ESSENTRA PLC

(“Essentra” or the “Company”)

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2022

A year of business transformation. Well-set for growth

Overview

- A strategically transformational year for Essentra
- Disposals of the Filters and Packaging businesses completed in Q4 2022, resulting in a market leading pure-play Components business and commitment to return c.£150m to shareholders
- The Group announced the acquisition of Wixroyd in December 2022, in line with the stated strategy of acquiring bolt-on acquisitions
- FY 2022 performance of the continuing business in line with the Board’s expectations
- FY 2023 Board expectations are unchanged

Components financial highlights[2]

- Revenue growth of 12.0%, to £337.9m, 9.5% on a constant currency basis
- Adjusted[1] operating profit growth of 12.0% to £63.7m, before central costs
- Adjusted[1] operating margin increases on a constant currency basis to 18.9% before central costs, driven by strong pricing delivery offsetting inflation, and management of our cost base
- Pro-forma[3] adjusted operating profit of £43.0m (2021: £40.3m), after allocating on-going central service costs of £20.7m
- Adjusted[1] operating cash flows of £20.2m (2021: £17.8m) and cash conversion of 80% (2021: 67%)
- Strong balance sheet to support investment in organic and inorganic growth

Group Reported financial highlights[2]

- Operating loss of £11.3m (2021: £7.7m profit) after recognising central costs previously allocated to the discontinued operations, and including adjusting items and amortisation of acquired intangibles
- Discontinued post-tax loss of £152.7m (2021: £33.2m profit), including the impairment of goodwill and other intangibles for the Packaging business of £182.7m
- Group net cash inflow from operating activities of £64.0m (2021: £63.2m)

Ordinary dividend and shareholder return

- Year-end net funding surplus of £113.8m (incl. IFRS lease liabilities) after the acquisition of Wixroyd
- £150m capital return announced, consisting of £90.0m special dividend (29.8p per share) and £60.0m share buyback
- Recommended final ordinary dividend of 1.0p per share, FY 2022 3.3p per share

Outlook

- The Board’s expectations for 2023 remain unchanged
- The business has the ability to manage volume impacts through implementation of pricing actions, and careful cost management, validated by historical through-cycle margin resilience
- Distributors have continued to show signs of destocking impacting the US in particular, whilst there are improvements in China, and Europe continues to be robust. To date, new order intake is c.8% ahead of 2022 on a like-for-like basis
- Our strong balance sheet will drive investment in value enhancing bolt-on M&A opportunities; we have a strong pipeline that we are actively managing
- A robust and differentiated business model, with the expectation of making further progress against the medium-term targets shared at the Capital Markets Event in November 2022

1 Refer to Note 16 of the Consolidated Financial Statements for definition of Adjusted performance measures

2 Prior year has been re-presented to remove the disposed Packaging and Filters businesses. See Note 1 to the Consolidated Financial Statements

3 Pro-forma operating profit is an additional Alternative Performance Measure, which has been used to present the continuing Components business on a standalone basis, using historical cost allocation methodologies. The Components adjusted operating profit has been adjusted for the central service costs that are allocated to continuing operations

Commenting on the Full Year results, Scott Fawcett, Chief Executive, said:

"2022 saw the conclusion of a transformational chapter and I am excited to be leading Essentra on the next stage of our strategy, as a leading global manufacturer and distributor of industrial components.

While 2022 brought a number of changes for the organisation as a whole, it has laid the foundations to capture future growth opportunities. We have continued to invest organically and inorganically, supporting the business to make progress commercially, whilst maintaining strong operating margins.

We have remained focussed on serving our customers, and enhancing our hassle-free proposition. Our NPS has improved by 11 points to 34, and we continue to invest in digitalisation and cross-selling tools. I am proud of our people who are working hard to deliver for customers, and delighted that we received an industry leading employee engagement score of 83%, in our most recent survey.

We are focussed on strong profit margins and managing our cost base and we are pleased to see new order intake to date c.8% ahead of 2022 on a LFL basis. We will continue to invest in organic growth initiatives as well as value accretive bolt-on M&A, for which our pipeline is active. Our expectations for 2023 are unchanged."

Results at a glance:

	FY 2022	**FY 2021[4]**	**% change Actual FX**	**% change Constant FX**
Continuing operations				
Revenue	£338m	£302m	+12	+10
Components adjusted[1] operating profit	£64m	£57m	+12	+12
Central service costs allocated to continuing operations	£(21)m	£(17)m	+25	+23
Pro-forma adjusted[1] operating profit[7]	£43m	£40m	+7	+7
Central service costs allocated to discontinued operations	£(18)m	£(14)m	+29	+22
Adjusted[1] operating profit	£25m	£26m	-5	-1
Adjusted[1] pre-tax profit	£7m	£12m	-37	-36
Adjusted[1] net income[2]	£6m	£11m	-49	-48
Adjusted[1] basic earnings per share	1.9p	3.7p	-49	-48
Continuing operations				
Reported operating (loss) / profit	£(11)m	£8m	n/a	n/a
Reported pre-tax (loss) / profit	£(29)m	£(7)m	n/a	n/a
Reported net (loss) / profit[2]	£(31)m	£(5)m	n/a	n/a
Reported (loss) / profit per share	(10.3)p	(1.6)p	n/a	n/a
Reported net cash inflow / (outflow) from operating activities	£4m	£(3)m	n/a	n/a
Free cash flow[3]	£6m	£(1)m	n/a	n/a
Total Group				
Dividend per share	3.3p	6.0p	-45	n/a

Net funding surplus / (debt)[6]	£114m	£(235)m	n/a	n/a
Net funding surplus / (debt) to adjusted EBITDA[5,6]	2.3x	(1.7)x	n/a	n/a

1 Refer to Note 16 of the Consolidated Financial Statements for definition of Adjusted performance measures

2 Net income is defined as profit / (loss) after tax

3 A reconciliation of free cash flow on continuing operations is set out in the Financial Review section

4 Prior year has been re-presented to remove the disposed Packaging and Filters businesses. See Note 1 to the Consolidated Financial Statements

5 EBITDA is defined as operating profit before depreciation (and other amounts written off property, plant and equipment), share option expense, intangible amortisation and adjusting items. For 2022 EBITDA is calculated on a continuing basis and for 2021 on a total Group basis

6 Presented including lease liabilities. Net fund surplus excluding lease liabilities £137m; 3.3x net fund surplus to EBITDA (2021: £(177)m net debt, (1.5)x net debt to EBITDA). For 2022 EBITDA is calculated on a continuing basis and for 2021 on a total Group basis

7 Pro-forma operating profit is an additional Alternative Performance Measure, which has been used to present the business on a continuing Components standalone basis, using historical cost allocation methodologies. The Components adjusted operating profit has been adjusted for the central service costs that are allocated to continuing operations

Enquiries

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Presentation

A copy of these results is available on www.essentraplc.com

There will be a presentation to analysts and investors starting at 09:00 (UK time, registration from 08:30) on Wednesday 29 March 2023 at Peel Hunt LLP, 7th Floor, 100 Liverpool St, London EC2M 2AT.

There are two options for participating in the event:

1. To attend in person, please e-mail your details to investorrelations@essentra.com

2. To join the live webcast of the presentation, please pre-register at: http://www.essentraplc.com/en/investors/company-information/webcasts-and-presentations

A recording of the webcast will be made available on the Company's website later in the day.

Notes to Editors

About Essentra plc

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions, focusing on the manufacture and distribution of plastic injection moulded, vinyl dip moulded and metal items.

Headquartered in the United Kingdom, Essentra's global network extends to 28 countries worldwide and includes over 3,000 employees, 13 manufacturing facilities, 24 distribution centres and 33 sales & service centres serving c.74,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics, medical and renewable energy.

For further information, please visit www.essentraplc.com

Cautionary forward-looking statement

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

CEO Review

Operating Review

Components

	2022 £m	% growth Actual FX	% growth Constant FX
Revenue	337.9	+12.0	+9.5
Adjusted[1] operating profit	63.7	+12.0	+12.0
Adjusted[1] operating margin	18.9%	0 bps	+50bps

1 Refer to Note 16 of the Consolidated Financial Statements for definition of Adjusted performance measures

With approximately 94% of adjusted operating profit generated outside the UK, revenue was positively impacted by c.2.5% currency translation over the period.

Revenue for the year increased by 12.0% to £337.9m, 9.5% growth at constant currency, and 6.5% LFL excluding the acquisitions of Hengzhu and Wixroyd. H1 2022 saw strong demand from most industry sectors and as the Americas and Europe emerged in a post-covid recovery phase, the business also saw inflationary pressures. In the latter part of the year, the business saw local lockdown restrictions persisting in China, and distributor destocking impacting volumes in the US. The devastating impacts of the war in Ukraine, whilst not impacting significantly (c.1% of sales), were felt by the wider market.

Adjusted operating profit increased by 12.0% to £63.7m, equating to an adjusted operating margin of 18.9% (2021: 18.9%). The operating margin reflects disciplined pricing actions, which offset cost inflation for the year. The related profit impact of the reduction in volume through H2 was further offset by mitigating actions, including managing the cost base proactively.

The business continues to respond to risks in the supply chain by adjusting capacity and maintaining a more agile approach, demonstrating the resilience of the business model. Having a global manufacturing and distribution footprint has provided the flexibility to de-risk areas of the supply chain and the ability to increasingly support customers in a volatile environment.

In response to increased inflationary pressures (materials, labour, energy and freight), and to protect margins, the business implemented a series of price increases through 2022, the impact of which offset inflationary costs. In 2023 it is expected that freight and material inflation will ease, with labour cost inflation remaining heightened. Whilst energy inflation continues to rise, the Group's exposure is small. The Group will monitor inflation in 2023, and take pricing actions where it is appropriate to protect profit margins.

Consistent with the commitment to providing customers with a "hassle-free" experience, Components has continued progress on its digital journey. The global roll out of the new digital platform in both Turkey and Thailand has been completed, and the next generation websites are now live in 26 sites and 17 languages. A large majority of the customers' journey starts online, and a strong digital front end has generated more organic traffic and improved customer conversion rates.

As indicated at the HY 2022 results, the roll out of the new ERP system has recommenced. Using learnings from a review of the programme in the latter part of 2021 and early 2022, with new resources, in-house talent and a revised Components focussed approach, there has been a successful deployment in France providing increased confidence in 2023 to accelerate the roll out, starting in Eastern Europe. A phased deployment approach will be adopted, targeting completion of the ERP implementation across all sites before the end of 2024, leading to enhanced pricing and operational efficiencies that will support margin expansion. In 2022, in line with previous guidance, the business incurred implementation costs of c.£12m (reported within adjusting items as a software as a service ("SaaS") development expense). It is anticipated that the business will incur costs of c.£12m in 2023 and £8m-£10m in 2024 to complete the implementation process.

The Group is extremely pleased that the focus on customer service improvements has been reflected in the On Time In Full (OTIF) metric of 78.2% (consistently above 85% in Q4) and the 2022 Net Promoter Score (NPS) improved by 11pts to 34 in the recent annual survey vs 2021. Closely linked to customer satisfaction, employee engagement increased to 83%, above the industry average. In a year of change for the business, having high engagement with the workforce helps to build a strong foundation for future growth.

The Component's service driven distribution model has been enhanced, with the opening of a new Eastern Europe hub in Łódź, Poland in September 2022. As a result, capacity can be built to enable growth in Eastern markets, strengthen service reliability and be more cost effective. The opening of an Eastern Europe hub also reduces dependency on the existing German hub, and provides access to key freight links. In 2023, and as part of the Group's capex guidance, there are plans to expand the manufacturing presence with a new facility in Mexico. This will enable the acceleration of near-shoring opportunities, bringing production closer to customer demand, and increase capacity to support wider growth plans. It is anticipated that the new facility will be operational in H1 2023.

In line with our stated strategy of acquiring bolt-on acquisitions, the Group announced the acquisition of Wixroyd Group (Wixroyd) in December 2022. This was the first acquisition to be announced since outlining the new pure-play Components strategy, and continues a successful track record of acquisitions in the Components business over the last ten years. Wixroyd is a leading UK supplier of industrial parts for the automation sector and will expand Essentra's capabilities in hardware components, creating additional cross-selling opportunities across a range of Essentra's end markets.

Discontinued Operations. The results of the Packaging business and the Filters business have been classified as discontinued operations at 31 December 2022 and comparative information has been re-presented. Financial information relating to these discontinued operations for the period to their respective dates of disposal, is set out in note 13 to the Consolidated Financial Statements.

Discontinued operations recognised £152.7m post-tax loss (2021: £33.2m profit) for the year, as reported in the Consolidated Income Statement, which includes an impairment of the Packaging business of £182.7m, as disclosed in the HY22 results. Refer to Note 11 to the Consolidated Financial Statements for further information.

ESG progress and refreshed framework. In 2022 Essentra reassessed its ESG framework, and how it could better shape the existing strategy to ensure it was fit for a standalone Components business. The framework is centred on reducing the Company's environmental impact, working with customers and suppliers to innovate sustainable products as well as maintaining the ability to attract and retain talent, maximising colleague engagement and wellbeing. In summary, Essentra have created five pillars to fulfil its sustainability ambitions, linked closely to the UN Sustainable Development Goals, and is committing to additional sustainability targets in 2023, covering each of the Group's ESG pillars, being Planet, Culture, Communities, Components and Customers.

The use of post-consumer recycled content materials has increased, 10.8% of packaging and raw materials are obtained from more sustainable sources compared to c.8.5% in 2021 (target of 20% in 2025). The business saw a Q4 exit rate of c19.0% which provides confidence in achieving a reduction of 20% by 2025 as the Group anticipates reaching this target two years early, in 2023. Throughout the year, a number of products within the Low Density Polyethylene range were manufactured almost entirely from recycled materials. Essentra continues to innovate and build relationships with its customers to recognise further opportunities, and in 2023 will launch a Centre of Excellence to accelerate the testing of recycled and bio based materials, with the additional target of ensuring 100% of packaging is reusable, recyclable or compostable by 2030.

Six new sites were certified as “zero waste to landfill” increasing the total number to 12 sites in 2022 (33%), with the ambition of certifying all sites by 2030. 76% of all waste is now diverted from landfill.

Essentra saw a further reduction of normalised Greenhouse Gas emissions. In 2022, the Group revised its baseline to include the Hengzhu acquisition in 2021, and compared to 2019 baseline, we have reduced our Components absolute Scope 1 and Scope 2 CO2 emissions by 27% and our emissions intensity by 35%, ahead of the 25% reduction target by 2025.

As part of the revised ESG framework, Essentra will develop a new near-term absolute emissions target for 2030, alongside a Scope 3 emissions target, to reduce our emissions in the value chain. Essentra is also targeting the development of an increased data set, leading to the opportunity to provide customers with accurate information to understand their Scope 3 emissions.

Further details regarding our ESG strategy and commitments will be published within our 2022 Annual Report.

Ordinary dividends and Shareholder return. The Board of Directors recommend a final ordinary dividend of 1.0p per share, resulting in a total dividend for FY 2022 of 3.3p (2021: final 4.0p, total 6.0p). In 2022, the dividend has been rebased to account for the earnings of the continuing operations of the business. The Board is committed to a progressive dividend policy going forwards, maintaining dividend cover in the order of three times. The final dividend will be paid on 30 June 2023 to shareholders on the share register of the Company on 19 May 2023. The ex-dividend date will be 18 May 2023. Essentra operates a Dividend Re-Investment Programme (“DRIP”), details of which are available from the Company’s Registrars, Computershare Investor Services PLC. The final date for DRIP elections will be 9 June 2023.

As previously disclosed on 2 February 2023, the Company confirms its intention to return approximately £150m of residual net transaction proceeds from the disposals of the Packaging and Filters business including a special dividend of £90m, representing approximately 29.8 pence per ordinary share (the "Special Dividend"). The Company intends to pay the Special Dividend on 27 April 2023 to shareholders on the register of the Company as at 18:00 (UK time) on 21 March 2023. The ordinary shares were marked ex-dividend as of 20 March 2023. The final date for DRIP elections in respect of the Special Dividend will be 4 April 2023.

On 2 February 2023, the Board also confirmed its intention to initiate a share buyback programme of up to £60m. A separate announcement has been released today, 29 March 2023, containing further details, and confirming the launch of the share buyback programme.

Board changes. As planned and previously communicated, Nicki Demby retired from her role as Remuneration Committee Chair and Non-Executive Director following the Company’s 2022 AGM on 19 May 2022. Ralf Wunderlich has been appointed as Remuneration Committee Chair, adding to his existing role as Sustainability Committee Chair. Following the AGM on 19 May 2022, Dupsy Abiola became a Non-Executive Director and Jack Clarke joined the Board as Chief Financial Officer succeeding Lily Liu.

Following the successful completion of the Group's strategic reviews of the Filters and Packaging divisions, Paul Forman decided to step down from his role as Chief Executive of the Company on 31 December 2022. Paul has been succeeded by Scott Fawcett, previously the Managing Director of Essentra's Components division, and joined the Board on 1 January 2023.

The Board further confirmed on 3 January 2023 that Kath Durrant joined the Board as a Non-Executive Director of Essentra plc.

Outlook.

The Board's expectations for 2023 remain unchanged. The business is able to manage volume impacts through implementation of pricing actions and careful cost management, validated by historical through-cycle margin resilience.

Although we continue to see distributor destocking, trading in Europe continues to be robust and China's reopening will increasingly benefit our business in Asia. To date, new order intake is c.8% ahead of 2022 levels on a LFL basis.

