseas entities are taken to other comprehensive income, as are exchange differences arising on related foreign currency borrowings and derivatives designated as net investment hedges, to the extent that they are effective. Other exchange differences are taken to the income statement. Differences arising prior to 1 January 2004 are included in retained earnings.



D. Financial instruments

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are held at amortised cost, unless they are included in a hedge accounting relationship. See note 14 for separate disclosure of hedge types.

Derivatives are measured initially at fair value. Subsequent measurement in the Financial Statements depends on the classification of the derivative as follows:

(i) Fair value hedges

Where a derivative is used to hedge the foreign exchange exposure of a monetary asset or liability, any gain or loss on the derivative is recognised in the income statement.

(ii) Cash flow hedges

Where a derivative is designated as a hedging instrument in a cash flow hedge, the change in fair value is recognised in other comprehensive income to the extent that it is effective and any ineffective portion is recognised in the income statement. Where the underlying transaction results in a financial asset, accumulated gains and losses are recognised in the income statement in the same period as the hedged item affects profit or loss. Where the hedged item results in a non-financial asset the accumulated gains and losses previously recognised in equity are included in the initial carrying value of the asset.

(iii) Hedges of net investment in foreign operations

The gain or loss on an instrument used to hedge a net investment in a foreign operation that is deemed effective is recognised in other comprehensive income. Any ineffective portion is recognised in the income statement.

E. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Previously revalued properties were treated as being held at deemed cost upon transition to adopted IFRS.

Where parts of an item of property, plant and equipment or other assets have different useful lives, they are accounted for as separate items. The carrying values of property, plant and equipment and other assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Property, plant and equipment are depreciated over their estimated remaining useful lives on a straight line basis at the following annual rates:

Freehold land	Not depreciated
Buildings	2% or life of lease if shorter
Plant and machinery	7-20%
Fixtures, fittings and equipment	10-33%

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

F. Leases

Rentals associated with operating leases are expensed to the income statement on a straight line basis. Lease incentives are amortised in the income statement over the life of the lease.



G. Intangible assets

(i) Goodwill

Goodwill is stated at cost less any impairment losses.

Acquisitions are accounted for using the purchase method. For acquisitions that have occurred since 1 January 2004 goodwill represents the difference between the fair value of the assets given in consideration and the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. For acquisitions made before 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount previously recorded under UK GAAP.

Since 1 January 2010, the Group has expensed costs attributable to acquisitions in the income statement. Given their one-off nature, these costs are generally presented within exceptional operating items.

(ii) Research and development

Research costs are expensed to the income statement in the year in which they are incurred.

Development costs relating to new products are capitalised when the Group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

(iii) Other intangible assets

An intangible asset acquired in a business combination is recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. Intangible assets principally relate to customer relationships, which are valued using discounted cash flows based on historical customer attrition rates, and developed technology, which is valued using an income approach. The cost of intangible assets is amortised through the income statement on a straight line basis over their estimated useful economic life.

H. Impairment

All assets are reviewed annually to determine whether there is any indication of impairment. Goodwill and intangible assets are tested annually.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or its cash generating unit exceeds its recoverable amount, being the greater of value in use and fair value less costs to sell, and is recognised in the income statement. Value in use is estimated based on future cash flows discounted using a pre-tax discount rate based upon the Group's weighted average cost of capital.

I. Inventories

Inventories are valued at the lower of cost (on a first in, first out basis) and net realisable value. For work-in-progress and finished goods, cost includes an appropriate proportion of labour cost and overheads.

J. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed term investments whose maturities are three months or less from the date of acquisition. Bank overdrafts repayable on demand form an integral part of Essentra's cash management and are included as part of cash and cash equivalents in the statement of cash flows.

K. Loans and borrowings

Loans and borrowings are initially measured at cost (which is equal to fair value at inception) and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of borrowings is recognised in the income statement over the term of the borrowings.

**L. Trade and other receivables**

The carrying amount of trade and other receivables is estimated as the present value of future cash flows less impairment losses.

M. Trade and other payables

Trade payables are non-interest bearing and are recognised initially at fair value and subsequently at amortised cost.

N. Catalogue costs

The costs associated with the production and printing of catalogues are expensed to the income statement when access is received to those goods.

O. Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the Financial Statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet dates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

P. Revenue

Revenue from the sale of goods is recognised in the income statement net of expected warranty claims when the significant risks and rewards of ownership have been transferred to the customer.

A significant proportion of the Group's businesses sell goods on an ex-works basis, where the Group as a seller makes its goods ready for collection at its premises on an agreed upon sales date and the buyer incurs all transportation and handling costs and bears the risks for bringing the goods to their chosen destination. The Group operates non ex-works terms with customers in some of its businesses, and in these businesses, revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. These terms include some consignment stock agreements, where revenue is recognised when the customer removes the goods from consignment stock.

Q. Finance income and expense

Finance income and expense is recognised in the income statement as it accrues.

R. Segment reporting

A segment is identified on the basis of internal reports that are regularly reviewed by the Group Management Committee (refer to Corporate Governance Report) in order to allocate resources to the segment and assess its performance.

**S. Pensions****(i) Defined contribution schemes**

Obligations for contributions to defined contribution pension schemes are expensed to the income statement as incurred.

(ii) Defined benefit schemes

The significant pension schemes in Europe and the US have been accounted for on a defined benefit basis.

The net obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating to the terms of Essentra's obligations. The calculation is performed by a qualified independent actuary using the projected unit credit method. Net interest on defined benefit assets is presented within finance income, and net interest on defined benefit liabilities is presented within finance expense.

Actuarial gains and losses that have arisen are recognised in full in the Consolidated Statement Of Comprehensive Income.

The amounts charged to operating profit are the current service cost, past service cost (including curtailments) and gains and losses on settlement.

The value of a net pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

T. Share-based payments

Essentra operates equity-settled, share-based incentive plans. A charge is made in the income statement based on the fair value of option awards using the Monte Carlo or binomial valuation models and relevant quoted share price information with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant and vesting date of the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest with the exception of options that fail to vest because market conditions are not met.

U. One-off items in the Consolidated Income Statement

The exceptional operating items below are separated from other items by virtue of their size and incidence (considered for each operating segment). They are shown as a separate line item within operating profit on the face of the income statement in order for the reader to obtain a proper understanding of the financial information and performance. These items exclude amortisation of acquired intangible assets which are also presented separately in the income statement.

(i) Acquisition fees

In 2015 and 2014, Essentra incurred one-off costs (such as professional fees) as a result of the acquisitions including transactions that did not complete (refer to note 23).

(ii) Acquisition integration and restructuring costs

Costs relating to the integration of acquired businesses and restructuring associated with acquisitions.

(iii) Other exceptional items

In 2015, this represented the costs associated with the closure of the Filters site in Jarrow, offset by a release in respect of warranty obligations for the disposal of Globalpack, an entity disposed of in 2007, and an adjustment on contingent deferred considerations on prior acquisitions. In 2014, this represented the loss on disposal of Filters Jordan and an adjustment on contingent deferred consideration in relation to the acquisition of Ulinco.

**V. Investment in own shares**

The shares held in the Essentra Employee Benefit Trust for the purpose of fulfilling obligations in respect of share option plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) are also deducted from retained earnings.

W. Provisions

A provision is recognised when there is a probable legal or constructive obligation as a result of a past event and a reliable estimate can be made of the outflow of resources that will be required to settle the obligation. The outflow is the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

X. Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are included within the carrying amount of the related property, plant and equipment, and are released to profit or loss on a straight-line basis over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to profit or loss so as to match them with the expenditure to which they relate.

Y. Net debt

Net debt is defined as cash and cash equivalents, net of interest bearing loans and borrowings.

Z. Dividends

Dividends are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).



CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the Financial Statements reflect appropriate judgements and estimates and provide a true and fair view of Essentra's performance and financial position.

I. Pensions

Essentra accounts for its defined benefit pension schemes in accordance with IAS 19. The application of IAS 19 requires the exercise of judgement in relation to the assumptions used and for each assumption there is a range of possible outcomes (see note 17). In consultation with Essentra's actuaries, management decides the point within those ranges that most appropriately reflects Essentra's circumstances. Small changes to these assumptions can have a significant impact on valuations. The Group performs a sensitivity analysis for the significant assumptions used in determining post-retirement costs and liabilities, as detailed in note 17.

II. Business combinations and intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates such as customer attrition, cash flow generation from the existing relationships with customers and returns on other assets. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement and balance sheet.

Goodwill is not amortised but is tested annually for impairment, along with the finite lived intangible assets and other assets of the Group's cash generating units. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. The Group performs various sensitivity analyses in respect of the tests for impairment, as detailed in note 8. The useful lives of the Group's finite lived intangible assets are reviewed following the tests for impairment annually.

Judgement may also be required in determining the fair value of other assets acquired and liabilities (including contingent liabilities) assumed.

III. Taxation

Liabilities for tax contingencies require management judgements and estimates in respect of tax audit issues and exposures in each of the jurisdictions in which it operates. Management is also required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Where management conclude that a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered probable based on the information available. Key judgement areas for the Group include the pricing of intercompany goods and services as well as the tax consequences arising from restructuring operations. Included in the tax payable is a liability of £14.1m (2014: £10.4m) for transfer pricing matters and £10.7m (2014: £12.8m) for other uncertain tax positions. The movement is due to adjustments for current year transactions, expiry of statute of limitations following the passage of time and agreement reached with tax authorities on previous matters. Management may engage with professional advisors in making their assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of information available. If the final outcome of these matters differs to the liability held in the Financial Statements, the difference may impact the income tax charge / (credit) in the year the matter is concluded.

IV. Provisions

Essentra's provisions are management's best estimate of exposure, in cases where there is a probable legal or constructive obligation as a result of a past event, based on currently available information. By their nature these provisions are judgemental, reflecting management's assessment of factors such as likelihood of product returns and warranty claims, timing of liabilities and possible amounts involved. The Group performs appropriate sensitivity analysis in respect of provision judgements that are material.

V. Depreciation

Property, plant and equipment represent a significant proportion of the asset base of the Group. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Decreasing an asset's expected life or its residual value would result in a higher depreciation charge in the income statement. The useful lives of the Group's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

**NOTES**

1. 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:

Distribution consists of a Component Distribution business, a Speciality Tapes business and a Security business. Component Distribution is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded, and metal items. The Speciality Tapes business has expertise in coating multiple adhesive systems in numerous technologies. The Security business has been at the forefront of ID technology for over 30 years, and has access to the widest portfolio of products and services, including printers, software and consumables from leading manufacturers.

Health and Personal Care Packaging is a leading global provider of packaging and authentication solutions to a diversified blue-chip customer base in the health and personal care, consumer and specialist packaging sectors, and to the paper and board industries.

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

Specialist Technologies is a leading provider of specialised solutions to an international customer base in a diverse range of end-markets, including oil and gas, construction, point of sale, health & personal care and consumer goods.

With effect from 1 January 2016, a new organisation structure has been implemented, comprising three strategic business units (see note 29 for further details).



1. Segment analysis continued

									2015
	Distribution £m	Health & Personal Care Packaging £m	Filter Products £m	Specialist Technologies £m	Eliminations £m	Central Services¹ £m	Continuing operations £m	Discontinued operations £m	Total £m
External revenue	267.3	393.8	302.0	135.0	–	–	1,098.1	–	1,098.1
Intersegment revenue	1.3	0.6	0.6	0.5	(3.0)	–	–	–	–
Total revenue	268.6	394.4	302.6	135.5	(3.0)	–	1,098.1	–	1,098.1
Operating profit / (loss) before intangible amortisation and exceptional operating items	60.3	52.2	55.4	19.8	–	(16.2)	171.5	–	171.5
Intangible amortisation	(9.4)	(19.9)	–	(2.4)	–	–	(31.7)	–	(31.7)
Exceptional operating items	1.8	(31.3)	(11.5)	–	–	1.9	(39.1)	–	(39.1)
Operating profit / (loss)	52.7	1.0	43.9	17.4		(14.3)	100.7	–	100.7
Segment assets	154.6	219.7	169.3	108.2	–	9.7	661.5	–	661.5
Intangible assets	185.3	453.2	–	53.1	–	–	691.6	–	691.6
Unallocated items²	–	–	–	–	–	63.8	63.8	–	63.8
Total assets	339.9	672.9	169.3	161.3	–	73.5	1,416.9	–	1,416.9
Segment liabilities	44.8	109.8	61.6	18.5	–	18.0	252.7	–	252.7
Unallocated items²	–	–	–	–	–	549.0	549.0	–	549.0
Total liabilities	44.8	109.8	61.6	18.5	–	567.0	801.7	–	801.7
Other segment items									
Capital expenditure	9.3	26.1	10.1	8.4	–	4.7	58.6	–	58.6
Depreciation	7.2	9.5	8.8	6.3	–	0.1	31.9	–	31.9
Average number of employees	2,201	3,579	1,723	911	–	176	8,590	–	8,590

¹ Central Services includes executive and non-executive management, 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 The unallocated assets relate to income and deferred tax assets, retirement benefit assets, derivatives and cash and cash equivalents. The unallocated liabilities relate to interest bearing loans and borrowings, retirement benefit obligations, derivatives, deferred tax liabilities and income tax payable. Intersegment transactions are carried out on an arm's length basis

Continuing operations' net finance expense of £10.3m (2014: £9.1m) and income tax expense of £21.7m (2014: £27.9m) cannot be meaningfully allocated by segment.

