ESSENTRA PLC

(“Essentra”, the “Group” or the “Company”)

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2023

A resilient FY 2023 performance, progressing towards medium-term targets

Financial highlights

	2023 £m	2022[2] £m	change Actual FX	change Constant FX
Revenue	316.3	337.9	-6.4%	-4.4%
Adjusted[1] operating profit	43.2	25.1	+72.1%	+85.3%
Adjusted[1] operating margin	13.7%	7.4%	+630bps	+660bps
Adjusted[1] pre-tax profit	40.7	7.3	>100%	>100%
Adjusted[1] basic earnings per share	10.6p	1.9p	>100%	>100%
Adjusted[1] net cash flow from operating activities	48.2	20.2	>100%	>100%
Reported operating profit / (loss)	10.9	(11.3)	-	-
Reported pre-tax profit / (loss)	8.4	(29.1)	-	-
Reported net profit / (loss)	5.8	(31.1)	-	-
Reported profit / (loss) per share	2.0p	(10.3)p	-	-
Dividend per share	3.6p	3.3p	+9.1%	-
Reported net cash inflow from operating activities[3]	33.3	4.3	>100%	>100%
Free cash flow[3]	37.3	5.7	>100%	>100%
Net debt / (funding surplus)[4]	62.5	(113.8)	-	-
Net debt / (funding surplus) to adjusted EBITDA[4,5]	1.0x	(2.3)x	-	-

Presented on a continuing operations basis

Financial and operational resilience

- FY 2023 adjusted[1] operating profit in line with expectations
- Revenue of £316.3m (2022: £337.9m); 4.4% decline at constant currency
- Adjusted[1] operating profit increased to £43.2m (2022: £25.1m)
- Adjusted[1] operating margin expansion to 13.7% (2022: 7.4%)
- Strong pricing sustained, offsetting inflation
- Pro-active approach to cost management across the Group
- Central corporate costs re-sized, in line with the c.£13m run rate previously guided
- Strategically aligned bolt-on acquisition of BMP TAPPI, completed in October 2023, demonstrating continued momentum of Essentra’s inorganic strategy

Strong balance sheet and cash generation, enabling investment in growth

- Excellent adjusted[1] net cash flow from operating activities of £48.2m; conversion of 111.6% (2022: 80.5%)
- Reported net cash inflow from operating activities of £33.3m (2022: £4.3m)
- Net debt of £62.5m, representing leverage of 1.0x adjusted EBITDA[4] (incl. IFRS 16 lease liabilities of £30.9m)
- Healthy bolt-on acquisition pipeline; Management remains disciplined in the current environment
- Delivering on the commitment to return £150m to shareholders. £89.8m special dividend paid in April 2023, and 40% of the £60m share buyback programme completed as of 31 December 2023
- Recommended final ordinary dividend of 2.4p per share, resulting in a full year dividend of 3.6p per share, representing dividend cover in the order of 3.0x earnings

Confidence in delivering medium-term guidance

- 2024 performance to date is in line with expectations
- Essentra remains focussed on enhancing its hassle-free customer proposition, delivering strong profit margins and cash conversion, and continues to invest in growth initiatives, whilst delivering on its sustainability goals
- The business is well positioned for when volume growth returns to normalised levels. Management anticipates 2024 performance will be weighted towards a recovery in the second half
- The Group remains confident of making further progress towards its medium-term targets in 2024

1 On a continuing operations basis, before amortisation of acquired intangible assets and adjusting items. Further details can be found in Note 3 of the Condensed Consolidated Financial Statements.

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

3 A reconciliation of free cash flow and net cash inflow from operating is set out in the Financial Review section.

4 Adjusted 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.

5 Presented including lease liabilities.

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

"2023 saw the delivery of Essentra's first year as a pure-play components business. The Group navigated challenges within the external demand environment, and achieved a resilient financial and operational performance. These results demonstrate the strength of our business model, our agile approach to operations and pro-active cost control, whilst making strategic progress, highlighting the strength of our people in managing the business through economic cycles.

The Group is making progress towards its medium-term targets. In 2023, we delivered good margin progression, organic and M&A investment and right-sized the corporate cost base. Our cash conversion is in excess of 100%, and the balance sheet remains strong. We continue to focus on our hassle-free service for our customers, and continue to demonstrate the link between employee engagement and customer satisfaction. Our NPS score increased by 6 points to 40, and I am very pleased to see employee engagement at industry leading levels of 82%.

The business has taken steps in 2023 to ensure it is well positioned to benefit from a recovery in our end-markets. Trading to date is in line with our expectations, and is showing greater stability. We have seen momentum in new order intake trends, and anticipate an improvement in volumes in the second half of the year. Management remain confident in making further progress towards our medium-term targets in 2024."

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 09:00am (UK time, registration from 08:30am) on Tuesday 19 March 2024 at Deutsche Numis, 45 Gresham St, London EC2V 7BF.

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 c.3,000 employees, 14 manufacturing facilities, 24 distribution centres and 33 sales & service centres serving c.69,000 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

A resilient performance.

The Group delivered revenues of £316.3m in 2023, a reduction of 6.4% compared to the previous year (4.4% decline on a constant currency basis). Organic sales reduced by 8.2% year on year reflecting wider macro-environment trends, partly offset from a contribution to revenue of 3.8% from the acquisitions of the Wixroyd Group ("Wixroyd") and BMP s.r.l ("BMP TAPPI").

In its first year as a pure-play Components business, Essentra demonstrated financial resilience. Adjusted operating margins significantly expanded to 13.7% (2022: 7.4%) and adjusted operating profit grew to £43.2m, from £25.1m in 2022. Strong pricing delivery through the year enabled the business to offset cost inflation and mitigate a portion of the volume reductions driven by the wider macro-environment.

The Group completed a review of corporate costs during the year, and successfully right-sized the central and corporate functional costs. £11.6m of central corporate costs were recognised in the period compared to £23.1m in the previous year and the ongoing run rate cost is in line with guidance of c.£13m. A one-off cost of £1.3m was incurred relating to the restructuring of the business and has been reported within adjusting items.

In 2023 the Group responded to changes in the macro-environment by adjusting capacity to match demand and maintaining its agile approach to operations and costs, demonstrating the strength of its unique business proposition. Essentra's global manufacturing and distribution footprint provides the flexibility to adjust demand where appropriate, and the Group remains well positioned for when volume growth returns to normalised levels.

The Group is extremely pleased that the focus on improving the service to its customers is reflected in the 2023 On Time In Full ("OTIF") metric which increased to 82.2% (2022: 78.2%) and the 2023 Net Promoter Score ("NPS") which increased to 40 (2022: 34). Closely linked to customer satisfaction, employee engagement remains above benchmark levels at 82% (2022: 83%).

In 2023, Essentra maintained momentum with its inorganic strategy. Following the successful acquisition and integration of Wixroyd in December 2022, Essentra announced the completion of the acquisition of BMP TAPPI in October 2023. BMP TAPPI is a complementary and strategically aligned bolt-on acquisition that will strengthen and enhance the Group's existing core product range, further expand the Group's manufacturing footprint in Europe, and deliver attractive cost and revenue synergies. This acquisition demonstrates Essentra's disciplined approach to deal rationale with focus on bolt-on acquisitions, targeting new product capabilities that can be cross-sold, including existing suppliers of sourced products. We continue to actively monitor the bolt-on acquisition pipeline, and Management remain disciplined in the current environment.

The balance sheet remains strong and is supported by excellent cash flow of £48.2m equating to conversion of 111.6% (2022: 80.5%). Adjusted EBITDA to net debt leverage of 1.0x including IFRS 16 lease liabilities is within the previously guided medium-term target range of 0x – 1.5x, and Essentra remains well positioned to support future organic growth opportunities and drive further value-enhancing investment with bolt-on M&A.

Group strategy and medium-term targets.

Essentra continues to be well positioned, with a unique business model in a highly fragmented market combining manufacturing and distribution, enabling breadth and depth of product offer alongside a hassle-free customer offering. The business is diversified, with a high margin and scope to expand through scale and operational effectiveness. With strong returns, and cash conversion, the business is able to further drive growth through value enhancing M&A and has a disciplined approach to acquisitions, integrating eleven acquisitions in the previous thirteen years.

In November 2022, Management presented a clear strategy to drive organic growth and market share gains. The ambition of the business is to double the revenue and triple operating profits in the medium-term, with clear metrics to achieve our strategy, supported by:

- A clear strategy to drive market share gains, supported by a leading market position in a highly fragmented market
- Margin expansion from scale, operating efficiencies, and pricing initiatives

- A highly cash generative business with continued focus on working capital management and a strong balance sheet
- A clear capital framework to drive further shareholder returns.

In 2023, the Group demonstrated progress towards this strategy, and the medium-term target set. The medium-term financial targets are:

Metric	Medium-Term Target	FY23 Actual
Organic revenue	>5% CAGR	-8.2%
Inorganic revenue	>5% CAGR	+3.8%
Adjusted operating margin	c.18%	13.7%
Operating cash conversion	>85%	111.6%
Net debt to adjusted EBITDA	0x – 1.5x	1.0x
ROIC	>15.0%	12.4%
Dividend	Maintain dividend cover in the order of 3.0x earnings	3.6p 2.9x cover

ERP implementation progress. The business continues to roll out the ERP programme and Management focus is on fully implementing in Europe, which is our largest region. In January 2024 the new ERP was deployed across all five Eastern European operations, including the distribution hub in Lodz, Poland. This latest implementation benefitted from the learnings of previous roll outs, and the existing live sites were able to benefit from operational improvements. Progress in 2024 will focus on further implementation in European markets in a measured manner, shaped to capture benefits efficiently. The costs in 2023 were £10.8m and in 2024 will be c.£10m. This more measured approach over a longer time period will provide greater delivery assurance and same projected benefits.

Board Changes. As announced separately today, Jack Clarke has informed the Board of his decision to retire as Chief Financial Officer and Executive Director of the Company. Jack joined Essentra in April 2022 and during his tenure has completed the strategic reviews and transitional arrangements that led to the successful sale of the Company's Packaging and Filters businesses, and the subsequent launch of Essentra as a pure-play components business. Jack will continue in his role until a successor is in place to ensure a smooth transfer of responsibilities.

Strengthened Group Executive team. Following its first year as a pure-play components business, the Group has made changes in 2024 to the Group Executive Committee ("GEC") to support the continued progress towards its medium-term targets.

Richard Sederman has been appointed as APAC Managing Director, effective from January 2024. Richard has worked with Essentra for more than 20 years and has been pivotal in the Components division acquisitions, including the recent acquisitions of BMP TAPPI and Wixroyd in EMEA, as well as the acquisition of Henzghu in China, and supported the integration of the Abric security seals business in 2014. Chris Brooks has been appointed as President of the Americas effective from February 2024. Chris was previously President of X-Rite, a former Danaher operating company, and brings a wealth of experience with a diverse industrial manufacturing background. He has more than 20 years of experience as a general manager of global operations and holds various functional enterprise expertise.

Shareholder returns. The Board announced a £60m share buyback programme in February 2023, funded through the residual net transaction proceeds from the disposals of its Filters and Packaging businesses, which completed in Q4 2022. During 2023, a total of 13.36m shares were purchased, at an average purchase price of 179.5 pence per share, totalling £24.0m. As at 31 December 2023, the programme was c.40% complete. Of the shares purchased, 4.14m were transferred into treasury, and 9.22m have subsequently been cancelled, which represented 3.1% of the issued share capital of the Company (excluding treasury shares) when the programme commenced.

The Board remains committed to the share buyback programme. The finalisation of the programme will be flexible and is dependent on the Group's capital allocation opportunities and priorities, notably acquisitions. It is now anticipated that the buyback will remain in place beyond the current financial year.

As previously announced, and financed through the net proceeds arising from the disposal of the Filters and Packaging businesses, on 27 April 2023, the Company paid a special dividend of £89.8m to shareholders, representing approximately 29.8 pence per ordinary share.

Ordinary Dividend. The Board of Directors is recommending a final ordinary dividend of 2.4p per share, resulting in a 9% increase in total dividend for FY 2023 to 3.6p (2022: 1.0p final; 3.3p total). The full year dividend is in line with the Board's commitment to a progressive dividend policy, maintaining dividend cover in the order of three times earnings.

The final dividend will be paid on 5 July 2024 to shareholders on the share register at the record date, being 17 May 2024. The ex-dividend date will be 16 May 2024. 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 14 June 2024.

Outlook

Trading at the start of 2024 is in line with expectations. The business is seeing greater stability and is encouraged by orderbook momentum in all three regions. The business has taken steps in 2023 to ensure it is well positioned in 2024 to benefit from a recovery in our end-markets, with a right-sized cost base and robust operations to deliver operating leverage. Management anticipate performance to be second half weighted given the short-term market environment.