Management is confident Essentra's robust and differentiated business model will enable it to deliver against the medium-term targets shared at the capital markets event in November 2022. Our global manufacturing and distribution footprint, market-leading positions and focus on delivering excellent customer service will support ongoing organic growth and profitability, whilst our strong balance sheet will drive investment in our strong pipeline of value enhancing bolt-on M&A opportunities.

Financial Review

Constant foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis ("constant FX") adjusts the comparative to exclude such movements, to show the underlying performance of the Company. The principal exchange rates for Essentra were:

	-------- Average --------		-------- Closing --------	
	FY 2022	**FY 2021**	**FY 2022**	**FY 2021**
US$:£	1.24	1.38	1.20	1.35
€:£	1.17	1.16	1.13	1.19

Re-translating at FY 2022 average exchange rates increases the prior year revenue by £7.0m and decreases the adjusted operating profit by £1.0m.

Like-for-like ("LFL"). The term "like-for-like" describes the performance of the continuing business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The FY 2022 LFL results are adjusted for the acquisition of Wixroyd Group ("Wixroyd") on 1 December 2022, and for the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu") on 2 August 2021. The FY 2022 and FY 2021 results have also been adjusted for the completion of the Packaging business disposal previously announced on 3 October 2022 and the completion of the Filters business disposal previously announced on 5 December 2022.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. In FY 2022, amortisation of acquired intangible assets was £10.4m (2021: £8.6m), and there was a pre-tax charge for adjusting items of £26.0m (2021: £10.1m). In the current year, the adjusting items include £12.4m major software as a service ("SaaS") development expenditure (the majority of which is relating to the ERP implementation); £10.4m from strategic review and restructuring activities to right-size Components following the disposal of Filters and Packaging, and £2.0m relating to legacy pension scheme costs. Further details on adjusting items are shown in Note 3 to the Consolidated Financial Statements.

Adjusted operating cash flow. Adjusted operating cash flow is net cash flow from operating activities, excluding income tax paid, pensions adjustments, and cash flows relating to adjusting items, less net capital expenditure. It is a measure of the underlying cash generation of the business. Net capital expenditure is included in this measure as management regard investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Company.

Constant FX, LFL and adjusted measures are provided to reflect the underlying financial performance of Essentra. For further details on the performance metrics used by Essentra, please refer to pages 20 to 23 of the 2021 Annual Report.

Statutory to Adjusted Reconciliation for continuing operations:

31 December 2022	Reported	Acquisitions	Amortisation of acquired intangible assets	Adjusting items	Tax on adjustments	FX	LFL[3] / Adjusted[1]
Revenue	£338m	£(17)m	-	-	-	-	£321m
Operating (loss)/ profit	£(11)m	-	£10m	£26m	-	-	£25m
Pre-tax (loss)/ profit	£(29)m	-	£10m	£26m	-	-	£7m
Net (loss) / income	£(31)m	-	£10m	£26m	£1m	-	£6m

Values are presented on a rounded basis

31 December 2021[2]	Reported	Acquisitions	Amortisation of acquired intangible assets	Adjusting items	Tax on adjustments	FX	LFL[3] / Adjusted[1]
Revenue	£302m	£(8)m	-	-	-	£7m	£301m
Operating (loss) / profit	£8m	-	£9m	£10m	-	-	£26m
Pre-tax (loss) / profit	£(7)m	-	£9m	£10m	-	-	£12m
Net (loss) / income	£(5)m	-	£9m	£10m	£(3)m	-	£11m

Values are presented on a rounded basis

1 Refer to Note 16 of the Consolidated Financial Statements for definition of Adjusted performance measures

2 Prior year has been re-presented to remove the disposed Packaging and Filters businesses. See Note 1 to the Consolidated Financial Statements

3 Like-for-like has been adjusted for the acquisitions of Hengzhu and Wixroyd

IAS 29: Turkey Hyperinflation. International Accounting Standards ("IAS") 29, Financial Reporting in Hyperinflationary Economies, has been applied to the Components business in Turkey. There has been more than a 100% increase in the Consumer Price Index in Turkey between 2019 and 2022. As a result of IAS 29, an increase in net assets of c.£18m and a c.£3m increase in profit before tax has been recognised within the Full Year results. The Components business in Turkey contributes c.6% revenue to the continuing Group.

Net finance expense. Net finance expense of £17.8m was £3.0m higher than the prior year period, and is broken down as follows:

	2022 £m	2021[1] £m
Net interest charged on net debt	14.5	10.9
Amortisation and write-off of bank fees	4.7	1.1
Net IAS 19 pension finance charge	-	0.4
Interest on leases	1.5	1.4
Net other finance income	0.3	1.0
Monetary gain on hyper-inflation	(3.2)	-
Total net finance expense	**17.8**	**14.8**

1 Prior year has been re-presented to remove the disposed Packaging and Filters businesses. See Note 1 to the Consolidated Financial Statements

The interest expense is expected to reduce in 2023 as a result of the Group reducing US private placement ("USPP") debt in January 2023, using a portion of the disposal proceeds to repay $247m of the $350m USPP notes initially held.

Tax. The effective tax rate on underlying profit before tax (before adjusting items and amortisation of acquired intangible assets) was 21.5% (2021 re-presented: 3.2%). The underlying effective tax rate for 2022 is within the continuing operations of the 2022 forecast tax rate range of 21% to 22%. Consistent with the disclosure of tax rates at HY 2022, this increased tax rate compared to the prior year is primarily driven by the one-off non-cash benefit on the remeasurement of deferred tax assets in 2021 (as a result of the enacted change in UK Corporation Tax rates) and significant reductions in central tax provisions in 2021.

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

Continuing	2022 £m	2021[1] £m
Inventories	65.0	54.2
Trade & other receivables	66.4	54.6
Trade & other payables	(91.5)	(75.5)
Adjustments	4.3	5.6
Net working capital	**44.2**	**38.9**

1 Prior year has been re-presented to remove the disposed Packaging and Filters businesses. See Note 1 to the Consolidated Financial Statements

The increase in net working capital was predominately due to higher inventory and receivables levels, which were driven by enhanced trading volumes combined with a build of inventory in H1, driven by an increased focus on serving customers and rebuilding stock levels after the pandemic.

Adjusted operating cash flow from continuing operations. Adjusted operating cash flow from continuing operations was 13% higher than the previous year at £20.2m (2021: £17.8m), which equated to an operating cash conversion of 80% in the year (2021: 67%). Free cash flow was £5.7m compared to £0.9m outflow in 2021.

Continuing operations	**2022 £m**	**2021 £m**
Adjusted operating profit	**25.1**	**26.4**
Depreciation and amortisation of non-acquired intangible assets	16.6	14.9
Right-of-use asset depreciation	5.6	5.4
Share option expense / other movements	(0.1)	(1.2)
Change in working capital	(14.2)	(15.0)
Net capital expenditure (excluding disposal proceeds relating to adjusting items)	(12.8)	(12.7)
Adjusted operating cash flow	**20.2**	**17.8**
Tax[1]	1.7	(4.7)
Cash outflow in respect of adjusting items[1,2]	(30.4)	(23.9)
Pension contribution[2]	-	(4.8)
Add back: net capital expenditure (excluding disposal proceeds relating to adjusting items)	12.8	12.7
Net cash inflow / (outflow) from operating activities	**4.3**	**(2.9)**
Adjusted operating cash flow	**20.2**	**17.8**
Tax[1]	1.7	(4.7)
Net interest paid	(16.2)	(9.2)
Pension contribution[2]	-	(4.8)
Free cash flow	**5.7**	**(0.9)**

1 Tax paid excludes the tax paid/received in relation to adjusting items. This is included within the cash outflow in respect of adjusting items

2 Pension contribution of £0.7m for legacy pension schemes has been included within cash outflow in respect of adjusting items

Net funding surplus / debt. Net funding surplus at the end of the period was £113.8m compared to net debt of £234.7m in 2021 (including lease liabilities). The overall increase was driven by proceeds received for the disposal of the Filters and Packaging businesses and free cash flow generated, less cash paid for the acquisition of Wixroyd.

The Group's financial ratios remain healthy. The ratio of net funding surplus to EBITDA (on a continuing basis) excluding lease liabilities was 3.3x (2021: net debt 1.5x on total group basis). Net funding surplus to EBITDA (on a continuing basis) including lease liabilities was 2.3x (2021: net debt 1.7x on a total group basis).

	2022 £m
Net debt as at 1 January 2022	**(234.7)**
Free cash flow	5.7
Cash flow from discontinued businesses	31.3
Cash outflow in respect of adjusting items	(30.4)
Foreign exchange	(30.5)
Disposal – net proceeds received after costs to sell	385.4
Lease liabilities disposed through business disposals	37.6
Acquisitions – net of cash acquired	(27.9)
Dividends to non-controlling interests	(1.9)
Dividends to equity holders	(19.0)
Lease liability movements	(10.1)

Movement in loan hedging derivatives	14.8
Revaluation of loans	(1.7)
Arrangement fee written off	(3.2)
Amortisation of pre-paid facilities	(1.6)
Net funding surplus as at 31 December 2022	**113.8**

Financing activities. One of the main sources of funding for the Company is a Revolving Credit Facility ("RCF") provided by a group of six highly-rated banks. In October 2021 Essentra completed the total refinancing of its RCF and a new five-year term, expiring in November 2025 for a commitment of £275m. In October 2022, following bank consent and as part of the strategic review, the decision was taken to reduce the RCF facility to £200m, maintaining the same terms. As of 29 March 2023, the RCF is undrawn.

In addition to the above and prior to the strategic reviews, the Company held $350m of medium and long-dated USPP debt with an average coupon rate of 4.2%. Following receipt of the proceeds from the disposal of Filters the medium-term dated notes were repaid in January 2023, totalling $100m. Following receipt of the proceeds from the disposal of Packaging, in January 2023, the longer term dates notes were partly repaid at par plus accrued interest, resizing the total USPP debt to $103m.

Pensions. As at 31 December 2022, the Company's IAS 19 net pension net liability was £10.6m (2022: net surplus of £9.0m). During the year, and as recognised at the HY 2022 results, the senior section of the pension scheme purchased a buy-in policy, significantly de-risking a proportion of the UK pension scheme against future funding deficits. An actuarial loss of £7.1m was recognised through reserves.

Central Service Costs

	2022 £m	2021 £m
Central service costs attributable to the continuing operations	(20.7)	(16.6)
Central service costs allocated to discontinued operations[1]	(13.7)	(13.9)
Central service costs unallocated following disposal[2]	(4.2)	-
Total	**(38.6)**	**(30.5)**

1 13.7m central service costs incurred in 2022 (2021: £13.9m) were allocated to the Packaging and Filters businesses. After disposal, these costs have been recognised within the continuing operations of the Group. Further details on segmental reporting is in Note 2 to the Consolidated Financial Statements.

2. £4.2m relates to unallocated central service costs following disposal of the Packaging and Filters businesses. After disposal, these costs have been recognised within the continuing operations of the Group. Further details on segmental reporting is in Note 2 to the Consolidated Financial Statements.

In 2022, the Group recognised £20.7m of central overheads that were attributable to the continuing operations. Whilst this is an increase on £16.6m reported in 2021, the prior year central costs included a number of one-off items in nature totalling c.£4.0m.

As part of the strategic review and transition to a pure-play Components business, actions have been taken to right-size the central service costs moving forward, with the intention of reaching a normalised central service cost position towards the end of 2023.

Central service costs allocated to Packaging and Filters businesses, have remained within the continuing operations of the group and reported within the FY 2022 continuing operations financial statements. Costs that would have previously been allocated to discontinued operations total £17.9m (2021: £13.9m).

Treasury policy and controls. 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. The Company intends on using derivatives to manage foreign currency and interest rate risk arising from underlying business activities. Whilst some transactions may be of a more speculative nature, they are in place with the view to manage exchange rate risk only. 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.

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to reduce 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.

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.

Management of principal risks. The Board considers risk assessment, identification of mitigating actions and internal controls to be fundamental to achieving Essentra's strategic objectives. The Group's principal risks are detailed later in this announcement.

Risk Management Report

RESPONDING TO CHANGE IN 2022

During the last two years, the Company has had to navigate and manage the disruption caused by the pandemic, the war in Ukraine as well as disruption across our supply chain and workforce. These challenges largely affected the industry as a whole, although our response was very specific to the needs of Essentra. In 2022, the Company's risk agenda was focused as much internally – as we delivered the strategic reviews of the Packaging and Filters divisions - as it was at the broader disruptive economic and geopolitical environment.

The risk management lessons we learnt during 2020 and 2021 resulted in us being well placed to evolve our process to meet the emerging needs of the business. The strategic reviews of the Packaging and Filters businesses, as well as broader disruption to the business, resulted in further evolution of our risk management framework. This framework is now aligned to the needs of Essentra as a pure-play global Components business. The framework supports the evolution of our approach and considers risk at both a strategic and an operational level with a view to improving business resilience over the short to long term.

Following on from the announcements in late 2021 in relation to the strategic reviews, we have undertaken a series of in-depth risk workshops and reviews with former and current leadership and with the support of external advisers. These efforts have, following consultation with the ARC and Board, resulted in new portfolio of Principal and Emerging Risks which are aligned to our new strategic direction as a pure-play Components business. The following pages reflect the output of these discussions with four Principal Risks having been retired (in relation to: Achieving Acceptable Returns in the Packaging Business, Tobacco Industry Dynamics, Internal Process and Control and the delivery of the Strategic Reviews) and two new risks added (to reflect the need to deliver on M&A and on the Execution of the Strategic Plan). Other risks have been reviewed and have evolved, to a greater of lesser extent, to reflect the current nature of the risk and our approach to mitigation.

Looking ahead to 2023, we anticipate that macroeconomic uncertainty will remain, at least for the short to medium term; however, the work put in to our risk management processes and practices over the past two years means we are well placed to continue to deal with this in a manner that protects profitability efficiently and effectively. Additionally, we continue to analyse and assess the Emerging Risk landscape, with particular focus on potential sources of disruption and our use of plastic as a raw material, to ensure the Company's risk management practices continue not only to protect stakeholder value but to support its creation in line with our strategic growth objectives. Despite this focus on mitigating the impacts of an increasing range of disruptive risks, we continue to pay close attention to the increasing momentum associated with the risk agendas for ESG and climate change along with the potential impacts of technology-related innovations disrupting our core markets.

We continue to see economic disruption across our business, but our geographical breadth, coupled with our ability to flex operating models with a high degree of agility means we are well placed to maintain customer service levels whilst managing the threats to our operations and the wellbeing of our people.

RISK MANAGEMENT APPROACH

Our risk management activities aim to drive performance aligned to our purpose, encourage growth through innovation and support the achievement of our strategic objectives. In doing this, we take a balanced approach that puts risk management at the core of the senior management agenda and more broadly across our operations. We are committed to managing risks in a proactive, efficient and effective manner to protect and enhance value, and provide assurance to the Board and our stakeholders.

We made significant progress during 2022 in evolving our risk management processes as our strategic reviews progressed; we continue to ensure they are aligned with FTSE 250 upper quartile practice. Particular focus was placed on reviewing our portfolio of Principal and Emerging Risks in the light of our new strategic focus and an increasingly dynamic operating environment.

RISK MANAGEMENT FRAMEWORK

A refreshed risk management framework was introduced in 2021. As the strategic reviews progressed in 2022, this framework has evolved to meeting the changing needs of the business. The framework was developed to support the Company in identifying and managing risk within defined appetite levels, at both a strategic and an operational level. The current framework was designed to provide the GEC and the Board with a clear line of sight over risk, to enable informed decision-making and to deliver improved resilience.

Our risk management framework continues to evolve in line with best practice to ensure that it supports the Company's growth and strategic objectives. A robust, but flexible, approach to the management of risk is fundamental to the continued success of the Company. In 2022, the challenges the Company faced included ongoing remote working, temporary inaccessibility of some business locations, raw material shortages, supply chain disruption, volatile supply and demand, and distribution challenges. A clear focus was placed on ensuring the continued operation of our risk management framework in this dynamic and disruptive environment. Through regular discussions and virtual workshops with all divisional and enabling function leadership teams, we ensured clear accountability for the identification, assessment, and mitigation of risks throughout the Company.

Risk can present itself in many forms and has the potential to impact health and safety, the environment, our communities, our reputation, regulatory compliance, market and financial performance and therefore the achievement of our strategic objectives.

By understanding and managing risk, we provide greater certainty and confidence to our shareholders, employees, customers, suppliers, and the communities in which we operate.

The Board considers the nature and extent of the Principal Risks it is prepared to take in achieving its strategic objectives - its risk appetite - biannually by mapping these risks against a sliding scale from "risk-averse" to "risk-neutral" to "risk-tolerant". This informs the development and focus of mitigating actions for each of the Principal Risks. At a strategic level, our risk management objectives are to:

- identify the Company's significant risks and appropriate mitigating actions
- formulate the risk appetite and ensure that our business profile and plans are consistent with it
- ensure that growth plans are properly supported by an effective risk infrastructure
- help management teams to improve the control and co-ordination of risk-taking across the Company.

STRENGTHENING OUR FRAMEWORK

To achieve the objective of implementing FTSE 250 upper quartile risk management practice, we have made good progress in implementing our risk management improvement plan in line with best practice and ISO 31000 guidelines.

In the year ahead, the Risk Assurance team will support regional and functional leadership teams in the management of their risk processes, specifically in relation to the delivery of strategic projects. In 2022 we paid attention to both the Principal Risks we face as a pure-play Components business and to potential Emerging Risks and also to ensuring clarity across roles and responsibilities for those risks that cut across divisions and enabling functions.

Principal Risks were subject to a series of deep-dive workshops with former and current leadership and the Board.