No customer accounted for more than 10% of revenue in either 2015 or 2014. Analysed by destination, revenue to Europe and Africa is £547.5m (2014: £438.6m), revenue to Americas is £371.6m (2014: £260.0m) and revenue to Asia and Middle East is £178.8m (2014: £167.1m). Revenue to the UK is £165.7m (2014: £118.6m), with other significant countries being the USA with revenue of £298.4m (2014: £213.5m), Ireland £46.7m (2014: £20.5m) and Germany £45.2m (2014: £47.1m). Non-current assets in the UK total £230.9m (2014: £179.2m), with the other significant location being the USA with £396.8m (2014: £205.6m).

Included within revenue is the net gain arising from the change in the fair value of forward exchange cash flow hedges transferred to the income statement of £0.5m (2014: net loss of £0.1m).



1. Segment analysis continued

	2014								
	Distribution £m	Health & Personal Care Packaging £m	Filter Products £m	Specialist Technologies £m	Eliminations £m	Central Services ¹ £m	Continuing operations £m	Discontinued operations £m	Total £m
External revenue	243.7	168.8	291.4	161.8	–	–	865.7	–	865.7
Intersegment revenue	0.3	0.5	0.1	0.3	(1.2)	–	–	–	–
Total revenue	244.0	169.3	291.5	162.1	(1.2)	–	865.7	–	865.7
Operating profit / (loss) before intangible amortisation and exceptional operating items	56.9	30.8	39.0	29.8	–	(14.0)	142.5	–	142.5
Intangible amortisation	(8.4)	(7.0)	–	(2.1)	–	–	(17.5)	–	(17.5)
Exceptional operating items	(4.0)	(11.6)	(0.4)	(0.2)	–	–	(16.2)	–	(16.2)
Operating profit / (loss)	44.5	12.2	38.6	27.5	–	(14.0)	108.8		108.8
Segment assets	137.5	102.5	133.6	103.3	–	5.0	481.9	–	481.9
Intangible assets	188.4	163.9	–	54.1	–	–	406.4	–	406.4
Unallocated items ²	–	–	–	–	–	92.6	92.6	–	92.6
Total assets	325.9	266.4	133.6	157.4	–	97.6	980.9		980.9
Segment liabilities	42.7	36.5	38.8	20.4	–	27.0	165.4	2.5	167.9
Unallocated items ²	–	–	–	–	–	215.2	215.2	–	215.2
Total liabilities	42.7	36.5	38.8	20.4	–	242.2	380.6	2.5	383.1
Other segment items									
Capital expenditure	9.4	10.6	8.4	7.0	–	2.7	38.1	–	38.1
Depreciation	6.4	5.6	8.5	6.3	–	0.4	27.2	–	27.2
Average number of employees	1,641	1,322	1,732	1,022	–	109	5,826	–	5,826

¹ Central Services includes executive and non-executive management, 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 The unallocated assets relate to income and deferred tax assets, retirement benefit assets, derivatives and cash and cash equivalents. The unallocated liabilities relate to interest bearing loans and borrowings, retirement benefit obligations, derivatives, deferred tax liabilities and income tax payable. Intersegment transactions are carried out on an arm's length basis



2. Net operating expense

	2015 £m	2014 £m
Changes in inventories of finished goods and work-in-progress	(4.9)	(2.7)
Raw materials and consumables	479.3	373.2
Personnel expense (note 5)	260.2	194.5
Depreciation of property, plant and equipment (note 7)	31.9	27.2
Amortisation of intangible assets (note 8)	31.7	17.5
Exceptional operating items	39.1	16.2
Operating lease expense	9.1	7.1
Exchange differences recognised in profit or loss	(2.2)	0.4
Other operating expenses	153.2	123.5
Net operating expense	997.4	756.9

No income or expense (2014: £nil) was recognised in operating expense during the year in respect of ineffective cash flow hedges. Essentra's hedges of net investments were also entirely effective in 2015 and 2014, as defined by IAS 39, and therefore no hedge ineffectiveness has been recognised in net operating expense in 2015 (2014: £nil). Research and development expenses (including relevant staff costs) incurred during the year amounted to £6.0m (2014: £7.3m).

Other operating expenses include manufacturing, selling, general and administrative overheads.

Exceptional operating items

	2015 £m	2014 £m
Acquisition fees ¹	0.2	7.1
Acquisition integration and restructuring costs ²	34.1	9.3
Other ³	4.8	(0.2)
	39.1	16.2
Exceptional tax items ⁴	(1.7)	–

¹ Transaction costs incurred during the year primarily in respect of the acquisition of Specialty Plastics (2014: Kelvindale, Abric and Clondalkin SPD)

² Acquisition integration and restructuring costs incurred during the year associated with the acquisitions of Clondalkin SPD, Abric and Specialty Plastics (2014: Kelvindale, Contego, Dakota, Mesan and Abric)

³ Other exceptional items incurred during the year relate to costs associated with the closure of the Filters site in Jarrow of £11.5m, offset by a release of £1.9m in respect of warranty obligations for the 2007 disposal of Globalpack, and a £4.8m credit adjustment for contingent deferred consideration in relation to prior period acquisitions (2014: comprise £0.4m loss on disposal of Filters Jordan and a £0.6m credit adjustment for contingent deferred consideration in relation to the acquisition of Ulinco)

⁴ Exceptional tax items relate to the release of tax indemnity provisions of £1.7 million in respect of the 2007 Globalpack disposal

The tax effect of the exceptional items is a credit of £6.1m (2014: £0.9m).



2. Net operating expense continued

Auditor's remuneration

	2015 £m	2014 £m
Audit of these Financial Statements	0.3	0.3
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of Financial Statements of subsidiaries of the Company	0.9	0.7
Tax compliance services	–	0.2
Other tax advisory services	–	–
Corporate finance services ²	–	0.1
Other services ^{1,4}	0.3	0.1
Total fees ³	1.5	1.4

¹ Fees for other services related principally to the review of the half year Financial Statements and assurance services relating to the review of opening balance sheet in connection with the acquisition of Clondalkin SPD

² The Company believes that, given their detailed knowledge of Essentra's operations, its structure and accounting policies and the importance of carrying out detailed due diligence as part of the acquisition process, it is appropriate for certain audit-related work to be carried out by the Company's auditor rather than another firm of accountants. The Audit Committee, which consists of independent Non-Executive Directors, reviews and approves the level and nature of non-audit work which the auditor performs, including the fees paid for such work, thus ensuring that the auditor's objectivity and independence is not compromised

³ £0.2m (2014: £0.1m) of the total non-audit fees were charged in the UK

⁴ Fees of £15,335 (2014: £15,335) were paid in relation to the audit of the Essentra pension schemes

3. Net finance expense

	2015 £m	2014 £m
Finance income		
Bank deposits	0.6	0.2
Net interest on net pension scheme assets (note 17)	0.9	1.2
	1.5	1.4
Finance expense		
Interest on loans and overdrafts	(9.5)	(8.4)
Amortisation of bank facility fees	(0.7)	(1.1)
Other finance expense	(0.5)	(0.4)
Net interest on pension scheme liabilities (note 17)	(1.1)	(0.6)
	(11.8)	(10.5)
Net finance expense	(10.3)	(9.1)



4. Income tax expense

	2015 £m	2014 £m
Amounts charged in the consolidated income statement		
Current tax	22.8	26.3
Prior years' tax	0.5	1.0
Double tax relief	–	–
Deferred tax (note 15)	(1.6)	0.6
Income tax expense	21.7	27.9
Amounts recognised in the consolidated statement of comprehensive income		
Deferred tax charge / (credit) on remeasurement of defined benefit pension schemes	0.2	(5.0)
Income tax charge / (credit) on effective net investment hedges	0.1	(0.5)
Income tax charge / (credit)	0.3	(5.5)

Factors affecting income tax expense for the year

Essentra operates in many countries and is subject to income tax in many different jurisdictions. Essentra calculates its average expected tax rate as a weighted average of the applicable corporate income tax rates in the tax jurisdictions in which it operates.

	2015 £m	2014 £m
Profit before income tax	90.4	99.7
Tax at weighted average tax rate (2015: 20.9%; 2014: 22.0%) ¹	18.9	21.9
Effects of:		
Permanent disallowable items (including exceptional costs) ²	2.1	1.4
Non-taxable exceptional items ³	(1.4)	–
Overseas state and local tax	1.2	0.8
Unrecognised tax attributes arising / (utilised) ⁴	(0.2)	3.6
Adjustments in respect of prior periods	(2.3)	0.4
Withholding tax on unremitted earnings ⁵	3.0	–
Change in tax rates ⁶	(0.9)	–
Other items ⁷	1.3	(0.2)
Income tax expense	21.7	27.9

Income tax expense in the UK is £0.7m (2014: £4.6m). This is primarily due to significant exceptional costs incurred in 2015 relating to the UK businesses.

¹ The change in the weighted average applicable tax rate is caused by a change in the geographical balance of the Group's profits and by changes in corporate tax rates in these geographies

² The acquisition of Clondalkin led to significant restructuring activities in the year. Accordingly, permanent disallowable items may vary in future years.

³ See note 2 and analysis of other exceptional operating items. Income from the release of warranty obligation in relation to the disposal of Globalpack and an adjustment for contingent deferred consideration in relation to prior acquisitions are included at the UK rate of 20.25%

⁴ See further information regarding deferred tax asset recognition in note 15

⁵ Essentra is able to control the timing and amount of remitted earnings, and therefore this amount may vary in future years

⁶ The UK corporate tax rate reduced from 21% to 20% on 1 April 2015, and further reductions to 19% from 1 April 2017 and to 18% from 1 April 2020 have been enacted during 2015. The impact of these enacted changes on deferred tax for the UK is £0.6m. The remaining £0.3m relates to changes in overseas tax rates

⁷ Adjustments to current year uncertain tax positions and sundry items



5. Personnel expense

	2015 £m	2014 £m
Wages and salaries	224.8	162.4
Social security expense	23.5	19.1
Pension expense (note 17)	6.2	6.2
Share option expense (note 17)	5.7	6.8
	260.2	194.5

The Report of the Remuneration Committee on pages 62 to 78 sets out information on Directors' remuneration.

Key management remuneration

	2015 £m	2014 £m
Short-term employee benefits	4.7	6.2
Post-employment benefits	0.6	0.6
Share-based payments	3.6	4.3
	8.9	11.1

Essentra considers key management personnel to be the Directors and the members of the Group Management Committee. The amounts disclosed are on the same basis as those used to determine the relevant amounts disclosed in the Report of the Remuneration Committee.

6. Earnings per share

	2015 £m	2014 £m
Continuing operations		
Earnings attributable to equity holders of Essentra plc	67.9	71.0
Adjustments		
Intangible amortisation	31.7	17.5
Exceptional operating items	39.1	16.2
	70.8	33.7
Tax relief on adjustments	(13.4)	(5.4)
Exceptional tax charge	(1.7)	-
Adjusted earnings	123.6	99.3
Basic weighted average number of ordinary shares in issue (m)	259.5	236.8
Dilutive effect of employee share option plans (m)	3.7	5.0
Diluted weighted average number of ordinary shares (m)	263.2	241.8
Continuing operations		
Basic earnings per share	26.2p	30.0p
Adjustment	21.4p	11.9p
Basic adjusted earnings per share	47.6p	41.9p
Diluted earnings per share	25.8p	29.4p
Diluted adjusted earnings per share	47.0p	41.1p

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.



7. Property, plant and equipment

	2015			
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	91.8	337.6	57.8	487.2
Acquisitions (note 23)	16.5	17.6	1.5	35.6
Additions	4.9	48.6	7.0	60.5
Disposals	(1.7)	(20.2)	(5.9)	(27.8)
Currency translation	0.1	(0.3)	–	(0.2)
End of year	111.6	383.3	60.4	555.3
Depreciation and impairment				
Beginning of year	21.6	201.9	33.2	256.7
Depreciation charge for the year	3.2	23.8	4.9	31.9
Impairment	0.7	1.1	1.1	2.9
Disposals	(0.6)	(17.4)	(5.5)	(23.5)
Currency translation	(0.5)	(0.9)	(0.1)	(1.5)
End of year	24.4	208.5	33.6	266.5
Net book value at end of year	87.2	174.8	26.8	288.8

	2014			
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	92.3	317.9	51.8	462.0
Acquisitions	1.9	1.5	0.2	3.6
Additions	4.8	26.9	8.8	40.5
Disposals	(7.6)	(10.0)	(3.1)	(20.7)
Currency translation	0.4	1.3	0.1	1.8
End of year	91.8	337.6	57.8	487.2
Depreciation and impairment				
Beginning of year	25.8	189.9	32.6	248.3
Depreciation charge for the year	2.4	21.5	3.3	27.2
Disposals	(6.1)	(9.2)	(2.8)	(18.1)
Currency translation	(0.5)	(0.3)	0.1	(0.7)
End of year	21.6	201.9	33.2	256.7
Net book value at end of year	70.2	135.7	24.6	230.5

Included within land and buildings and plant and machinery are assets in the course of construction of £18.4m (2014: £5.2m) which were not depreciated during the year.

Contractual commitments to purchase property, plant and equipment amounted to £3.3m at 31 December 2015 (2014: £4.1m). The net book value of assets under finance leases amounted to £3.6m as at 31 December 2015 (2014: £4.6m).

