DEVRO

Devro plc
Annual Report and Accounts 2015

Devro is one of the world's leading manufacturers of collagen products for the food industry

devro.com/investors/annualreport2015

Highlights of the year

Group revenue* (£m)

£230.2m

2015	230.2
2014	232.3
2013	242.7
2012	241.1
2011	227.7

Operating profit before exceptional items* (£m)

£33.3m

2015	33.3
2014	30.3
2013	42.1
2012	42.4
2011	42.5

Earnings per share before exceptional items* (pence)

15.4p

2015	15.4
2014	13.7
2013	20.8
2012	19.4
2011	19.9

Dividends per share (pence)

8.8p

2015	8.8
2014	8.8
2013	8.8
2012	8.5
2011	8.0

* Continuing operations, and restated for revised pensions accounting rules (IAS 19R) where relevant.

2015 WAS A YEAR OF NOTABLE PROGRESS WITH OUR TRANSFORMATION ON TRACK FOR COMPLETION IN 2016

We're focused on **revenue growth** Page 8
in developed and emerging markets,
while optimising **manufacturing efficiency** Page 10
and ensuring **product differentiation** Page 12
through research and development.

Strategic Report

Directors' Report

Financial Statements

Shareholder Information

Devro at a glance

WE AIM TO MANUFACTURE BETTER CASING FOR EVERY SAUSAGE

Our mission: Operating safely, to provide the world's food manufacturers with a safe and secure supply of consistently better collagen products, helping them optimise efficiency and enhancing the value of their offering.

Our business process

Extracting collagen

Collagen used for casing and gel is taken from the hides of carefully selected animals – officially approved for human consumption.

Applied technology

The production of collagen casing is a complex technological process. Devro combines expertise and innovation to produce casings that allow our customers to make better sausage.

Manufacture

Devro is a world leader in the manufacturing technology of this highly sophisticated process. Our casings are consistent, reliable and versatile to suit the needs of both sausage manufacturers and consumer preferences.

Our business model

Why our business exists

Devro's collagen casing is used to manufacture all varieties of sausage. Historically, animal intestines were used as casing for sausage, but over the past 50 years the use of collagen casing has significantly increased, as it enables food manufacturers to automate production and reduce costs. It is better suited to contemporary food hygiene and traceability requirements, and technical specifications can be determined in advance.

What our customers do

Devro's customers manufacture branded and own-label sausage products worldwide, reaching consumers through retail and food service outlets.

How we create value

Devro creates value by converting a basic raw material, collagen, from the inner layer of cattle and sow hides, into a homogeneous gel and extruding it to tightly controlled dimensions, before being compressed and packed for supply to customers. Devro's manufacturing processes are unique and have evolved over many years of technical development.

Who we sell to

Devro's revenue comes primarily from the sale of collagen products directly to food manufacturers and, in some markets, local distributors. Devro sells to over 1,500 customers in more than 100 countries, with a product range in excess of 500 individual items, covering eight principal types of application.

Approximately one-third of Devro's sales are in emerging markets and two-thirds are in developed markets. Over 100 Devro employees work in customer-facing operations as sales and technical advisers.

3D X-ray scanned image of shirred casing.

Sales, marketing & distribution

Devro products are sold across all continents in over 100 countries. We sell directly to food manufacturers and via agents and distributors.

Customer products to consumers

Devro's innovation and casing performance allow our customers to produce differentiated products for the consumer. Our casings consistently score highly for appearance, colour, bite and overall acceptance in independent research and consumer testing.

Reinvesting in our business

Devro has a successful track record of applied research and development and focused capital investment.

The market we are in
Devro is one of five significant global producers of collagen casing in the world market, with a number of smaller local or regional competitors. Additional value is created for the customer by collaborating with specialist food machinery manufacturers and suppliers of food ingredients to optimise product performance.

What makes us different
Devro differentiates itself from competitors by developing innovative new products, by working closely with customers to enhance their manufacturing efficiencies and by providing high-quality technical support to customers.

Why our customers choose Devro
To satisfy our customers' demands, we use our knowledge of how to manipulate the complex chemistry of collagen to balance the requirements of food producers for strength and size stability with consumer preferences for tenderness and bite.

A GLOBAL FOOTPRINT IN CHANGING TIMES

From our creation over 50 years ago, Devro has evolved into an established leading supplier of edible collagen casing throughout the world.

INTRODUCTION

There have been many improvements in edible collagen casing over the past 50 years; some as a result of technical developments and others as a result of improved plant manufacturing systems. The continued significant investment over many years by Devro has enabled the provision of a unique, modern, safe and secure edible collagen casing that runs more efficiently on sausage production lines at much higher speeds and produces better sausage products that are widely accepted by consumers.

Today, Devro products are sold by our dedicated commercial teams, in association with our experienced distributor network, to over 100 individual markets and are used in the production of a huge variety of regional and national sausage types.

Maintaining a detailed understanding of our markets and our customers has been, and continues to be, a key aspect of our business philosophy.

GROWTH

Lower cost opportunities for sausage producers and consumer acceptance continue to drive the demand for edible collagen casings.

Over the past ten years there has been a steady increase in the volume of edible collagen casing used in sausage production.

TRENDS

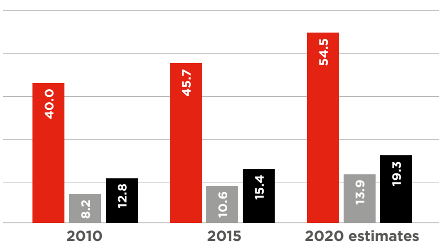
There are numerous social and demographic factors that are contributing to the growth in the consumption of sausage, and consequently an increased growth in the use of edible collagen casings, across both developed and emerging markets.