RISK GOVERNANCE STRUCTURE AND OVERSIGHT

The Board has established a risk and internal control structure designed to manage the achievement of strategic business objectives. The Risk Assurance team, separate from line management, enables and facilitates the risk management process across the Company and acts as the custodian of the Company's risk architecture and supports risk management activities.

The GRC met four times in 2022, each meeting with a full attendance. The GRC was chaired by the Chief Executive and its membership comprised the GMC members, Head of Risk, Head of Governance and the Group Communications Director. Non-member standing attendees were the Group Health, Safety and Environment Director, the Chief information Security Officer and the Group Financial Controller. Other members of senior management were also invited to present reports on specific risk activities. The Chair of the ARC has a standing invitation to attend all GRC meetings and received copies of the minutes of every meeting. The Chair of the ARC also meets with the Head of Risk on a monthly basis. The work of the GRC has now been subsumed into the GEC; risk is a standing agenda item at every meeting and risk deep dives will held on a quarterly basis and will ensure that all Principal and Emerging Risks are covered at least once per calendar year.

The GEC's (formerly GRC's) responsibility is to focus and co-ordinate risk management activities throughout the Company and to facilitate the appropriate identification, evaluation, mitigation and management of all key business risks. In addition, the GEC reviews the risk appetite and ongoing risk management approach and makes recommendations on risk appetite to the Board and actions required to ensure adequate controls and mitigating actions are in place against identified risks.

As an important part of fulfilling its responsibilities the Board receives regular reporting from the Chief Executive in relation to risk to enable the Board to challenge and review the GEC's views on key risks.

The ARC engages directly with the regions and functions, including deep dive reviews, as part of fulfilling its oversight responsibilities in relation to risk management processes. The ARC, with assistance from Risk Assurance, oversees compliance with risk management processes and the adequacy of risk management activities related to the Company's operations.

The regional and functional leadership teams undertake regular reviews during the course of the year and engage in facilitated discussions with Risk Assurance to consider the risk environment for their particular functional or geographic area of responsibility and how these could impact on the achievement of the Company's strategic objectives.

PRINCIPAL RISKS

The GEC now has responsibility for enabling the identification and management of Essentra's Principal Risks. An in-depth assessment has been undertaken to assess the appropriateness and adequacy of our Principal Risks. The assessment was performed against the four risk categories. As part of the process, divisional and enabling function leadership teams have also undertaken reviews of this risk portfolio supported, where necessary, by the Risk Assurance team.

As part of our top-down process, a detailed review of Principal Risks was performed as the strategic reviews progressed. This considered risk from both a top-down and bottom-up perceptive as well as through the lens of the geopolitical and economic disruption we see today. All Principal Risks have been assigned a GEC owner, assessed to consider the extent to which they might impact the company's strategic objectives and, as a result, the approach to mitigation defined and documented.

The output from these considerations were presented to the Board along with a proposal for risk appetite, a recommendation of Principal Risks to be included in long-term viability modelling and overall approval.

The Board believes the Principal Risks are specific to Essentra and reflect the risk profile of the Company at the current time. All Principal Risks are managed within their individual risk appetite.

The Board and GEC evaluate the potential effects of Principal Risks materialising over a three-year period to understand how they could impact the Company's long-term viability. The evaluation is based on plausible worst-case scenarios.

To make this evaluation, the estimated financial impact of each Principal Risk crystallising was considered. The Board and GEC assessed the potential impact on the Company's viability, based on selected severe plausible risk scenarios. These were developed in conjunction with senior management. The Principal Risks that were considered to have a potentially significant impact on the Company's viability are included in our Long-Term Viability Statement.

In addition to the Principal Risks, Emerging Risks and wider key risks have been identified and are being monitored by the Company. Mitigation actions in response to such risks are an important part of the divisional and enabling functions risk reporting to the GEC and Board.

KEY CHANGES DURING THE YEAR

During 2022 we undertook a fundamental review of our Principal and Emerging Risks as we executed the strategic reviews.

At the Half Year we disclosed the following key changes to our risks:

- an increase in relation to our 'Exposure to the Cyclical Industrial Market' risk as the Company moved towards being a pure-play Components business
- an increase in relation to our 'Talent and Workforce Management' risk resulting from the Company's change agenda in relation to the strategic reviews

No new Emerging Risks were noted at the Half Year.

Since our Half-Year disclosure, we continued our review of our Principal and Emerging Risk profiles in the context of our strategic direction. The following key changes have been made since then:

Retired Principal Risks:

- removal of our 'Failure to Achieve Acceptable Returns from the Packaging Division' risk following the sale of that business
- removal of our 'Tobacco Industry Dynamics' risk following the sale of that business
- removal of our 'Internal Processes and Control' risk following the completion of our implementation of our Minimum Control Standards. This remains a Key Risk to the business and robust mitigation continues to be in place however we no longer consider it a Principal Risk
- removal of our 'Strategic Reviews' risk following their completion. Whilst this has been retired as a Principal Risk, we continue to manage the ongoing commitments under the sale agreements including the delivery of transitional services and finalisation of completion accounts

New Principal Risks:

- a new 'M&A Execution and Integration' risk has been added as a result of the need to reflect the importance of inorganic growth and the need to efficiently and effectively execute transactions and integrations in a difficult macroeconomic environment
- a new 'Execution of Strategic plan' risk has been added as a result of the need to implement a portfolio of strategic initiatives to meet our growth commitments

Evolving Principal Risks:

- our former 'Delivery of Strategic Projects' risk, which was largely focused on the delivery of the Business Process Redesign (BPR) project in the Components business has been developed into a 'Digital Transformation' risk which now covers both the BPR project and the underlying digital ecosystem required for our business to succeed
- our former 'Exposure to the Cyclical Industrial Market – Components' risk has been redefined as a new 'Macroeconomic Environment' risk that considers the impact of the macroeconomic situation on the business more holistically
- our former 'Talent and Workforce Management' risk has been redefined as 'Leadership Talent & Capability' to reflect the new strategic direction and new leadership team

All other risks have been reviewed and updated to reflect the current nature of the risk and mitigating activities.

EMERGING RISKS

We define an Emerging Risk as a changing risk or a novel combination of risks for which there is no track record or previous experience by which the impact, likelihood or costs can be understood. Its potential impact is viewed as being two years or more in the future.

We strongly believe that the identification and appropriate management or mitigation of Emerging Risks is critical to our long-term success.

Emerging Risks have the potential to increase in significance and affect the performance of the Company and as such are continually monitored through our existing risk management processes.

Our risk management process ensures Emerging Risks are identified and aids the GEC and the Board's assessment of whether the Company is adequately prepared for the potential opportunities and threats they present.

The process enables new and changing risks to be identified at an early stage so we can analyse them thoroughly and assess any potential exposure.

We undertake a top-down and a bottom-up assessment to identify Emerging Risks. A series of risk workshops with former Group and divisional leadership have been held as the strategic reviews progressed and were facilitated by the Risk Assurance team, the most recent of which considered the potential sources of disruptive risk.

These workshops formed part of the ongoing cadence of Emerging Risk identification and were followed by further discussion at GRC meetings. Additionally, further assessments of potential Emerging Risks were performed using externally sourced Emerging Risk data. The Company's potential exposure is assessed against the Board's approved risk measurement criteria. The process enables new and changing Emerging Risks to be identified at an early stage so we can analyse them thoroughly and assess potential exposure.

The preliminary views of Emerging Risks were consolidated and discussed initially by the GRC and then by the GEC to reach a consensus regarding Emerging Risks that can seriously affect the performance, future prospects or reputation of Essentra. The outputs from these assessments were presented to the Board for approval along with the recommendation to develop appropriate response strategies.

The GEC and the Board have undertaken a rigorous assessment of Emerging Risks during 2022 and have established procedures to closely monitor Emerging Risks on an ongoing basis including:

- the GEC's terms of reference require it to review the Company's ability to identify Emerging Risks
- Emerging Risks is a standing agenda item at each GEC meeting and each Emerging Risk will be subject to a deep-dive
- external specialist input will be sought where required
- identified Emerging Risks have been assigned an owner who is a GEC member. The Emerging Risk owner is responsible for providing an update on the development of Emerging Risks and activities in response at each meeting.

The Board can confirm that it has completed a robust assessment of the Company's Principal and Emerging Risks. The Company continues to focus on ensuring the adequate mitigation of risks faced by the Company to ensure alignment with the Board-approved risk appetite.

Essentra has no significant operations or infrastructure in Russia or Ukraine and the business does not have local currency exposure. We have processes in place to ensure the Group is compliant with all relevant international regulations and sanctions, continue to closely monitor the situation and remain vigilant to changes in our risk profile resulting from it. We continue to monitor the situation in Ukraine, the ongoing response of international governments and any potential impact on the Company.

Emerging Risks and wider key risks have been identified and are being monitored by the Company. Mitigation actions in response to such risks are an important part of the Company's risk reporting to the GEC and the Board.

STRATEGIC RISKS

Environmental

Change in risk level: Unchanged

Ownership: Chief Operations Officer

Relevance: Industry general

Description

Formerly a component part of our Environmental, Social, & Governance Principal Risk, this focuses on concerns around the impact of business on the environment which are increasingly fundamental for all companies and stakeholders. Essentra has specific exposure to:

- Single Use Plastics: including potential changes in relation to laws and regulations and the need to increase recycled content and product circularity. The business is actively working to incorporate more sustainable materials and believes it has the innovation capability to enable future growth opportunities with the use of such materials.
- Climate Change: given the business's operational footprint and, as part of our TCFD activity, we have worked closely with third-party consultants to understand the financial impact of climate-change-related physical risk exposure at key sites across seven risk areas, under three scenarios. We have identified ten material risks and opportunities relating to physical events, the transition of our business resulting from changing customer demands and the changing input costs relating to raw materials and power. We continue to develop mitigation activity and management approaches to help address these issues into our business continuity management and planning frameworks, closely linked to existing work with our insurers.

Failure to meet stakeholder expectations on increasing environmental governance obligations could lead to reputational or commercial risk for the Company. This includes risks arising from changing investor attitudes, developing customer expectations, changing supply chain dynamics, social attitudes towards the environmental impact of our products (which may impact on our ability to market them), along with ability to attract and retain talent, given increasing employee focus on ESG more generally.

Elements of this risk that previously related to the EU packaging directive and to the tobacco industry have been eliminated with the divestment of the Packaging and Filters divisions.

Mitigation

Environmental activities are managed through the work of the Company's ESG Committee (formerly Board Sustainability Committee). This is chaired by a Non-Executive Director, and comprises members from Board, GEC and other senior management. The role of this Committee is to:

- review and assess the Company's exposure to sustainability-related issues
- assess the Company's responses to these issues
- understand whether these responses are consistent with the risk appetite of the Company
- identify potential gaps in approach and high-level approaches to closing those gaps

The ESG Committee's recommendations, in respect of reducing risk exposure, inform the work of the GEC, global functions and the wider business. Additionally, the Nomination and Remuneration Committees cover aspects of environmental performance.

During the year, as part of refocusing the business to a pure-play Components business, a new Sustainability Strategy team has been created to manage the delivery of the Company's environmental objectives.

Finally, the GEC also continues to evolve our approach to managing climate change risk, and we continue to work to fulfil our reporting obligations under TCFD requirements.

Social

Change in risk level: Unchanged

Ownership: Chief People & Culture Officer

Relevance: Industry general

Description

Formerly a component part of our Environmental, Social, & Governance Principal Risk, this focuses on concerns around the impact of business on our stakeholders and the societies in which we operate. Essentra's risk is focused in two areas:

- Ethical Supply Chain: the breadth of our operational supply chain results in risks in relation to modern slavery, child labour and safe, hygienic working environments.
- Diversity and Inclusion: the risk that we are unsuccessful in leveraging the opportunities that a diverse team offers the business. Strong engagement on ethnic and gender diversity and inclusion can also lead to improved cognitive diversity and the avoidance of group-think. Essentra has a global footprint and our diversity helps us serve the geographical markets in which we operate. We believe diversity brings a range of outlooks to decision-making and problem-solving as well as better representing our employee base and the communities in which we operate.

More generally, we remain vigilant in respect of evolving expectations around Essentra's engagement with its internal and external stakeholders more broadly.

Failure to meet our obligations to our internal and external stakeholders and the societies in which we operate more generally could lead to reputational or commercial risk for the Company.

Mitigation

This Principal Risk is addressed in a number of ways. We have a robust "Know Your Supplier" process which continuously screens significant suppliers for restricted parties and adverse media. Additionally, significant suppliers are required to confirm their compliance with Essentra's code of conduct. We are currently reviewing a number of options for enhancing the breadth of our due diligence to better understand and mitigate the risk of modern slavery and child-labour (along with a number of more general ethical and operational considerations) across our entire supply chain rather than just our direct relationships.

We actively engage with our workforce on diversity and inclusion and monitor key metrics at management levels. We continue the work of our Diversity and Inclusion network which includes launching local and global campaigns to promote awareness.

Digital Transformation

Change in risk level: Increased

Ownership: Chief Strategy Officer

Relevance: Company specific

Description

Our success is dependent, in part, on our ability to deliver key digital projects on time and within budget to realise their full potential. We continue to invest in, and deliver, our Business Process Redesign programme, our digital eCommerce platforms and in the fidelity of our data to further improve our service offering.

Failure to deliver these key initiatives could adversely affect our ability to maintain a competitive advantage, to deliver our digital strategy and to leverage our data as an asset.

The roll out of the Microsoft Dynamics 365 system as part for the Business Process Redesign continues with significant strides made in Q4 2022. A detailed plan is now in place to accelerate implementation throughout 2023. The completion of this programme will provide a robust platform from which we can further develop our digital capabilities.

Mitigation

In early 2022, we reviewed and strengthened governance arrangements and resources to accelerate delivery of the Business Process Redesign programme. A robust management framework is now in place to support the delivery of our digital transformation, which includes the Business Process Redesign programme, and during the year we opened a new Digital and Data hub in Istanbul. These initiatives are supported by a project management infrastructure.

We continue to maintain a strong focus on the skills and capabilities of our employees in relation to the delivery of our digital projects. This is achieved by providing training and support, as necessary and by mobilising teams which possess the right skills to deliver. In particular, we support project managers' development through a variety of training programmes and professional qualifications.

Leadership Talent and Capability

Change in risk level: Increased

Ownership: Chief People and Culture Officer

Relevance: Company Specific

Description

Failure to acquire, retain, develop and motivate the required management and leadership necessary to evolve our business, develop our culture and meet future customer needs. Having recently concluded our strategic review, we are now a pure-play Components business. During the review process, the Company has been through a significant level of change and now has a completely new leadership team. The level of change seen coupled with labour market dynamics, requires us to continue our focus on retention of key talent, avoiding burn-out and presenteeism. Additionally, we must continue to grow the agile skills required to support and build our pure-play Components strategic direction.

The experience of the past two years has clearly indicated the effect major health events, be they global, regional or country specific, can have on the availability of resources. We continue to see health related disruption in China and there remains a risk that future major health events could result in further labour disruption.

Mitigation

As part of our strategic review activity, the leadership and talent needs of the pure-play Components have been assessed and a new organisation design implemented to support them.

Additionally, a people strategy is in place and is designed to enhance the employee experience, drive changes needed and have skilled leaders for the future. This strategy considers:

- ensuring the variable pay schemes are adequate to retain key talent and reward high performance
- building management capability across the wider team to ensure we manage through the change journey in an engaged and considered way
- talent mapping and succession planning that considers current and future business requirements
- developing the health and wellbeing strategy with a specific consideration of the actions needed to aid retention of our wider workforce
- communication with employees is a critical step to ensure engagement, drive a sense of purpose and belonging across the workforce
- assessing what training and support we can provide to future leaders and managers on resilience and developing their personal career path in a considered way.

Throughout the strategic reviews, we focused on the retention of existing talent and also, where it did not exist internally, on attracting the external talent necessary to deliver our strategy in this new pure-play environment. We continue to review the organisation for points of failure at which additional cross-training might be necessary to alleviate disruption.

M&A Execution and Integration

Change in risk level: New

Ownership: Chief Financial Officer

Relevance: Company specific

Description

As outlined in the October 2022 Capital Markets Day, M&A is a key part of the Company's growth strategy. There is an inherent risk that there are insufficient available targets to deliver the M&A plan. Additionally, there is a risk that the Company is unable to successfully implement its post-acquisition integration strategy as a result of some of the capability and capacity constraints noted in Leadership Talent and Capability Principal Risk. The nature of this risk differs between bolt-on and transformation acquisitions.

Mitigation

The level of resource available to M&A execution is being reviewed and, if appropriate, increased. The Company maintains and active M&A pipeline and proactively seeks out potential targets. Work is ongoing to refine M&A criteria, strategic priorities, with particular focus on the differing requirements of bolt-on and transformational M&A, and the approach to integration.

Macroeconomic Environment

Change in risk level: Decreased

Ownership: Chief Financial Officer

Relevance: Industry general

Description

In previous years, this risk has been called 'Exposure to the Cyclical Industrial Market (Components Division)'. Now the Company has completed its strategic reviews and is now a pure-play Components business, we have re-framed the risk to consider the effect of changes in the macroeconomic environment more generally. The Company serves a broad range of industrial customers and, as such, is exposed to overall industrial production trends. Global industrial production has tended to be cyclical in nature with major economic downturns leading to a downturn in industrial production. From the global financial crisis in 2008-2009 to the COVID-19 pandemic, economic cycles have affected demand in these broad industrial markets.

The Company sells to a broad base of global and regional end markets including automotive, capital goods and electronics. This market and geographical breadth provides a degree of risk diversification; however, as we see from the current economic climate, downturns in industrial production are almost certain to happen, albeit with an uncertain time frame.