Impairment charge in the year of £2.9m (2014: £nil) related to assets written down as part of the restructuring of certain of the Group's operations.



8. Intangible assets

				2015
	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
Cost				
Beginning of year	211.8	235.6	15.0	462.4
Acquisitions (note 23)	158.7	164.5	–	323.2
Currency translation	(3.3)	(2.9)	0.7	(5.5)
End of year	367.2	397.2	15.7	780.1
Amortisation				
Beginning of year	–	49.3	6.7	56.0
Charge for the year	–	30.2	1.5	31.7
Currency translation	–	0.5	0.3	0.8
End of year	–	80.0	8.5	88.5
Net book value at end of year	367.2	317.2	7.2	691.6

				2014
	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
Cost				
Beginning of year	196.2	224.1	14.2	434.5
Acquisitions	16.2	11.7	–	27.9
Currency translation	(0.6)	(0.2)	0.8	–
End of year	211.8	235.6	15.0	462.4
Amortisation				
Beginning of year	–	32.7	5.1	37.8
Charge for the year	–	16.3	1.2	17.5
Currency translation	–	0.3	0.4	0.7
End of year	–	49.3	6.7	56.0
Net book value at end of year	211.8	186.3	8.3	406.4

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

The weighted average useful economic lives of customer relationships and other intangible assets at the end of the year were 14.2 years and 10.6 years (2014: 15.0 years and 10.7 years) respectively.

Essentra tests intangible assets annually for impairment, or more frequently if there are indications of impairment. A discounted cash flow analysis is computed to compare the discounted estimated future operating cash flows to the net carrying value of the goodwill and other intangible assets for each cash generating unit or group of cash generating units as appropriate.



8. Intangible assets continued

Goodwill is allocated to groups of cash generating units, being the operating segments, as follows:

Operating segment	Goodwill	
	2015 £m	2014 £m
Distribution	89.5	87.9
Health & Personal Care Packaging	243.8	90.4
Specialist Technologies	33.9	33.5
	367.2	211.8

Intangible assets, apart from goodwill, are allocated to the businesses to which they relate as shown below:

Business	Operating segment	Customer relationships and other intangible assets	
		2015 £m	2014 £m
Components – Businesses of former Moss and Skiffy	Distribution	12.6	14.2
Components – Businesses of former Richco	Distribution	32.8	33.9
Components – Business of former Reid Supply	Distribution	7.6	8.3
Components – Business of former Mesan	Distribution	13.1	16.9
Components – Abriac	Distribution	10.9	10.4
Healthcare – Clondalkin	Health & Personal Care Packaging	147.2	–
Porous St. Charles	Specialist Technologies	4.0	4.8
Porous Chicopee	Specialist Technologies	13.4	13.8
Packaging	Health & Personal Care Packaging	2.7	3.2
Speciality Tapes	Distribution	12.7	13.4
Healthcare	Health & Personal Care Packaging	61.1	69.1
Multiple businesses	Multiple segments	6.3	6.6
		324.4	194.6

The goodwill impairment tests are based on the following assumptions:

- Cash flows for the next two years are based upon the Group's annual Plan. The key assumptions in the cash flow projections for the Group's annual Plan are the revenue growth and operating margin for each division. Operating margin is primarily based on the levels achieved in 2015, which are disclosed in note 1, adjusted by targets set for revenue expansion and cost control and reduction for each individual division within the Plan period
- Cash flows beyond the Plan period are based on year two's Plan cash flows with growth rates specific to each business which range from nil to 2% (2014: nil to 3%)
- The estimated cash flows are discounted using a pre-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 9.3% (2014: 9.3%) adjusted for the risk applicable to each operating segment. The pre-tax discount rates applied for each group of cash generating units to which significant goodwill is allocated are as follows: 16.2% for Distribution, 11.4% for Health & Personal Care Packaging and 12.7% for Specialist Technologies (2014: 16.7% for Component & Protection Solutions, 13.1% for Porous Technologies, 11.7% for Packaging & Securing Solutions and 11.7% for Other)

Any impairment losses identified as a result of the analysis are recognised in profit or loss. The test is dependent on management estimates and judgements, in particular in relation to the forecasting of future cash flows, and the discount rate applied to these cash flows.

The Group performed various sensitivity analyses which involved reducing future cash flows by up to 40%, reducing terminal growth rates by up to 2 percentage points or increasing discount rates by up to 80 basis points. The results of these analyses showed that, despite significantly lower post-tax operating cash flows or increased pre-tax discount rates, the value in use of goodwill and other intangible assets continued to exceed their carrying value.



9. Inventories

	2015 £m	2014 £m
Raw materials and consumables	56.5	34.7
Work-in-progress	10.5	4.5
Finished goods and goods held for resale	51.7	45.6
	118.7	84.8

The amount of inventories written down in both 2015 and 2014 was not material.

10. Trade and other receivables

	2015 £m	2014 £m
Trade receivables	224.9	145.5
Other receivables	19.8	12.8
Prepayments and accrued income	8.5	7.1
	253.2	165.4

11. Cash and cash equivalents

	2015 £m	2014 £m
Bank balances	23.8	26.5
Short-term bank deposits and investments	6.4	19.5
Cash and cash equivalents in the statement of cash flows	30.2	46.0

12. Trade and other payables

	2015 £m	2014 £m
Trade payables	144.0	77.3
Other tax and social security contributions	11.5	7.3
Other payables	32.3	19.4
Accruals and deferred income	54.1	52.8
	241.9	156.8

13. Interest bearing loans and borrowings

	2015 £m	2014 £m
Non-current liabilities		
Unsecured bank loans	294.1	0.4
US Private Placement Loan Notes	108.3	101.9
Finance lease liabilities	1.1	1.9
	403.5	104.2
Current liabilities		
Unsecured bank loans	–	4.9
Finance lease liabilities	0.6	0.9
	0.6	5.8



13. Interest bearing loans and borrowings continued

At 31 December 2015, the Group had £nil (2014: £nil), \$283m (2014: \$nil) and €140m (2014: €nil) of unsecured bank loans drawn in US dollars and euros at floating rates of interest set by reference to LIBOR. Essentra's two \$80m US Private Placement Loan Notes are at interest rate of 5.37% and 5.91% per annum respectively. At 31 December 2014, the unsecured bank loans were repaid with the proceeds from the share placing during 2014.

The currency profile of the carrying and nominal values of Essentra's loans and borrowings is as follows:

	2015		2014	
	Carrying value £m	Nominal value £m	Carrying value £m	Nominal value £m
Sterling	0.9	0.9	1.2	1.2
US dollar	300.1	301.3	104.0	104.7
Euro	103.1	103.8	1.2	1.2
Other	–	–	3.6	3.6
	404.1	406.0	110.0	110.7

The difference between the total nominal and carrying value of loans and borrowings relates to the amortised value of prepaid facility fees of £1.9m (2014: £0.7m). In 2014, the amount in 'Other' related mainly to the Abric operations acquired in 2014.

14. Derivatives

Essentra uses derivatives to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury policy, Essentra does not hold or issue derivatives for trading purposes.

	Assets		Liabilities	
	Fair values £m	Contractual or notional amounts £m	Fair values £m	Contractual or notional amounts £m
At 31 December 2015				
<i>Fair value derivatives</i>				
Forward foreign exchange contracts	0.1	45.1	(0.1)	30.0
<i>Cash flow hedges</i>				
Forward foreign exchange contracts	0.3	15.9	(0.3)	20.1
	0.4	61.0	(0.4)	50.1

	Assets		Liabilities	
	Fair values £m	Contractual or notional amounts £m	Fair values £m	Contractual or notional amounts £m
At 31 December 2014				
<i>Fair value derivatives</i>				
Forward foreign exchange contracts	0.4	7.9	–	4.0
<i>Cash flow hedges</i>				
Forward foreign exchange contracts	3.5	194.7	(0.1)	27.4
	3.9	202.6	(0.1)	31.4



14. Derivatives continued

Fair value derivatives protect the Group from currency risk exposure from changes in the fair value of recognised assets or liabilities or a previously unrecognised firm commitment to buy or sell assets at a fixed price.

Cash flow hedges are hedges of the currency and interest rate risk exposure to variability in cash flows. Of the balance at 31 December 2014, £2.9m relates to a cash flow hedge on the consideration for the acquisition of Clondalkin SPD, which completed on 30 January 2015 (see note 23). The other cash flow hedges relate to usual trading transactions in foreign currencies.

Hedges of net investments are hedges of the currency risk exposure to changes in the carrying value of recognised investments in foreign operations.

The net fair value gains on open forward foreign exchange contracts that hedge foreign currency risk of anticipated future sales and purchases will be transferred to the income statement when the forecast sales and purchases occur. All of the hedged transactions are expected to occur over the next 15 months and all derivative instruments mature within the next 15 months.

Essentra had US dollar and euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. The exchange gains of £13.7m (2014: losses of £6.2m) on the US dollar borrowings and the losses of £7.7m (2014: gains of £3.9m) on the euro borrowings were recognised in other comprehensive income.

Finance income and expense arising on financial assets and financial liabilities held at amortised cost are those amounts, excluding interest on pension scheme assets and interest on pension scheme liabilities, detailed in note 3.

15. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2015			2014		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Property, plant and equipment ¹	(2.2)	17.1	14.9	(2.7)	16.2	13.5
Intangible assets ²	–	83.3	83.3	(0.5)	42.1	41.6
Employee benefits ³	(10.9)	5.3	(5.6)	(13.6)	4.6	(9.0)
Other ⁴	(8.1)	3.9	(4.2)	(10.8)	7.6	(3.2)
Tax (assets)/liabilities	(21.2)	109.6	88.4	(27.6)	70.5	42.9
Set off of tax	16.6	(16.6)	–	15.8	(15.8)	–
Net tax (assets)/liabilities	(4.6)	93.0	88.4	(11.8)	54.7	42.9

¹ A deferred tax liability arises on property, plant and equipment as the tax value of assets is lower than the corresponding accounting value. This arises as tax deductions are determined by the applicable tax laws in each country the Group operates in whereas accounting depreciation is calculated in line with the Group's accounting policy

² A deferred tax liability is provided on temporary differences arising on the Group's intangible assets as in the majority of cases the local tax authorities do not allow deduction for the amortisation of these intangible assets. The increase during the year is due to the acquisition of the Clondalkin SPD business (see note 23)

³ This represents deferred tax on the Group's defined benefit pension schemes and share-based incentives

⁴ This includes expenditure that will be deductible in future periods for tax purposes when the amounts are settled in cash, and withholding tax on overseas earnings from group companies expected to be remitted in the foreseeable future of £3.0m (2014: £nil)



15. Deferred tax continued

Movements in the year:

	2015 £m	2014 £m
Beginning of year	42.9	40.7
Charge to the income statement in respect of current year	1.2	1.3
Credit to the income statement in respect of prior years	(2.8)	(0.7)
Charge / (credit) to other comprehensive income	0.2	(5.0)
Charge to reserves on share-based incentives	2.3	3.4
Acquisitions	45.3	2.8
Currency translation	(0.7)	0.4
End of year	88.4	42.9

No deferred tax liability is provided in respect of unremitted earnings of foreign subsidiaries where Essentra is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. At the year end it is expected that earnings from certain overseas group companies will be remitted and a deferred tax liability of £3.0m (2014: £nil) has been recognised accordingly. This represents withholding taxes payable on the remittance of these earnings under local tax laws. The amount of temporary differences associated with investments in subsidiaries and branches for which deferred tax liabilities have not been recognised is £102.0m as at 31 December 2015 (2014: £94.8m), and the associated amount of unrecognised deferred tax is £13.9m (2014: £9.1m).

Based on available information, management determined whether it is probable for some or all of the deferred tax assets to be realised. In determining this, management considered the cumulative losses in prior years, the history of tax losses, the manner in which assets can be used (including time limitations under local laws), future earnings potential and expectation of future reversal of taxable temporary differences. Following management assessment, deferred tax assets of £0.2m (2014: £0.2m) in respect of capital losses and unutilised tax losses of £30.9m (2014: £30.9m) have not been recognised where their realisation is not considered probable. The capital losses have an unlimited expiry date. The tax losses expire as follows: £nil within five years, £4.5m in five to ten years, £10.5m in over ten years and £15.9m with no expiry. If future conditions change the amount of unrecognised deferred tax assets will be reassessed. This may impact the income tax expense / (credit) in that year.

16. Provisions

	2015			
	Discontinued £m	Reorganisation £m	Other £m	Total £m
Beginning of year	2.5	0.5	4.6	7.6
Provisions made during the year	–	2.5	1.1	3.6
Provisions released during the year	(2.0)	–	(2.7)	(4.7)
Utilised during the year	–	–	(0.3)	(0.3)
Acquisitions	–	0.1	5.4	5.5
Transferred to accruals and other payables	–	(0.2)	–	(0.2)
Currency translation	(0.5)	–	(0.2)	(0.7)
End of year	–	2.9	7.9	10.8
Non-current	–	–	2.8	2.8
Current	–	2.9	5.1	8.0
	–	2.9	7.9	10.8



16. Provisions continued

				2014
	Discontinued £m	Reorganisation £m	Other £m	Total £m
Beginning of year	2.3	3.6	9.5	15.4
Provisions made during the year	–	2.9	0.2	3.1
Provisions released during the year	–	–	(2.3)	(2.3)
Utilised during the year	–	(5.9)	(2.6)	(8.5)
Transferred to accruals and other payables	–	–	(0.1)	(0.1)
Currency translation	0.2	(0.1)	(0.1)	–
End of year	2.5	0.5	4.6	7.6
Non-current	–	–	3.4	3.4
Current	2.5	0.5	1.2	4.2
	2.5	0.5	4.6	7.6

Discontinued provisions in 2014 related to warranties made on the disposal of Globalpack, which was released in 2015. Reorganisation provisions are held against restructuring and redundancy costs, primarily related to the integration of acquired businesses and restructuring associated with acquisitions. Other provisions relate primarily to vacant properties, lease dilapidations, employees' compensation claims, other claims, environmental liabilities and product warranties. Non-current provisions are generally long-term in nature with uncertain timing of utilisation. The release of other provisions during the year relates mostly to claims, property related provisions and warranty liabilities.