Whilst EMEA is seeing a soft macro-economic environment as previously guided and a strong Q1 2023 comparative performance, quarter on quarter trends continue to improve sequentially. The Americas region is seeing a more notable improvement in trading performance, consistent with the trend seen towards the end of Q4 2023 and distributor destocking behaviour is stabilising. APAC continues to recover at a gradual pace.

Management remains confident that Essentra's robust and differentiated business model will support further progress towards its medium-term targets in 2024. It's global manufacturing and distribution footprint, market-leading positions and focus on delivering excellent customer service will support ongoing organic growth and profitability, whilst the continued strength of the balance sheet will drive investment in value enhancing growth initiatives, and disciplined bolt-on M&A.

Regional Review

EMEA

	2023	**% growth**	**% growth**
	£m	**Actual FX**	**Constant FX**
Revenue	170.8	+2.3	+4.8
Gross profit	87.5	+3.6	+5.3
Gross margin	51.2%	+60bps	+20bps

Revenue for the full year was £170.8m, a 4.8% increase on a constant currency basis, compared to the prior year. EMEA reported a broadly flat revenue performance in the first half, with a 0.1% decline on a constant currency basis compared to H1 2022. Whilst there has been evidence of softening market trends since the end of Q2 2023, in line with the wider macro-economic environment, comparatives eased through the second half reporting 10.9% growth compared to H2 2022. On a LFL basis, after adjusting for the acquisition of Wixroyd and BMP TAPPI, the region reported a decline of 2.9%.

Western Europe and Germany in particular saw lower volumes in line with wider industrial production trends, whilst Turkey and Middle East and North Africa have continued their growth trajectory. Eastern Europe including the Nordics region remained robust. EMEA as a whole continues to invest in high growth markets, with particular focus on operations in Turkey. The electrification end-market trends continued to gain momentum, benefiting access hardware product categories. Power generators, data servers and renewable energy remain the fastest growing markets.

The region benefitted from two acquisitions in a thirteen-month period. Wixroyd, acquired in December 2022, performed in line with Management expectations, with cross-sell building traction in Europe. Integration plans for BMP TAPPI, acquired in October 2023, are on track and will further strengthen Essentra's product portfolio, enhancing the Group's manufacturing footprint in Europe.

Enhancing customer service remained a focus throughout the year, and the region has placed greater emphasis on stock availability. The region is pleased to see an NPS improvement of 4 points to 40, and an OTIF improvement of 120bps to 83.5% year on year.

Gross margins remained strong at 51.2% for the full year. The region as a whole remained dynamic by adjusting capacity at regional manufacturing and distribution facilities to meet demand, improving operational efficiency. Whilst energy prices and labour costs remained high throughout the year, customer pricing offset inflation and pro-active cost control supported the mitigation of volume declines.

AMERICAS

	2023 **£m**	**% growth** **Actual FX**	**% growth** **Constant FX**
Revenue	106.2	-13.9	-13.4
Gross profit	40.3	-14.6	-13.4
Gross margin	37.9%	-30bps	-10bps

Revenue for the full year was £106.2m, a 13.4% reduction on a constant currency basis compared to the prior year. As described at the half year and in recent trading updates, distributors experienced destocking in the first six months of the year, which led to a 12.6% decline in H1 on a constant currency basis. Throughout H2 the region focused on the normalisation of distributor volumes, and whilst H2 saw a decline of 14.4% on a constant currency basis, the general industrial environment showed signs of stability in Q4 with some customers returning to normalised levels of ordering patterns at the end of the year.

Whilst electronics industries continued to be subdued, automotive demand remained stable in the second half, as supply chains recovered from previous component shortages. The region continued to focus on driving new business across the customer base, including cross-sell and new customer acquisition. The region is encouraged by new customer growth within the seals product range, with re-negotiated contracts maintaining positive momentum into 2024.

The region expanded its operational footprint in 2023. Near-shoring opportunities were accelerated, enabled by the opening of the manufacturing facility in Monterrey, Mexico which commenced operations in H2, building manufacturing presence to support wider growth plans, and bringing production closer to customer demand. The region also invested in manufacturing capabilities in Brazil, with new dip-moulding machinery that will service customer demand in South America, improving Essentra's presence in the region.

Americas delivered improvements that increased service to our customers throughout the year. The 2023 NPS scores improved by 12 points to 47, and the region recorded a marked improvement in OTIF to 75.8% (2022: 65.6%). Improvements to our customer hassle-free proposition have been supported by an investment in inventory levels of standard parts and enhanced sample availability.

A proactive and controlled approach to cost management was taken throughout the year partly offsetting sales volume declines. Gross margins reduced by 30bps to 37.9% as slower market conditions have resulted in reduced operational leverage in 2023.

APAC

	2023 £m	% growth Actual FX	% growth Constant FX
Revenue	39.3	-17.3	-13.1
Gross profit	14.0	-15.2	-11.1
Gross margin	35.6%	+90bps	+90bps

The APAC region delivered revenue of £39.3m in 2023, a reduction of 13.1% on a constant currency basis compared to the prior year. In keeping with the previous trading updates, performance was driven by the market dynamics in China (c.68% of APAC revenue; c.8.5% of Group revenue) with gradual recovery initially seen from the end of the first quarter of 2023. First half reported sales saw a decline of 18.3% which improved to a year on year decline of 7.0% in the second half.

There continues to be increased levels of customers interest in product categories that support faster growing industries and infrastructure development. The region continues to invest in these high growth markets including renewable energy, telecommunication and data networks. In 2023, the region reviewed its commercial and operational footprint, including the investment in countries outside of China. In Q2 2023 the distribution centre and operations in Perth, Australia, were moved to the existing facility in Sydney. In June, Essentra entered the Vietnamese market, establishing a commercial presence.

The APAC region has placed greater emphasis on improving inventory availability, and achieved a reduction in lead times to better meet the needs of customers. The region saw an improvement in NPS in 2023, with an increase of 8 points in China to 51 and an increase of 23 in the Rest of Asia.

In 2021, Essentra acquired Jiangxi Hengzhu Electrical Cabinet Lock Co. Ltd (“Hengzhu”). Given previous pandemic related restrictions in China, 2023 was the first year following the acquisition that integration activities could be accelerated. The focus in 2023 was on investing in upgrades to manufacturing equipment, ensuring there was a safe operating environment, and exploring opportunities to develop the access hardware product range across the rest of Asia.

The region remained focussed on cost management and operational efficiency in 2023 to deliver robust profit margins as markets gradually recovered. Full year gross margin of 35.6% saw a 90bps improvement compared to 2022.

Sustainability progress and refreshed targets. In 2023, the Company delivered significant progress across the areas of environment, social and governance (“ESG”). Essentra’s ESG strategy, launched in 2022, is set out against five pillars: our planet, our components, our customers, our culture and our communities. These pillars are aligned to the UN sustainable development goals, with nine goals having a direct link to how Essentra operates.

The Science Based Targets initiative (“SBTi”) approved Essentra’s near- and long-term science-based emissions reduction targets including verification of Essentra’s net-zero science-based target by 2050, a key milestone in the Company’s sustainability strategy as previously announced on 21 February 2024. Essentra has committed to an overall Net-Zero Target to reach net-zero greenhouse gas emissions across the value chain by 2050. In the near-term, Essentra commits to reducing absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2019 base year. Essentra also commits to reducing scope 3 GHG emissions from purchased goods and services and upstream transportation and distribution by 55% per GBP of value added by 2030 from a 2022 base year. In the long-term, Essentra commits to reduce absolute scope 1 and 2 GHG emissions by 90% by 2040 from a 2019 base year. Essentra also commits to reduce absolute scope 3 emissions by 90% by 2050 from a 2022 base year.

The Group is making good progress against these targets. Since 2019, total scope 1 and 2 CO2e emissions have reduced by 38%, and when indexed to revenue, emissions intensity has declined by 41% as we continue to transition to renewable electricity and focus on energy management programmes. Renewable electricity is now 44% of total electricity usage, an increase of 13% compared to 2022. 2023 saw our first on-site solar project begin generating power in Thailand, followed by our second site in China at the end of the year. In 2023, our scope 3 near-term emissions intensity has reduced by 30% compared to the 2022 baseline.

Essentra continues to make progress towards its goal of having all sites achieve zero waste to landfill status by 2030. 14 sites across Essentra's global footprint achieved zero waste to landfill (2022: 12 sites), and 94% of waste is now diverted from landfill (2022: 76%).

The use of post-consumer recycled content materials has also increased positively. 21% of materials are now obtained from sustainable sources across our manufactured polymer ranges, two years ahead of our target of meeting 20% by 2025. Essentra continues to innovate and build relationships with its customers to recognise further opportunities, and in 2023 launched a Centre of Excellence to accelerate the testing of recycled and bio based materials, with the extended target of reaching 50% of materials from sustainable sources by 2030 across our manufactured polymer ranges as well as the additional target of ensuring 100% of packaging is reusable, recyclable or compostable by 2030. We continue to increase the number of products introduced with sustainability criteria, and now have 7,981 products across our ranges that have sustainability attributes, of which 750 were introduced in 2023.

Financial Review

Constant currency, Like-for-like ("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 20-21 and 36-37 of the 2022 Annual Report.

Constant foreign exchange rates. The constant exchange rate basis adjusts the comparative to exclude the effect of currency movements, to show the underlying performance of the Company. The principal exchange rates for Essentra were:

	-------- Average --------		-------- Closing --------	
	2023	**2022**	**2023**	**2022**
US$:£	1.25	1.24	1.27	1.20
€:£	1.15	1.17	1.15	1.13

Re-translating the full year 2022 actual results at 2023 average exchange rates reduces the prior year revenue by c.£7m and reduces prior year operating profit by c.£2m.

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 2023 LFL results are adjusted for the acquisition of Wixroyd on 1 December 2022, and the acquisition of BMP TAPPI on 26 October 2023. The 2022 results have 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.

Discontinued Operations. Discontinued operations recognised a £0.4m post-tax loss (2022: £152.7m loss), as reported in the Condensed Consolidated Income Statement. Refer to Note 17 in the Condensed Consolidated Financial Statements for further information.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. In 2023, amortisation of acquired intangible assets was £11.3m (2022: £10.4m), and there was a pre-tax charge for adjusting items of £21.0m (2022: £26.0m). 2023 adjusting items include £10.8m customisation and configuration costs of significant 'software-as-a-service' ("SaaS") arrangements in line with previous guidance. A net credit of £1.0m has been incurred for gains/losses and transaction costs relating to acquisitions of businesses and £3.4m cost has been incurred relating to impairment of non-current assets held in China.

Also reported within adjusting items are £7.8m of costs related to legacy items within the Group including £1.3m restructuring activities following the disposal of Filters and Packaging divisions, £0.2m of costs associated with the capital reduction completed in 2023, and recurring costs of £1.8m relating to legacy pension schemes. In addition £3.7m has been reported relating to a write-down of investment property to market value and £0.8m in respect of indemnity provisions raised for claims. Further details on adjusting items are shown in Note 3 to the Condensed Consolidated Financial Statements.

Adjusted operating cash flow. Adjusted operating cash flow is net cash flow from operating activities, excluding income tax paid, contributions to legacy pension schemes 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.

A full reconciliation of the Group's adjusted profit measures can be found in Note 20 to the Condensed Consolidated Financial Statements.

IAS 29: Turkey Hyperinflation. International Accounting Standard ("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 2023. For the year ended 31 December 2023 a monetary gain of £1.3m (2022: £3.2m gain) was included within net finance expense, and an increase in net assets in the year of £0.7m (2022: £18m increase) has been recognised as a result of IAS 29.

Net finance expense. Net finance expense of £2.5m compared to £17.8m in the prior year period. The reduction in net finance expense is led by the previously communicated changes to the Company's main sources of funding after the strategic review process. In January 2023 the Group reduced the US private placement ("USPP") debt, using a portion of the disposal proceeds to repay $247m of the $350m USPP notes initially held contributing to a £9.9m reduction in interest on loans and overdrafts £6.0m (2022: £15.9m).

Tax. The effective tax on underlying profit before tax (before adjusting items and amortisation of acquired intangible assets) was 23.6% (2022: 21.5%). The underlying effective tax rate for 2023 is within the forecast tax rate range of 23% to 25%. Consistent with the disclosure of tax rates at FY 2022, this increased tax rate compared to the prior year is primarily driven by the previously announced increase of the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The overall tax position for the Group has reported a net tax credit as a result of prior year adjustments related to discontinued operations.

Net working capital. Net working capital is defined as Inventories plus Trade and other receivables less Trade and other payables, adjusted to exclude deferred contingent consideration payable, interest accruals and capital payables ("Adjustments").