The Company seeks to operate a flexible model whereby changes to its cost base can be quickly made to maintain operating margins against fluctuations in demand. Whilst the Company has been historically successful in managing profitability through the economic cycle, there remains a risk that the necessary changes cannot be executed, or they are not robust enough to minimise the impact on operating margins.

Mitigation

Key mitigating actions being undertaken to protect the Company from future industrial declines include the following:

- the ongoing optimisation of fixed cost base to minimise the impact of demand fluctuations. Specifically, the Company undertakes continuous reviews of its operating footprint to optimise manufacturing and distribution cost to serve. A new distribution model for EMEA has been implemented which provides the opportunity for us to reduce our distribution footprint while delivering enhanced service levels to our customers, the models for the Americas and Asia are currently being reviewed
- our increased investment in the automation of production and distribution activities, enabled by robotics, will further help to reduce fixed costs. We also undertake ongoing reviews of our labour management practices with a view to striking the right balance between permanent and temporary employees, so that we are able to effectively manage our cost base
- diversification across the market sectors we sell to; both within the industrial sector and also beyond it. We continue to develop our product category management approach to better focus on faster

growing and resilient market segments. We continue to explore M&A and entry opportunities in new markets to further mitigate this risk.

We continue to invest in our innovation capabilities to secure new opportunities, develop our use of alternative materials and diversify our product range.

EXTERNAL RISKS

Governance

Change in risk level: Decreased

Ownership: Company Secretary

Relevance Industry general

Description

The Company operates across many international jurisdictions and engages with a wide range of stakeholders, including a diverse employee, customer and supplier base. Some of our locations are considered higher risk from a regulatory perspective, although this has reduced following the conclusion of the Strategic Reviews. We are required to comply with multiple areas of legislation and regulation across an increasingly broad range of areas including: Anti-Trust, Anti- Bribery, Sanctions, Privacy and Environmental, Social & Governance (ESG). Our operations are subject to an external environment which is seeing an increasing breadth of emerging regulation and greater levels of scrutiny and oversight from regulators, enforcement agencies and other stakeholders.

Failure to manage effectively the scrutiny and oversight and/or comply with laws and regulations could result in significant fines, costs or reputational damage to the Company and might adversely affect our ability to operate in certain jurisdictions.

Whilst the external environment is generating additional compliance demands, the Company continues to drive continuous improvements in its approach to managing regulatory and legislative requirements and overall the level of risk to the Company has remained the same.

Mitigation

The Company deploys a range of mitigating activities to support the management of regulatory risk including:

- a clear “tone from the top” from the Board and GEC on the importance of ethics and compliance
- a compliance programme (including employee training) with which we aim to conform with all applicable laws and regulations and encourage a culture of openness, honesty and integrity
- a mechanism that seeks to ensure all employees complete mandatory training on a timely basis
- improved compliance communication with “Be smart, be sure” campaign
- continuous improvement of the compliance framework to ensure an effective and appropriate policies, processes, reporting and monitoring
- a Compliance function that directs and oversees the Company’s implementation of compliance programmes, policies and procedures which are required to meet legal, compliance and regulatory requirements (including sanctions)
- extensive focus on third party due diligence to take account of lessons learnt from the past
- the Company’s Governance, Risk and Compliance teams which, with support from external advisers, continuously monitors current and forthcoming changes to the regulatory* environment and emerging good practice
- disciplinary and IT lock-out processes to help ensure mandatory governance training is completed on time
- a “Right to Speak” portal is in place to encourage the reporting of governance issues.

Cyber Event

Change in risk level: Decreased

Ownership: Chief Digital Information Officer

Relevance: Industry general

Description

The Company is dependent on its internal and external IT systems for day-to-day operations. Should the Company, or its key cloud service suppliers, be affected by a cyber event (denial of service, data breach, compromise) resulting from an external or internal threat, this could result in suspension of critical business services and loss of data. Subsequently, the Company could receive fines, suffer reputational damage and be unable to meet customer expectations (leading to a loss of customer confidence). Prolonged outages could further erode trust in the business resulting in long-term reputational damage.

The change in ways of working that we have seen over the past few have affected our operational dynamic with significant levels of remote working continuing to be the norm. The Company has invested, as part of our pandemic response, in improvements to protection of mobile devices and remote access.

As we look to the future, maintaining cyber security integrity in a growth environment will be critical; disruptive cyber events remain a serious threat to our digital ecosystem and to the smooth running of our business. We continue to invest in our cyber security programme which includes mitigation and risk reduction activities across people, process and technology.

Mitigation

The Company has an established cyber security improvement programme which has evolved to meet the needs of the new Essentra, it aims to mitigate the risks and operational disruption caused by cyber events. The programme includes:

- endpoint protection (including zero-trust remote access), encryption of data, enhanced cloud-based security tooling and protection, web and email content protection
- specific focus on mitigating cyber risks in relation to shop-floor IT infrastructure
- identity and access management
- continued cyber security awareness training for all employees
- vulnerability and penetration testing for external IT services and websites.

During the year, specific effort has gone into maintaining the cyber control environment through the separation of the Packaging and Filters divisions and the delivery of transitional services.

OPERATIONAL RISKS

Execution of the Strategic Plan

Change in risk level: New Risk

Ownership: Chief Strategy Officer

Relevance: Company specific

Description

The Company outlined ambitious plans during the recent Capital Markets Day underpinned by a number of strategic initiatives. These initiatives include, but are not limited to digital transformation, our approach to cross-selling and product category management. Whilst elements of this strategy are touched upon in other Principal Risks, there is a wider risk in relation to the Company's ability to deliver the initiatives that underpin the growth commitments made to the market. Additionally, there is a risk that the Company suffers from initiative overload and cannot effectively prioritise critical strategic tasks.

Mitigation

The Company's "hassle-free" strategy is in place and is underpinned by ongoing work on Product Category management and our digital transformation. The Company already seeks to drive the cross-selling of products across geographical and market boundaries. This is particularly the case for some of our more recent acquisitions. Work is ongoing to ensure the Company's project portfolio is adequately scoped for the level of resource available and prioritised towards those activities that are critical to achieving strategic objectives.

Health and Safety Performance

Change in risk level: Unchanged

Ownership: Chief Operations Officer

Relevance: Company specific

Description

The safety, health and wellbeing of our employees remains one of our highest priorities.

Essentra has many manufacturing, distribution and administrative facilities across the world, along with internationally mobile employees. Manufacturing and distribution can be inherently risky given the use of industrial machinery and high-speed manufacturing processes. In addition, the Company must comply with national safety regulation in multiple jurisdictions.

Should a serious incident occur involving our employees or visitors, or should there be any breach of safety regulation, there is a risk of prosecution and considerable reputational damage as well as potentially significant financial costs.

As we seek to grow the business both organically and inorganically, we are mindful of the affect this might have on our risk profile. Our approach to integration ensures early deployment of Essentra's safety practices. More generally we continue to drive our safety culture through the 'tone at the top' and across the whole company.

Mitigation

The "tone from the top" continues to reinforce safety, health and wellbeing behaviours across all of our businesses and employees. The establishment of appropriate Safety Management Systems is a high priority for management teams.

Some of the key mitigations which are in place include:

- regular reporting to the GEC and the Board on Health, Safety and Environment (HSE) related matters
- a Company HSE policy detailing required standards, governance, roles and responsibilities at all sites
- increasing use of the Enabler system to automate our Global 'Stop, Think, Examine, Proceed' (STEP) programme. This is a hazard identification and process improvement initiative that empowers the entire workforce to recognise and address safety improvement opportunities. Corrective actions are assigned with clear ownership and targeted completion within 48 hours
- conducting performance monitoring and Health and Safety Audits, incorporating reporting and escalation arrangements to ensure all actions are closed
- undertaking root cause analysis for any issues identified through investigation of serious incidents, including near misses and ensuring lessons learnt are cascaded across the Group
- embedding our health and wellbeing strategy with a specific workstream that considers our leaders, managers and employees and their physical and emotional wellbeing
- focused HSE events throughout the year to highlight particular risks and help keep safety at the forefront of our minds.

With the increased focus on emotional health and wellbeing, we have introduced awareness training for leaders and managers. We have developed training materials for employees and are now moving towards introducing proactive steps for employees to manage their own wellbeing.

During 2023, we aim to make better use of the data held within our Health and Safety management system and develop leading indicators to help identify improvement areas before issues occur. Furthermore, we will continue to drive our safety culture across the organisation

DISRUPTIVE RISKS

Operational and Supply Chain Disruption

Change in risk level: Increased

Ownership: Chief Operations Officer

Relevance: Industry general

Description

We operate a diverse, global operational footprint and supply chain across our business. Ensuring these operations and supply chains are resilient is a fundamental part of maintaining our customer service levels and hassle-free proposition by giving options and alternatives, to minimise the impact of disruption.

Disruptive events could be focused on particular locations, driven by single points of failure in our operations or supply chain, be localised natural events or result from political conflict. Here, our global footprint provides a degree of risk diversification, through alternative manufacturing options elsewhere in the Company. Equally, disruptive events might be broader in nature and impact a number of sites simultaneously, for example an extreme weather event, or climate change related issues in the longer term. In this situation, our global footprint may expose us to a broader set of potential disruption risks than more focused businesses.

Robust business continuity planning and management practices are required to minimise the impact on production capability, supply chain management, customer relationships, reputation, revenue and profit.

We experienced continuing disruption to our China site as a result of COVID-19 related restrictions and outbreaks.

The Company is increasingly reliant on the digital ecosystem within its supply chain. Some elements are addressed in our management of our Cyber Event risk and others more broadly by the continuity planning activities described below.

Additionally, during 2022, as part of our TCFD activity, we have developed the work performed with external consultants in 2021 to better understand the potential impact of climate change on our business over the short, medium and long term, both for physical and transition risks, to enable us better to embed these considerations in our risk management processes.

Mitigation

We continue to review and refresh our business continuity management and planning frameworks and processes. We also have commenced a number of initiatives to better understand our supply chain and identify and mitigate potential stress points. During the last year we have implemented a new distribution model for EMEA; a warehouse hub is in place in Germany and another recently went live in Poland.

In 2023, work is planned to consider the distribution model in the Americas and Asia, to identify and eliminate single points of failure in our supplier base and to develop resilience plans at a global level.

Mitigating actions that we have in place for single location issues include:

- leveraging our global manufacturing footprint to provide alternative manufacturing locations
- fire and other risk prevention systems
- assessing and managing operational risks via the enterprise risk management process
- ensuring comprehensive maintenance plans are in place for key manufacturing equipment
- ensuring resilience arrangements are in place and are tested for key operational IT hardware and software
- maintaining an insurance programme and working closely with our insurers to ensure complete and comprehensive cover to prevent losses, along with identifying and pursuing opportunities to improve site-level resilience to human factor, natural disaster and fire-related issues
- performing tests and ensuring any lessons learnt (along with any learnt from real-world events) are fed back into the planning process
- ensuring non-operational employees are equipped to work from alternative locations should the need arise.

Additional measures to mitigate against multi-site issues include:

- enhancing our multi-site capabilities and manufacturing flexibility
- identifying alternative sources of supply for key raw materials and supply guarantees where necessary and feasible
- global, standard site/network assessment approaches for pandemic and other issues.

Emerging risk	**Risk owner**	**Risk description**	**Mitigation**
Regulatory change	Company Secretary	The risk that Essentra does not or is unable to comply with changes in the regulatory environment. Governments might react to prevailing economic conditions by increasing taxes and tariffs. Evolving public sentiment on sustainability might result in further legislation with which the Company must comply. The geographical breadth of the Company's operations adds a degree of complexity to this emerging risk.	We continue to proactively monitor and review developments in the regulatory environments in which we operate. This includes leverage the knowledge of those colleagues operating in local markets and seeking external advice.
Technology disruptors	Chief Marketing Officer and Chief Digital Information Officer	The risk that the Company does not manage its response to evolving technologies effectively. This may include losing competitive advantage as rivals deploy advanced manufacturing technologies, artificial intelligence and robotics to strengthen product development, marketing, production, distribution and support functions. In addition, the rapid emergence of alternative materials might affect demand for our products.	We continue to monitor and review developments in the external market through our networks. This includes innovation and futures sessions with existing suppliers. We are also involved in a range of external technical focus groups to support the identification of future technology trends.
Sentiment towards Plastic	Chief Sales Officer and Chief Marketing Officer	Market and stakeholder sentiment towards plastic continues to evolve at pace and could affect medium-term demand for many of Essentra's products.	We continue to work internally and with our supply chain to identify opportunities to reduce the extent to which we use virgin plastic in our products and to use alternative materials.

Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 £m	2021[1] £m
Revenue	2	**337.9**	301.7
Operating (loss)/profit[2]	2	**(11.3)**	7.7
Finance income	4	**7.1**	2.1
Finance expense	4	**(24.9)**	(16.9)
Loss before tax		**(29.1)**	(7.1)
Income tax (expense)/credit		**(2.0)**	2.2
Loss for the year from continuing operations		**(31.1)**	(4.9)
(Loss)/profit from discontinued operations	13	**(152.7)**	33.2
(Loss)/profit for the year		**(183.8)**	28.3
Attributable to:			
Equity holders of Essentra plc		**(188.0)**	26.9
Non-controlling interests		**4.2**	1.4
(Loss)/profit for the year		**(183.8)**	28.3
Earnings per share attributable to equity holders of Essentra plc:			
Basic	5	**(62.4)p**	8.9p
Diluted	5	**(62.4)p**	8.9p
Earnings per share from continuing operations attributable to equity holders of Essentra plc:			
Basic	5	**(10.3)p**	(1.6)p
Diluted	5	**(10.3)p**	(1.6)p

Adjusted profit measure: continuing operations	Note	2022 £m	2021[1] £m
Operating (loss)/profit		**(11.3)**	7.7
Amortisation of acquired intangible assets		**10.4**	8.6
Adjusting items	3	**26.0**	10.1
Adjusted operating profit[3]		**25.1**	26.4

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented as discontinued operations. See note 13 for details.
2. Includes impairment charge on trade receivables of £0.8m (2021: £0.7m).
3. See note 16 for further details of the adjusted profit measure.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £m	2021[1] £m
(Loss)/profit for the year		**(183.8)**	28.3
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of defined benefit pension schemes		**(20.5)**	28.5
Deferred tax income/(expense) on remeasurement of defined benefit pension schemes		**5.1**	(7.9)
		(15.4)	20.6
Items that may be reclassified to profit or loss in subsequent years			
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		**(16.4)**	(1.8)
Ineffective portion of changes in fair value of cash flow hedges transferred to the income statement		**1.0**	(0.5)
Effective portion of changes in fair value of cash flow hedges		**16.1**	0.9
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**54.6**	(23.4)
Recycling of foreign currency translation reserve	13	**(38.7)**	–
Arising on effective net investment hedges		**(21.7)**	(0.4)
Income tax credit		**0.9**	0.4
Attributable to non-controlling interests		**(0.1)**	(0.1)
		(4.3)	(24.9)
Total other comprehensive expense for the year, net of tax		**(19.7)**	(4.3)
Total comprehensive (expense)/income for the year		**(203.5)**	24.0
Attributable to:			
Equity holders of Essentra plc		**(207.6)**	22.7
Non-controlling interests		**4.1**	1.3
Total comprehensive (expense)/income for the year		**(203.5)**	24.0
Attributable to:			
Continuing operations		**(12.1)**	(9.2)
Discontinued operations		**(191.4)**	33.2
Total comprehensive (expense)/income for the year		**(203.5)**	24.0

Note:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented as discontinued operations. See note 13 for details.