17. Employee benefits

Post-employment benefits

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees. The Group also has a number of other post-employment obligations in certain countries, some of which are required under local law.

The defined benefit plans are administered by boards of trustees and the assets are held independently from Essentra. The boards of trustees comprise member nominated trustees, employer nominated trustees and independent advisory trustees. The articles of the plans prohibit a majority on the boards to be established by either the member or employer nominated trustees.

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 2015 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 recently completed actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

The principal European defined benefit schemes entitle remaining members to a pension calculated on 1.25% or 2% of their capped final pensionable pay multiplied by the number of pensionable years of service. Some members have historical entitlements to accrual rates of 1.67%-1.9% and 3% for certain tranches of their service. The principal US defined benefit schemes entitle certain participating employees to annuity benefits equal to 50% of final average pensionable salary, reduced for years of service less than 30, and other participating employees to annuity benefits equal to \$49 per month for each year of service.



17. Employee benefits continued

The amounts included in the consolidated Financial Statements are as follows:

	2015 £m	2014 £m
Amounts expensed against operating profit		
Defined contribution schemes	6.7	4.9
Defined benefit schemes – service cost	2.4	2.2
Defined benefit schemes – curtailment gain	(3.0)	–
Defined benefit schemes – settlement gain	–	(1.4)
Other post-employment obligations	0.1	0.5
Total operating expense	6.2	6.2
Amounts included as finance (income) / expense		
Net interest on defined benefit scheme assets (note 3)	(0.9)	(1.2)
Net interest on defined benefit scheme liabilities (note 3)	1.1	0.6
Net finance expense / (income)	0.2	(0.6)
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	8.5	(16.7)
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	(10.4)	32.5
Remeasurement of defined benefit schemes	(1.9)	15.8

During 2015, the principal defined benefit pension schemes in the UK and the US were closed to future accrual, and curtailment gains were recognised in profit or loss accordingly. During 2014, an offer to settle the pension obligations was made by the US board of trustees to deferred members of the US pension schemes, and a settlement gain was recognised in profit or loss relating to those members who accepted the offer. Following the closure of the Group's principal defined benefit pension schemes to future accruals, the schemes are funded by the Group's subsidiaries and employees are not required to make any further contribution. The funding of these schemes is based on separate actuarial valuations for funding purposes for which the assumptions may differ from those used in the valuation for IAS 19 purposes.

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

	Europe	2015 US	Europe	2014 US
Increase in salaries (pre-2010) ¹	n/a	3.00%	3.00%	3.00%
Increase in salaries (post-2010) ¹	n/a	3.00%	3.00%	3.00%
Increase in pensions ¹				
at RPI capped at 5%	3.10%	n/a	3.00%	n/a
at CPI capped at 5%	2.20%	n/a	2.10%	n/a
at CPI minimum 3%, capped at 5%	3.30%	n/a	3.20%	n/a
at CPI capped at 2.5%	1.80%	n/a	1.70%	n/a
Discount rate	3.80%	4.37%	3.70%	4.00%
Inflation rate	2.70%	n/a	2.60%	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.



17. Employee benefits continued

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

	Europe	2015 US	Europe	2014 US
Male retiring today at age 65	22.4	21.2	22.4	21.6
Female retiring today at age 65	24.8	23.2	24.7	23.8
Male retiring in 20 years at age 65	24.3	22.9	24.3	23.3
Female retiring in 20 years at age 65	26.7	24.9	26.6	25.5

The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustees' investment policies. The allocation of assets is arrived at taking into consideration current market conditions and trends, the size of potential returns relative to investment risk and the extent to which asset realisation needs to match liability maturity. There are risks underlying these considerations. If asset returns fall below the returns required for scheme assets to match the present value of scheme liabilities, a scheme deficit results. Persistent deficits represent an obligation the Group has to settle through increased cash contributions. If asset maturities are not properly matched with liability maturities, there is also the risk that the Group could be required to make unplanned short-term cash contributions to resolve resulting liquidity issues. Scheme assets are invested by the trustees in asset classes and markets that are considered to be reasonably liquid, so this matching and liquidity risk is considered to be sufficiently mitigated.

The fair value of scheme assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the pension scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:

		2015		
		Europe £m	US £m	Total £m
Equities	32%	63.4	63%	30.3
Corporate bonds	18%	35.6	36%	17.6
Government bonds	50%	99.0	–	–
Other	0%	0.5	1%	0.3
Fair value of scheme assets		198.5	48.2	246.7
Present value of scheme liabilities		(174.6)	(71.2)	(245.8)
Net retirement benefit assets / (obligations)		23.9	(23.0)	0.9

		2014		
		Europe £m	US £m	Total £m
Equities	31%	62.6	61%	26.4
Corporate bonds	18%	35.3	36%	15.4
Government bonds	51%	103.8	–	–
Other	0%	0.9	3%	1.2
Fair value of scheme assets		202.6	43.0	245.6
Present value of scheme liabilities		(182.5)	(62.6)	(245.1)
Net retirement benefit assets / (obligations)		20.1	(19.6)	0.5

The equity, corporate bond and government bond assets are either direct investments or investments made via a managed fund for those asset classes. All of these assets have a quoted market price in an active market. The other asset class relates primarily to property and hedge funds, which are valued at their cumulative unit offer price. No direct investment in property is held. No plan assets are invested directly in the shares of Essentra plc.



17. Employee benefits continued

The pension surplus in Europe is not restricted as the asset is considered realisable on the basis of the Group's unconditional right to a refund.

The average expected duration of the Group's European defined benefit pension liability at 31 December 2015 is 20 years (2014: 20 years). The average expected duration of the Group's US defined benefit pension liability at 31 December 2015 is 12.9 years (2014: 13.3 years).

The Group's contributions to its defined benefit pension schemes are determined in consultation with trustees, taking into consideration actuarial advice, investment conditions and other local conditions and practices. In 2016, the Group expects to make defined benefit contributions of \$3.7m to its US schemes. Contributions to its European schemes are being determined.

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

	2015				2014			
	Defined benefit pension scheme assets £m	Defined benefit pension scheme liabilities £m	Other £m	Total £m	Defined benefit pension scheme assets £m	Defined benefit pension scheme liabilities £m	Other £m	Total £m
Beginning of year	245.6	(245.1)	(2.2)	(1.7)	226.6	(213.3)	(2.7)	10.6
Service cost and administrative expense	(1.3)	(1.1)	(0.1)	(2.5)	(0.8)	(1.4)	(0.5)	(2.7)
Employer contributions	3.9	–	0.1	4.0	4.3	0.1	0.8	5.2
Employee contributions	0.1	(0.1)	–	–	0.3	(0.3)	–	–
Return on plan assets excluding amounts in net finance income	(8.5)	–	–	(8.5)	16.7	–	–	16.7
Actuarial gains / (losses) arising from change in financial assumptions	–	6.2	–	6.2	–	(27.9)	–	(27.9)
Actuarial losses arising from change in demographic assumptions	–	–	–	–	–	(4.2)	–	(4.2)
Actuarial gains / (losses) arising from experience adjustment	–	4.2	–	4.2	–	(0.4)	–	(0.4)
Finance income / (expense)	9.3	(9.5)	–	(0.2)	10.3	(9.7)	–	0.6
Benefits paid	(10.7)	10.7	0.5	0.5	(8.0)	8.0	–	–
Curtailments	–	3.0	–	3.0	–	–	–	–
Settlements	–	–	–	–	(6.4)	7.8	–	1.4
Currency translation	2.9	(3.8)	–	(0.9)	2.6	(3.8)	0.2	(1.0)
Business combination	5.4	(10.3)	–	(4.9)	–	–	–	–
End of year	246.7	(245.8)	(1.7)	(0.8)	245.6	(245.1)	(2.2)	(1.7)

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 2015.

	Scheme liabilities		
	Europe £m	US £m	Total £m
0.5% decrease in the discount rate	(17.7)	(3.6)	(21.3)
1.0% increase in the rate of inflation	(14.6)	n/a	(14.6)
1.0% increase in rate of salary / pension increases	n/a	n/a	n/a
1 year increase in life expectancy	(5.5)	(1.4)	(6.7)
0.5% increase in the discount rate	15.3	3.2	18.5
1.0% decrease in rate of salary / pension increases	n/a	n/a	n/a
1.0% decrease in the rate of inflation	12.1	n/a	12.1



17. Employee benefits continued

Share-based incentives

Essentra operates equity-settled share-based incentive plans for its Executive Directors and employees. The total expense in respect of these plans during the year was £5.7m (2014: £6.8m). Details of these plans are set out below:

Share options outstanding

	2015											
	At 1 Jan 2015	Weighted average exercise price	Granted during the year	Weighted average exercise price	Lapsed during the year	Weighted average exercise price	Exercised during the year	Weighted average exercise price	At 31 Dec 2015	Weighted average exercise price	Exercisable at 31 Dec 2015	Weighted average exercise price
LTIP Part A	2,859,889	428.6p	383,266	997.0p	(154,755)	668.3p	(1,380,854)	328.6p	1,707,546	614.2p	723,703	283.6p
LTIP Part B	3,329,285	–	822,523	–	(364,534)	–	(1,517,160)	–	2,270,114	–	–	–
DASB	424,169	–	93,074	–	(45,893)	–	(141,954)	–	329,396	–	–	–
SAYE 3-year plan	561,833	533.8p	401,767	770.4p	(137,579)	693.1p	(184,098)	380.8p	641,923	691.6p	–	–
SAYE 5-year plan	345,138	399.8p	142,109	770.4p	(57,923)	653.0p	(107,616)	187.7p	321,708	588.9p	–	–
US SAYE 2-year plan	51,968	716.1p	50,694	711.5p	(8,546)	716.1p	–	–	94,116	713.6p	–	–
	7,572,282		1,893,433		(769,230)		(3,331,682)		5,364,803		723,703	

	2014											
	At 1 Jan 2014	Weighted average exercise price	Granted during the year	Weighted average exercise price	Lapsed during the year	Weighted average exercise price	Exercised during the year	Weighted average exercise price	At 31 Dec 2014	Weighted average exercise price	Exercisable at 31 Dec 2014	Weighted average exercise price
LTIP Part A	4,348,939	325.1p	358,711	485.8p	(335,307)	224.4p	(1,512,454)	224.4p	2,859,889	428.6p	783,017	203.2p
LTIP Part B	3,220,308	–	873,135	–	(161,596)	–	(602,562)	–	3,329,285	–	–	–
DASB	428,090	–	150,023	–	(18,850)	–	(135,094)	–	424,169	–	–	–
SAYE 3-year plan	726,847	354.5p	256,447	545.2p	(102,860)	255.6p	(318,601)	255.6p	561,833	533.8p	–	–
SAYE 5-year plan	299,060	279.9p	114,794	469.5p	(41,186)	248.1p	(27,530)	248.1p	345,138	399.8p	–	–
US SAYE 2-year plan	–	–	52,134	716.1p	(166)	716.1p	–	–	51,968	716.1p	–	–
	9,023,244		1,805,244		(659,965)		(2,596,241)		7,572,282		783,017	

The exercise prices of options outstanding at the end of the year range from nil to 997.0p.

The weighted average share price at the date of exercise for options exercised during the year was 984.2p (2014: 848.1p). The following table shows the weighted average fair value at the date of grant for options granted during the year:

	LTIP Part A	LTIP Part B	DASB	SAYE 3 year plan	SAYE 5 year plan
Year ended 31 December 2015	181.3p	705.9p	939.8p	270.9p	304.1p
Year ended 31 December 2014	182.8p	635.6p	814.0p	339.6p	267.6p



17. Employee benefits continued

Fair value model inputs for share options awarded

	2015				
	LTIP Part A	LTIP Part B	DASB	SAYE 3-year plan	SAYE 5-year plan
Weighted average fair value at grant	127.3p	625.5p	778.6p	247.8p	240.9p
Weighted average share price at grant	606.6p	835.6p	822.5p	902.3p	764.0p
Weighted average exercise price	614.2p	–	–	691.6p	588.9p
Weighted average volatility	30.2%	25.4%	25.5%	24.9%	29.6%
Weighted average dividend yield	2.51%	1.84%	1.84%	1.77%	2.05%
Weighted risk free rate	1.17%	0.76%	0.68%	0.89%	1.66%
Expected employee retention rates	87.1%	100.0%	100.0%	75.0%	75.0%
Expected term	3.16 years	3.00 years	3.00 years	3.00 years	5.00 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial

	2014				
	LTIP Part A	LTIP Part B	DASB	SAYE 3-year plan	SAYE 5-year plan
Weighted average fair value at grant	99.3p	470.5p	631.2p	196.1p	173.2p
Weighted average share price at grant	428.6p	615.6p	668.9p	699.2p	518.9p
Weighted average exercise price	428.6p	–	–	533.7p	399.8p
Weighted average volatility	33.6%	28.3%	27.2%	26.8p	32.6p
Weighted average dividend yield	2.80%	2.07%	2.02%	1.91%	2.54%
Weighted risk free rate	1.26%	0.76%	0.64%	0.93%	2.27%
Expected employee retention rates	89.9%	100.0%	100.0%	75.0%	75.0%
Expected term	3.29 years	3.01 years	3.00 years	3.00 years	5.00 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial

Where relevant, market conditions are taken into account in determining the fair value of the awards at grant date. The three-year average historic volatility at grant date has been used as the volatility input for the LTIP Part A, LTIP Part B, DASB and SAYE 3-year awards, and the five-year average historic volatility at grant date has been used as the volatility input for the SAYE 5-year award.