	2023 **£m**	**2022** **£m**
Inventories	64.7	65.0
Trade and other receivables	61.5	66.4
Trade and other payables	(60.7)	(91.5)
Adjustments	(7.7)	4.3
Net working capital	**57.8**	**44.2**

The increase in net working capital is predominately due to a reduction in Trade and other payables as a result of re-sizing the cost base in the current year, as well as £9.1m included in the prior year associated with the cost of disposals. This is partly offset by a reduction in receivables, as well as inventory rebalancing, after an initial inventory build in the prior year period. Adjustments include deferred contingent consideration receivable, accruals for interest and capital expenditure payable.

Adjusted operating cash flow from continuing operations. Adjusted operating cash flow from continuing operations of £48.2m equated to an operating cash conversion of 111.6% (2022: 80.5%). Free cash flow increased year on year to £37.3m (2022: £5.7m).

	2023 **£m**	**2022** **£m**
Adjusted operating profit	**43.2**	**25.1**
Depreciation and amortisation of non-acquired intangible assets	14.0	16.6

Right-of-use asset depreciation	5.9	5.6
Share option expense / other movements	0.9	(0.1)
Change in working capital	(2.6)	(14.2)
Net capital expenditure (excluding disposal proceeds relating to adjusting items)	(13.2)	(12.8)
Adjusted operating cash flow from continuing operations	**48.2**	**20.2**
Tax[1]	(4.5)	1.7
Cash outflow in respect of adjusting items[1,2]	(23.6)	(30.4)
Add back: net capital expenditure	13.2	12.8
Net cash inflow from operating activities[3]	**33.3**	**4.3**
Adjusted operating cash flow from continuing operations	**48.2**	**20.2**
Tax[1]	(4.5)	1.7
Net interest paid	(6.4)	(16.2)
Free cash flow	**37.3**	**5.7**

1 In 2022 tax paid excludes the tax paid/received in relation to adjusting items and discontinued operations. In 2022 this is included within the cash outflow in respect of adjusting items and discontinued operations.

2 Pension contribution of £3.7m in 2023 for legacy pension schemes has been included within cash outflow in respect of adjusting items (2022: £0.7m).

3 Statutory cash flows from operating activities can be found in the Condensed Consolidated Financial Statements.

Net funding surplus / debt. Net debt at the end of the period was £62.5m compared to a net funding surplus of £113.8m at 31 December 2022 (including lease liabilities). The overall increase in net debt was mainly driven by shareholder capital returns previously communicated at the FY 2022 results, offset by free cash flow generated in the period less cash paid for the acquisition of BMP TAPPI.

The Group's financial ratios remain healthy. Net debt to adjusted EBITDA including lease liabilities was 1.0x (2022: net funding surplus of 2.3x on a continuing basis). The ratio of net debt to adjusted EBITDA excluding lease liabilities was 0.5x (2022: net funding surplus 3.3x on a continuing basis).

	2023 £m
Net funding surplus as at 1 January 2023	**(113.8)**
Free cash flow	(37.3)
Cash flow from discontinued businesses including disposal costs	21.6
Cash outflow in respect of adjusting items	23.6
Special dividend to equity holders	89.8
Ordinary dividend to equity holders	6.5
Share buyback	24.0
Acquisitions less cash acquired	33.3
Lease liability movements	14.0
Movement in loan hedging derivatives	0.3
Foreign exchange	0.5
Net debt as at 31 December 2023	**62.5**

Banking facilities. 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 totalling £200.0m. As at 31 December 2023, £15.2m was drawn. The Company also holds $102.5m of long dated US Private Placement debt ("USPP") at an average coupon rate of 3.8%.

Type	**Amount**	**Interest Rate**	**Maturity**
RCF	£200.00m	Floating	October 2026
USPP	$32.80m	3.62%	July 2028
USPP	$34.85m	3.91%	July 2031
USPP	$34.85m	4.00%	July 2033

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 to use 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 a 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 derivatives to hedge its exposure to movements in the exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

2023 FULL YEAR RISK DISCLOSURE

The Company has established a risk and internal control framework designed to manage the delivery of its strategic objectives. The objectives of this framework are to:

- identify the Company's Principal and Emerging Risks and appropriate mitigating actions
- formulate the risk appetite and ensure that our business profile and plans are consistent with it
- develop plans to bring any exposures that are outside agreed appetite in line with it
- ensure that growth plans are properly supported by an effective risk management process
- help management teams to improve the control and co-ordination of risk-taking across the Company.

The risk framework, along with the Company's Principal and Emerging risks, will be described in detail in the "Risk Management Report" section of the Company's Annual Report and Accounts for the year ended 31 December 2023, available on 28 March 2024 on the Company website: www.essentraplc.com

Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement
For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Revenue	2	**316.3**	337.9
Gross profit	2	**141.8**	148.2
Operating profit/(loss)[1]	2	**10.9**	(11.3)
Finance income	4	**11.0**	7.1
Finance expense	4	**(13.5)**	(24.9)
Profit/(loss) before tax		**8.4**	(29.1)
Income tax expense		**(2.6)**	(2.0)
Profit/(loss) for the year from continuing operations		**5.8**	(31.1)
Loss from discontinued operations	17	**(0.4)**	(152.7)
Profit/(loss) for the year		**5.4**	(183.8)
Attributable to:			
Equity holders of Essentra plc		**5.4**	(188.0)
Non-controlling interests		**–**	4.2
Profit/(loss) for the year		**5.4**	(183.8)
Earnings per share attributable to equity holders of Essentra plc:			
Basic	5	**1.8p**	(62.4)p
Diluted	5	**1.8p**	(62.4)p
Earnings per share from continuing operations attributable to equity holders of Essentra plc:			
Basic	5	**2.0p**	(10.3)p
Diluted	5	**2.0p**	(10.3)p

Adjusted profit measure: continuing operations	Note	**2023 £m**	2022 £m
Operating profit/(loss)		**10.9**	(11.3)
Amortisation of acquired intangible assets	2	**11.3**	10.4
Adjusting items	3	**21.0**	26.0
Adjusted operating profit[2]		**43.2**	25.1

Notes:
1. Includes impairment charge on trade receivables of £0.4m (2022: £0.8m).
2. See Note 20 for further details of the adjusted profit measure.

Condensed Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit/(loss) for the year		**5.4**	(183.8)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit pension schemes	12	**(1.3)**	(20.5)
Deferred tax on remeasurement of defined benefit pension schemes		**0.3**	5.1
		(1.0)	(15.4)
Items that may be reclassified to profit or loss in subsequent periods:			
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		**2.4**	(16.4)
Ineffective portion of changes in fair value of cash flow hedges transferred to the income statement		**–**	1.0
Effective portion of changes in fair value of cash flow hedges		**(1.8)**	16.1
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**(19.4)**	54.6
Recycling of foreign currency translation reserve		**–**	(38.7)
Arising on effective net investment hedges		**0.7**	(21.7)
Net income tax credit		**0.6**	0.9
Attributable to non-controlling interests		**–**	(0.1)
		(17.5)	(4.3)
Total other comprehensive expense for the year, net of tax		**(18.5)**	(19.7)
Total comprehensive expense for the year		**(13.1)**	(203.5)
Attributable to:			
Equity holders of Essentra plc		**(13.1)**	(207.6)
Non-controlling interests		**–**	4.1
Total comprehensive expense for the year		**(13.1)**	(203.5)
Attributable to:			
Continuing operations		**(12.7)**	(12.1)
Discontinued operations		**(0.4)**	(191.4)
Total comprehensive expense for the year		**(13.1)**	(203.5)

Condensed Consolidated Balance Sheet
At 31 December 2023

	Note	**31 December 2023 £m**	31 December 2022 £m
Assets			
Property, plant and equipment	6	**68.1**	65.2
Lease right-of-use asset	8	**27.9**	21.0
Investment properties	6	**3.3**	7.0
Intangible assets	7	**215.0**	206.6
Long-term receivables		**10.1**	11.6
Derivative assets		**4.2**	8.3
Deferred tax assets		**12.2**	11.7
Retirement benefit assets	12	**7.9**	7.9
Total non-current assets		**348.7**	339.3
Inventories	9	**64.7**	65.0
Income tax receivable		**1.4**	1.1
Trade and other receivables	10	**61.5**	66.4
Derivative assets		**–**	0.2
Cash and cash equivalents		**59.7**	421.4
Total current assets		**187.3**	554.1
Total assets		**536.0**	893.4
Equity			
Issued share capital	14	**73.3**	75.6
Merger reserve	14	**–**	385.2
Capital redemption reserve	14	**2.4**	0.1
Other reserve		**(132.8)**	(132.8)
Cash flow hedging reserve		**(0.2)**	(0.8)
Translation reserve		**(70.5)**	(52.4)
Retained earnings		**401.0**	129.2
Attributable to equity holders of Essentra plc		**273.2**	404.1
Total equity		**273.2**	404.1
Liabilities			
Interest bearing loans and borrowings		**95.5**	85.0
Lease liabilities		**23.8**	18.0
Retirement benefit obligations		**17.5**	18.5
Provisions		**0.2**	1.1
Other financial liabilities		**–**	2.4
Deferred tax liabilities		**12.4**	7.6
Total non-current liabilities		**149.4**	132.6
Interest bearing loans and borrowings		**–**	208.0
Lease liabilities		**7.1**	4.9
Derivative liabilities		**-**	1.3
Income tax payable		**12.0**	16.2
Trade and other payables	11	**60.7**	91.5
Other financial liabilities		**28.0**	24.1
Provisions		**5.6**	10.7
Total current liabilities		**113.4**	356.7
Total liabilities		**262.8**	489.3
Total equity and liabilities		**536.0**	893.4

Condensed Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

2023

	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
At 1 January 2023		**75.6**	**385.2**	**0.1**	**(132.8)**	**(0.8)**	**(52.4)**	**129.2**	**–**	**404.1**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**5.4**	**–**	**5.4**
Other comprehensive (expense)/income		**–**	**–**	**–**	**–**	**0.6**	**(18.1)**	**(1.0)**	**–**	**(18.5)**
Total comprehensive (expense)/income for the year		**–**	**–**	**–**	**–**	**0.6**	**(18.1)**	**4.4**	**–**	**(13.1)**
Share option expense		**–**	**–**	**–**	**–**	**–**	**–**	**1.4**	**–**	**1.4**
Tax relating to share-based incentives		**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Net impact of hyperinflation[1]		**–**	**–**	**–**	**–**	**–**	**–**	**1.4**	**–**	**1.4**
Purchase of own shares		**–**	**–**	**–**	**–**	**–**	**–**	**(24.0)**	**–**	**(24.0)**
Cancellation of shares		**(2.3)**	**–**	**2.3**	**–**	**–**	**–**	**–**	**–**	**–**
Reduction of capital		**–**	**(385.2)**	**–**	**–**	**–**	**–**	**385.2**	**–**	**–**
Dividends paid	18	**–**	**–**	**–**	**–**	**–**	**–**	**(96.3)**	**–**	**(96.3)**
At 31 December 2023		**73.3**	**–**	**2.4**	**(132.8)**	**(0.2)**	**(70.5)**	**401.0**	**–**	**273.2**

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
At 1 January 2022		75.6	385.2	0.1	(132.8)	(1.5)	(47.5)	333.6	16.2	628.9
Loss for the year		–	–	–	–	–	–	(188.0)	4.2	(183.8)
Other comprehensive (expense)/income		–	–	–	–	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	17	–	–	–	–	–	–	–	(18.4)	(18.4)
Share option expense		–	–	–	–	–	–	3.1	–	3.1
Tax relating to share-based incentives		–	–	–	–	–	–	(0.6)	–	(0.6)
Net impact of hyperinflation[1]		–	–	–	–	–	–	15.5	–	15.5
Dividends paid	18	–	–	–	–	–	–	(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