Consolidated Balance Sheet
At 31 December 2022

	Note	**31 December 2022 £m**	31 December 2021 £m
Assets			
Property, plant and equipment	6	**65.2**	254.3
Lease right-of-use asset	8	**21.0**	50.4
Investment properties	6	**7.0**	–
Intangible assets	7	**206.6**	483.5
Long-term receivables		**11.6**	5.2
Derivative assets		**8.3**	0.7
Deferred tax assets		**11.7**	11.6
Retirement benefit assets		**7.9**	34.1
Total non-current assets		**339.3**	839.8
Inventories		**65.0**	128.7
Income tax receivable		**1.1**	1.5
Trade and other receivables		**66.4**	175.2
Derivative assets		**0.2**	0.5
Cash and cash equivalents		**421.4**	136.3
Total current assets		**554.1**	442.2
Total assets		**893.4**	1,282.0
Equity			
Issued share capital	10	**75.6**	75.6
Merger reserve		**385.2**	385.2
Capital redemption reserve		**0.1**	0.1
Other reserve		**(132.8)**	(132.8)
Cash flow hedging reserve		**(0.8)**	(1.5)
Translation reserve		**(52.4)**	(47.5)
Retained earnings		**129.2**	333.6
Attributable to equity holders of Essentra plc		**404.1**	612.7
Non-controlling interests		**–**	16.2
Total equity		**404.1**	628.9

	Note	**31 December 2022 £m**	31 December 2021 £m
Liabilities			
Interest bearing loans and borrowings	11	**85.0**	313.3
Lease liabilities	11	**18.0**	46.1
Retirement benefit obligations	9	**18.5**	25.1
Provisions		**1.1**	2.5
Other financial liabilities	18	**2.4**	5.6
Deferred tax liabilities		**7.6**	45.3
Total non-current liabilities		**132.6**	437.9
Interest bearing loans and borrowings	11	**208.0**	–
Lease liabilities	11	**4.9**	11.6
Derivative liabilities		**1.3**	0.1
Income tax payable		**16.2**	21.5
Trade and other payables		**91.5**	180.9
Other financial liabilities	18	**24.1**	–
Provisions		**10.7**	1.1
Total current liabilities		**356.7**	215.2
Total liabilities		**489.3**	653.1
Total equity and liabilities		**893.4**	1,282.0

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Issued capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
										2022
At 1 January 2022		**75.6**	**385.2**	**0.1**	**(132.8)**	**(1.5)**	**(47.5)**	**333.6**	**16.2**	**628.9**
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(188.0)**	**4.2**	**(183.8)**
Other comprehensive expense		**–**	**–**	**–**	**–**	**0.7**	**(4.9)**	**(15.4)**	**(0.1)**	**(19.7)**
Total comprehensive (expense)/income for the year		**–**	**–**	**–**	**–**	**0.7**	**(4.9)**	**(203.4)**	**4.1**	**(203.5)**
Recycling of non-controlling interest	13	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18.4)**	**(18.4)**
Share option expense		**–**	**–**	**–**	**–**	**–**	**–**	**3.1**	**–**	**3.1**
Tax relating to share-based incentives		**–**	**–**	**–**	**–**	**–**	**–**	**(0.6)**	**–**	**(0.6)**
Net impact of IAS 29[1]		**–**	**–**	**–**	**–**	**–**	**–**	**15.5**	**–**	**15.5**
Dividends paid	14	**–**	**–**	**–**	**–**	**–**	**–**	**(19.0)**	**(1.9)**	**(20.9)**
At 31 December 2022		**75.6**	**385.2**	**0.1**	**(132.8)**	**(0.8)**	**(52.4)**	**129.2**	**–**	**404.1**

	Note	Issued capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
										2021
At 1 January 2021		75.6	385.2	0.1	(132.8)	(0.1)	(24.1)	300.8	13.3	618.0
Profit for the year		–	–	–	–	–	–	26.9	1.4	28.3
Other comprehensive income/(expense)		–	–	–	–	(1.4)	(23.4)	20.6	(0.1)	(4.3)
Total comprehensive loss for the year		–	–	–	–	(1.4)	(23.4)	47.5	1.3	24.0
Equity issue to non-controlling interest		–	–	–	–	–	–	–	3.1	3.1
Share option expense		–	–	–	–	–	–	0.8	–	0.8
Tax relating to share-based incentives		–	–	–	–	–	–	0.5	–	0.5
Dividends paid	14	–	–	–	–	–	–	(16.0)	(1.5)	(17.5)
At 31 December 2021		75.6	385.2	0.1	(132.8)	(1.5)	(47.5)	333.6	16.2	628.9

Notes:
1. The Group applied IAS 29 ‘Financial Reporting in Hyperinflationary Economies’ for the first time during the year to 31 December 2022. See ‘Changes in accounting policies’ under note 1 ‘basis of preparation’ for further details of the net impact on retained earnings.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	**2022 £m**	2021[1] £m
Operating activities			
(Loss)/profit for the year from:			
Continuing operations		**(31.1)**	(4.9)
Discontinued operations		**(152.7)**	33.2
(Loss)/profit for the year		**(183.8)**	28.3
Adjustments for:			
Income tax (credit)/expense		**(2.0)**	4.9
Net finance expense	4	**18.4**	16.5
Intangible amortisation	7	**19.6**	25.0
Adjusting items	3	**26.0**	10.1
Loss on business disposals	13	**19.0**	–
Impairment of acquired intangible assets on discontinued operations		**182.7**	–
Depreciation of property, plant and equipment	6	**29.5**	36.6
Lease right-of-use asset depreciation	8	**10.1**	12.0
Loss on disposal of right of use asset		**0.2**	–
Loss on disposal of fixed assets		**0.3**	–
Impairment of fixed assets		**0.5**	0.5
Share option expense		**2.6**	0.8
Hedging activities and other movements		**0.8**	(0.5)
Increase in inventories		**(27.4)**	(28.3)
Increase in trade and other receivables		**(35.5)**	(27.9)
Decrease in trade and other payables		**41.2**	26.3
Cash outflow in respect of adjusting items		**(23.7)**	(23.9)
Movement in provisions		**1.0**	(0.2)
Adjustment for pension contributions		**0.2**	(4.8)
Movement due to hyperinflation		**(3.2)**	–
Cash inflow from operating activities		**76.5**	75.4
Income tax paid		**(12.5)**	(12.2)
Net cash inflow from operating activities		**64.0**	63.2

	Note	**2022 £m**	2021[1] £m
Investing activities			
Interest received		**2.3**	0.4
Acquisition of property, plant and equipment[3]		**(39.7)**	(38.5)
Proceeds from sale of property, plant and equipment		**0.5**	8.9
Payments for non-acquired intangible assets		**(1.0)**	(3.2)
Acquisition of businesses net of cash acquired[2]	12	**(27.9)**	(14.6)
Proceeds from sale of businesses net of cash disposed[2]	13	**416.9**	–
Cash outflow from costs on business disposals		**(31.5)**	–
Net cash inflow/(outflow) from investing activities		**319.6**	(47.0)
Financing activities			
Interest paid		**(19.5)**	(11.0)
Dividends paid to equity holders		**(19.0)**	(16.0)
Dividends paid to non-controlling interests		**(1.9)**	(1.5)
Arrangement fee paid for financing activities		**–**	(4.4)
Repayments of long-term loans		**(124.2)**	(182.5)
Proceeds from long-term loans		**65.0**	211.4
Proceeds from early settlement of derivative contracts		**6.5**	–
Lease liability principal repayments		**(11.5)**	(12.8)
Proceeds from equity issue to non-controlling interests		**–**	3.1
Net cash outflow from financing activities		**(104.6)**	(13.7)
Net increase in cash and cash equivalents	11	**279.0**	2.5
Net cash and cash equivalents at the beginning of the year		**136.3**	135.8
Net increase in cash and cash equivalents		**279.0**	2.5
Net effect of currency translation on cash and cash equivalents		**6.1**	(2.0)
Net cash and cash equivalents at the end of the year	11	**421.4**	136.3

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented as discontinued operations. See note 13 for details.
2. Acquisition of businesses is net of cash acquired of £3.5m (2021: £nil). See note 12. Proceeds from sale of businesses is net of cash disposed of £45.7m. See note 13.
3. Acquisition of property, plant and equipment Includes capex accrual movements of £0.4m (2021: £0.3m).

Basis of Preparation and Principal Accounting Policies
Accounting Policies

1 Basis of preparation

The financial information set out in this document does not constitute statutory accounts for Essentra plc for the year ended 31 December 2022 but is extracted from the 2022 Annual Report.

Annual Report for 2022 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts are unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or sec on 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The Group's consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted International Accounting Standards and comply with the requirements of the Companies Act 2006.

These consolidated financial statements are prepared under the historical cost convention unless otherwise stated.

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.

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

On 1 October 2022, the Group completed its sale of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies (together the 'Packaging business'). On 3 December 2022, the Group also completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business'). The results of the Packaging business and the Filters business have been classified as discontinued operations at 31 December 2022 and comparative information has been re-presented.

In preparing the consolidated financial statements management have taken into account the potential effects of climate changes including medium to longer term transitional risks resulting from the relative uncertainty created by the global shift towards a more sustainable, net-zero economy, which include regulatory, geopolitical and social pressures that may impact the operations of the business in future. Management have considered the potential effects of climate related changes in its assessment of going concern, longer-term viability of the business, in preparing the Group's future cash flow forecasts underpinning impairment testing, and in its assessment of the residual values of property, plant and equipment and have determined that there is no material impact on these financial statement items.

Going concern

The Directors have prepared the consolidated financial statements for the year ended 31 December 2022 on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's balance sheet position, forecast earnings and cash flows for a period of at least 18 months from the date of approval of these consolidated financial statements. The disposal of the Packaging business and Filters business have been included in the Directors' going concern assessment.

At 31 December 2022, the Group's external financing arrangements amounted to £491.7m, comprising United States Private Placement Loan Notes (USPP) of US$350.0m (with a range of expiry dates from November 2024 to July 2033) and a multi-currency revolving credit facility (RCF) of £200.0m (expiring in November 2025).

On 1 October 2022, the Group completed its disposal of the Packaging business and on 3 December 2022, the Group completed of the disposal of the Filters business. In December 2022 the Group repaid its RCF loan to £nil, and continues to maintain a facility of £200.0m. Furthermore, as a consequence of the business disposals, the Group was required to repay $247m of its USPP loan Notes, classified as current liabilities at the balance sheet date, which were repaid in full during January 2023.

No amount was drawn under the RCF as at 31 December 2022, with the available undrawn balance amounting to £200.0m. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. Despite the significant economic and operational challenges in the recent years, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing borrowing facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 18 months following the date of approval of the financial statements, and no breaches of covenants are expected.

As part of the going concern assessment, the Board has considered a downside scenario that includes reasonably plausible changes in macro-economic conditions and is considered to represent a severe but plausible scenario. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 18 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The downside scenario assumes a period of supressed revenue growth into the latter part of 2023 and subsequently limits growth in 2024. Further, the downside scenario assumes a high inflationary cost environment not fully offset by price increases, and higher than planned cost base assuming the business does not right-size costs in line with expectations, as the Group transitions to a pure-play Components business. The financial impact of the downside scenario in 2023 and 2024 is to reduce adjusted operating profits by 45% and 4% respectively compared to the Groups strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent) at 31 December 2022 was £621.4m, which was significantly higher than the £352.1m as at 31 December 2021. Adjusting for the repayment of borrowings of $247m in January 2023, planned special dividend of £90m, and planned share buyback programme of £60m, this still leaves overall liquidity at £265.6m. Capital expenditure, sales and general overhead, and working capital will continue to be managed closely to ensure sufficient liquidity.

The scenarios do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. 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.

1 Basis of preparation continued

Changes in accounting policies

i) Application of IAS 29 Financial Reporting in Hyperinflationary Economies
During 2022, the Group held trade and assets denominated in Turkish Lira where IAS 29 has been applied for the first time. The Components division's business in Turkey holds property, plant and equipment, intangible assets, lease right-of-use assets and inventory that are classed as non-monetary and, along with any associated deferred tax, must be adjusted for the effect of inflation every reporting period. The income statement must be adjusted for the Consumer Price Index since the date of the transaction. The application of the standard has a material impact on the consolidated financial statements which includes the results and financial position of its Turkey operations restated to the measuring unit current at the end of the period.

A summary of the impact on the consolidated balance sheet is shown below:

	As at 31 December 2022 £m
Goodwill	10.3
Intangibles	3.6
Property, plant & equipment	3.2
Lease right-of-use asset	2.7
Inventory	0.4
Deferred tax liabilities	(2.2)
Impact on net assets	**18.0**
Favourable impact on income statement[1]	2.5
Increase in equity	15.5
Total equity	**18.0**

Note:
1. For the year ended 31 December 2022, a monetary gain of £3.2m was included within net finance expense.

(Ii) Application of IAS 40 *Investment Properties*

During 2022, the Group transferred property with a carrying amount of £7.0m from Property, Plant and Equipment to Investment Properties. Investment properties are measured initially at cost less accumulated depreciation (on a straight-line basis) and impairment losses.

The application of the standard had no effect on the income statement for the year and no amounts were required to be restated in respect of prior years.

ii) Other pronouncements
The Group adopted the following new pronouncements with effect from 1 January 2022, which did not have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 16 – *Property Plant and Equipment: Proceeds before intended use;*
- Amendments to IAS 37 – *Onerous Contracts: Cost of Fulfilling a Contract;*
- Amendments to IFRS 3 – *Reference to the Conceptual Framework;* and
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle.

The following new standards and amendments to standards issued before 31 December 2022 with an effective date on or after 1 January 2023 which are not expected to have a material impact on the Group's consolidated financial statements, have not been early adopted by the Group:

- IFRS 17 *Insurance Contracts* and Amendments to IFRS 17
- Amendments to IAS 12 – *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;*
- Amendments to IAS *1 – Disclosure of Accounting Poli*cies; and
- Amendment to IAS *8 – Definition of Accounting Estimates.*

2. Segment analysis

The Group has determined its operating segments based upon the information reported to the Group Management Committee, which is the Group's Chief Operating Decision Maker. Segment information is reported on a divisional basis consistent with the basis upon which the Group manages its operations, allocates resources, and assesses performance. The adjusted operating profit/loss presented for each operating segment includes the effect of the allocation of certain functional costs such as finance, human resources, legal and IT, as well as costs relating to management of the divisions, based on a consistently applied internal management methodology.

The Group's operating segments, as reported, are as follows:

Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items.

Packaging is one of only two multi-continental suppliers of a full secondary packaging range to the health and personal care sectors. On 1 October 2022, the Group completed its sale of the Packaging business and in accordance with IFRS 5, this segment has been re-presented within discontinued operations.

Filters is the only global independent supplier of innovative cigarette filters and related solutions to the tobacco industry. On 3 December 2022, the Group completed the sale of the Filters business and in accordance with IFRS 5, this segment has been re-presented within discontinued operations.

					2022[1]
	Components £m	Central Services £m	Continuing Operations £m	Discontinued Operations[5] £m	Total £m
Income statement information					
External revenue	337.9	–	**337.9**	653.9	**991.8**
Adjusted operating profit after allocation of central costs to discontinued operations[2]	**63.7**	**(24.9)**	**38.8**	**38.4**	**77.2**
Central cost allocations to discontinued operations[4]	–	(13.7)	**(13.7)**	13.7	**–**
Adjusted operating profit	**63.7**	**(38.6)**	**25.1**	**52.1**	**77.2**
Amortisation and impairment of acquired intangible assets	(10.4)	–	**(10.4)**	(189.2)	**(199.6)**
Adjusting items	(12.4)	(13.6)	**(26.0)**	–	**(26.0)**
Operating profit/(loss)	**40.9**	**(52.2)**	**(11.3)**	**(137.1)**	**(148.4)**
Balance sheet information					
Segment assets	204.5	31.7	**236.2**	–	**236.2**
Intangible assets	204.4	2.2	**206.6**	–	**206.6**
Unallocated items[3]	–	450.6	**450.6**	–	**450.6**
Total assets	**408.9**	**484.5**	**893.4**	**–**	**893.4**
Segment liabilities	78.7	74.0	**152.7**	–	**152.7**
Unallocated items[3]	–	336.6	**336.6**	–	**336.6**
Total liabilities	**78.7**	**410.6**	**489.3**	**–**	**489.3**
Other segment information					
Capital expenditure (cash spend)	12.1	1.4	**13.5**	27.5	**41.0**
Depreciation of plant, property and equipment	8.5	5.4	**13.9**	15.6	**29.5**
Average number of employees	3,114	234	**3,348**	4,067	**7,415**

2. Segment analysis continued

					2021[1]
	Components £m	Central Services £m	Continuing Operations £m	Discontinued Operations £m	Total £m
Income statement information					
External revenue	301.7	–	301.7	658.0	959.7
Adjusted operating profit after allocation of central costs to discontinued operations[2]	56.9	(16.6)	40.3	41.9	82.2
Central cost allocations to discontinued operations[4]	–	(13.9)	(13.9)	13.9	–
Adjusted operating profit	56.9	(30.5)	26.4	55.8	82.2
Amortisation of acquired intangible assets	(8.6)	–	(8.6)	(13.8)	(22.4)
Adjusting items	(0.4)	(9.7)	(10.1)	–	(10.1)
Operating profit/(loss)	47.9	(40.2)	7.7	42.0	49.7
Balance sheet information					
Segment assets	172.4	21.8	194.2	419.6	613.8
Intangible assets	158.9	4.5	163.4	320.1	483.5
Unallocated items[3]	–	184.7	184.7	–	184.7
Total assets	331.3	211.0	542.3	739.7	1,282.0
Segment liabilities	74.2	29.2	103.4	144.4	247.8
Unallocated items[3]	–	405.3	405.3	–	405.3
Total liabilities	74.2	434.5	508.7	144.4	653.1
Other segment information					
Capital expenditure (cash spend)	9.1	3.9	13.0	28.7	41.7
Depreciation of plant, property and equipment	7.2	5.1	12.3	24.3	36.6
Average number of employees	2,708	287	2,995	5,191	8,186

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented above as discontinued operations. Refer to note 13 for further details.
2. Central Service costs after allocations of £24.9m (2021: 16.6m) includes executive and non-executive management, group finance, tax, treasury, legal, group assurance, human resources, information technology, corporate development, investor relations and other services provided centrally to support the operating segments.
3. The unallocated assets relate to income and deferred tax assets, retirement benefit assets, derivatives, short-term investments, loan receivables 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.
4. Central service cost allocations includes the effect of allocation of certain functional costs such as finance, human resources, legal and IT, as well as costs relating to management of the divisions on an internal management methodology. Adjusted operating profit of £38.8m in 2022 includes costs that would have otherwise been allocated to the Packaging and Filters businesses had those businesses not been disposed. Had those additional costs been adjusted for, the adjusted operating profit would have been £43.0m.
5. Operating loss from discontinued operations for the year ended 31 December 2022 excludes the loss on disposal of £19.0m (2021: £nil).
6. Total Group net finance expense of £18.4m (2021: £16.5m) and total Group income tax credit of £2.0m (2021: £4.9m charge) cannot be meaningfully allocated by segment.
7. On a continuing basis, no customer accounted for more than 10% of revenue in either 2022 or 2021.

2. Segment analysis continued

Geographic segment information:

External revenue by destination	2022 Continuing Operations £m	2022 Discontinued Operations £m	2022 Total £m	2021[1] Continuing Operations £m	2021[1] Discontinued Operations £m	2021[1] Total £m
United Kingdom	**21.0**	**39.9**	**60.9**	21.0	49.8	70.8
Rest of Europe and Africa	**146.1**	**211.4**	**357.5**	135.5	246.8	382.3
Americas	**122.4**	**184.8**	**307.2**	106.5	189.8	296.3
Asia and Middle East	**48.4**	**217.8**	**266.2**	38.7	171.6	210.3
Total external revenue by destination	**337.9**	**653.9**	**991.8**	301.7	658.0	959.7

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented above as discontinued operations. Refer to note 13 for further details.
2. Non-current assets in the UK total £91.1m (2021: £145.6m), with the other significant location being the USA with £114.2m (2021: £309.8m).