	2015 and 2014				
	LTIP Part A	LTIP Part B	DASB	SAYE 3-year plan	SAYE 5-year plan
Contractual life	3-10 years	3-6 years	3 years	3 years	5 years

Details of the vesting conditions of the LTIP Part A, LTIP Part B and DASB share option schemes are set out in the Report of the Remuneration Committee on pages 62 to 78.



18. Financial risk management

Essentra's activities expose the business to a number of key financial risks which have the potential to affect its ability to achieve its business objectives.

The Board has overall responsibility for Essentra's system of internal control and financial risk management and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

Essentra has a centralised treasury function to manage funding, liquidity and exposure to interest rate and foreign exchange risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of derivatives that may be employed and the criteria for investing and borrowing cash. Essentra uses derivatives only to manage currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury function is subject to periodic 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 dealings are restricted to those banks with the relevant combination of geographical presence, expertise and suitable credit rating.

The following describes Essentra's financial risk exposure and management from a quantitative and qualitative perspective.

i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations, and arises principally from trade receivables and cash and cash equivalents. Essentra has no significant individual concentrations of credit risk. The following is an overview of how Essentra manages its credit risk exposures.

Trade and other receivables

Essentra's exposure to credit risk is driven by the profile of its customers. This is influenced by the demographics of the customer base, including the industry and country in which customers operate. Trade and other receivables are generally due from customers who are unlikely to seek credit ratings as part of their normal course of business.

Essentra monitors significant customers' credit limits and there is an allowance for impairment that represents the estimate of potential losses in respect of trade and other receivables. The components of this allowance are a specific allowance for individual losses and a collective allowance for losses that have been incurred but not yet identified. The collective allowance takes account of historical experience and the profile of customers.

As at 31 December 2015, gross trade receivables were £229.2m (2014: £151.8m) of which £43.7m (2014: £25.1m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2015 £m	2014 £m
Up to three months	39.5	25.1
Over three months	4.2	–
	43.7	25.1

As at 31 December 2015, trade receivables of £4.3m (2014: £6.3m) were provided for as they were considered to be impaired. The ageing of the impaired receivables provided for is as follows:

	2015 £m	2014 £m
Up to three months	–	1.6
Over three months	4.3	4.7
	4.3	6.3



18. Financial risk management continued

The movement in the provision for impaired receivables is as follows:

	2015 £m	2014 £m
Beginning of year	6.3	5.7
Impaired receivables acquired	2.1	0.5
Impairment loss recognised	0.3	2.8
Release in the year	(2.9)	(1.6)
Utilisation	(1.5)	(1.1)
End of year	4.3	6.3

Derivative assets

Credit risk with respect to derivatives is controlled by limiting transactions to major banking counterparties where internationally agreed standard form documentation exists. The credit ratings of these counterparties are monitored.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents is monitored daily, on a counterparty by counterparty basis. The credit limits imposed specify the maximum amount of cash which can be invested in, or with, any single counterparty. These limits are determined by geographic presence, expertise and credit rating. Essentra monitors the credit ratings of counterparties.

The following credit risk table provides information regarding the credit risk exposure of Essentra by classifying derivative assets and cash and cash equivalents according to credit ratings of the counterparties. AAA is the highest possible rating and all of the assets are neither impaired nor past due.

	2015					
	AAA £m	AA £m	A £m	BBB £m	BB £m	Total £m
Derivative assets	–	–	0.3	–	0.1	0.4
Cash and cash equivalents	–	2.2	11.7	8.5	3.6	30.2
	–	2.2	12.0	8.5	3.7	30.6

	2014					
	AAA £m	AA £m	A £m	BBB £m	BB £m	Total £m
Derivative assets	–	0.1	0.3	3.5	–	3.9
Cash and cash equivalents	–	2.6	13.9	27.5	1.0	46.0
	–	2.7	14.2	31.0	1.0	49.9

Essentra's maximum credit risk exposure is £274.4m (2014: £209.4m) and no collateral is held against this amount (2014: £nil).

ii) Market price risk

Market price risk is the risk that changes in foreign exchange rates and interest rates will affect income or the value of financial assets and liabilities. Essentra has produced a sensitivity analysis that shows the estimated change to the income statement and equity of a 1%, 5% or 10% weakening or strengthening in sterling against all other currencies or an increase or decrease of 50 basis points ("bps"), 100bps and 200bps in market interest rates. The amounts generated from the sensitivity analysis are estimates and actual results in the future may materially differ.

Essentra is exposed to two types of market price risk: currency risk and interest rate risk.



18. Financial risk management continued

a) Currency risk

Essentra publishes its consolidated Financial Statements in sterling but conducts business in several foreign currencies. Therefore, it is subject to currency risk due to exchange rate movements which affect the translation of results and underlying net assets of its operations and their transaction costs.

Hedge of net investment in foreign operations

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 through measures such as borrowing in those currencies in which the Group has significant net assets. Essentra's US dollar denominated assets were approximately 78% (2014: 48%) hedged by the US dollar denominated borrowings. Essentra's euro denominated assets were approximately 58% hedged by the euro denominated borrowings. At 31 December 2014, Essentra did not have any euro denominated borrowings as these were repaid with the proceeds from the share placing during 2014.

Transaction exposure hedging

The majority of Essentra's transactions are carried out in the functional currencies of its operations and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

Essentra does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the Group's risk management policies and prevailing market conditions. The Group documents currency derivatives used to hedge its forecast transactions as cash flow hedges. To the extent that cash flow hedges are effective, gains and losses are recognised in other comprehensive income until the forecast transaction occurs, at which point the gains and losses are transferred either to the income statement or to the non-financial asset acquired.

The following table shows Essentra's sensitivity to a 1%, 5% and 10% weakening or strengthening in sterling against all currencies. To calculate the impact on the income statement for the year all currencies' average rates have been increased or decreased by 1%, 5% or 10%. The translational effect on equity is limited as a proportion of US dollar and euro exposure is hedged. Accordingly the effect on equity is calculated by increasing or decreasing the closing rate of all currencies with an adjustment for the movement in currency hedges. It is assumed that all net investment and cash flow hedges will continue to be 100% effective.

	2015					
	Weakening in sterling			Strengthening in sterling		
	10% £m	5% £m	1% £m	1% £m	5% £m	10% £m
Impact on the income statement – gain / (loss)	11.2	5.3	1.0	(1.0)	(4.8)	(9.2)
Impact on equity – gain / (loss)	45.3	21.5	4.1	(4.0)	(19.4)	(37.1)

	2014					
	Weakening in sterling			Strengthening in sterling		
	10% £m	5% £m	1% £m	1% £m	5% £m	10% £m
Impact on the income statement – gain / (loss)	8.2	3.9	0.7	(0.7)	(3.5)	(6.7)
Impact on equity – gain / (loss)	46.2	21.9	4.2	(4.1)	(19.8)	(37.8)



18. Financial risk management continued

b) Interest rate risk

During 2014, Essentra's strategy was to ensure with a reasonable degree of certainty that at least 50% of the overall net finance expense is protected against material adverse movements in interest rates using fixed interest rate debt, interest rate swaps and caps. With effect from 1 January 2015, Essentra implemented a revised policy, which is to ensure that at least 30% of the total debt with maturities of more than one year is protected with fixed interest rates or approved interest rate derivatives.

The following table shows Essentra's sensitivity to a 50bps, 100bps and 200bps decrease or increase in sterling, US dollar and euro interest rates. To calculate the impact on the income statement for the year, the interest rates on all external floating rate interest bearing loans and borrowings have been increased or decreased by 50bps, 100bps or 200bps and the resulting increase or decrease in the net interest charge has been adjusted for the effect of Essentra's interest rate derivatives. At 31 December 2014, the Group had no significant floating rate debt and therefore has no significant sensitivity to interest rate movements. There is no impact on amounts recorded directly in other comprehensive income or equity.

	2015					
	Decrease in interest rates			Increase in interest rates		
	200bps £m	100bps £m	50bps £m	50bps £m	100bps £m	200bps £m
Impact on the income statement – gain / (loss)	5.9	3.0	1.5	1.5	3.0	5.9

	2014					
	Decrease in interest rates			Increase in interest rates		
	200bps £m	100bps £m	50bps £m	50bps £m	100bps £m	200bps £m
Impact on the income statement – gain / (loss)	–	–	–	–	–	–

See note 13 for interest rate disclosure on loans and borrowings.

iii) Liquidity risk

Liquidity risk is the risk that Essentra, although solvent, will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Essentra's objective is to maintain a balance between continuity of funding and flexibility. Essentra is mostly funded by two series of US\$80m US Private Placement Loan Notes from various financial institutions and syndicated multi-currency five-year revolving credit facilities of £271.0m and €167.5m from its bankers. The two series of Loan Notes of US\$80m have original maturities of six and nine years and the revolving credit facilities mature in July 2019. At 31 December 2015 the available bank facilities totalled £394.2m (2014: £387.0m) of which £295.5m (2014: £nil) was drawn down. In addition, uncommitted and overdraft facilities are maintained to provide short-term flexibility. During 2014, Essentra issued a total of 23,659,761 new ordinary shares of 25p each at a price of 713.5p per share, raising gross proceeds of £168.8m, to fund the acquisition of the Specialist Packaging Division of Clondalkin Group.



18. Financial risk management continued

Amounts drawn by Essentra on its committed facilities are subject to standard banking covenants.

Essentra's available undrawn committed facilities at 31 December were:

	2015 £m	2014 £m
Expiring after two years	98.7	387.0

Any loans drawn on these facilities would bear interest at floating rates with reference to LIBOR for the currency and period of the loan.

The maturity of Essentra's financial liabilities, including estimated interest payments, is analysed below.

	2015						
	Fair value £m	Carrying amount £m	Contractual cash flows £m	<1 yr £m	1-2 yrs £m	2-5 yrs £m	>5 yrs £m
Unsecured bank loans	294.1	294.1	305.3	3.7	3.7	297.9	–
US Private Placement Loan Notes	117.4	108.3	127.7	6.1	59.1	62.5	–
Derivative liabilities	0.4	0.4	0.4	0.4	–	–	–
Trade and other payables	176.3	176.3	176.3	176.3	–	–	–
Finance lease liabilities	1.7	1.7	1.8	0.7	0.6	0.4	0.1
	589.9	580.8	611.5	187.2	63.4	360.8	0.1

	2014						
	Fair value £m	Carrying amount £m	Contractual cash flows £m	<1 yr £m	1-2 yrs £m	2-5 yrs £m	>5 yrs £m
Unsecured bank loans	5.3	5.3	5.5	5.0	0.1	0.2	0.2
US Private Placement Loan Notes	111.3	101.9	126.1	5.8	5.8	61.7	52.8
Derivative liabilities	0.1	0.1	0.1	0.1	–	–	–
Trade and other payables	96.7	96.7	96.7	96.7	–	–	–
Finance lease liabilities	2.8	2.8	3.1	1.0	0.8	0.7	0.6
Other non-current financial liabilities	1.7	1.7	1.8	0.7	0.6	0.4	0.1
– Deferred contingent consideration	3.5	3.5	3.5	–	2.2	1.3	–
	219.7	210.3	235.0	108.6	8.9	63.9	53.6

Total trade and other payables carried at £241.9m (2014: £156.8m) include accruals and deferred income of £54.1m (2014: £52.8m) and other taxes and social security contributions of £11.5m (2014: £7.3m) which are not financial liabilities and are therefore excluded from the above analysis. All trade and other payables are due to be settled in less than six months.