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Operating activities			
Profit/(loss) for the year from:			
Continuing operations		**5.8**	(31.1)
Discontinued operations		**(0.4)**	(152.7)
Profit/(loss) for the year		**5.4**	(183.8)
Adjustments for:			
Income tax credit		**(1.1)**	(2.0)
Net finance expense	4	**2.5**	18.4
Intangible amortisation	7	**14.2**	19.6
Adjusting items	3	**13.9**	26.0
Loss on business disposals	17	**3.7**	19.0
Impairment of acquired intangible assets on discontinued operations		**–**	182.7
Depreciation of property, plant and equipment	6	**11.1**	29.5
Lease right-of-use asset depreciation	8	**5.9**	10.1
Loss on disposal of right of use asset		**–**	0.2
Loss on disposal of fixed assets		**–**	0.3
Impairment of fixed assets	3	**7.1**	0.5
Share option expense		**1.4**	2.6
Hedging activities and other movements		**(0.5)**	0.8
Increase in inventories		**(3.1)**	(27.4)
Decrease/(increase) in trade and other receivables		**10.0**	(35.5)
(Decrease)/increase in trade and other payables		**(10.1)**	41.2
Cash outflow in respect of adjusting items	20	**(23.6)**	(23.7)
Movement in provisions		**(2.8)**	1.0
Adjustment for pension contributions		**–**	0.2
Movement due to hyperinflation		**–**	(3.2)
Cash inflow from operating activities		**34.0**	76.5
Income tax paid		**(4.5)**	(12.5)
Net cash inflow from operating activities		**29.5**	64.0
Investing activities			
Interest received		**3.5**	2.3
Acquisition of property, plant and equipment[3]		**(12.4)**	(39.7)
Proceeds from sale of property, plant and equipment		**–**	0.5
Payments for intangible assets		**(0.8)**	(1.0)
Acquisition of businesses net of cash acquired[1]	16	**(33.3)**	(27.9)
Proceeds from sale of businesses net of cash disposed[2]	17	**–**	416.9
Cash outflow from cost of business disposals	17	**(17.8)**	(31.5)
Net cash (outflow)/inflow from investing activities		**(60.8)**	319.6
Financing activities			
Interest paid		**(9.9)**	(19.5)
Dividends paid to equity holders	18	**(96.3)**	(19.0)
Dividends paid to non-controlling interests		**–**	(1.9)
Repayment of short-term loans		**(208.0)**	–
Repayments of long-term loans		**(46.9)**	(124.2)
Proceeds from long-term loans		**61.8**	65.0
Proceeds from early settlement of derivative contracts		**–**	6.5
Lease liability principal repayments		**(5.4)**	(11.5)
Purchase of own shares		**(24.0)**	–
Net cash outflow from financing activities		**(328.7)**	(104.6)
Net (decrease)/increase in cash and cash equivalents		**(360.0)**	279.0
Net cash and cash equivalents at the beginning of the year		**421.4**	136.3
Net (decrease)/increase in cash and cash equivalents		**(360.0)**	279.0
Net effect of currency translation on cash and cash equivalents		**(1.7)**	6.1

	Note	**2023 £m**	2022 £m
Net cash and cash equivalents at the end of the year	15	**59.7**	421.4

Notes:

1. Acquisition of businesses is net of cash acquired of £5.3m (2022: £3.5m). See Note 16.
2. In 2022 proceeds from sale of businesses is net of cash disposed of £45.7m. See Note 17.
3. Acquisition of property, plant and equipment includes capex accrual movements of £nil (2022: £0.4m).

Notes to the Condensed Consolidated Financial Statements

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 2023 but is extracted from the 2023 Annual Report.

The Annual Report for 2023 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 section 483(2) on 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The Group's condensed consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with UK-adopted International Accounting Standards and comply with the requirements of the Companies Act 2006.

These condensed 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.

The principal accounting policies used in the preparation of the condensed consolidated financial statements for the year ended 31 December 2023 are detailed below. These policies, except those set out below under the heading 'Changes in accounting policies' adopted during the year, have been consistently applied to all periods presented.

In preparing the condensed 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, and 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. Management have determined that, other than the expected capital expenditure due to the future spend on machine replacement and efficiency upgrades factored into the Group's cash flow forecasts, there is no material impact on these financial statements.

Going concern

The Directors have prepared the condensed consolidated financial statements for the year ended 31 December 2023 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 18 months from the date of approval of these condensed consolidated financial statements.

At 31 December 2023, the Group's external financing arrangements amounted to £280.7m, comprising United States Private Placement Loan Notes ("USPP") of US$102.5m (with a range of expiry dates from July 2028 to July 2033) and a multi-currency revolving credit facility ("RCF") of £200.0m (expiring in October 2026).

£15.2m was drawn under the RCF as at 31 December 2023, with the available undrawn balance amounting to £184.8m. 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 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 severe, but reasonably plausible changes in macro-economic conditions. The results of this scenario show that there is sufficient liquidity in the business for a period of 18 months from the date of approval of these financial statements, and does not indicate any covenant breach during the test period. The downside scenario assumes a period of prolonged revenue decline in 2024, and subsequently delays in market recovery to 2025. The downside scenario also assumes a higher inflationary cost environment, the impacts of which are not fully offset by price increases and also includes transition risks associated with a "middle of the road scenario" without the inclusion of any opportunities from the climate change quantitative analysis. The financial impact of the severe but plausible downside scenario in 2024 and 2025 is a reduction in adjusted operating profits by 24.5% and 19.0%, respectively, compared to the Group strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent) at 31 December 2023 was £244.5m. Adjusting for share repurchases of £36.0m under the remainder of the buyback programme of £60.0m, this still leaves overall liquidity at £208.5m. 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 condensed consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

Changes in accounting policies

Other pronouncements

The Group adopted the following new pronouncements during 2023, which did not have a material impact on the Group's financial statements:

- Amendments to IAS 12 – *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;*
- Amendments to IAS1 – *Disclosure of Accounting Policies;* and
- Amendments to IAS 8 – *Definition of Accounting Estimates*.

The following standards and amendments, issued before 31 December 2023 with an effective date on or after 1 January 2024, have not been early adopted by the Group, they do not have a material impact on the Group's financial statements:

- Amendment to IFRS 16 – *Leases on sale and leaseback*;
- Amendment to IAS 1 – *Non-current liabilities with covenants*;
- Amendment to IAS 7 and IFRS 7 – *Supplier finance*;
- Amendments to IAS 21 – *Lack of Exchangeability*.

2. Segment analysis

The Group has determined its operating segments based upon the information reported to the Board of Directors ("Board"), which is the Group's Chief Operating Decision Maker. Segment information is reported on a geographical basis consistent with the basis upon which the Group manages its operations, allocates resources, and assesses performance. Central corporate costs include executive and non-executive management, investor relations, corporate development, corporate reward, governance, risk and assurance, group finance, tax, treasury and related information technology costs.

Following the disposal of the Packaging and Filters businesses during the year ended 31 December 2022, the Group has changed the way its information is reported to the Board. Previously performance was reported on a divisional basis. Performance is now managed on a geographical basis with Gross profit introduced as an additional segment profit measure. Central corporate costs (previously disclosed as Central Services) now exclude certain costs that are now regarded as attributable to the operating segments.

							2023
	EMEA £m	**Americas £m**	**APAC £m**	**Unallocated items[1] £m**	**Continuing operations £m**	**Discontinued operations[3] £m**	**Total £m**
Income statement information							
External revenue	**170.8**	**106.2**	**39.3**	–	**316.3**	–	**316.3**
Gross profit	87.5	40.3	14.0	–	**141.8**	–	**141.8**
Adjusted operating profit/(loss) before corporate costs	53.9	19.5	3.5	(22.1)	**54.8**	(0.4)	**54.4**
Central corporate costs[2]				(11.6)	**(11.6)**	–	**(11.6)**
Adjusted operating profit/(loss)	**53.9**	**19.5**	**3.5**	**(33.7)**	**43.2**	**(0.4)**	**42.8**
Amortisation of acquired intangible assets	(4.0)	(5.5)	(1.8)	–	**(11.3)**	–	**(11.3)**
Adjusting items	0.8	(1.5)	(3.4)	(16.9)	**(21.0)**	–	**(21.0)**
Operating profit/(loss)	50.7	12.5	(1.7)	(50.6)	**10.9**	**(0.4)**	**10.5**
Balance sheet information							
Segment assets	110.8	70.2	25.8	28.8	**235.6**	–	235.6
Intangible assets	147.0	53.3	9.0	5.7	**215.0**	–	215.0
Unallocated items [4]				85.4	**85.4**	–	85.4
Total assets	**257.8**	**123.5**	**34.8**	**119.9**	**536.0**	–	**536.0**
						–	
Segment liabilities	44.2	27.9	7.7	45.6	**125.4**	–	125.4
Unallocated items [4]				137.4	**137.4**	–	137.4
Total liabilities	**44.2**	**27.9**	**7.7**	**183.0**	**262.8**	**–**	**262.8**
Other segment information							
Capital expenditure (cash spend)	3.7	6.3	1.7	1.5	13.2	–	13.2
Depreciation of plant, property and equipment	4.3	2.8	1.9	2.1	11.1	–	11.1
Average number of employees	1,180	727	950	194	3,051	–	3,051

							(re-presented) 2022
	EMEA £m	Americas £m	APAC £m	Unallocated items[1] £m	Continuing operations £m	Discontinued operations[3] £m	Total £m
Income statement information							
External revenue	167.0	123.4	47.5	–	337.9	653.9	991.8
Gross profit	84.5	47.2	16.5	–	148.2	116.9	265.1
Adjusted operating profit/(loss) before corporate costs	51.3	25.3	5.8	(20.5)	61.9	38.4	100.3
Central corporate costs[2]				(23.1)	(23.1)	–	(23.1)
Adjusted operating profit/(loss) after allocation of central costs to discontinued operations[5]	51.3	25.3	5.8	(43.6)	38.8	38.4	77.2
Operating expenses allocated to discontinued operations	–	–	–	(13.7)	(13.7)	13.7	–
Adjusted operating profit/(loss)	51.3	25.3	5.8	(57.3)	25.1	52.1	77.2
Amortisation and impairment of acquired intangible assets	(2.6)	(5.9)	(1.9)	–	(10.4)	(189.2)	(199.6)
Adjusting items	(1.4)	(0.5)	–	(24.1)	(26.0)	–	(26.0)
Operating profit/(loss)	47.3	18.9	3.9	(81.4)	(11.3)	(137.1)	(148.4)

Balance sheet information							
Segment assets	103.0	63.3	32.9	37.0	236.2	–	236.2
Intangible assets	122.7	61.9	14.3	7.7	206.6	–	206.6
Unallocated items[4]				450.6	450.6	–	450.6
Total assets	225.7	125.2	47.2	495.3	893.4	–	893.4
						–	
Segment liabilities	40.9	18.7	15.9	77.2	152.7	–	152.7
Unallocated items[4]				336.6	336.6	–	336.6
Total liabilities	40.9	18.7	15.9	413.8	489.3	–	489.3
Other segment information							
Capital expenditure (cash spend)	5.5	3.4	2.1	2.5	13.5	27.5	41.0
Depreciation of plant, property and equipment	3.6	2.8	2.1	5.4	13.9	15.6	29.5
Average number of employees	1,211	821	1,011	305	3,348	4,067	7,415

Notes:

1. Unallocated items include operating expenses related to the regions that are managed at a total trading level rather than by individual segment. Assets, liabilities and employees also managed at a total trading level are presented within Unallocated operating expenses. Segment assets of £28.8m (2022: £37.0m) includes investment property of £3.3m (2022: £7.0m).
2. Central corporate costs (previously disclosed as Central Services) include executive and non-executive management, investor relations, corporate development, governance, risk and assurance, group finance, tax, treasury, and related information technology costs. The comparative numbers have been re-presented to exclude certain costs that, following the completion of the strategic review, are now regarded as attributable to the operating segments. The effect of this change is to reallocate £1.8m of costs previously included within Central Services in 2022, to Operating expenses.
3. Operating loss from discontinued operations (see Note 17) excludes the loss on disposal of £3.7m (2022: £19.0m).
4. The unallocated assets relate to income and deferred tax assets, retirement benefit assets, derivatives, other financial assets 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.
5. 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.

On a continuing basis, no customer accounted for more than 10% of revenue in either 2023 or 2022. Non-current assets in the UK (the Company's country of domicile) total £93.6m (2022: £91.1m), with the other significant location being the USA with £106.2m (2022: £114.2m). Total Group net finance expense of £2.5m (2022: £18.4m) and total Group income tax credit of £1.1m (2022: £2.0m) cannot be meaningfully allocated by segment. The Group revenue does not include any variable consideration which is constrained.

Disaggregation of revenue

% of Total Continuing External Revenue	**2023**	2022
Revenue by channel		
End users	**78%**	79%
Distributors	**22%**	21%
Revenue by offer type		
Standard	**63%**	64%
Configured	**31%**	28%
Custom	**6%**	8%
Revenue by customer segment		
Industrial manufacturers	**71%**	72%
Large consumer manufacturers	**20%**	21%
SME consumers	**9%**	7%

Revenue by geographical location

External revenue presented in the table below, on a continuing basis, by location of the Group operation where the sales originated.