3. Adjusting items

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding items which, in management's view, do not form part of the Group's underlying operating results, such as gains, losses or costs arising from business acquisition and disposal activities, significant restructuring and closure costs, and costs of major Software as a Service projects, items which are non-recurring or one-off in nature (such as the costs of fundamental strategic review and reorganisation), and (from 2022) charges relating to the Group's legacy defined benefit pension schemes, and the related tax effect, as adjusting items.

Continuing operations	2022 £m	2021[1] £m
Costs relating to restructuring following disposals of businesses[2]	**10.4**	–
Gains/losses and transaction costs relating to acquisitions and disposals of businesses[3]	**0.3**	(3.6)
Acquisition integration and restructuring costs[4]	**0.2**	0.3
Customisation and configuration costs of significant software as a service ("SaaS") arrangements[5]	**12.4**	11.8
Defined benefit pension scheme charges[6]	**2.0**	–
Other[7]	**0.7**	1.6
Adjusting items before tax	**26.0**	10.1
Tax	**2.8**	(0.5)
Adjusting items after tax	**28.8**	9.6

Notes:
1. The Group disposed of the Packaging and Filters businesses during the year ended 31 December 2022 and consequently, comparative information for the year ended 31 December 2021 has been re-presented. See note 13 for further details.
2. Costs of £9.9m (including advisory fees of £5.7m) in relation to major restructuring activities to “right size” the continuing operations of the business following the disposal of the Filters and Packaging businesses; a charge of £0.5m in relation to the acceleration of share options in respect of certain senior management employees leaving the business following the completion of the strategic review;
3. Costs of £0.3m were incurred in relation to the acquisition of the Wixroyd Group, acquired in December 2022.
   In 2021 a credit of £4.4m in relation to the reversal of certain claim provisions in relation to prior disposals, following the conclusion of negotiation with the purchasers; a gain of £0.4m in relation to a prior acquisition for claims made against the vendor. These are offset by acquisition-related costs of £1.0m in relation to the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd (“Hengzhu”) and £0.2m related to costs incurred in pursuit of acquisition targets.
4. Comprises costs of £0.2m for the integration of Hengzhu, acquired in 2021, into the business. In 2021 £0.3m for the integration of Hengzhu into the existing business.
5. Costs of significant SaaS arrangements which, in the view of management, represents investment in upgrading the Group’s technological capability, were expensed as adjusting items in accordance with the Group’s accounting policies. In the current year, costs of £12.4m (2021: £11.8m) were attributable to major SaaS projects and relate primarily to the costs of implementing a new cloud-based enterprise resource planning (ERP) system within the Group.
6. Costs of £2.0m were incurred in relation to defined benefit pension scheme charges which, following the outcome of the strategic review, no longer pertain to the continuing operations of the Group.
7. Comprises £0.6m write-down of centrally held IT assets following completion of the strategic review, £0.6m costs of restructuring activities within the continuing European and Americas businesses, offset by a £0.5m credit relating to adjustments to the carrying value of lease right-of-use assets.
   In 2021, £2.9m of professional and advisory fees in relation to strategic reviews of the on-going business and the now disposed Group’s Filters and Packaging businesses. Components restructuring, comprised £0.6m costs in relation to restructuring activities within the European and Americas businesses, offset by a £0.6m credit relating to the reversal of certain prior provisions, and a £1.3m credit relating to adjustments to the carrying value of lease right-of-use assets.

4. Net finance expense from continuing operations

	Note	2022 £m	2021[1] £m
Finance income			
Bank deposits		**1.4**	–
Other finance income[2]		**5.1**	1.9
Net interest on pension scheme assets	9	**0.6**	0.2
Total finance income		**7.1**	2.1
Finance expense			
Interest on loans and overdrafts		**(15.9)**	(10.9)
Amortisation of bank facility fees		**(4.7)**	(1.1)
Other finance expense[3]		**(2.2)**	(2.9)
Net interest on pension scheme liabilities	9	**(0.6)**	(0.6)
Interest on leases		**(1.5)**	(1.4)
Total finance expense		**(24.9)**	(16.9)
Net finance expense		**(17.8)**	(14.8)

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented above as discontinued operations. Refer to note 13 for further details. The total net finance expense for the Group, including discontinued operations, was £18.4m (2021: £16.5m).
2. Included within other finance income is £1.8m (2021: £1.9m) relating to exchange gains on cash, borrowings and leases and £3.2m relating to monetary gains on Hyperinflation economies (2021: £nil).
3. Included within other finance expense is £0.9m (2021: £nil) relating to loss on derivative financial instruments, £0.8m (2021: £nil) of hedge ineffectiveness, and £0.3m (2021: £2.7m) relating to exchange losses on cash, borrowings and leases.

5. Earnings per share

	Discontinued operations		Continuing operations	
	2022 £m	2021[1] £m	2022 £m	2021[1] £m
Earnings from continuing operations				
(Loss)/profit attributable to equity holders of the Company	**(156.9)**	31.8	**(31.1)**	(4.9)
Adjustments:				
Amortisation of acquired intangible assets			**10.4**	8.6
Tax on amortisation of acquired intangible assets			**(2.4)**	(2.1)
Adjusting items[2]			**26.0**	10.1
Tax on adjusting items[2]			**2.8**	(0.5)
Adjusted earnings attributable to equity holders of the Company			**5.7**	11.2

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022 and consequently, comparative information for the year ended 31 December 2021 has been re-presented. See note 13 for further details.
2. Refer to note 3 for details of adjusting items.

	2022 million	2021 million
Weighted average number of ordinary shares		
Basic weighted average ordinary shares outstanding[1]	**301.1**	301.0
Dilutive effect of employee share option plans	**2.0**	1.3
Diluted weighted average ordinary shares	**303.1**	302.3

Note:
1. The basic weighted average number of ordinary shares in issue excludes shares held in treasury and shares held by the employee benefit trust.

	2022 pence	2021[1] pence
Earnings per share from continuing operations[2]		
Basic (loss)/earnings per share	**(10.3)p**	(1.6)p
Adjustment	**12.2p**	5.3p
Adjusted basic earnings per share	**1.9p**	3.7p
Diluted (loss)/earnings per share from continuing operations	**(10.3)p**	(1.6)p
Adjustment	**12.2p**	5.3p
Adjusted diluted earnings per share from continuing operations	**1.9p**	3.7p
Earnings per share discontinued operations		
Basic (loss)/earnings per share	**(52.1)p**	10.6p
Diluted (loss)/earnings per share	**(52.1)p**	10.5p

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022 and consequently, comparative information for the year ended 31 December 2021 has been re-presented. See note 13 for further details.
2. Adjusted earnings per share from continuing operations is provided to reflect the underlying performance of the Group.

6. Investment Properties, Property, plant and equipment

	Note	2022 Total Investment properties[5] £m	2022 Land and buildings £m	2022 Plant and machinery £m	2022 Fixtures, fittings and equipment £m	2022 Total property, plant and equipment[1,2] £m	2021 Land and buildings £m	2021 Plant and machinery £m	2021 Fixtures, fittings and equipment £m	2021 Total property, plant and equipment[1,2] £m
Cost										
Beginning of year		**–**	**79.4**	**386.5**	**78.9**	**544.8**	84.8	387.2	78.4	550.4
Acquisitions	12	–	0.5	0.7	0.2	**1.4**	(0.5)	2.4	0.1	2.0
Additions		–	2.5	33.1	4.0	**39.6**	2.1	31.8	4.9	38.8
Disposals		–	(0.7)	(9.4)	–	**(10.1)**	(4.2)	(20.6)	(3.2)	(28.0)
Business disposals	13	–	(43.5)	(324.5)	(14.4)	**(382.4)**	–	–	–	–
Transfers		7.0	(7.0)	–	–	**(7.0)**	–	–	–	–
Currency translation[3]		–	6.5	39.2	3.3	**49.0**	(2.8)	(14.3)	(1.3)	(18.4)
End of year		**7.0**	**37.7**	**125.6**	**72.0**	**235.3**	79.4	386.5	78.9	544.8
Accumulated depreciation and impairment										
Beginning of year		**–**	**18.0**	**223.7**	**48.8**	**290.5**	17.2	226.0	44.7	287.9
Charge in period[6]		–	2.8	18.5	8.2	**29.5**	3.2	25.3	8.1	36.6
Disposals		–	(0.7)	(8.7)	–	**(9.4)**	(0.8)	(19.2)	(3.2)	(23.2)
Business disposals	13	–	(9.0)	(161.2)	(0.1)	**(170.3)**	–	–	–	–
Impairment[4]		–	–	0.1	0.4	**0.5**	0.2	0.5	–	0.7
Currency translation[3]		–	3.1	23.3	2.9	**29.3**	(1.8)	(8.9)	(0.8)	(11.5)
End of year		**–**	**14.2**	**95.7**	**60.2**	**170.1**	18.0	223.7	48.8	290.5
Net book value at end of year		**7.0**	**23.5**	**29.9**	**11.8**	**65.2**	61.4	162.8	30.1	254.3

Notes:
1. Included within land and buildings, plant and machinery and fixtures, fittings and equipment are assets in the course of construction of £0.3m (2021: £1.7m) which were not depreciated during the year.
2. Contractual commitments to purchase property, plant and equipment amounted to £0.3m at 31 December 2022 (2021: £0.4m).
3. Currency translation as at 31 December 2022 includes £3.2m (2021: £nil) in respect of adjustments for hyperinflation. See 'Changes in accounting policies' in note 1 'basis of preparation' for further details of the Group's application of IAS 29 during the year.
4. Property, plant and equipment with a net book value of £0.6m (2021: £1.1m) was impaired by £0.6m (2021: £1.1m) to a recoverable amount of £nil (2021: £nil), which represented fair value less cost to sell. £0.6m (2021: £0.8m) of this impairment relates to restructuring projects and has been charged to adjusting items. Furthermore, £nil (2021: £0.4m) has been written back to a recoverable amount of £nil (2021: £0.4m) and this has been charged to adjusting items. Refer to note 3 for further details of adjusting items.
5. During the year to 31 December 2022, land and buildings with a net book value of £7.0m, over which the UK Essentra Pension Plan holds security, were reclassified as investment properties. The transfer follows the disposal of the Filters business which held a pre-existing property lease arrangement with the continuing Group. At the date of disposal of the Filters business on 3 December 2022 (see note 13), the continuing Group ceased owner-occupation. Following its assessment of the remaining useful economic life associated to investment properties at the balance sheet date, the Group is depreciating owned freehold investment property at 2% on a straight-line basis. No amounts were received in respect of rental income during the year.
6. Included within the depreciation charge for the period is £13.9m (2021: £12.3m) relating to continuing operations.

7. Intangible assets

	Note	2022 Goodwill £m	2022 Customer relationships £m	2022 Other intangible assets[1,2] £m	2022 Total £m	2021 Goodwill £m	2021 Customer relationships £m	2021 Other intangible assets[1,2] £m	2021 Total £m
Cost									
Beginning of year		**354.9**	**423.2**	**26.4**	**804.5**	356.0	424.4	23.1	803.5
Acquisitions[8]	12	20.7	8.2	0.6	**29.5**	4.5	8.6	–	13.1
Additions		–	–	1.0	**1.0**	–	–	3.2	3.2
Disposals		–	–	(1.4)	**(1.4)**	–	–	–	–
Business disposals[4]	13	(271.9)	(319.2)	(2.7)	**(593.8)**	–	–	–	–
Currency translation[7]		36.4	47.1	0.9	**84.4**	(5.6)	(9.8)	0.1	(15.3)
End of year		**140.1**	**159.3**	**24.8**	**324.2**	354.9	423.2	26.4	804.5
Accumulated amortisation and impairment									
Beginning of year		**27.9**	**280.9**	**12.2**	**321.0**	27.8	264.3	9.0	301.1
Charge for the year[3]		–	16.6	3.0	**19.6**	–	22.2	2.8	25.0
Business disposals[4]	13	(214.6)	(228.0)	(1.1)	**(443.7)**				
Impairment[5]		181.6	1.1	–	**182.7**	–	–	0.3	0.3
Disposal		–	–	(0.8)	**(0.8)**				
Currency translation[7]		9.6	28.5	0.7	**38.8**	0.1	(5.6)	0.1	(5.4)
End of year		**4.5**	**99.1**	**14.0**	**117.6**	27.9	280.9	12.2	321.0
Net book value at end of year		**135.6**	**60.2**	**10.8**	**206.6**	327.0	142.3	14.2	483.5

Notes:
1. Other intangible assets principally comprise trade names acquired with Reid Supply, developed technology acquired with Richco, order backlog, software development and e-Commerce development costs. Salary costs of £0.2m (2021: £0.7m) were capitalised as part of other intangible assets during the year.
2. Included within other intangible assets at 31 December 2022, are assets in the course of construction of £nil (2021: £0.9m) which were not amortised during the year.
3. Amortisation charged on other intangible assets (which includes e-Commerce development and software development costs not acquired through a business combination), is included within operating profit before amortisation of acquired intangibles and adjusting items. Amortisation charged on customer relationships acquired in a business combination is excluded from the Group's adjusted operating profit measure. Included within the amortisation charge for the period is £13.1m (2021: £11.2m) relating to continuing operations.
4. The Group disposed of the Packaging business and the Filters business during the year to 31 December 2022. The goodwill disposed was £35.6m and £21.7m, respectively. Refer to note 13 for further details.
5. An impairment charge of £181.6m was recognised at 30 June 2022 following the Group's impairment assessment in respect of the carrying value of goodwill allocated to the Packaging business prior to its disposal. In addition, an impairment charge of £1.1m was recognised relating to intangible assets held in India following an impairment review triggered by the divestment of the Packaging business. These impairment charges have been included within the result from discontinued operations.
6. The weighted average remaining useful lives of customer relationships and other intangible assets at the end of the year were 5.8 years and 4.3 years (2021: 9.0 years and 5.2 years) respectively.
7. Currency translation as at 31 December 2022 includes £13.9m (2021: £nil) in respect of adjustments for hyperinflation. See 'Changes in accounting policies' in note 1 'basis of preparation' for further details of the Group's application of IAS 29 during the year.
8 Acquisitions includes goodwill of £20.2m and customer relationships and other intangibles of £8.8m relating to the acquisition of the Wixroyd Group, and £0.5m relating to the Hengzhu acquisition. See note 12.

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 and tangible assets for each cash generating unit or group of cash generating units as appropriate.

Goodwill is allocated to groups of cash generating units, being the operating segments, as follows:

	2022 £m	2021 £m
Components	**135.6**	96.8
Packaging – discontinued	**–**	208.5
Filters – discontinued	**–**	21.7
Total net book value of goodwill	**135.6**	327.0

7. Intangible assets continued

Customer relationships and other intangible assets are allocated to the businesses to which they relate, as follows:

Business		**2022 £m**	2021 £m
Components – Businesses of former Moss and Skiffy	Continuing	**8.3**	8.8
Components – Businesses of former Richco	Continuing	**13.4**	15.3
Components – Business of former Mesan	Continuing	**0.9**	1.4
Components – Business of former Abric	Continuing	**5.9**	6.7
Components – Business of former Micro Plastics, Inc.	Continuing	**3.8**	3.7
Components – Industrial Supply	Continuing	**0.7**	1.6
Components – Innovative Components	Continuing	**6.6**	6.6
Components – Hengzhu	Continuing	**8.3**	8.8
Components – Wixroyd Group	Continuing	**8.8**	–
Components – e-Commerce development costs	Continuing	**5.9**	6.3
Components – other businesses	Continuing	**3.7**	3.0
Components – Sweden	Continuing	**2.5**	–
Software and development costs	Continuing	**2.2**	4.5
Packaging – Americas	Discontinued	**–**	45.5
Packaging – Asia	Discontinued	**–**	1.1
Packaging – Europe	Discontinued	**–**	38.2
Packaging – Nekicesa	Discontinued	**–**	3.7
Filters	Discontinued	**–**	1.3
Total net book value of customer relationships and other intangible assets		**71.0**	156.5

Following an impairment assessment of the carrying value of intangible assets held by the Group's operations performed by management at 31 December 2022, no impairment charge was required to be recognised on the Group's continuing operations.

The impairment assessment for intangible assets (excluding goodwill) and property, plant and equipment is performed on the cash generating units within the divisions. The cash generating units are primarily the manufacturing sites. Goodwill is tested at the divisional level, which is the level that management monitor goodwill. The recoverable amount is estimated on the basis of value in use, i.e. discounted cash flows expected to be generated by the group by its cash generating units. For assets in the cash generating units assessed to be impaired, their fair value less costs to sell is also considered in determining the impairment loss to be recognised, if any. In these cases, the fair value less costs to sell is based on estimated market prices reflecting the age and condition of the asset.

The impairment tests for goodwill and intangible assets are based on the Board approved business plan (the "Plan"). Cash flow projections are over five years using the approved annual budget for the first year and subsequent years based on the Group and Divisional Strategic Plan. The Group's impairment test incorporates the following assumptions:

- The key assumptions in the cash flow projections for the Plan are revenue growth and operating margin. Operating margin is primarily based upon the historical levels achieved, adjusted by targets set for revenue expansion and cost control and reduction within the Plan period. The values assigned to these assumptions represent management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies resulting from integration activities. The annual revenue growth rate over the five year forecast period averages 6.6% with a terminal growth rate of 2.4% from 2028 onwards. The average operating profit margin over the five year forecast period is assumed to improve by 120 bps.