18. Financial risk management continued

Total financial assets and liabilities

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

	2015				2014			
	Fair value £m	Loans and receivables £m	Amortised cost £m	Total carrying value £m	Fair value £m	Loans and receivables £m	Amortised cost £m	Total carrying value £m
Trade and other receivables	-	243.8	-	243.8	-	161.4	-	161.4
Cash and cash equivalents	-	30.2	-	30.2	-	46.0	-	46.0
Interest bearing loans and borrowings	-	-	(404.1)	(404.1)	-	-	(110.0)	(110.0)
Trade and other payables	-	-	(174.8)	(174.8)	-	-	(94.4)	(94.4)
Level 2 of fair value hierarchy								
Derivative assets	0.4	-	-	0.4	3.9	-	-	3.9
Derivative liabilities	(0.4)	-	-	(0.4)	(0.1)	-	-	(0.1)
Level 3 of fair value hierarchy								
Other non-current financial liabilities	-	-	-	-	(3.5)	-	-	(3.5)
Other current payables	(1.5)	-	-	(1.5)	(2.3)	-	-	(2.3)
	(1.5)	274.0	(578.9)	(306.4)	(2.0)	207.4	(204.4)	1.0

Total trade and other receivables carried at £254.0m (2014: £168.5m) include prepayments and accrued income of £8.5m (2014: £7.1m) and consideration paid in advance in respect of business acquisition of £1.7m (2014: £nil) 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 £1.5m relating to the acquisition of Mesan Kilit A.S. and Specialty Plastics (2014: £5.8m relating to the acquisition of Mesan Kilit A.S.). 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 £4.8m (2014: fair value gain of £0.6m) in respect of financial instruments at level 3 fair value hierarchy was recognised within exceptional items (see note 2), and £nil (2014: £nil) 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 £108.3m (2014: £101.9m). The Group estimates that the total fair value of the Loan Notes at 31 December 2015 is £117.4m (2014: £111.3m).

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 their fair values at the reporting date.



18. Financial risk management continued

The table below shows the amount of bank overdrafts offset against the bank balances under enforceable master netting agreements with banks:

	Gross amount of recognised financial assets £m	Gross amount of recognised financial liabilities set off in the balance sheet £m	Net amount of financial assets presented in the balance sheet £m
Cash and cash equivalents:			
At 31 December 2015	30.4	(0.2)	30.2
At 31 December 2014	48.4	(2.4)	46.0

iv) Capital structure

Essentra defines its capital structure as its equity and non-current interest bearing loans and borrowings, and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders.

Essentra sets the amount of capital in proportion to risk. Essentra manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Essentra may return capital to shareholders through dividends and share buybacks, issue new shares or sell assets to reduce debt.

Essentra monitors its capital structure on the basis of the medium-term net debt-to-EBITDA ratio. EBITDA is defined as operating profit before depreciation and other amounts written off property, plant and equipment, share option expense, intangible amortisation and exceptional operating items. Net debt is adjusted to exclude prepaid facility fees. During 2015, Essentra's strategy, which was unchanged from 2014, was to maintain the medium-term net debt-to-EBITDA ratio in the range 1.0 to 2.5. The net debt-to-EBITDA ratio at 31 December 2014 was low due to the inclusion of proceeds from the issue of 23,659,761 shares during 2014, to fund the acquisition of Clondalkin SPD which was completed on 30 January 2015.

The net debt-to-EBITDA ratios at 31 December were:

	Note	2015 £m	2014 £m
Net debt excluding prepaid facility fees		375.8	64.7
Operating profit before intangible amortisation and exceptional operating items		171.5	142.5
Plus depreciation and other amounts written off property, plant and equipment	7	31.9	27.2
Plus share option expense	17	5.7	6.8
EBITDA		209.1	176.5
Net debt-to-EBITDA ratio		1.80	0.37

19. Issued share capital

	2015 £m	2014 £m
Issued and fully paid ordinary shares of 25p (2014: 25p) each	66.0	66.0
Number of ordinary shares in issue		
Beginning of year	264,129,170	240,469,409
Issue of shares during the year	–	23,659,761
End of year	264,129,170	264,129,170

At 31 December 2015 the Company held 1,750,571 (2014: 3,449,685) of its own shares in treasury.



19. Issued share capital continued

In 2014, to fund the acquisition of Clondalkin Essentra plc issued a total of 23,659,761 new ordinary shares of 25p each at a price of 713.5p per share, raising gross proceeds of £168.8m. Issue costs of £1.2m 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. As at 31 December 2014, the proceeds from the placing were used to repay the amounts drawn under the revolving credit facilities.

20. Reserves

Within retained earnings the Company has deducted the value of own shares purchased for an employee trust and treasury shares held by the Company with a total cost of £19.0m (2014: £34.7m).

Employee trust shares are ordinary shares of the Company held in an employee benefit trust. The purpose of this trust is to hold shares in the Company for subsequent transfer to Executive Directors and employees relating to deferred share awards and options granted under the Company's share-based incentive plans. Full details are set out in the Report of the Remuneration Committee on pages 62 to 78. The assets, liabilities and expenditure of the trust have been incorporated in these Financial Statements. At 31 December 2015 the trust held 1,828,789 (2014: 3,379,383) shares, upon which dividends have been waived, with an aggregate nominal value of £0.5m (2014: £0.8m) and market value of £15.1m (2014: £24.7m).

The Company holds 1,750,571 (2014: 3,449,685) ordinary shares with a nominal value of £0.4m (2014: £0.9m) in treasury. This represents 0.7% (2014: 1.3%) of the number of ordinary shares in issue.

The other reserve relates to the Group reorganisation, which took place as part of the demerger from Bunzl plc. It represents the difference between Essentra plc's share capital and Essentra International Limited's share capital and share premium on 6 June 2005 and is not distributable.

21. Analysis of net debt

	1 Jan 2015 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	31 Dec 2015 £m
Cash at bank and in hand	26.5	(2.0)	(0.7)	–	23.8
Short-term bank deposits and investments	19.5	(13.0)	(0.1)	–	6.4
Cash and cash equivalents in the statement of cash flows	46.0	(15.0)	(0.8)	–	30.2
Debt due within one year	(5.8)	4.9	0.3	–	(0.6)
Debt due after one year	(102.3)	(292.8)	(7.7)	(0.7)	(403.5)
Net debt	(62.1)	(302.9)	(8.2)	(0.7)	(373.9)

The non-cash movements represent the amortisation of prepaid facility fees.

	1 Jan 2014 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	31 Dec 2014 £m
Cash at bank and in hand	42.0	(15.5)	–	–	26.5
Short-term bank deposits and investments	2.1	17.4	–	–	19.5
Cash and cash equivalents in the statement of cash flows	44.1	1.9	–	–	46.0
Debt due within one year	(6.5)	3.8	0.1	(3.2)	(5.8)
Debt due after one year	(254.7)	158.1	(4.0)	(1.7)	(102.3)
Net debt	(217.1)	163.8	(3.9)	(4.9)	(62.1)

The non-cash movements represent the amortisation of prepaid facility fees and the increase in net debt from loans acquired. The 2014 net debt amount presented above includes the effect of £1.9m prepaid facility fees on the Group's 5-year revolving credit facility, which were presented within long-term receivables at 31 December 2014.



22. Commitments

Operating leases

At 31 December Essentra had the following future minimum lease payments under non-cancellable operating leases:

	2015 £m	2014 £m
Payable within one year	8.8	7.2
Payable between one and five years	25.7	19.2
Payable after five years	22.2	11.7
	56.7	38.1

23. Acquisitions

2015 acquisition: Clondalkin

On 30 January 2015, Essentra acquired the entire Specialist Packaging Division of Clondalkin Group ("Clondalkin SPD") from an affiliate of Warburg Pincus. Clondalkin SPD is a global provider of speciality secondary packaging solutions for the pharmaceutical and health & personal care industries. With 24 facilities in North America and Europe, the acquisition of Clondalkin SPD significantly enhances Essentra's existing geographic presence in healthcare packaging and, through leveraging the combined footprint of both businesses, will allow the Group to further exploit both existing, and attractive new growth opportunities. Clondalkin SPD's product portfolio of folding carton, product literature and labels is complementary to the Group's current packaging and authentication capabilities, therefore broadening the range and innovation offered to customers.

A summary of the acquisition of Clondalkin SPD is detailed below:

	Fair value of assets acquired/(liabilities assumed) £m
Customer relationships and order book	160.7
Goodwill	158.1
Property, plant and equipment	35.6
Inventories	20.8
Receivables	36.4
Cash and cash equivalents	7.2
Retirement benefit obligations	(4.9)
Deferred tax	(43.6)
Current Tax	(0.5)
Payables	(57.0)
Provisions	(4.6)
Fair value of net assets acquired	308.2
Satisfied by:	
Cash consideration paid	308.2
Cash consideration	308.2
Cash and cash equivalents acquired	(7.2)
Net cash flow in respect of the acquisition	301.0

Property, plant and equipment, intangible assets, inventories, receivables and payables were all reassessed to their fair value. The gross contractual amount receivable of the receivables was £38.5m.

23. Acquisitions continued

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.

Clondalkin SPD contributed £228.5m to revenue and £27.1m to operating profit before intangible amortisation in the period from acquisition to 31 December 2015. Had the acquisition been completed on 1 January 2015, the Group's revenue and operating profit before amortisation and exceptional items would have been £1,118.8m and £171.7m respectively.

2015 acquisition: Specialty Plastics

The Group also acquired Specialty Plastics based in Australia in February 2015. This acquisition was not material.

Relevant previous acquisitions

During 2015, Essentra reassessed the fair value adjustments made in respect of the major operating subsidiaries of Abric Berhad ("Abric") which was acquired on 16 December 2014, and made changes to certain accruals, property, plant and equipment, customer relationship intangible assets and deferred tax assets. The impact on goodwill is an increase of £0.9m.

24. Dividends

	Per share		Total	
	2015 p	2014 p	2015 £m	2014 £m
2014 interim: paid 30 October 2014		5.7		13.3
2014 final: paid 1 May 2015		12.6		32.6
2015 interim: paid 30 October 2015	6.3		16.4	
2015 proposed final: payable 3 May 2016	14.4		37.5	
	20.7	18.3	53.9	45.9

25. Transactions with related parties

During 2014, the Filters business in Jordan was disposed of to the minority shareholder who was also a director of the business, for a consideration of US\$50,000. A loss on disposal of £0.4m arose from the transaction. Other than this transaction and the compensation of key management (note 5), Essentra has not entered into any material transactions with related parties during 2014 and 2015.

26. Parent company

Essentra plc is a limited liability company incorporated in England and Wales and domiciled in the United Kingdom. It operates as the ultimate parent company of the Essentra Group. Its registered office is Avebury House, 201-249 Avebury Boulevard, Milton Keynes MK9 1AU, United Kingdom. The principal subsidiary undertakings of Essentra plc are listed in note 10 to the Essentra plc Company Financial Statements.



27. 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:

	2015 £m	2014 £m
Operating profit	100.7	108.8
Intangible amortisation	31.7	17.5
Exceptional operating items	39.1	16.2
Adjusted operating profit	171.5	142.5
Depreciation	31.9	27.2
Share option expense	5.7	6.8
Other non-cash items	(2.9)	(11.0)
Working capital movements	(52.8)	(25.4)
Net capital expenditure	(54.8)	(33.1)
Operating cash inflow	98.6	107.0

28. Post balance sheet events

On 29 January 2016, the Group acquired Kamsri Printing and Packaging Private Limited ("Kamsri"), a manufacturer of premium packaging solutions based in India for the pharmaceutical and healthcare end-markets. This acquisition was not material.

29. Additional segmental analysis

With effect from 1 January 2016, Essentra has implemented a new organisation structure, comprising three strategic business units. Going forward, the Components, Pipe Protection Technologies, Extrusion and Security businesses will form a strategic business unit named Component Solutions. The Speciality Tapes business will be included within the current Health & Personal Care Packaging strategic business unit. The Filter Products and Porous Technologies businesses will form a new strategic business unit named Filtration Products. The scope of Central Services remains the same.

2015 results under the new organisational structure are shown below:

	Component Solutions £m	Health & Personal Care Packaging £m	Filtration Products £m	Eliminations £m	Central Services £m	Total £m
External revenue	285.2	419.3	393.6	–	–	1,098.1
Intersegment revenue	1.0	3.3	0.8	(5.1)	–	–
Total revenue	286.2	422.6	394.4	(5.1)	–	1,098.1
Operating profit / (loss) before intangible amortisation and exceptional operating items	58.1	57.5	72.1	–	(16.2)	171.5
Intangible amortisation	(8.1)	(21.2)	(2.4)	–	–	(31.7)
Exceptional operating items	1.8	(31.3)	(11.5)	–	1.9	(39.1)
Operating profit / (loss)	51.8	5.0	58.2	–	(14.3)	100.7



ESSENTRA PLC COMPANY BALANCE SHEET

At 31 December 2015

	Note	2015 £m	2014 £m
Fixed assets			
Investment in subsidiary undertaking	2,10	451.7	446.0
Current assets			
Debtors	3	30.1	69.2
Current liabilities			
Creditors: amounts falling due within one year	4	(1.1)	(1.0)
Net current assets		29.0	68.2
Non-current liabilities			
Creditors: amounts falling due after more than one year	5	(108.3)	(101.9)
Net assets		372.4	412.3
Capital and reserves			
Issued share capital	7	66.0	66.0
Merger relief reserve	7	298.1	298.1
Capital redemption reserve		0.1	0.1
Profit and loss account	8	8.2	48.1
Shareholders' funds: equity interests		372.4	412.3

The Company Financial Statements on pages 128 to 137 were approved by the Board of Directors on 19 February 2016 and were signed on its behalf by:

Colin Day
Chief Executive

Stefan Schellinger
Group Finance Director



ESSENTRA PLC COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Issued share capital £m	Merger relief reserve £m	Capital redemption reserve £m	Profit and loss account		Total equity £m
				Retained earnings £m	Own shares £m	
1 January 2015	66.0	298.1	0.1	82.8	(34.7)	412.3
Loss for the year				(1.0)		(1.0)
Other comprehensive income				–		–
Total comprehensive income for the year	–	–	–	(1.0)	–	(1.0)
Acquisition of employee benefit trust shares					(1.0)	(1.0)
Shares issued to satisfy employee share option exercises				(16.7)	16.7	–
Share options exercised				5.4		5.4
Share-based payments				5.7		5.7
Dividends paid				(49.0)		(49.0)
31 December 2015	66.0	298.1	0.1	27.2	(19.0)	372.4

	Issued share capital £m	Merger relief reserve £m	Capital redemption reserve £m	Profit and loss account		Total equity £m
				Retained earnings £m	Own shares £m	
1 January 2014	60.1	136.4	0.1	120.4	(30.4)	286.6
Loss for the year				(2.6)		(2.6)
Other comprehensive income				–		–
Total comprehensive income for the year	–	–	–	(2.6)	–	(2.6)
Issue of shares	5.9	161.7				167.6
Acquisition of employee benefit trust shares					(12.3)	(12.3)
Shares issued to satisfy employee share option exercises				(8.0)	8.0	–
Share options exercised				4.3		4.3
Share-based payments				6.8		6.8
Dividends paid				(38.1)		(38.1)
31 December 2014	66.0	298.1	0.1	82.8	(34.7)	412.3

**ACCOUNTING POLICIES****A. Authorisation of Financial Statements and statement of compliance with FRS 101**

The Parent Company Financial Statements of Essentra plc ("the Company") for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 19 February 2016 and the balance sheet was signed on the Board's behalf by Colin Day and Stefan Schellinger. Essentra plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder. These Financial Statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The profit and loss account of the Company is not presented as permitted by Section 408 of the Companies Act 2006.