	2023 £m	2022 £m

UK (country of domicile)	**30.2**	22.1
US	**94.6**	111.1
China	**26.9**	32.6
Turkey	**23.6**	21.6
Germany	**22.4**	23.7
Italy	**14.8**	14.4
France	**15.1**	17.4
The Netherlands	**13.8**	14.7
Spain	**12.3**	12.3
Poland	**10.9**	10.7
Rest of World	**51.7**	57.3
Total continuing Group	**316.3**	337.9

3. Adjusting items from continuing operations

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), one-off impairments of non-current assets and charges relating to the Group's legacy defined benefit pension schemes, and the related tax effect.

	2023 £m	2022 £m
Costs relating to restructuring following disposals of businesses[1]	**1.3**	10.4
(Gains)/losses and transaction costs relating to acquisitions of businesses[2]	**(1.0)**	0.3
Acquisition integration and restructuring costs	**–**	0.2
Customisation and configuration costs of significant software as a service ("SaaS") arrangements[3]	**10.8**	12.4
Defined benefit pension scheme charges[4]	**1.8**	2.0
Impairment of non-current assets[5]	**7.1**	–
Other[6]	**1.0**	0.7
Adjusting items before tax	**21.0**	26.0
Tax	**(4.3)**	2.8
Adjusting items after tax	**16.7**	28.8

	2023 £m	2022 £m
Reconciliation of cash flows from adjusting items:		
Adjusting items	**21.0**	26.0
Non-cash charge in adjusting items	**(5.9)**	(2.0)
Pension contribution adjustment	**1.9**	–
Utilisation of prior year and acquired accruals and provisions	**6.6**	(0.3)
Cash outflow from adjusting items	**23.6**	23.7

Notes:

1. Costs of £1.3m (2022: £9.9m), 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 £nil (2022: £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.
2. A credit of £1.0m (2022: £0.3m charge) relating to acquisitions, of which £0.6m cost relates to the acquisition of BMP TAPPI in October 2023, and a £1.6m credit (2022: £0.3m charge) relating to the acquisition of Wixroyd Group, acquired in December 2022, comprising costs of £0.6m and a credit of £2.2m for the reduction in contingent consideration payable.
3. 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 £10.8m (2022: £12.4m) 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.
4. Costs of £1.8m (2022: £2.0m) were incurred in relation to defined benefit pension scheme charges which, following the outcome of the strategic review in 2022, no longer pertain to the continuing operations of the Group.
5. Includes impairment loss of £3.7m relating to a write-down of investment property to market value and a £3.4m impairment loss in relation to non-current assets held within the APAC segment.

6. Costs of £0.2m for professional fees relating to the capital reduction completed during 2023 and £0.8m provision relating to a historic indemnity claim. 2022 comprises a £0.6m write-down of centrally held IT assets following completion of the strategic review and £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.

4. Net finance expense from continuing operations

	Note	**2023 £m**	2022 £m
Finance income			
Bank deposits		**3.5**	1.4
Other finance income[1]		**7.0**	5.1
Net interest on pension scheme assets	12	**0.5**	0.6
Total finance income		**11.0**	7.1
Finance expense			
Interest on loans and overdrafts		**(6.0)**	(15.9)
Amortisation of bank facility fees		**–**	(4.7)
Other finance expense[2]		**(4.9)**	(2.2)
Net interest on pension scheme liabilities	12	**(0.8)**	(0.6)
Interest on leases	8	**(1.8)**	(1.5)
Total finance expense		**(13.5)**	(24.9)
Net finance expense		**(2.5)**	(17.8)

Notes:

1. Included within Other finance income is £5.7m (2022: £1.8m) relating to exchange gains on cash, borrowings and leases and £1.3m (2022: £3.2m) relating to monetary gains on Hyperinflationary economies.
2. Included within Other finance expense is £2.3m (2022: £0.9m) relating to loss on derivative financial instruments, £nil (2022: £0.8m) of hedge ineffectiveness, and £2.6m (2022: £0.3m) relating to exchange losses on cash, borrowings and leases.

5. Earnings per share

	Note	**2023 £m**	2022 £m
Earnings from continuing operations			
Profit/(loss) attributable to equity holders of the Company		**5.8**	(31.1)
Adjustments:			
Amortisation of acquired intangible assets		**11.3**	10.4
Tax on amortisation of acquired intangible assets		**(2.7)**	(2.4)
Adjusting items	3	**21.0**	26.0
Tax relief on adjustments	3	**(4.3)**	2.8
Adjusted earnings attributable to equity holders of the Company[1]		**31.1**	5.7
Earnings from discontinued operations			
Earnings attributable to equity holders of Essentra plc		**(0.4)**	(156.9)

Notes:

1. Adjusted earnings per share from continuing operations is provided to reflect the underlying performance of the Group.

	2023	2022
Weighted average number of shares		
Basic weighted average number of ordinary shares outstanding (million)[1]	**294.6**	301.1
Dilutive effect of employee share option plans (million)	**2.4**	2.0
Diluted weighted average number of ordinary shares (million)	**297.0**	303.1
Earnings per share from continuing operations (pence)		
Basic earnings per share from continuing operations	**2.0p**	(10.3)p
Adjustment	**8.6p**	12.2p
Basic adjusted earnings per share from continuing operations	**10.6p**	1.9p
Diluted earnings per share from continuing operations	**2.0p**	(10.3)p

Adjustment	**8.5p**	12.2p
Diluted adjusted earnings per share from continuing operations	**10.5p**	1.9p

Earnings per share from discontinued operations (pence)

Basic earnings per share	**(0.2)p**	(52.1)p
Diluted earnings per share	**(0.2)p**	(52.1)p

Total Earnings per share attributable to equity holders of the Company (pence)

Basic earnings per share	**1.8p**	(62.4)p
Diluted earnings per share	**1.8p**	(62.4)p

Notes:

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

6. Investment Properties, Property, plant and equipment

	Note	2023 Total Investment properties[5] £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2023 Total Property, plant and equipment £m
Cost						
Beginning of year		**7.0**	**37.7**	**125.6**	**72.0**	**235.3**
Acquisitions[8]	16	**–**	–	4.2	–	**4.2**
Additions		**–**	1.3	7.0	4.1	**12.4**
Disposals		**–**	(0.1)	(14.1)	(7.4)	**(21.6)**
Currency translation[3]		**–**	0.1	(4.6)	(0.2)	**(4.7)**
End of year		**7.0**	**39.0**	**118.1**	**68.5**	**225.6**
Accumulated depreciation and impairment						
Beginning of year		**–**	**14.2**	**95.7**	**60.2**	**170.1**
Charge in period[6]		**–**	1.6	5.6	3.9	**11.1**
Disposals		**–**	(0.1)	(14.1)	(7.3)	**(21.5)**
Impairment[4,5]		**3.7**	–	0.9	–	**0.9**
Currency translation[3]		**–**	0.7	(3.6)	(0.2)	**(3.1)**
End of year		**3.7**	**16.4**	**84.5**	**56.6**	**157.5**
Net book value at end of year[1]		**3.3**	**22.6**	**33.6**	**11.9**	**68.1**

	2022 Total Investment properties[5] £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2022 Total £m
Cost					
Beginning of year	–	79.4	386.5	78.9	544.8
Acquisitions	–	0.5	0.7	0.2	1.4
Additions	–	2.5	33.1	4.0	39.6
Disposals	–	(0.7)	(9.4)	–	(10.1)
Business Disposals	–	(43.5)	(324.5)	(14.4)	(382.4)
Transfers[7]	7.0	(7.0)	–	–	(7.0)
Currency translation[3]	-	6.5	39.2	3.3	49.0
End of year	7.0	37.7	125.6	72.0	235.3
Accumulated depreciation and impairment					
Beginning of year	–	18.0	223.7	48.8	290.5
Charge in period[6]	–	2.8	18.5	8.2	29.5
Disposals	–	(0.7)	(8.7)	–	(9.4)
Business Disposals	–	(9.0)	(161.2)	(0.1)	(170.3)
Impairment[4]	–	–	0.1	0.4	0.5
Currency translation[3]	–	3.1	23.3	2.9	29.3

End of year	–	14.2	95.7	60.2	170.1
Net book value at end of year[1]	7.0	23.5	29.9	11.8	65.2

Notes:

1. Included within land and buildings, plant and machinery and fixtures, fittings and equipment are assets in the course of construction of £2.3m (2022: £0.3m) which were not depreciated during the year.
2. Contractual commitments to purchase property, plant and equipment amounted to £0.3m at 31 December 2023 (2022: £0.3m).
3. Currency translation movement for the year includes a £1.8m increase (2022: £3.2m increase) in respect of adjustments for hyperinflation.
4. Property, plant and equipment with a net book value of £2.9m (2022: £0.6m) was impaired by £0.9m (2022: £0.6m) to a recoverable amount of £nil (2022: £nil), which represented fair value less cost to sell. £0.9m (2022: £0.6m) of this impairment has been charged to adjusting items (see Note 3).
5. As at 31 December 2023, the fair value of the investment property was £3.3m and as consequence, a reduction of £3.7m has been recorded as an expense to adjusting items (see Note 3).
6. Included within the depreciation charge for the period is £11.1m (2022: £13.9m) relating to continuing operations.
7. During the year to 31 December 2022, land and buildings with a net book value of £7.0m, 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, 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 the building element of the long-term leasehold owned investment property at 2% on a straight-line basis.
8. Acquisitions in 2023 include £4.0m relating to the acquisition of BMP TAPPI, and £0.2m final purchase price allocation adjustment relating to the acquisition of Wixroyd Group.

Investment property valuation

The property has a market value of £3.3m and is valued based on a level 3 of fair value hierarchy. The valuation was performed by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property. The valuation took into account the contractual terms of the current tenant, who has occupation until 2027 with an option to extend until 2032 with an estimated amount for typical market rent based on a 5 year term. The valuation applies a market yield of 7% until 2027 and 10% beyond 2027. The valuation takes into account, among other factors, marketability, demand, energy performance, rating assessment, size, location and condition.

No amounts were received in respect of rental income during the year.

7. Intangible assets

				2023
	Goodwill £m	**Customer relationships[6] £m**	**Other intangible assets[1,2] £m**	**Total £m**
Cost				
Beginning of year	**140.1**	**159.3**	**24.8**	**324.2**
Acquisitions[8] (Note 16)	14.5	16.9	0.8	**32.2**
Additions	–	–	0.8	**0.8**
Disposals	–	–	(1.0)	**(1.0)**
Currency translation[7]	(6.0)	(6.9)	(0.8)	**(13.7)**
End of year	**148.6**	**169.3**	**24.6**	**342.5**
Amortisation and impairment				
Beginning of year	**4.5**	**99.1**	**14.0**	**117.6**
Charge for the year[3]	–	10.7	3.5	**14.2**
Impairment[5]	–	2.2	–	**2.2**
Disposal	–	–	(1.0)	**(1.0)**
Currency translation[7]	(0.3)	(4.6)	(0.6)	**(5.5)**
End of year	**4.2**	**107.4**	**15.9**	**127.5**
Net book value at end of year	**144.4**	**61.9**	**8.7**	**215.0**

				2022
	Goodwill £m	Customer relationships[6] £m	Other intangible assets[1,2] £m	Total £m
Cost				
Beginning of year	354.9	423.2	26.4	804.5
Acquisitions	20.7	8.2	0.6	29.5

Additions	–	–	1.0	1.0
Disposals	–	–	(1.4)	(1.4)
Business disposals[4]	(271.9)	(319.2)	(2.7)	(593.8)
Currency translation[7]	36.4	47.1	0.9	84.4
End of year	140.1	159.3	24.8	324.2
Amortisation and impairment				
Beginning of year	27.9	280.9	12.2	321.0
Charge for the year[3]	-	16.6	3.0	19.6
Business disposals[4]	(214.6)	(228.0)	(1.1)	(443.7)
Impairment[5]	181.6	1.1	–	182.7
Disposal	–	–	(0.8)	(0.8)
Currency translation[7]	9.6	28.5	0.7	38.8
End of year	4.5	99.1	14.0	117.6
Net book value at end of year	135.6	60.2	10.8	206.6

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 £nil (2022: £0.2m) were capitalised as part of other intangible assets during the year.
2. Included within other intangible assets at 31 December 2023, are assets in the course of construction of £0.8m (2022: £nil) 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 £14.2m (2022: £13.1m) 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.
5. In 2023 an impairment charge of £2.2m relates to the Hengzhu CGU. In 2022, an impairment charge of £181.6m was recognised following the Group's impairment assessment in respect of the carrying value of goodwill allocated to the Packaging business prior to its disposal. An impairment charge of £1.1m was also 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 for the year ended 31 December 2022.
6. The weighted average remaining useful lives of customer relationships and other intangible assets at the end of the year were 8.5 years and 3.9 years (2022: 5.8 years and 4.3 years), respectively.
7. Currency translation movement for the year includes a £1.1m increase (2022: £13.9m increase) in respect of adjustments for hyperinflation.
8. Acquisitions includes goodwill of £15.0m and customer relationships and other intangibles of £17.7m relating to the acquisition of BMP TAPPI, less an adjustment of £0.5m relating to the finalisation of the purchase price allocation relating to the acquisition of Wixroyd Group in 2022 (see Note 16).
9. Included within other intangible cost is £16.4m (2022: £16.7m) that was internally generated with a accumulated amortisation of £10.2m (2022: £8.4m). Internally generated additions amounted to £0.8m (2022: £0.7m) and amortisation £2.9m (2022: £2.7m).