- The estimated cash flows are discounted using a post-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 10.8% (2021: 6.5%). The post-tax discount rate for 2022 was significantly higher than for 2021 as the rate for 2021 was a blended rate incorporating the Packaging and Filters businesses that were sold during 2022, whereas the rate for 2022 was for the Components business only, which generally had a higher discount rate than the Packaging and Filters businesses. The specific pre-tax discount rates applied for the Group on continuing operations are 11.0% (2021: 8.4% for Components).

8. Lease right-of-use asset

	2022				2021			
	Land and buildings £m	**Plant and machinery £m**	**Fixtures, fittings and equipment £m**	**Total £m**	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost								
Beginning of year	**100.5**	**13.4**	**0.4**	**114.3**	102.0	13.9	0.4	116.3
Additions, extensions and surrenders	7.6	2.7	–	**10.3**	8.2	1.8	–	10.0
Terminations	(6.9)	(1.5)	(0.1)	**(8.5)**	(6.3)	(1.7)	–	(8.0)
Business disposals	(71.2)	(12.4)	(0.2)	**(83.8)**	–	–	–	–
Acquisitions	–	–	–	**–**	2.0	–	–	2.0
Currency translation[4]	10.3	0.7	0.1	**11.1**	(5.4)	(0.6)	–	(6.0)
End of year	**40.3**	**2.9**	**0.2**	**43.4**	100.5	13.4	0.4	114.3
Accumulated depreciation and impairment								
Beginning of year	**56.6**	**7.0**	**0.3**	**63.9**	57.7	5.7	0.2	63.6
Charge for the year[3]	7.4	2.5	0.2	**10.1**	9.0	2.9	0.1	12.0
Terminations	(6.7)	(1.3)	(0.1)	**(8.1)**	(6.0)	(1.3)	–	(7.3)
Disposal of businesses	(40.4)	(6.8)	(0.2)	**(47.4)**	–	–	–	–
Impairment write back[1]	(0.6)	–	–	**(0.6)**	(1.1)	–	–	(1.1)
Currency translation[4]	4.1	0.5	(0.1)	**4.5**	(3.0)	(0.3)	–	(3.3)
End of year	**20.4**	**1.9**	**0.1**	**22.4**	56.6	7.0	0.3	63.9
Net book value at end of year	**19.9**	**1.0**	**0.1**	**21.0**	43.9	6.4	0.1	50.4

Notes:
1. During the year, an impairment write back of £0.6m (2021: impairment write back of £1.1m) was recognised in adjusting items (refer to note 3). The assets were uplifted to their recoverable amount, which represented their fair value.
2. Contractual commitments to lease property, plant and equipment amounted to £nil at 31 December 2022 (2021: £nil).
3. Depreciation charge of £10.1m in the year includes an amount of £5.6m relating to continuing operations and £4.5m relating to discontinued operations.
4. Currency translation as at 31 December 2022 includes net book value movement of £2.7m in respect of adjustments for hyperinflation. See 'Changes in accounting policies' in note 1 'basis of preparation' for further details of the Group's application of IAS 29 during the year.

9. Employee benefits

Post-employment benefits

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2021 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 amounts included in the consolidated financial statements on a total group basis (including discontinued operations) are as follows:

	2022 £m	2021 £m
Amounts expensed against operating profit		
Defined contribution schemes	**7.0**	6.9
Defined benefit schemes – current service cost	**2.0**	1.5
Defined benefit schemes – curtailment gain	**–**	(0.2)
Other post-employment obligations	**0.4**	0.4
Total operating expense	**9.4**	8.6
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets[1]	**(0.6)**	(0.2)
Net interest on defined benefit scheme liabilities[2]	**0.7**	0.8
Net finance expense[1]	**0.1**	0.6

Notes:
1. Net interest income on defined benefit scheme assets on a continuing basis (note 4) was £0.6m (2021: £0.2m)
2. Net interest expense on defined benefit scheme liabilities on a continuing basis (note 4) was £0.6m (2021: £0.6m)

Amounts recognised in the consolidated statement of comprehensive income		
Losses on defined benefit scheme assets excluding amounts in net finance income	**108.5**	0.6
Gains on changes in assumptions and experience to the present value of defined benefit scheme liabilities	**(88.0)**	(29.1)
Remeasurement losses/(gains) of defined benefit schemes	**20.5**	(28.5)

During the period, the company incurred administrative expenses totalling £2.0m which, in management's judgement, are not considered to be part of the Group's ongoing operations. As such, these expenses have been classified as adjusting items and have been presented separately (see note 3).

During 2015, the principal defined benefit pension schemes in the UK and the US were closed to future accrual. 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.

In April 2022, the Company, Essentra Components Limited and Essentra Pension Trustees Limited (the trustee of the UK Essentra Pension Plan) entered into a flexible apportionment agreement ("FAA") subject to UK legislation such that Essentra Packaging and Security Limited (a former participating employer and Group subsidiary disposed of as part of the Packaging business), and Essentra Filter Products Limited and Essentra Pte Limited (both former participating employers and Group subsidiaries disposed of as part of the Filters business) transferred all defined benefit pension liabilities to Essentra Components Limited, a continuing participating employer of the UK Essentra Pension Plan.

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 are as follows:

	2022 Europe	**2022 US**	2021 Europe	2021 US
Increase in salaries (pre-2010)[1]	**n/a**	**n/a**	n/a	n/a
Increase in salaries (post-2010)[1]	**n/a**	**n/a**	n/a	n/a
Increase in pensions[1]				
at RPI capped at 5%	**3.0%**	**n/a**	3.1%	n/a
at CPI capped at 5%	**2.7%**	**n/a**	2.7%	n/a
at CPI minimum 3%, capped at 5%	**3.3%**	**n/a**	3.3%	n/a
at CPI capped at 2.5%	**2.2%**	**n/a**	2.2%	n/a
Discount rate	**4.8%**	**5.0%**	1.9%	2.8%
Inflation rate – RPI	**3.1%**	**n/a**	3.2%	n/a
Inflation rate – CPI	**2.7%**	**n/a**	2.7%	n/a

Notes:
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%.
2. During 2021, the Group changed its methodology and assumptions relating to inflation applied to the UK defined benefit pension scheme (included within Europe) pertaining to the Retail Prices Index (RPI) and the Consumer Prices Index (CPI). This follows the government's announcement in November 2020 that RPI inflation will be aligned with CPIH inflation (CPI plus housing) from 2030. As such, the actuary derived the inflation assumption based on a 'term-based' curve approach, by weighing the Scheme's projected cash flows with the gilt-based RPI curve.
3. Due to the timescale covered, the assumptions applied may not be borne out in practice.

The life expectancy assumptions (in number of years) used to estimate defined benefit obligations at the year-end are as follows:

	2022 Europe	**2022 US**	2021 Europe	2021 US
Male retiring today at age 65	**22.0**	**20.5**	22.0	20.5
Female retiring today at age 65	**24.4**	**22.5**	24.4	22.5
Male retiring in 20 years at age 65	**23.3**	**22.1**	23.2	22.0
Female retiring in 20 years at age 65	**25.9**	**24.0**	25.8	23.9

9. Employee benefits continued

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

	2022				2021			
	Defined benefit pension scheme				Defined benefit pension scheme			
	Assets £m	**Liabilities £m**	**Other[1] £m**	**Total £m**	Assets £m	Liabilities £m	Other £m	Total £m
Beginning of year	**305.9**	**(293.1)**	**(3.8)**	**9.0**	312.0	(332.0)	(3.9)	(23.9)
Current service cost and administrative expense[2]	**(1.8)**	**(0.2)**	**(0.4)**	**(2.4)**	(1.5)	–	(0.3)	(1.8)
Employer contributions	**0.7**	**0.2**	**–**	**0.9**	6.3	0.1	–	6.4
Reduction on plan assets excluding amounts in net finance income[3]	**(108.5)**	**–**	**–**	**(108.5)**	(0.6)	–	–	(0.6)
Actuarial gains arising from change in financial assumptions	**–**	**95.5**	**-**	**95.5**	–	18.5	0.3	18.8
Actuarial gains arising from change in demographic assumptions	**–**	**(1.9)**	**–**	**(1.9)**	–	4.5	–	4.5
Actuarial (losses)/gains arising from experience adjustment	**–**	**(5.6)**	**–**	**(5.6)**	–	5.8	–	5.8
Finance income/(expense)	**6.3**	**(6.3)**	**(0.1)**	**(0.1)**	4.7	(5.1)	(0.2)	(0.6)
Benefits paid	**(11.5)**	**11.5**	**–**	**–**	(16.1)	16.1	–	–
Curtailments	**–**	**–**	**–**	**–**	–	–	0.2	0.2
Currency translation	**7.2**	**(9.4)**	**(0.1)**	**(2.3)**	1.1	(1.0)	0.1	0.2
Business disposals[4]	**–**	**0.6**	**4.2**	**4.8**	–	–	–	–
End of year	**198.3**	**(208.7)**	**(0.2)**	**(10.6)**	305.9	(293.1)	(3.8)	9.0
Defined benefit schemes – net retirement benefit assets/(obligations)		**(10.4)**				12.8		

Notes:
1. Included within the other category above are other post-employment obligations outside of Europe and the US which are required under local law and the pension schemes disposed of due to the sale of the Packaging and Filters businesses.
2. During the period, the company incurred administrative expenses totalling £2.0m which, in management's judgement, are not considered to be part of the Group's ongoing operations. As such, these expenses have been classified as adjusting items and have been presented separately (see note 3).
3. Included within reduction on plan assets is an actuarial loss of £10.8m relating to an investment decision to purchase a bulk purchase annuity ("buy-in") contract. A premium of £38.2m was paid to purchase buy-in to insure against liabilities within the UK defined benefits scheme. The loss represented the difference between the premium paid and the estimated present value of the obligations and is included within other comprehensive income.
4. The Group disposed of the Packaging business and the Filters business during the year to 31 December 2022 (refer to note 13 for further details). The participating employers in the UK Essentra Pension Plan of the divested businesses transferred their defined benefit pension liabilities to Essentra Components Limited as part of the FAA executed in April 2022.

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 measurement of the scheme liabilities as at 31 December 2022.

	(Increase)/decrease in schemes net liabilities		
	Europe £m	US £m	**Total £m**
0.5% decrease in the discount rate	(9.7)	(3.4)	**(13.1)**
1.0% increase in the rate of inflation	(8.2)	n/a	**(8.2)**
1.0% increase in rate of salary/pension increases	n/a	n/a	**n/a**
1 year increase in life expectancy	(4.8)	(1.9)	**(6.7)**
1 year decrease in life expectancy	3.3	1.9	**5.2**
0.5% increase in the discount rate	8.0	3.3	**11.3**
1.0% decrease in rate of salary/pension increases	n/a	n/a	**n/a**
1.0% decrease in the rate of inflation	6.6	n/a	**6.6**

10. Issued share capital

	2022 £m	2021 £m
Issued, authorised and fully paid ordinary shares of 25p (2021: 25p) each	**75.6**	75.6

Number of ordinary shares in issue		
Beginning of year	**302,590,708**	302,590,708
End of year	**302,590,708**	302,590,708

At 31 December 2022, the Company held 897,944 (2021: 905,157) of its own shares with a nominal value of £0.2m (2021: £0.2m) in treasury. This represents 0.3% (2021: 0.3%) of the number of ordinary shares in issue.

11. Analysis of net funding surplus/(debt)

	1 January 2022 £m	Cash flow £m	Business disposals £m	Business acquisitions £m	Lease additions £m	Exchange movements £m	Non-cash movements £m	31 December 2022 £m	1 January 2021 £m	Cash flow £m	Business combinations £m	Lease additions £m	Exchange movements £m	Non-cash movements £m	31 December 2021 £m
Cash at bank and in hand	**123.9**	**(115.7)**	**434.9**	**(27.9)**	**–**	**6.2**	**–**	**421.4**	121.5	4.2	–	–	(1.8)	–	123.9
Short-term deposits and investments	**12.4**	**5.7**	**(18.0)**	**–**	**–**	**(0.1)**	**–**	**–**	14.3	(1.7)	–	–	(0.2)	–	12.4
Cash and cash equivalents in the statement of cash flows	**136.3**	**(110.0)**	**416.9**	**(27.9)**	**–**	**6.1**	**–**	**421.4**	135.8	2.5	–	–	(2.0)	–	136.3
Derivative financial instruments hedging private placement loans[5]	**–**	**(6.5)**	**–**	**–**	**–**	**13.4**	**1.4**	**8.3**	–	–	–	–	–	–	–
Debt due within one year	**–**	**–**	**–**	**–**	**–**	**(1.2)**	**(206.8)**	**(208.0)**							
Debt due after one year	**(313.3)**	**59.2**	**–**	**–**	**–**	**(31.2)**	**200.3**	**(85.0)**	(285.2)	(24.5)	–	–	(2.5)	(1.1)	(313.3)
Lease liabilities due within one year	**(11.6)**	**14.3**	**7.5**	**–**	**(2.9)**	**(0.9)**	**(11.3)**	**(4.9)**	(11.9)	15.6	(0.3)	(2.0)	0.3	(13.3)	(11.6)
Lease liabilities due after one year	**(46.1)**	**–**	**30.1**	**–**	**(7.4)**	**(3.3)**	**8.7**	**(18.0)**	(49.1)	–	(1.7)	(8.0)	1.2	11.5	(46.1)
Debt from net financing activities	**(371.0)**	**67.0**	**37.6**	**–**	**(10.3)**	**(23.2)**	**(7.7)**	**(307.6)**	(346.2)	(8.9)	(2.0)	(10.0)	(1.0)	(2.9)	(371.0)
Net (debt)/funding surplus	**(234.7)**	**(43.0)**	**454.5**	**(27.9)**	**(10.3)**	**(17.1)**	**(7.7)**	**113.8**	(210.4)	(6.4)	(2.0)	(10.0)	(3.0)	(2.9)	(234.7)

Notes:
1. The non-cash movements in debt due after one year represents the amortisation and write down of prepaid facility fees £4.8m (2021: £1.1m amortisation of prepaid facility fees) and the revaluation of loan to fair value £1.7m. Loans of £185.0m has been reallocated to debt due within one year following an agreement to repay on demand in January 2023.
2. The net non-cash movements in lease liabilities represents lease surrenders of £0.2m (2021: £1.0m) due to renegotiated lease terms, offset by interest on leases of £2.8m (2021: £2.8m).
3. The net cash outflow relating to lease liabilities for low value, short term and variable lease payments was £0.2m (2021: £0.3m).
4. During the year £8.7m (2021: £10.5m) of lease liabilities moved from due after one year to due within one year.
5. Included within non-cash movements for derivative financial instruments hedging private placement loans is £1.4m (2021: £nil) relating to the fair value movements on cross currency interest rate swaps.

12. Acquisitions

Acquisition of Wixroyd Group

On 1 December 2022, Essentra acquired 100% of the equity interests of Wixroyd Holdings Limited (the “Wixroyd Group”), a leading UK supplier of industrial parts for the engineering sector for an initial consideration of £31.4m. The consideration payable for the Wixroyd Group comprises an initial cash consideration of £31.4m and up to £7.0m deferred earn-out consideration. The deferred earn-out consideration is conditional on achieving certain performance criteria for the 12-month period commencing 1 January 2023.

On acquisition, the assets and liabilities of the business acquired were adjusted to reflect their fair value to Essentra. The most significant fair value adjustment arising on the acquisition of the Wixroyd Group related to attributing fair value to the acquired intangible asset recognised in the form of customer relationships. In determining the fair value of the intangible asset, the Group used an external valuation specialist whose assessment considered forecast cash flows from the Wixroyd Group’s customer contracts, expected attrition rates based on an analysis of historic customer sales data, and the application of an appropriate discount rate specific to the customer relationship asset. The resulting analysis indicated a provisional fair value for the customer relationships asset of £8.2m, with a corresponding provisional deferred tax liability in relation to the intangible asset of £1.4m.

Under IFRS 3 *Business Combinations*, the fair value of assets and liabilities must be finalised within a 12-month “measurement period” from the date of acquisition. At the reporting date, the purchase price allocation and fair value adjustments are provisional.The acquired business contributed revenues of £0.7m and net profit of £0.1m to the Group for the period from 1 December to 31 December 2022 and these results are included within these consolidated financial statements. Had the acquisition completed on 1 January 2022, the contribution to the Group’s revenue and operating profit would have been £10.5m and £2.8m higher respectively.

Acquisition-related costs of £0.3m are included within adjusting items in the consolidated income statement (see note 3) and in operating cash flows in the consolidated statement of cash flows.

The Groups’ provisional assessment of the fair value of the assets and liabilities recognised as part of the acquisition of the Wixroyd Group are detailed below:

	Provisional fair value £m
Intangible assets[1]	**8.8**
Property, plant and equipment	**1.4**
Inventories	**2.3**
Trade and other receivables	**1.6**
Corporation tax receivable	**0.4**
Cash and cash equivalents	**3.5**
Corporation tax payable	**(0.4)**
Trade and other payables	**(2.0)**
Deferred tax liabilities	**(1.8)**
Net identifiable assets acquired	**13.8**
Goodwill[2]	**20.2**
Total consideration	**34.0**
Cash consideration	**31.4**
Deferred consideration[3]	**2.6**
Total consideration	**34.0**

Note
1. Intangible assets comprises customer relationships of £8.2m and other intangible assets of £0.6m.
2. Goodwill recognised of £20.2m represents the expected operating and financial synergies, and the value of the assembled workforce acquired. Goodwill is not deductible for tax purposes.
3. Includes £0.2m relating to an amount withheld pending resolution of an uncertain tax position.