B. Basis of preparation

The Company transitioned to FRS 101 from the UK Generally Accepted Accounting Practice during the year ended 31 December 2015. No adjustments were required as part of this transition.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- > the requirements of paragraph 45(b) and 46-52 of IFRS 2 Share-Based Payment;
- > the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- > the requirement of IFRS 7 Financial Instruments: Disclosures;
- > the requirement of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- > the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangible Assets;
- > the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- > the requirements of IAS 7 Statement of Cash Flows;
- > the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- > the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- > the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- > the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the consolidated Financial Statements.

The following principal accounting policies have been consistently applied.

C. Investment in subsidiary undertaking

Investment in subsidiary undertaking is held at cost less any provision for impairment. The Company assesses at each balance sheet date whether the investment in its subsidiary has been impaired.

D. Share-based payments

The fair value of share options is measured at grant date. It is recognised as an addition to the cost of investment in the subsidiary in which the relevant employees work over the expected period between grant and vesting date of the options, with a corresponding adjustment to reserves. Detailed disclosures for the share-based payment arrangements of the Company are provided in note 17 to the consolidated Financial Statements.



E. Own shares

The shares held in the Essentra Employee Benefit Trust for the purpose of fulfilling obligations in respect of share incentive plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) is also deducted from retained earnings.

F. Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

Dividend income is recognised when the right to receive payment is established.

G. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Exchange differences arising from movements in spot rates are included in the profit and loss account as exchange gains or losses, while those arising from the interest differential elements of forward currency contracts are included in external interest income or expense.

H. Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise receivables in the balance sheet.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised accordingly using the effective interest method.

I. Financial liabilities

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially recognised at fair value net of transaction costs incurred. They are subsequently held at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of borrowings is recognised in profit or loss over the term of the borrowings.

The Company holds financial instruments which hedge the net investments in the foreign operations of its subsidiary undertakings. Gains and losses on these instruments are recognised in the profit and loss account of the Company.

J. Taxation

Income tax in the profit and loss account comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the Financial Statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet dates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES

1. Net operating charges

The auditor was paid £5,100 (2014: £5,000) for the statutory audit of the Company. Fees paid to the Company's auditor for services other than the statutory audit of the Company are disclosed in note 2 to the consolidated Financial Statements.

The Directors' remuneration, which was paid by Essentra International Limited, is disclosed in the Report of the Remuneration Committee on pages 62 to 78.

2. Investments held as fixed assets

	Investment in subsidiary undertaking	
	2015 £m	2014 £m
Beginning of year	446.0	439.2
Additions	5.7	6.8
End of year	451.7	446.0

3. Debtors

	2015 £m	2014 £m
Amounts receivable from subsidiary undertakings	29.2	68.5
Corporate taxes	0.9	0.7
	30.1	69.2

4. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Accruals and deferred income	1.1	1.0

5. Creditors: amounts falling due after more than one year

	2015 £m	2014 £m
US Private Placement Loan Notes	108.3	101.9

6. Maturity of financial liabilities

	Non bank loans	
	2015 £m	2014 £m
Debt can be analysed as falling due:		
Between one and five years	108.3	51.1
More than five years	–	50.8
	108.3	101.9



7. Issued share capital

	2015 £m	2014 £m
Issued and fully paid ordinary shares of 25p (2014: 25p) each	66.0	66.0
Number of ordinary shares in issue		
Beginning of year	264,129,170	240,469,409
Issue of shares during the year	–	23,659,761
End of year	264,129,170	264,129,170

At 31 December 2015 the Company held 1,750,571 (2014: 3,449,685) of its own shares in treasury.

In 2014, Essentra plc issued a total of 23,659,761 new ordinary shares of 25p each at a price of 713.5p per share, raising gross proceeds of £168.8m. Issue costs of £1.2m 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.

8. Reserves

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these Financial Statements. The loss attributable to equity holders included in the accounts of the Company is £1.0m (2014: 2.6m).

Included in retained earnings are accumulated share-based payments of £35.0m (2014: £29.3m) which are credited directly to reserves and are not distributable. Full details of these share-based payments are set out in the Report of the Remuneration Committee on pages 62 to 78 and also in note 17 to the consolidated Financial Statements.

9. Dividends

	Per share		Total	
	2015 p	2014 p	2015 £m	2014 £m
2014 interim: paid 30 October 2014		5.7		13.3
2014 final: paid 1 May 2015		12.6		32.6
2015 interim: paid 30 October 2015	6.3		16.4	
2015 proposed final: payable 3 May 2016	14.4		37.5	
	20.7	18.3	53.9	45.9



10. Subsidiary undertakings

	Country of incorporation	Principal activity
Essentra (Bangor) Limited	UK	Manufacturing
Essentra (Bristol) Limited	UK	Manufacturing
Essentra (Great Harwood) Limited	UK	Manufacturing
Essentra (Hull) Limited	UK	Manufacturing
Essentra (Kilmarnock) Limited	UK	Manufacturing
Essentra (Kimbolton) Limited	UK	Manufacturing
Essentra (Northampton) Limited	UK	Manufacturing
Essentra Components Limited	UK	Manufacturing
Essentra Filter Products Limited	UK	Manufacturing
Essentra Finance Limited	UK	Treasury activities
Essentra Packaging & Security Limited	UK	Manufacturing
Essentra Packaging Limited	UK	Manufacturing
Essentra Pension Trustees Limited	UK	Pension Trustee
Essentra Senior Pension Trustees Limited	UK	Pension Trustee
P. P. Payne Limited	UK	Property Company
Big Blue Properties LLC	US	Property Company
Essentra Cleanroom Products Inc.	US	Manufacturing
Essentra Components Inc.	US	Distribution
Essentra Components Japan Inc.	US	Distribution
Essentra Filter Products Inc.	US	Manufacturing
Essentra Packaging Inc.	US	Manufacturing
Essentra Packaging US Inc.	US	Manufacturing
Essentra Pipe Protection Technologies Inc.	US	Manufacturing
Essentra Plastics LLC	US	Manufacturing
Essentra Porous Technologies Corp.	US	Manufacturing
Essentra Pty Ltd	Australia	Manufacturing
Essentra Components GmbH	Austria	Distribution
Essentra Industria E Comercio LTDA	Brazil	Manufacturing
Essentra Limited	Canada	Distribution
Essentra Components (Xiamen) Co. Ltd	China	Manufacturing
Essentra Components International Trading (Shanghai) Co Ltd	China	Distribution
Essentra Plastic Trading (Ningbo) Co. Ltd	China	Distribution
Essentra Porous Technologies (Ningbo) Co Ltd	China	Manufacturing
Essentra Trading (Ningbo) Co. Ltd	China	Distribution
Essentra Components sro	Czech Republic	Distribution
Essentra Components SAS	France	Distribution
Essentra Packaging S.a.r.l.	France	Manufacturing
Essentra Components GmbH	Germany	Distribution
Essentra Packaging GmbH	Germany	Manufacturing
Essentra Porous Technologies GmbH	Germany	Manufacturing
Essentra Components Kft	Hungary	Distribution
Essentra Filter Products Kft	Hungary	Manufacturing
Essentra (India) Private Limited	India	Manufacturing
ITC Essentra Limited	India	Manufacturing
PT Essentra	Indonesia	Manufacturing
Essentra Packaging Ireland Limited	Ireland	Manufacturing
Essentra Components srl	Italy	Distribution
Essentra Packaging srl	Italy	Distribution
Essentra Porous Technologies Co Ltd	Japan	Distribution



10. Subsidiary undertakings continued

	Country of incorporation	Principal activity
Essentra Porous Technologies Ltd	Republic of Korea	Distribution
Essentra Asia Sdn Bhd	Malaysia	Manufacturing
Essentra Malaysia Sdn Bhd	Malaysia	Distribution
Essentra Pipe Protection Technologies SA de CV	Mexico	Manufacturing
Essentra Pipe Protection Technologies Services S de r.l de CV	Mexico	Services
Servicios Filtrona, S DE R.L. DE C.V.	Mexico	Services
Essentra Components B.V.	Netherlands	Distribution
Essentra Extrusion B.V.	Netherlands	Manufacturing
Essentra Packaging B.V.	Netherlands	Distribution
Essentra Filter Products S.A.	Paraguay	Manufacturing
Essentra Packaging Spółka z o.o.	Poland	Manufacturing
Essentra Sp. z o.o.	Poland	Distribution
Essentra Packaging Puerto Rico Inc.	Puerto Rico	Manufacturing
Essentra Components SRL	Romania	Distribution
Essentra St Petersburg Limited Liability Company	Russia	Distribution
OOO Essentra Filter Products	Russia	Distribution
Essentra Components Pte. Limited	Singapore	Distribution
Essentra Filter Products Leasing Pte. Limited	Singapore	Leasing Company
Essentra Packaging Pte Limited	Singapore	Distribution
Essentra Pte. Limited	Singapore	Distribution
Essentra Components sro	Slovakia	Distribution
Essentra Components (Pty) Limited	South Africa	Distribution
Essentra Components S.L.U	Spain	Manufacturing
Essentra Packaging SA	Spain	Manufacturing
Components Scandinavia AB	Sweden	Distribution
Essentra Components AB	Sweden	Distribution
Essentra Components Sarl	Switzerland	Distribution
Essentra Eastern Limited	Thailand	Manufacturing
Essentra Limited	Thailand	Manufacturing
Mesan Kilit A.S.	Turkey	Manufacturing
Essentra FZE	United Arab Emirates	Manufacturing
Essentra International Gmbh	Germany	Holding Company
ESNT (Cherry Orchard) Holdings Limited	Ireland	Holding Company
ESNT Holdings SpA	Italy	Holding Company
Blue NewCo 1 B.V.	Netherlands	Holding Company
Blue NewCo 2 B.V.	Netherlands	Holding Company
Blue NewCo 3 B.V.	Netherlands	Holding Company
Blue NewCo 4 B.V.	Netherlands	Holding Company
ESNT Holding B.V.	Netherlands	Holding Company
ESNT Holdings (Netherlands) B.V.	Netherlands	Holding Company
Essentra B.V.	Netherlands	Holding Company
Essentra Holdings (No.2) Cooperative WA	Netherlands	Holding Company
Essentra Holdings Cooperative WA	Netherlands	Holding Company
Essentra International B.V. / LLC	Netherlands	Holding Company
Boxes Prestige Poland Sp. z o.o.	Poland	Holding Company
Essentra (MEA) Pte. Limited	Singapore	Holding Company
Clondalkin Pharma & Healthcare (Spain) S.A.	Spain	Holding Company
Pranakorn Holding Company Limited	Thailand	Holding Company
San Yai Holding Company Limited	Thailand	Holding Company