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. Following an impairment assessment of the carrying value of goodwill held by the Group's operations performed by management at 31 December 2023, no impairment of goodwill was required to be recognised on the Group's continuing operations.

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

Goodwill[1]	**2023 £m**
EMEA	**109.3**
Americas	**35.1**
	144.4

Notes:

1. Following the disposal of the Packaging and Filters businesses in 2022, the only goodwill remaining was for the Components division which is now monitored by geographical operating segment (EMEA, Americas and APAC).

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

Business	**2023 £m**	2022 £m
Businesses of former Moss and Skiffy	**7.2**	8.3
Businesses of former Richco	**9.0**	13.4
Business of former Mesan	**0.4**	0.9
Business of former Abric	**4.3**	5.9
Business of former Micro Plastics, Inc	**3.2**	3.8
Industrial Supply	**0.3**	0.7

Innovative Components	**5.5**	6.6
Hengzhu	**4.8**	8.3
Wixroyd	**7.9**	8.8
BMP TAPPI	**17.4**	–
e-Commerce development costs	**4.9**	5.9
Other businesses	**2.9**	3.7
Components Sweden	**1.9**	2.5
Software and development costs	**0.9**	2.2
	70.6	71.0

Management have reviewed the cash-generating-units ("CGUs") across the Group, and have concluded that the CGUs for the remaining Components business continue to be primarily the manufacturing and distribution sites.

The individual CGUs were assessed for impairment and due to the underlying economic environment impacting the APAC region, there was an indicator of impairment within the CGU impacting Hengzhu. As a consequence an impairment charge of £3.4m was recognised on net assets within APAC of £28.9m, comprising customer relationship intangibles (£2.2m), property, plant and equipment (£0.9m), and right of use assets (£0.3m).

Following the disposal of the Packaging and Filters businesses, the goodwill associated with those operating segments was also disposed. The remaining goodwill, previously allocated to the Components segment, has now been reallocated to the newly created geographical segments: EMEA, Americas and APAC. The allocation was made by calculating the notional goodwill for each CGU by deducting its identifiable net assets from its recoverable amount and allocating the goodwill to each CGU in the ratio: CGU notional goodwill to total notional goodwill of the three geographical segments. These new operating segments, represented by groups of cash-generating-units (the manufacturing and distribution sites), are considered to represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests for goodwill and intangible assets (and in the case of Hengzhu, other non-current assets) are based first on the Board approved business plan (the "Plan") and then have been risk-adjusted for impairment testing purposes. The recoverable amount of each CGU (and Groups of CGUs) was determined by performing a value-in-use calculation taking into account the wider market conditions and revenue growth projections within the industry the Group operates in. The risk-adjusted cash flow projections are over five years based on the approved annual budget for the first year and subsequent years based on the Group Strategic Plan. The key assumptions in the cash flow projections for the risk-adjusted Plan are set out below.

Region	Average annual growth rate over five-year forecast period	Terminal growth rate from 2028 onwards	Improvement in average operating profit over five-year period	Pre-tax discount rate
Groups of cash-generating-units:				
EMEA	6.2%	3.1%	620 bps	16.9%
AMERICAS	5.8%	2.2%	770 bps	15.3%
Cash-generating-unit assumptions:				
HENGZHU (individual CGU)	6.0%	2.0%	600 bps	14.1%

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 estimated cash flows are discounted using a pre-tax discount rate based upon Essentra's estimated pre-tax weighted average cost of capital by operating segment.

For the Hengzhu CGU the recoverable amount remaining is sensitive to reasonably possible changes in the underlying cash flows and key assumptions. After taking into account the £3.4m impairment, and based upon the assumptions above, the recoverable amount aligns to its carrying value. Management considered the following reasonably possible changes in the key assumptions, in the context of the macro-economic conditions in China, and the associated impact on the impairment assessment, in relation to the Hengzhu CGU:

Sensitivities impacting Hengzhu CGU	Impairment £m
50 bps increase in pre-tax discount rate	0.5
100 bps reduction in terminal growth rate	0.4
100 bps reduction in each year's growth rate	0.1
100 bps reduction in operating profit margin in the terminal year	0.9

No sensitivities are presented for the Group's other CGUs or the other two Groups of CGUs (being Americas and EMEA geographical segments) given no reasonably possible changes in inputs would lead to an impairment, there being significant headroom between their carrying amounts and respective recoverable amounts.

8. Lease right-of-use assets

				2023
	Land and buildings £m	**Plant and machinery £m**	**Fixtures, fittings and equipment £m**	**Total £m**
Cost				
Beginning of year	**40.3**	**2.9**	**0.2**	**43.4**
Additions, extensions and surrenders	12.3	1.8	–	**14.1**
Terminations	(2.2)	(1.6)	(0.1)	**(3.9)**
Currency translation[4]	(1.6)	0.1	–	**(1.5)**
End of year	**48.8**	**3.2**	**0.1**	**52.1**
Accumulated depreciation and impairment				
Beginning of year	**20.4**	**1.9**	**0.1**	**22.4**
Charge for the year[3]	4.9	0.9	0.1	**5.9**
Impairment[5]	–	0.3	–	**0.3**
Terminations	(2.2)	(1.6)	(0.1)	**(3.9)**
Currency translation[4]	(0.6)	0.1	–	**(0.5)**
End of year	**22.5**	**1.6**	**0.1**	**24.2**
Net book value at end of year	**26.3**	**1.6**	**–**	**27.9**

				2022
	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
Additions, extensions and surrenders	7.6	2.7	–	10.3
Terminations	(6.9)	(1.5)	(0.1)	(8.5)
Business disposals	(71.2)	(12.4)	(0.2)	(83.8)
Currency translation[4]	10.3	0.7	0.1	11.1
End of year	40.3	2.9	0.2	43.4
Accumulated depreciation and impairment				
Beginning of year	56.6	7.0	0.3	63.9
Charge for the year[3]	7.4	2.5	0.2	10.1
Terminations	(6.7)	(1.3)	(0.1)	(8.1)
Disposal of businesses	(40.4)	(6.8)	(0.2)	(47.4)
Impairment write back[1]	(0.6)	–	–	(0.6)
Currency translation[4]	4.1	0.5	(0.1)	4.5
End of year	20.4	1.9	0.1	22.4
Net book value at end of year	19.9	1.0	0.1	21.0

Notes:

1. During the year, an impairment write back of £nil (2022: £0.6m) 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 2023 (2022: £nil).
3. Depreciation charge of £5.9m (2022: £10.1m) in the year includes an amount of £5.9m (2022: £5.6m) relating to continuing operations and £nil (2022: £4.5m) relating to discontinued operations.
4. Currency translation as at 31 December 2023 includes net book value movement of £0.2m decrease (2022: £2.7m increase) in respect of adjustments for hyperinflation.
5. During the year, an impairment of £0.3m was recognised in adjusting items (refer to Note 3). The assets were written down to their recoverable amount.

The income statement includes the following amounts relating to leases:

On continuing operations	Notes	2023 £m	2022 £m
Lease right-of-use asset depreciation	20	**5.9**	5.6
Interest expense (included in finance costs)[1]	4	**1.8**	1.5
Exchange losses (included in finance costs)	4	**2.2**	1.2
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)[2]		**–**	0.1
Expense relating to leases of low-value assets that not shown above as short-term leases (included in operating expenses)		**0.1**	0.1
		10.0	8.5

Notes:
1. For the year ended 31 December 2023, the weighted average lessee's incremental borrowing rate applied to lease liabilities was 8.6% (2022: 7.1%).
2. The short-term leases expense for the year ending 31 December 2024 is not expected to be materially different to the expense disclosed above.

The total cash outflow for leases and analysis of movements in lease liabilities are included in Note 15.

9. Inventories

	2023 £m	2022 £m
Raw materials and consumables	**7.7**	10.6
Work-in-progress	**6.0**	4.3
Finished goods and goods held for resale	**51.0**	50.1
Total	**64.7**	65.0

Notes:
1. Following the disposal of its Packaging and Filters businesses in 2022, and based upon the most recent reliable information, the Group has updated the inputs into its inventory provisioning calculations in order to ensure that inventories continue to be measured at the lower of cost and net realisable value. The impact on inventory provisioning resulted in a £4.3m increase in inventories and a resultant credit to gross profit.
2. Inventories with a total value of £nil (2022: £nil) were written down in the year.

10. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**43.5**	45.3
Other receivables[1]	**14.7**	17.7
Prepayments and accrued income	**3.3**	3.4
Total	**61.5**	66.4

Notes:
1. Other receivables includes £9.7m (2022: £nil) of contingent consideration for an earnout receivable (following the disposal of the Filters business in 2022).

11. Trade and other payables

	2023 £m	2022 £m
Trade payables	**23.8**	31.9
Other tax and social security contributions	**5.4**	9.5
Other payables	**3.4**	7.9
Accruals	**28.1**	42.2

Total	**60.7**	91.5

12. Employee benefits

Post-employment benefits

The Group operates a number of defined benefit and defined contribution pension schemes around the world, the latter covering many of its employees. The Group also has a number of other post-employment obligations in certain countries, some of which are required under local law.

The defined benefit plans are administered by boards of trustees and the assets are held independently from Essentra. The boards of trustees comprise member nominated trustees, employer nominated trustees and independent advisory trustees. The articles of the plans prohibit a majority on the boards to be established by either the member or employer nominated trustees.

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal. The Trustee and Group are monitoring developments and will consider if there are any implications for the UK Pension Fund, if the ruling is upheld.

The principal European defined benefit schemes entitle remaining members to a pension calculated on 1.25% or 2% of their capped final pensionable pay multiplied by the number of pensionable years of service. Some members have historical entitlements to accrual rates of 1.67%-1.9% and 3% for certain tranches of their service. The principal US defined benefit schemes entitle certain former participating employees to annuity benefits equal to 50% of final average pensionable salary, reduced for years of service less than 30, and other participating employees to annuity benefits equal to $49 per month for each year of service.

The amounts included in the condensed consolidated financial statements on a total group basis (including discontinued operations) are as follows:

	2023 £m	2022 £m
Amounts expensed against operating profit		
Defined contribution schemes	**2.7**	7.0
Defined benefit schemes – current service cost	**1.8**	2.0
Defined benefit schemes – curtailment gain	**–**	–
Other post-employment obligations	**0.1**	0.4
Total operating expense	**4.6**	9.4
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets[1]	**(0.5)**	(0.6)
Net interest on defined benefit scheme liabilities[2]	**0.8**	0.7
Net finance expense	**0.3**	0.1
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	**(2.3)**	108.5
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	**3.6**	(88.0)
Remeasurement losses of defined benefit schemes	**1.3**	20.5

Notes:

1. Net interest income on defined benefit scheme assets on a continuing basis (Note 4) was £0.5m (2022: £0.6m).

2. Net interest expense on defined benefit scheme liabilities on a continuing basis (Note 4) was £0.8m (2022: £0.6m).

During the year, the Group incurred service cost expenses totalling £1.8m (2022: £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 *Employee Benefits* 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.

In consideration for the trustee entering into the FAA, it was agreed that Essentra Components Limited pay the following amounts into the Essentra section of the UK Essentra Pension Plan: (i) £0.7m (this was paid during 2022); (ii) £1.3m payable upon completion of the divestiture of the Packaging business in the year of disposal which was paid in 2023, and make further cash payments of £0.6m in each of the six years after the year of divestiture; and (iii) £1.3m payable upon completion of the divestiture of the Filters business in the year of disposal which was paid in 2023, and make further payments of £0.6m in each of the six years after the year of divestiture.

The Group's contributions to its defined benefit pension schemes are determined in consultation with trustees, taking into consideration actuarial advice, investment conditions and other local conditions and practices. The outcome of these consultations can impact the timing of future cash flows. Contributions payable by the Group to its defined benefit pension schemes during the year to 31 December 2023 amounted to £nil (2022: £nil) to its US schemes and £3.8m (2022: £0.7m) in respect of the Group's European schemes. In 2024, the Group expects to make defined benefit contributions of \$2.4m to its US schemes and £0.7m in respect of the Group's European schemes.