Acquisition of Hengzhu

On 2 August 2021, Essentra acquired the trade and assets of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), an access hardware manufacturer and distributor in China via an newly incorporated entity, Essentra Hengzhu Precision Components Co Ltd, which acquired 100% of the business for ¥103m (approximately £11.8m). Essentra had subscribed and paid up 73% of the issued share capital of Essentra Hengzhu Precision Components Co Ltd with the remaining 27% stake subject to put and call options exercisable 6 months after issuance of the subsidiary’s audit report for 2022. The remaining 27% stake does not confer any shareholder right (including, entitlement to dividends and right to transfer to other parties) to the vendor shareholder. Therefore it is concluded that the amount payable under the put option of £4.7m (2021: £4.2m) in substance represents deferred consideration and is accounted for as a financial liability. No non-controlling interest is recognised in respect of this acquisition.

Acquisition of Micro Plastics

On 12 December 2017, Essentra acquired 100% of the share capital of Micro Plastics, Inc.
The transaction was settled with cash consideration of £19.7m and deferred consideration of £3.7m, of which £1.3m (2021: £1.2m) remains payable to the vendor.

13. Discontinued operations

On 1 October 2022, the Group completed its sale of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies (together the 'Packaging business'). On 3 December 2022, the Group also completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business'). The results of the Packaging business and the Filters business have been classified as discontinued operations at 31 December 2022 and comparative information has been re-presented. Financial information relating to these discontinued operations for the period to their respective dates of disposal, is set out below. On 28 September 2022 the Group also completed the sale of its Packaging business in India for cash consideration of £1.1m on net assets of £2.2m, resulting in a loss on disposal of £1.1m, which has been included in the loss on disposal reported below.

Total (loss)/profit for the year from discontinued operations

The Group recognised a total £152.7m loss (2021: £33.2 profit) for the year from discontinued operations as reported in the consolidated income statement.

	2022			2021[1]
	Packaging business £m	Filters business £m	Total £m	Total £m
Total consideration received or receivable[2]	294.1	161.1	**455.2**	–
Net assets disposed	(300.6)	(180.1)	**(480.7)**	–
Costs of disposal	(23.4)	(27.2)	**(50.6)**	–
Recycling of non-controlling interest	–	18.4	**18.4**	–
Recycling of foreign currency translation reserve	27.5	11.2	**38.7**	–
Loss on disposal of discontinued operations before tax	**(2.4)**	**(16.6)**	**(19.0)**	–
Income tax on disposal	–	–	**–**	–
(Loss)/profit for the period after tax[3]	(173.6)	39.9	**(133.7)**	33.2
Total (loss)/profit for the year from discontinued operations	**(176.0)**	**23.3**	**(152.7)**	33.2

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these discontinued operations have been re-presented.
2. Total consideration of £161.1m in respect of the Filters business includes £10.6m in respect of the fair value of contingent consideration receivable, included within long-term receivables.
3. This represents the (loss)/profit for the period for operations up until the date of disposal including an impairment of goodwill in respect of the Packaging business of £181.6m recorded in June 2022 by reference to the fair value less costs to dispose established by the sale and purchase agreement signed with the buyer on 24 June 2022.

Net assets disposed

The assets and liabilities of the disposed businesses were as follows:

	2022		
	Packaging business £m	Filters business £m	Total £m
Property, plant and equipment	123.1	89.0	212.1
Lease right-of-use assets	19.8	16.6	36.4
Intangible assets	126.8	23.3	150.1
Long-term receivables	1.9	1.7	3.6
Deferred tax assets	7.7	1.4	9.1
Income tax receivable	0.3	0.1	0.4
Inventories	47.0	56.6	103.6
Trade and other receivables[1]	93.6	66.7	160.3
Cash and cash equivalents	11.8	33.9	45.7
Total assets	**432.0**	**289.3**	**721.3**
Trade and other payables	80.1	71.1	151.2
Lease liabilities due less than one year	4.3	3.2	7.5
Lease liabilities due greater than one year	15.5	14.6	30.1
Retirement benefit obligations	0.6	4.2	4.8
Provisions	2.3	0.2	2.5
Deferred tax liabilities	26.5	10.9	37.4
Income tax payable	2.1	5.0	7.1
Total liabilities	**131.4**	**109.2**	**240.6**
Net assets disposed	**300.6**	**180.1**	**480.7**

Notes:
1. Trade and other receivables are stated after provisions of £2.3m.

13. Discontinued operations continued

Income statement analysis of discontinued operations:

	2022			2021[1]		
	Packaging business £m	**Filters business £m**	**Total discontinued operations £m**	Packaging business £m	Filters business £m	Total discontinued operations £m
Revenue	**319.1**	**334.8**	**653.9**	362.4	295.6	658.0
Operating (loss)/profit[2]	**(184.7)**	**47.6**	**(137.1)**	6.6	35.4	42.0
Finance income	0.1	1.4	**1.5**	–	0.6	0.6
Finance expense	(0.6)	(1.5)	**(2.1)**	(1.0)	(1.4)	(2.4)
(Loss)/profit before tax	**(185.2)**	**47.5**	**(137.7)**	5.6	34.6	40.2
Income tax credit/(expense)	11.6	(7.6)	**4.0**	(2.6)	(4.4)	(7.0)
(Loss)/profit for the period after tax	**(173.6)**	**39.9**	**(133.7)**	3.0	30.2	33.2

Note:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these discontinued operations have been re-presented.
2. The operating result of discontinued operations is stated after impairment charges of £182.7m. An impairment charge of £181.6m was recognised at 30 June 2022 following the Group's impairment assessment in respect of the carrying value of goodwill allocated to the Packaging business prior to its disposal. In addition, an impairment charge of £1.1m was recognised relating to intangible assets held in India following an impairment review triggered by the divestment of the Packaging business.

Cash flow information from discontinued operations:

	2022			2021
	Packaging business £m	**Filters business £m**	**Total £m**	Total £m
Cash consideration	**299.5**	**163.1**	**462.6**	–
Cash and cash equivalents disposed	**(11.8)**	**(33.9)**	**(45.7)**	–
Proceeds from disposal of businesses net of cash disposed	**287.7**	**129.2**	**416.9**	–
Net cash inflow from operating activities	**24.0**	**35.7**	**59.7**	66.1
Net cash inflow from investing activities	**255.8**	**103.0**	**358.8**	(19.7)
Net cash outflow from financing activities	**(4.6)**	**(5.7)**	**(10.3)**	(7.5)
Increase in cash and cash equivalents	**275.2**	**133.0**	**408.2**	38.9

14. Dividends

	Per share		Total	
	2022 p	2021 p	**2022 £m**	2021 £m
2021 interim: paid 29 October 2021	**–**	2.0	**–**	6.0
2021 proposed final: paid 1 June 2022	**–**	4.0	**–**	12.1
2022 interim: paid 28 October 2022	**2.3**	–	**6.9**	–
2022 special dividend: payable 27 April 2023	**29.8**	–	**90.0**	–
2022 proposed final: payable 30 June 2023	**1.0**	–	**3.0**	–

As announced by the Group on 2 February 2023, Essentra intends to pay a special dividend of £90m on 27 April 2023 to shareholders on the register of the Company on 21 March 2023. The ordinary shares were quoted ex-dividend on 20 March 2023.

Subject to approval at the Annual General Meeting on 3 May 2023, the proposed final dividend for the year ended 31 December 2022 will be paid on 30 June 2023 to shareholders on the register of the Company on 19 May 2023. The ordinary shares will be quoted ex-dividend on 18 May 2023.

15. Related parties

Other than the compensation of key management, Essentra has not entered any material transactions with related parties since the last Annual Report.

ITC Essentra Limited was 50% owned by the Group until its disposal on 3 December 2022. Until that date, its results were fully consolidated within the Group's results as it was deemed Essentra had control up to the date of disposal by virtue of its having control of the board. At the date of disposal, the entity had gross assets of £34.0m (31 December 2021: £27.6m) and gross liabilities of £14.6m (31 December 2021: £9.9m). Operating profit for the period to disposal was £6.9m (2021: £5.0m) and cash decreased by £0.5m (2021: £0.8m increase).

China Tobacco Essentra (Xiamen) Filters Co., Ltd was 49% owned by the Group until its disposal on 3 December 2022. Until that date, its results were fully consolidated within the Group's results as it was deemed Essentra had control up to the date of disposal by virtue of its having control of the board. As the date of disposal, the entity had gross assets of £30.0m (31 December 2021: £20.3m) and gross liabilities of £12.7m (31 December 2021: £5.4m). Operating profit for the period to disposal was £2.4m (2021: £0.8m loss) and cash decreased by £0.9m (2021: £0.2m).

16. Adjusted performance measures

The Group presents alternative performance measures including adjusted operating profit, adjusted operating profit after allocation of central costs, adjusted operating cash flow and adjusted earnings per share, which are not defined or specified in accordance with UK adopted International Financial Reporting Standards. These non-GAAP measures enable management to reflect the underlying performance of the continuing operations of the Group and provides investors with a more meaningful comparison of how the business is managed and measured on a periodic basis.

The adjusted performance measures presented below cannot be derived directly from the Group's consolidated financial statements and therefore, a reconciliation of the adjusted performance measure to the most directly comparable reported measure in accordance with UK adopted International Financial Reporting Standards has been provided.

Reconciliation to the Group's adjusted profit measures

Continuing operations		2022 £m	2021 £m
Operating (loss)/profit	Reported statutory measure	**(11.3)**	7.7
Amortisation of acquired intangible assets		**10.4**	8.6
Adjusting items	Note 3	**26.0**	10.1
Adjusted operating profit	Adjusted performance measure	**25.1**	26.4
Finance income	Note 4	**7.1**	2.1
Finance expenses	Note 4	**(24.9)**	(16.9)
Adjusted profit before income tax	Adjusted performance measure	**7.3**	11.6
Tax on adjusted profit		**(1.6)**	(0.4)
Adjusted net income	Adjusted performance measure	**5.7**	11.2

Reconciliation of reported statutory measures to the Group's segment analysis

		2022					2021				
		Components £m	Central Services £m	Continuing Operations £m	Discontinued Operations £m	Total £m	Components £m	Central Services £m	Continuing Operations £m	Discontinued Operations £m	Total £m
Operating (loss)/profit	Reported statutory measure	40.9	(52.2)	**(11.3)**	(137.1)	**(148.4)**	47.9	(40.2)	7.7	42.0	49.7
Adjusting items	Note 3	12.4	13.6	**26.0**	–	**26.0**	0.4	9.7	10.1	–	10.1
Amortisation and impairment of acquired intangible assets		10.4	–	**10.4**	189.2	**199.6**	8.6	–	8.6	13.8	22.4
Adjusted operating profit	Adjusted performance measure	63.7	(38.6)	**25.1**	52.1	**77.2**	56.9	(30.5)	26.4	55.8	82.2

Notes:
1. The Group disposed of the Packaging business and the Filters business during the year ended 31 December 2022. The results of these operations have been re-presented above as discontinued operations.

16. Adjusted performance measures continued

Net funding surplus/(debt)

Net funding surplus/(debt) is defined as cash and cash equivalents (including short-term liquid investments) and derivatives against hedging placement loans, net of lease liabilities and interest-bearing loans and borrowings. It is a measure that provides additional information on the Group's financial position.

		2022 £m	2021 £m
Cash and cash equivalents	Reported statutory measure	**421.4**	136.3
Debt liabilities	Note 11	**(293.0)**	(313.3)
Lease liabilities	Note 11	**(22.9)**	(57.7)
Derivative financial instruments hedging placement loans	Note 11	**8.3**	–
Net funding surplus/(debt)	Adjusted performance measure	**113.8**	(234.7)

Reconciliation to the Group's adjusted operating cash flow measure

Adjusted operating cash flow from continuing operations is presented to exclude the impact of tax, adjusting items, interest and other items not impacting operating profit. Net capital expenditure is included in this measure as management regards investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Group, except amounts relating to adjusting items.

		2022 £m	2021 £m
Net cash inflow from operating activities	Reported statutory measure	**64.0**	63.2
Adjusted for: net cash outflow from discontinued operations	Note 24	**(59.7)**	(66.1)
Operating net cash inflow/(outflow) from continuing activities		**4.3**	(2.9)
Cash outflow from adjusting items		**23.7**	23.9
Tax paid on continuing operations		**5.0**	4.7
Adjustments for pension contributions		**–**	4.8
Net capex expenditure on continuing operations		**(12.8)**	(12.7)
Adjusted operating cash flow from continuing operations	Adjusted performance measure	**20.2**	17.8

		2022 £m	2021 £m
Adjusted operating profit from continuing operations	Adjusted performance measure	**25.1**	26.4
Depreciation of property, plant and equipment		**13.9**	12.3
Lease right-of-use asset depreciation		**5.6**	5.4
Amortisation of non-acquired intangible assets		**2.7**	2.6
Share option expense		**1.4**	(0.7)
Other non-cash items[1]		**(1.5)**	(0.5)
Working capital movements		**(14.2)**	(15.0)
Net capital expenditure		**(12.8)**	(12.7)
Adjusted operating cash inflow from continuing operations	Adjusted performance measure	**20.2**	17.8
Reconciliation of cash flows from adjusting items:			
Adjusting items		**26.0**	10.1
Non-cash credit/(charge) in adjusting items		**(2.0)**	6.6
Cash outflow on adjusting items recognised in the year		**24.0**	16.7
Utilisation of prior year and acquired accruals and provisions		**(0.3)**	7.2
Cash outflow from adjusting items	Adjusted performance measure	**23.7**	23.9

Notes:
1. Other non-cash items comprise impairment of fixed assets £0.5m (2021: £0.2m), inflow from hedging activities and other movements £1.1m (2021: £0.5m outflow), movement in provisions £0.1m (2021: less £0.2m) and less movement due to hyperinflation £3.2m (2021: £nil).

17. Post balance sheet events

As a consequence of the business disposals, the Group was required to repay $247m of its US Private Placement Loan Notes, classified as current liabilities at the balance sheet date, which were repaid in full during January 2023.

18. Financial risk management

Total financial assets and liabilities

The table below sets out the Group's accounting categories and fair value for each class of financial asset and liability:

	2022 Fair value £m	2022 Amortised cost £m	2022 Total carrying value £m	2021 Fair value £m	2021 Amortised cost £m	2021 Total carrying value £m
Trade and other receivables[2]	–	**63.0**	**63.0**	–	169.9	169.9
Cash and cash equivalents	–	**421.4**	**421.4**	–	136.3	136.3
Interest bearing loans and borrowings[3]	–	**(293.0)**	**(293.0)**	–	(313.3)	(313.3)
Lease liabilities	–	**(22.9)**	**(22.9)**	–	(57.7)	(57.7)
Trade and other payables	–	**(82.0)**	**(82.0)**	–	(167.7)	(167.7)
Level 2 of fair value hierarchy						
Derivative assets[5]	**8.5**	–	**8.5**	1.2	–	1.2
Derivative liabilities[5]	**(1.3)**	–	**(1.3)**	(0.1)	–	(0.1)
Level 3 of fair value hierarchy						
Trade receivables subject to factoring	–	–	–	4.0	–	4.0
Other financial assets[6]	**11.6**	–	**11.6**	–	–	–
Other non-current financial liabilities[4]	**(2.4)**	–	**(2.4)**	(5.6)	–	(5.6)
Other current financial liabilities[7]	**(24.1)**	–	**(24.1)**	–	–	–
Total	**(7.7)**	**86.5**	**78.8**	(0.5)	(232.5)	(233.0)

Notes:

1. Financial assets and liabilities held at amortised cost mostly have short terms to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.
2. Total trade and other receivables carried at £66.4m (2021: £175.2m) include prepayments of £3.4m (2021: £6.5m) which are not financial assets and are therefore excluded from the above analysis.
3. Included within interest bearing loans and borrowings are $350m (2021: $350m) US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £293.0m (2021: £257.7m). The Group estimates that the total fair value of the Loan Notes at 31 December 2022 is £277.7m (2021: £270.5m). Unsecured bank loans amounting to £nil (2021: £55.6m), 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.
4. Included other non-current financial liabilities (classified as level 3 in the fair value hierarchy), is an amount of £2.4m representing deferred consideration payable in respect of acquisitions (2021: £5.6m).
5. Fair values of forward foreign exchange contracts and cross currency interest rate swaps have been calculated at year end forward exchange rates compared to contracted rates using observable market data from third party financial institutions.
6. Other financial assets, included within long term receivables of £11.6m (2021: £5.2m), includes deferred contingent consideration receivable amounting to £10.6m following the disposal of the Filters business. The consideration, which is structured as an earn-out, has been classified as a long-term receivable in the consolidated financial statements. The fair value has been determined at the completion date based on management's best estimate of the Filters business achieving future performance targets to which the earn-out is linked with forecast earnings being a critical unobservable input into the fair value measurement. Management have assessed and concluded that any difference in fair value between completion date and 31 December 2022 would be immaterial.
7. Other current financial liabilities include £18.0m which represents management's best estimate of the combined expected settlement payable by the Group through the respective completion accounts mechanisms linked to both the Filters business and Packaging business disposals. The amount recognised is based on the facts and circumstances that were present and known at the balance sheet date. Other current financial liabilities also include £6.1m (2021: £nil) in respect of acquisitions.
8. During the year, a fair value loss of £nil (2021: £nil) was recognised in respect of financial instruments at level 3 fair value hierarchy, and £nil (2021: £nil) was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

19. Cautionary forward-looking statements

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

20. Directors' responsibility statement

We confirm that to the best of our knowledge

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the announcement includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces

On behalf of the Board