10. Subsidiary undertakings continued

	Country of incorporation	Principal activity
ESNT Group Limited	UK	Holding Company
ESNT Group Holdings Limited	UK	Holding Company
ESNT Filter Products Limited	UK	Holding Company
ESNT Holdings (No.1) Limited	UK	Holding Company
ESNT Holdings (No.2) Limited	UK	Holding Company
ESNT International Limited	UK	Holding Company
ESNT Packaging & Securing Solutions Limited	UK	Holding Company
Essentra Filter Products International Limited	UK	Holding Company
Essentra International Limited	UK	Holding Company
Essentra Overseas Limited	UK	Holding Company
ESNT (Porous) Holdings Inc.	US	Holding Company
ESNT Holdings Inc.	US	Holding Company
ESNT US Holdings Corp	US	Holding Company
Essentra Corporation	US	Holding Company
Essentra Holdings Corp.	US	Holding Company
US NewCo Inc.	US	Holding Company
Abric Commerce (China) Co. Ltd	China	Non-trading
Abric Shanghai Co. Ltd	China	Non-trading
Cigarette Components (HK) Limited	Hong Kong	Non-trading
Essentra (Hong Kong) Ltd	Hong Kong	Non-trading
Filtrona (China) Limited	Hong Kong	Non-trading
ESNT (Cherry Orchard) Limited	Ireland	Non-trading
ESNT (Clonsaugh) Limited	Ireland	Non-trading
ESNT (Cork) Limited	Ireland	Non-trading
ESNT (Glasnevin) Limited	Ireland	Non-trading
Essentra (Bangor) Limited	Ireland	Non-trading
Essentra Packaging Waterford Limited	Ireland	Non-trading
Swiftbrook Limited	Ireland	Non-trading
Venture Laminate Limited	Ireland	Non-trading
Wilkes-Cerdac Limited	Ireland	Non-trading
Essentra Filter Products Spa	Italy	Non-trading
Essentra Packaging Luxembourg Sarl	Luxembourg	Non-trading
Abric Encode Sdn Bhd	Malaysia	Non-trading
Essentra Components SEA (M) Sdn Bhd	Malaysia	Non-trading
Fijnmechanica Surhuisterveen B.V.	Netherlands	Non-trading
Linde Vouwkartonage B.V.	Netherlands	Non-trading
Richco Benelux B.V.	Netherlands	Non-trading
Skiffy B.V.	Netherlands	Non-trading
Abric Asia Pacific Pte Limited	Singapore	Non-trading
Essentra Filter Products Development Co. Pte. Limited	Singapore	Non-trading
Apex Filters Company Limited	Thailand	Non-trading
Chemical Resins (Thailand) Limited	Thailand	Non-trading
Filtrona Thailand Limited	Thailand	Non-trading
Abric (Europe) Limited	UK	Non-trading
Alexander Industrial Supplies (Essex) Limited	UK	Non-trading
Alliance Plastics Limited	UK	Non-trading
Cigarette Components Limited	UK	Non-trading
ESNT Components Limited	UK	Non-trading
ESNT Limited	UK	Non-trading
Essentra Services Limited	UK	Non-trading



10. Subsidiary undertakings continued

	Country of incorporation	Principal activity
Essentra Speciality Tapes Limited	UK	Non-trading
Filtrona Limited	UK	Non-trading
Filtrona Services Limited	UK	Non-trading
Filtrona UK Limited	UK	Non-trading
Morane Limited	UK	Non-trading
North West Plastics Limited	UK	Non-trading
Payne Security Limited	UK	Non-trading
Plastic Parts Centre Limited	UK	Non-trading
Securit Limited	UK	Non-trading
Securit World Limited	UK	Non-trading
Skiffy Limited	UK	Non-trading
Stera Tape Limited	UK	Non-trading
US Limited Liability Company	US	Non-trading
ESNT Components Inc.	US	Non-trading
Filtrona Venezolana C.A.	Venezuela	Non-trading

The companies named above are subsidiary undertakings of Essentra plc and are included in the consolidated Financial Statements of the Group. The investments in the companies above relate to ordinary shares or common stock. The principal country in which each company operates is the country of incorporation.

All entities above are wholly owned subsidiaries of the Group except for ITC Essentra Limited (India), Essentra (MEA) Pte. Ltd (Singapore) and Essentra FZE (UAE), all of which are 50% owned by Group through holding of ordinary shares in these companies and accounted for as subsidiaries of the Group in the consolidated Financial Statements.

Essentra International Limited is the only direct subsidiary of Essentra plc.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENTRA PLC ONLY

Opinions and conclusions arising from our audit

1. Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Essentra plc for the year ended 31 December 2015 set out on pages 84 to 137. In our opinion:

- > the Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- > the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- > the Parent Company Financial Statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- > the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the Financial Statements the risks of material misstatement that had the greatest effect on our audit were as follows.

Identified Risk

Our Response

Restructuring liabilities and other provisions (included within provisions of £10.8m and accruals and deferred income of £54.1m)

Refer to page 56 (Report of the Audit Committee) of the 2015 Annual Report, page 95 (accounting policy) and pages 110 to 111 (financial disclosures).

The risk – The Group produces a wide range of products and operates manufacturing facilities in a number of countries which results in them being subject to varying laws, regulation and customer expectation.

Many of the Group's products are used by its customers in creating their end product; if quality issues arise the Group may need to make a provision for returns under warranty. The risk increases for new products or specifications or divisions which may be subject to health and safety regulation. Measuring these provisions is a significant judgement and is inherently subjective.

Additionally, the Group has recognised liabilities and provisions in respect of business restructuring plans and lease obligations that have been put in place during the period, including as a result of the acquisition of Clondalkin Group. As at the balance sheet date, the actual outcomes and total cost of implementing restructuring plans and lease exit costs is unknown. Therefore, the calculation of these provisions is a significant judgement and is inherently subjective.

Judgement is required to determine if the recognition criteria for a provision under IAS 37 has been met, including whether a formal plan for the restructuring is in existence and whether the company has raised a valid expectation in those affected that it will carry out the plan.

In respect of warranty provisions, our procedures included critically assessing the methodology used for calculating the provision. This included assessing its appropriateness based on the historical accuracy of the methodology and challenging the approach taken on significant customer complaints outstanding at year end. We considered changes in market conditions, such as new product launches, when determining whether the completeness of provisions is accurate. We discussed with divisional directors the existence of customer complaints or product recalls as at the date of audit and the impact of local regulations on warranty provisions. We have considered the adequacy of the Group's disclosures in respect of warranty provisions.

In respect of provisions for business restructuring plans and lease obligations, our procedures included holding discussions with divisional and Group directors about the rationale and calculation of these provisions and performing detailed procedures to agree estimates of expected costs provided for to supporting information and documentation provided by the Group. We performed an assessment of whether the criteria for recognising provisions in respect of these costs had been met at the balance sheet date, including obtaining evidence that there is a restructuring plan in place before the balance sheet date and this has been communicated to those affected. For lease provisions, we reviewed external valuation reports prepared for the Group to confirm calculations made by management are appropriate.

We also assessed whether the Group's disclosures regarding provisions and the movements during the year were appropriate, including amounts presented as exceptional costs in Note 2 of the Financial Statements.



Identified Risk**Our Response**

Acquisition accounting (included within intangible assets of £691.6m)

Refer to page 57 (Report of the Audit Committee) of the 2015 Annual Report, page 92 (accounting policy) and pages 125 to 126 (financial disclosures).

The risk – the Group has completed the significant acquisition of Clondalkin Group during the year. As a result, significant intangible assets and goodwill have been recognised on the balance sheet. The valuation of these assets are based on sales forecasts, discount rates and other key assumptions which are subject to significant judgement. The assets and liabilities acquired are recognised at their fair value on acquisition date. The fair value adjustments are also subject to key assumptions based on market data and valuation techniques including discounted cash flows.

In this area, our audit procedures included assessing the appropriateness of the value of goodwill and other intangible assets recognised based on the consideration transferred less the fair value of tangible assets acquired, as well as whether other intangibles are separately identifiable. We assessed the recognition of these assets based on expected future cash flows by reviewing the appropriateness of assumptions such as discount rates, growth and attrition rates. We challenged the assumptions used by management to determine the fair value adjustments made between acquisition date and balance sheet date with reference to external valuations and other supporting documentation where relevant.

We used our own valuation specialists to assist us in critically challenging the key valuation assumptions and methodologies. This included comparison against industry norms, and consideration of the reasonableness of assumptions underlying the fair value calculation, including comparing revenue growth rates used in the forecasts against local gross domestic product growth rates, and their useful economic lives together with considering what is represented by residual goodwill.

We also assessed whether the Group's disclosures (see Note 8 of the Financial Statements) about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks and whether disclosures made are adequate.

Taxation Liabilities of £26.8m

Refer to page 56 (Report of the Audit Committee) of the 2015 Annual Report, page 93 (accounting policy) and page 102 (financial disclosures).

The risk – Accruals for tax contingencies require the directors to make judgements and estimates in relation to tax issues and exposures due to the Group operating in a number of different tax jurisdictions and the complexities of transfer pricing and other international tax legislation.

In this area our audit procedures included the use of our own international and local tax specialists to assess the group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts. We have considered the adequacy of the Group's disclosures in respect of tax and uncertain tax positions.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group Financial Statements as a whole was set at £7.2 million, determined with reference to a benchmark of Group profit before taxation adjusted for exceptional items of £129.5 million which represents 5.6%.

We report to the audit committee any corrected or uncorrected identified misstatements exceeding £0.35 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

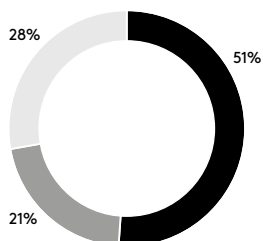
Audits for Group reporting purposes or specified audit procedures were performed by component auditors at the reporting components in the following countries:

Audits for Group reporting purposes	Specified risk-focussed audit procedures
United Kingdom (8 sites)	United States of America (8 sites)
Ireland (3 sites)	
Singapore (2 sites)	
Indonesia (1 site)	
Poland (1 site)	
Thailand (1 site)	
Italy (2 sites)	
Hungary (1 site)	
Germany (2 sites)	
India (1 site)	
Dubai (1 site)	
China (1 site)	
Sweden (1 site)	

We conducted reviews of financial information (including enquiry) at a further 19 non-significant components because these components were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

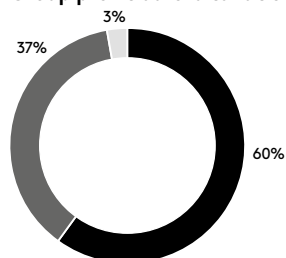
These Group procedures covered:

Group revenue



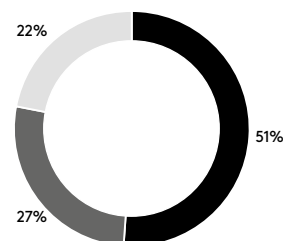
Audits for Group reporting purposes
 Specified risk focussed audit procedures
 Out of Scope

Group profit before taxation



Audits for Group reporting purposes
 Specified risk focussed audit procedures
 Out of Scope

Group net assets



Audits for Group reporting purposes
 Specified risk focussed audit procedures
 Out of Scope

The remaining 28% of Group revenue, 3% of Group profit before tax and 22% of Group net assets is represented by 85 components around the world. None of the 85 components represented more than 2.4% of total Group Revenue, 4.4% of Group profit before tax, or 2.6% of Group net assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.1m to £2.7m, having regard to the mix of size and risk profile of the Group across the components.



The Group audit team visited four locations in the United Kingdom. Telephone meetings were also held with the component auditors at all locations and the Group audit team attended all component auditor's clearance meetings at the year end. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- > the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.
- > the information given in the Corporate Governance Statement set out on pages 48 to 54 in the 2015 Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- > the Directors' statement of viability on page 82, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing operation over the 3 years to 31 December 2018; or
- > the disclosures in Note (a) of the accounting policies on page 90 of the Financial Statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the Financial Statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- > we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' Statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- > the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- > the Directors' statement, set out on page 82 of the 2015 Annual Report, in relation to going concern and longer-term viability; and
- > the part of the Corporate Governance Statement on pages 48 to 54 of the 2015 Annual Report, relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.



Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 83 of the 2015 Annual Report, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to Essentra plc's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Stephen Wardell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

19 February 2016

**ADVISERS AND INVESTOR INFORMATION****Secretary and Registered Office**

Jon Green

Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire MK9 1AU

Company Number 05444653

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Solicitors

Slaughter and May

One Bunhill Row, London EC1Y 8YY

Auditor

KPMG LLP

15 Canada Square, Canary Wharf, London E14 5GL

Principal bankers

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2 King Edward Street, London EC1A 1HQ

Barclays Bank Plc

Ashton House, 497 Silbury Boulevard, Milton Keynes MK9 2LD

Citibank NA

Citigroup Centre, Canada Square, Canary Wharf, London E14 6LB

DBS Bank Ltd

4th Floor, Paternoster House, 65 St Pauls Churchyard, London EC4M 8AB

HSBC Bank Plc

Level 5, Metropolitan House, CBX3, 321 Avebury Boulevard, Milton Keynes MK29 2GA

ING Bank

60 London Wall, London EC2M 5TQ

The Royal Bank of Scotland plc

280 Bishopsgate, London EC2M 4RB

Registrar

If you have any questions about your shareholding, please contact, in the first instance:

Computershare Investor Services plc

PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH

Telephone +44 (0)370 703 6394

Computershare also has an internet facility whereby shareholders in Essentra plc are able to access details of their shareholding. You can access this service at www.computershare.com.

Electronic communication

As an alternative to receiving documentation through the post, the Company offers shareholders the option to receive by email, a notification that shareholder documents (including the Annual Reports, Notice of Shareholder Meetings, Proxy Forms etc.) are available for access on the Company's website. If you wish to make such an election, you should register online at www.computershare.com. If you have already made such an election you need take no further action. Registration is entirely voluntary and you may request a hard copy of the shareholder documents or change your election at any time.

**CREST****Share Settlement System**

The Company entered the CREST system on listing and the ordinary shares are available for settlement in CREST. As the membership system is voluntary, shareholders not wishing to participate can continue to hold their own share certificates.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Holiday Inn Hotel, 500 Saxon Gate West, Central Milton Keynes, Buckinghamshire MK9 2HG on Wednesday 20 April 2016 at 12 noon.

Financial calendar 2016

Annual General Meeting	20 April 2016
Final Dividend	3 May 2016



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