During the year, the Group's total contributions to defined contribution schemes amounted to £2.7m (2022: £7.0m). Contributions on continuing operations of £2.7m (2022: £2.9m) were paid in 2023. A similar amount is expected to be payable during the ending 31 December 2024.

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

		2023		2022
	Europe	**US**	Europe	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%	**2.9%**	**n/a**	3.0%	n/a
at CPI capped at 5%	**2.6%**	**n/a**	2.7%	n/a
at CPI minimum 3%, capped at 5%	**3.4%**	**n/a**	3.3%	n/a
at CPI capped at 2.5%	**2.0%**	**n/a**	2.2%	n/a
Discount rate	**4.6%**	**4.8%**	4.8%	5.0%
Inflation rate – RPI[2]	**3.0%**	**n/a**	3.1%	n/a
Inflation rate – CPI[2]	**2.6%**	**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 pension obligations at the year-end are as follows:

	2023		2022	
	Europe	**US**	Europe	US
Male retiring today at age 65	**22.4**	**20.7**	22.0	20.5
Female retiring today at age 65	**24.8**	**22.6**	24.4	22.5
Male retiring in 20 years at age 65	**23.7**	**22.2**	23.3	22.1
Female retiring in 20 years at age 65	**26.2**	**24.1**	25.9	24.0

The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustees' investment policies. The allocation of assets is arrived at taking into consideration current market conditions and trends, the size of potential returns relative to investment risk and the extent to which asset realisation needs to match liability maturity. There are risks underlying these considerations. If asset returns fall below the returns required for scheme assets to match the present value of scheme liabilities, a scheme deficit results. Persistent deficits represent an obligation the Group has to settle through increased cash contributions. If asset maturities are not properly matched with liability maturities, there is also the risk that the Group could be required to make unplanned short-term cash contributions to resolve resulting liquidity issues. Scheme assets are invested by the trustees in asset classes and markets that are considered to be reasonably liquid, so through this matching liquidity risk is considered to be sufficiently mitigated.

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

	2023				2022			
	Defined benefit pension schemes				Defined benefit pension schemes			
	Assets £m	**Liabilities £m**	**Other[1] £m**	**Total £m**	Assets £m	Liabilities £m	Other[1] £m	Total £m
Beginning of year	**198.3**	**(208.7)**	**(0.2)**	**(10.6)**	305.9	(293.1)	(3.8)	9.0
Current service cost and administrative expense[2]	**(1.8)**	**–**	**(0.1)**	**(1.9)**	(1.8)	(0.2)	(0.4)	(2.4)
Employer contributions	**3.7**	**0.1**	**–**	**3.8**	0.7	0.2	–	0.9
Return on plan assets excluding amounts in net finance income[3]	**2.3**	**–**	**–**	**2.3**	(108.5)	–	–	(108.5)
Actuarial (losses)/gains arising from change in financial assumptions	**–**	**(3.9)**	**–**	**(3.9)**	–	95.5	–	95.5
Actuarial gains/(losses) arising from change in demographic assumptions	**–**	**0.6**	**–**	**0.6**	–	(1.9)	–	(1.9)
Actuarial losses arising from experience adjustment	**–**	**(0.3)**	**–**	**(0.3)**	–	(5.6)	–	(5.6)
Finance income/(expense)	**9.3**	**(9.6)**	**–**	**(0.3)**	6.3	(6.3)	(0.1)	(0.1)
Benefits paid	**(11.4)**	**11.4**	**–**	**–**	(11.5)	11.5	–	–
Currency translation	**(2.9)**	**3.8**	**–**	**0.9**	7.2	(9.4)	(0.1)	(2.3)
Business combinations[4]	**–**	**(0.2)**	**–**	**(0.2)**	–	0.6	4.2	4.8
End of year	**197.5**	**(206.8)**	**(0.3)**	**(9.6)**	198.3	(208.7)	(0.2)	(10.6)
Defined benefit schemes – net retirement benefit assets/(obligations)		**(9.3)**				(10.4)		

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.
2. During the period, the Group incurred administrative expenses totalling £1.8m (2022: £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. For 2022, 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 was included within other comprehensive income.
4. In 2023 £0.2m pension obligation relates to BMP TAPPI acquisition. In 2022 the Group disposed of the Packaging business and the Filters business. 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.

			(Increase)/decrease in schemes net liabilities as at 31 December 2023
	Europe £m	US £m	**Total £m**
3.0% decrease in the discount rate	(74.3)	(31.3)	**(105.6)**
3.0% increase in the rate of inflation	(23.2)	n/a	**(23.2)**
1.0% increase in rate of salary/pension increases	n/a	n/a	**n/a**
1 year increase in life expectancy	(4.4)	(1.9)	**(6.3)**
1 year decrease in life expectancy	5.2	1.9	**7.1**
3.0% increase in the discount rate	39.9	18.6	**58.5**
1.0% decrease in rate of salary/pension increases	n/a	n/a	**n/a**
3.0% decrease in the rate of inflation	16.5	n/a	**16.5**

13. Financial risk management

Total financial assets and liabilities

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

			2023			2022
	Fair value £m	**Amortised cost £m**	**Total carrying value £m**	Fair value £m	Amortised cost £m	Total carrying value £m
Trade and other receivables[2]	–	48.5	**48.5**	–	63.0	63.0
Cash and cash equivalents	–	59.7	**59.7**	–	421.4	421.4
Interest bearing loans and borrowings[3]	–	(95.5)	**(95.5)**	–	(293.0)	(293.0)
Lease liabilities	–	(30.9)	**(30.9)**	–	(22.9)	(22.9)
Trade and other payables	–	(55.3)	**(55.3)**	–	(82.0)	(82.0)
Level 2 of fair value hierarchy Derivative assets[5]	4.2	–	**4.2**	8.5	–	8.5
Derivative liabilities[5]	–	–	–	(1.3)	–	(1.3)
Level 3 of fair value hierarchy Other financial assets[6]	19.0		**19.0**	11.6	–	11.6
Other non-current financial liabilities[4]	–	–	**–**	(2.4)	–	(2.4)
Other current financial liabilities[7]	(28.0)	–	**(28.0)**	(24.1)	–	(24.1)
Total Group (including discontinued operations in 2022)	(4.8)	(73.5)	**(78.3)**	(7.7)	86.5	78.8

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 £61.5m (2022: £66.4m) include prepayments of £3.3m (2022: £3.4m) which are not financial assets and are therefore excluded from the above analysis and £9.7m included within level 3 of fair value hierarchy other financial assets.
3. Included within interest bearing loans and borrowings are $103m (2022: $350m) US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £80.3m (2022: £293.0m). The Group estimates that the total fair value of the Loan Notes at 31 December 2023 is £70.0m (2022: £277.7m). Unsecured bank loans amounting to £15.2m (2022: £nil), 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 within other non-current financial liabilities (classified as level 3 in the fair value hierarchy), is an amount of £nil (2022: £2.4m) representing deferred consideration payable in respect of acquisitions (2022: £2.4m).
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 includes deferred contingent consideration receivable amounting to £19.0m (2022: £10.6m) following the disposal of the Filters business, £9.3m of which is due greater than 1 year and £9.7m due less than 1 year. The consideration, which is structured as an earn-out, has been classified as a long-term receivable in the condensed consolidated financial statements. The fair value has been determined at the balance sheet 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 for 2022 any difference in fair value between completion date (the date at which the valuation was carried out) and 31 December 2022 would have been immaterial.

7. Other current financial liabilities include £23.0m (2022: £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 deferred contingent consideration of £5.0m (2022: £6.1m) in respect of acquisitions.
8. During the year, a fair value loss of £nil (2022: £nil) was recognised in respect of financial instruments at level 3 fair value hierarchy, and £nil (2022: £nil) was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

14. Issued share capital

	2023 £m	2022 £m
Issued, authorised and fully paid ordinary shares of 25p (2022: 25p) each:		
Beginning of year	**75.6**	75.6
Cancellation of shares of 9,223,493 shares of 25p each:	**(2.3)**	–
End of year	**73.3**	75.6

Number of ordinary shares in issue		
Beginning of year	**302,590,708**	302,590,708
Cancellation of shares	**(9,223,493)**	–
End of year	**293,367,215**	302,590,708

Purchase and cancellation of own shares

During the year, 13,364,814 (2022: nil) 25p Ordinary Shares ("shares") were purchased by the Company for total cash consideration of £24.0m (2022: £nil) at a weighted average price of 179.5 pence per share, of which 9,223,493 shares with an aggregate nominal value of £2.3m were cancelled, and £2.3m transferred from issued share capital to the capital redemption reserve.

At 31 December 2023, the Company held 5,039,265 (2022: 897,944) of its own shares with a nominal value of £1.3m (2022: £0.2m) in treasury. This represents 1.7% (2022: 0.3%) of the number of ordinary shares in issue.

Capital reduction

The capital reduction, comprising the merger reserve, was approved by shareholders at a General Meeting held on 14 November 2023. In connection with the capitalisation of the merger reserve, resolutions authorising the Directors to allot one new B ordinary share (the "Capital Reduction Share"), and to subsequently cancel the Capital Reduction Share were passed at the General Meeting. On 4 December 2023, the amount of £385,219,535 standing to the credit of the merger reserve of the Company was capitalised and applied in paying up in full at par one Capital Reduction Share with a nominal value of £385,219,535. On 14 December 2023, Essentra announced that the capital reduction had become effective following the confirmation by the Court approval on 5 December 2023 and the registration of the Court order with the Registrar of Companies on 7 December 2023.

15. Analysis of net debt

	1 January 2023 £m	**Cash flow £m**	**Business disposals £m**	**Business acquisitions £m**	**Lease additions £m**	**Exchange movements £m**	**Non-cash movements[1,2,4] £m**	**31 December 2023 £m**
Cash at bank and in hand	421.4	(308.9)	(17.8)	(33.3)	–	(1.7)	–	**59.7**
Cash and cash equivalents in the statement of cash flows	421.4	(308.9)	(17.8)	(33.3)	–	(1.7)	–	**59.7**
Derivative financial instruments hedging private placement loans	8.3	(0.3)	–	–	–	(3.8)	–	**4.2**
Debt due within one year	(208.0)	208.0	–	–	–	–	–	**–**
Debt due after one year	(85.0)	(14.9)	–	–	–	4.4	–	**(95.5)**
Lease liabilities due within one year[3]	(4.9)	7.2	–	–	(2.0)	–	(7.4)	**(7.1)**

Lease liabilities due after one year[3]	(18.0)	–	–	–	(12.0)	0.6	5.6	**(23.8)**
Debt from financing activities	(307.6)	200.0	–	–	(14.0)	1.2	(1.8)	**(122.2)**
Net (debt)/funding surplus	113.8	(108.9)	(17.8)	(33.3)	(14.0)	(0.5)	(1.8)	**(62.5)**

	1 January 2022 £m	Cash flow £m	Business disposals £m	Business acquisitions £m	Lease additions £m	Exchange movements £m	Non-cash movements[1,2,4] £m	31 December 2022 £m
Cash at bank and in hand	123.9	(115.7)	434.9	(27.9)	–	6.2	–	421.4
Short-term deposits and investments	12.4	5.7	(18.0)	–	–	(0.1)	–	–
Cash and cash equivalents in the statement of cash flows	136.3	(110.0)	416.9	(27.9)	–	6.1	–	421.4
Derivative financial instruments hedging private placement loans	–	(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)
Lease liabilities due within one year[3]	(11.6)	14.3	7.5	–	(2.9)	(0.9)	(11.3)	(4.9)
Lease liabilities due after one year[3]	(46.1)	–	30.1	–	(7.4)	(3.3)	8.7	(18.0)
Debt from financing activities	(371.0)	67.0	37.6	-	(10.3)	(23.2)	(7.7)	(307.6)
Net (debt)/funding surplus	(234.7)	(43.0)	454.5	(27.9)	(10.3)	(17.1)	(7.7)	113.8

Notes:

1. The non-cash movements in debt due after one year represents the amortisation and write down of prepaid facility fees of £nil (2022: £4.8m amortisation of prepaid facility fees) and the revaluation of loan to fair value of £nil (2022: £1.7m). In the year ended 31 December 2022 loans of £185.0m were 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 £nil (2022: £0.2m) due to renegotiated lease terms, offset by interest on leases of £1.8m (2022 £2.8m).
3. During the year, £5.6m (2022: £8.7m) of lease liabilities moved from due after one year to due within one year.
4. Included within non-cash movements for derivative financial instruments hedging private placement loans is outflow of £2.3m (2022: £1.4m inflow) relating to the fair value movements on cross currency interest rate swaps.

The net cash outflow relating to lease liabilities for low value, short term and variable lease payments was £0.1m (2022: £0.2m, see Note 8).

16. Acquisitions

Acquisition of BMP s.r.l ("BMP TAPPI")

On 26 October 2023, Essentra acquired 100% of the equity interests of BMP TAPPI, a global provider of essential components and solutions, to strengthen the Essentra's product portfolio, unlock further cross-selling opportunities, and to enhance the Group's manufacturing footprint in Europe. The Group acquired BMP TAPPI for an initial cash consideration of €39.5m (£34.3m), up to €3.5m (£3.0m) deferred contingent consideration, and €0.7m (£0.6m) adjustment for net working capital and financial position. The deferred contingent consideration is conditional on achieving certain performance criteria over a two-year 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 BMP TAPPI related to the attribution of fair value to the acquired customer relationships intangible asset. In determining the fair value of the intangible asset, the Group used an external valuation specialist whose assessment considered forecast cash flows from BMP TAPPI'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 £16.9m, with a corresponding provisional deferred tax liability in relation to the intangible asset of £4.8m.

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 £1.8m and net profit of £nil to the Group for the period from 26 October to 31 December 2023 and these results are included within these condensed consolidated financial statements. Had the acquisition completed on 1 January 2023, the contribution to the Group's revenue and operating profit would have been £12.5m and £2.5m higher, respectively.

Acquisition-related costs of £0.6m 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 Group's provisional assessment of the fair value of assets and liabilities recognised as part of the acquisition of BMP TAPPI are detailed below:

	Provisional fair value £m
Intangible assets[1]	**17.7**
Property, plant and equipment	**4.0**
Inventories	**0.2**
Trade and other receivables	**3.2**
Cash and cash equivalents	**5.3**
Trade and other payables	**(2.0)**
Retirement benefit obligations	**(0.2)**
Corporation tax payable	**(0.4)**
Deferred tax liabilities	**(4.9)**
Net identifiable assets acquired	**22.9**
Goodwill[2]	**15.0**
Total consideration	**37.9**
Cash consideration	**34.3**
Deferred consideration[3]	**3.6**
Total consideration	**37.9**

Notes:

1. Intangible assets comprise customer relationships of £16.9m and other intangible assets of £0.8m.
2. Goodwill recognised of £15.0m represents the expected operating and financial synergies, and the value of the assembled workforce acquired. Goodwill is not deductible for tax purposes.
3. Deferred consideration includes £3.0m of deferred contingent consideration and £0.6m of adjustments to the purchase price for net financial capital and financial position.

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 comprised an initial cash consideration of £31.4m and up to £7.0m deferred contingent consideration. The deferred earn-out consideration was conditional on achieving certain performance criteria for the 12 month period commencing 1 January 2023.

During 2023, Essentra reassessed the fair value adjustments and made changes to property, plant and equipment, inventories and tax. The impact of this on goodwill is a decrease of £0.5m. The process of allocating the purchase price, including the split between goodwill and intangible assets and fair value adjustments, has been concluded. Accordingly, the purchase price allocation presented in these financial statements is now final.

On finalisation of the trading performance over 2023, a reduction in the fair value of deferred contingent consideration payable was recognised resulting in a credit of £2.2m (2022: £nil) being recognised in the income statement for the year. Furthermore, a payment of £0.2m in relation to the resolution of an uncertain tax position was made to the vendor during the year. As a result, the deferred consideration recognised for Wixroyd at 31 December 2023 was £0.2m (2022: £2.6m).

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 a 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 did not confer any shareholder right (including, entitlement to dividends and right to transfer to other parties) to the vendor shareholder. Therefore, it was concluded that the amount payable under the put option of £4.7m, as of 31 December 2022, in substance represented deferred consideration and was accounted for as a financial liability as at 31 December 2022. No non-controlling interest was recognised in respect of this acquisition. During the year ended 31 December 2023, the remaining amount due under the put option was paid in full leaving a balance of £nil (2022: £4.7m) in respect of deferred consideration relating to 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 £1.2m (31 December 2022: £1.3m) remains payable to the vendor.

17. Discontinued operations

Disposal of Packaging and Filters businesses

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’). Financial information relating to these discontinued operations 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.

Income statement analysis of discontinued operations

Total discontinued operations	2023 £m	2022 £m
Revenue	**–**	653.9
Operating loss[1]	**(0.4)**	(137.1)
Finance income	**–**	1.5
Finance expense	**–**	(2.1)
Loss before tax on discontinued activities	**(0.4)**	(137.7)
Loss before tax on disposal[2]	**(3.7)**	(19.0)
Total loss before tax on discontinued operations	**(4.1)**	(156.7)
Income tax credit	**3.7**	4.0
Total loss for the year from discontinued operations	**(0.4)**	(152.7)

Notes:

1. For the year ended 31 December 2023 the operating loss from discontinued operations includes gross income of £5.5m and costs of £5.9m.
2. For the year ended 31 December 2023, the loss on disposal of discontinued operations includes a charge of £3.7m based upon the Group‘s latest estimate of amounts due to the respective purchasers of the Packaging and Filters businesses. For the year ended 31 December 2022 refer to page 180 of the 2022 Essentra plc Annual Report for the calculation of the loss on disposal of discontinued operations of £19.0m.

The results from discontinued operations are attributable entirely to the equity holders of Essentra plc. The results for the year ended 31 December 2023 include profit after tax attributable to non-controlling interests of £nil (2022: £4.2m). The earnings per share of discontinued operations are disclosed in Note 5.

Cash flows of discontinued operations

Total discontinued operations	2023 £m	2022 £m
Net cash (outflow)/inflow from operating activities	**(3.8)**	59.7
Net cash (outflow)/inflow from investing activities[1]	**(17.8)**	358.8
Net cash outflow from financing activities	**–**	(10.3)
Net (decrease)/increase in cash and cash equivalents	**(21.6)**	408.2

Notes:

1. Included within investing activities in 2023 is £5.3m for settlement of deferred consideration on the disposal of the Packaging business and £12.5m (2022: £31.5m) on cash outflow from costs of business disposal. In 2022, proceeds from the disposal of businesses of £462.6m, net of cash disposed of £45.7m was £416.9m.

18. Dividends

	Per share		Total	
	2023 **p**	2022 p	**2023** **£m**	2022 £m
2022 interim: paid 28 October 2022		2.3		6.9
2022 special dividend: paid 27 April 2023[1]		29.8		89.8
2022 proposed final: paid 30 June 2023		1.0		3.0
2023 interim: paid 27 October 2023	**1.2**		**3.5**	
2023 proposed final: payable 5 July 2024[2]	**2.4**		**7.0**	

Notes:

1. The special dividend paid on 27 April 2023 amounted to £89.8m, and therefore this figure has been re-presented
2. Subject to approval at the Annual General Meeting on 23 May 2024, the proposed final dividend for the year ended 31 December 2023 will be paid on 5 July 2024 to shareholders on the register of the Company on 17 May 2024. The ordinary shares will be quoted ex-dividend on 16 May 2024.

19. Related parties

During the year, the Company paid £47,937, and granted 6,364 SAYE share options to the wife of Scott Fawcett, CEO of Essentra plc, in respect of her employment by the Group. Scott's wife was employed by the Group prior to his appointment as a director of Essentra plc on 1 January 2023.

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 and gross liabilities of £14.6m. Operating profit for the period to disposal was £6.9m and cash decreased by £0.5m.

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 and gross liabilities of £12.7m. Operating profit for the period to disposal was £2.4m and cash decreased by £0.9m.

20. 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 condensed 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		**2023** **£m**	2022 £m
Operating profit/(loss)	Reported statutory measure	**10.9**	(11.3)
Amortisation of acquired intangible assets		**11.3**	10.4
Adjusting items	Note 3	**21.0**	26.0
Adjusted operating profit	Adjusted performance measure	**43.2**	25.1
Finance income	Note 4	**11.0**	7.1
Finance expenses	Note 4	**(13.5)**	(24.9)
Adjusted profit before income tax	Adjusted performance measure	**40.7**	7.3
Tax on adjusted profit		**(9.6)**	(1.6)
Adjusted net income	Adjusted performance measure	**31.1**	5.7

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

									2023
		EMEA £m	**Americas £m**	**APAC £m**	**Unallocated operating expenses £m**	**Central corporate costs £m**	**Continuing operations £m**	**Discontinued operations[3] £m**	**Total £m**
Operating profit/(loss)	Reported statutory measure	**50.7**	**12.5**	**(1.7)**	**(39.0)**	**(11.6)**	**10.9**	**(0.4)**	**10.5**
Adjusting items	Note 3	**(0.8)**	**1.5**	**3.4**	**16.9**	**–**	**21.0**	**–**	**21.0**
Amortisation of acquired intangible assets		**4.0**	**5.5**	**1.8**	**–**	**–**	**11.3**	**–**	**11.3**
Adjusted operating profit/(loss)	Adjusted performance measure	**53.9**	**19.5**	**3.5**	**(22.1)**	**(11.6)**	**43.2**	**(0.4)**	**42.8**

									2022[1]
		EMEA £m	Americas £m	APAC £m	Unallocated operating expenses[2] £m	Central corporate costs £m	Continuing operations £m	Discontinued operations[3] £m	Total £m
Operating profit/(loss)	Reported statutory measure	47.3	18.9	3.9	(58.3)	(23.1)	(11.3)	(137.1)	(148.4)
Adjusting items	Note 3	1.4	0.5	–	24.1	–	26.0	–	26.0
Amortisation of acquired intangible assets		2.6	5.9	1.9	–	–	10.4	189.2	199.6
Adjusted operating profit/(loss)	Adjusted performance measure	51.3	25.3	5.8	(34.2)	(23.1)	25.1	52.1	77.2

Notes:

1. Following the disposal of the Packaging and Filters businesses during the year ended 31 December 2022, the Group has changed its segment analysis from a divisional to a geographical basis, and therefore this note has been re-presented.
2. Includes £13.7m of operating expenses that were allocated previously to discontinued operations.
3. Discontinued operations includes £nil (2022: £6.5m) of intangible amortisation and £nil (2022: £182.7m) relating to impairments.

Net (debt)/funding surplus

Net (debt)/funding surplus 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.

		2023 £m	2022 £m
Cash and cash equivalents	Reported statutory measure	**59.7**	421.4
Debt liabilities		**(95.5)**	(293.0)
Lease liabilities	Note 13	**(30.9)**	(22.9)
Derivative financial instruments hedging placement loans		**4.2**	8.3
Net (debt)/funding surplus	Adjusted performance measure	**(62.5)**	113.8

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.

		2023 £m	2022 £m
Net cash inflow from operating activities	Reported statutory measure	**29.5**	64.0
Adjusted for: net cash inflow/(outflow) from discontinued operations	Note 17	**3.8**	(59.7)

Operating net cash inflow from continuing activities		**33.3**	4.3
Cash outflow from adjusting items	Note 3	**23.6**	23.7
Net tax paid on continuing operations		**4.5**	5.0
Net capex expenditure on continuing operations	Note 2	**(13.2)**	(12.8)
Adjusted operating cash inflow from continuing operations	Adjusted performance measure	**48.2**	20.2

		2023 £m	2022 £m
Adjusting operating profit from continuing operations	Adjusted performance measure	**43.2**	25.1
Depreciation of property, plant and equipment		**11.1**	13.9
Lease right-of-use asset depreciation		**5.9**	5.6
Amortisation of non-acquired intangible assets		**2.9**	2.7
Share option expense		**1.4**	1.4
Other non-cash items[1]		**(0.5)**	(1.5)
Working capital movements		**(2.6)**	(14.2)
Net capital expenditure		**(13.2)**	(12.8)
Adjusted operating cash inflow from continuing operations	Adjusted performance measure	**48.2**	20.2
Reconciliation of cash flows from adjusting items:			
Adjusting items	Note 3	**21.0**	26.0
Non-cash expenses/credits in adjusting items[2]	Note 3	**(5.9)**	(2.0)
Adjustment for pension contributions	Note 3	**1.9**	–
Cash outflow on adjusting items recognised in the year	Adjusted performance measure	**17.0**	24.0
Utilisation of prior year end acquired accruals and provisions	Note 3	**6.6**	(0.3)
Cash outflow from adjusting items	Adjusted performance measure	**23.6**	23.7

Notes:

1. Other non-cash items comprise impairment of fixed assets £nil (2022: £0.5m), outflow from hedging activities and other movements £0.5m (2022: £1.1m outflow), movement in provisions £nil (2022: £0.1m) less movement due to hyperinflation £nil (2022 £3.2m).
2. Non-cash expenses/credits in adjusting items includes £3.7m (2022: £nil) investment property impairment, £3.4m (2022: £nil) impairment of non-current assets following impairment review less £1.3m (2022: add £2.0m) other non-cash movements in adjusting items.

21. 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.