The growth in global population continues to be a key driver, particularly in relation to the rapid increase in the rate of urbanisation. Consumers are being exposed to a much wider choice and better availability of sausage within the urban environment, compared to those who are living in rural areas.

The global population living in an urban environment has surpassed that of rural and is forecast to continue to rise steeply. This urbanisation trend contributes significantly towards improved living standards and rising incomes which in turn influence the affordability of sausage and processed meat products.

The improvement in the availability of sausage and processed meat products gives rise then to increased average meat consumption across both developed and emerging markets.

GDP growth
(US$'000 per capita)

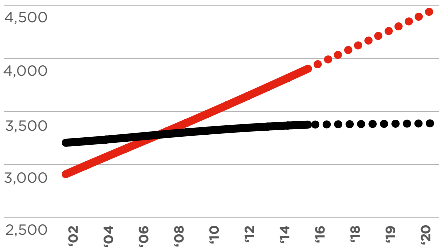


Developed markets Emerging markets World

Source: International Monetary Fund (IMF) – World Economic Outlook Database October 2015

Global urban population
(million)

+24% in decade to 2015

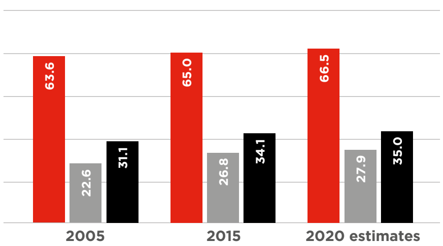


Urban population Rural population

Source: Food and Agriculture Organization of the United Nations (FAO)

Global meat consumption
(kg per capita per year)

+10% in decade to 2015

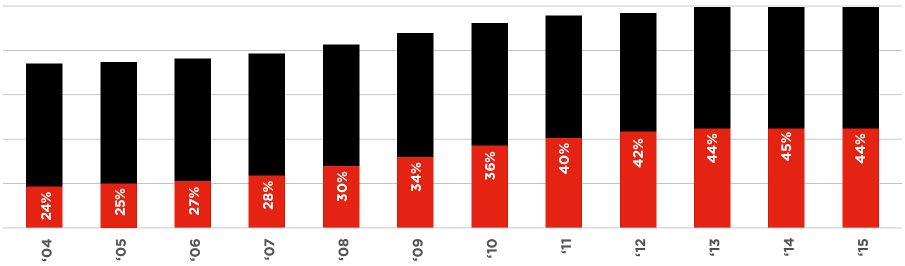


Developed markets Emerging markets World

Source: OECD/FAO

Global market share of edible collagen casings used in sausage production

Market share has increased significantly over the last decade



Source: Devro plc/Collagen Casing Trade Association (CCTA) estimates

Americas

The Americas remains a strong market for edible collagen casing, particularly in the small calibre snack stick sector in North America. Rapid growth in demand in a number of Latin American countries continues, driven by increasing meat consumption and improving economic conditions.

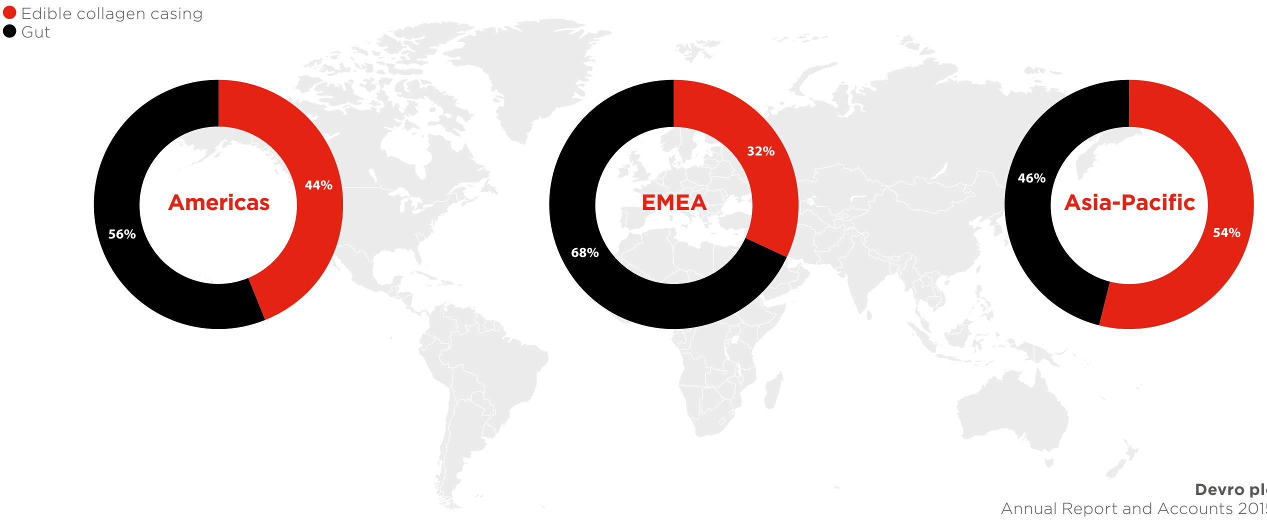
Europe, Middle East & Africa (EMEA)

EMEA continues to be a major market for the use of edible collagen casing and remains a market where there is excellent potential for future growth, including further conversion of gut (animal intestines) to edible collagen casing. Many markets within Europe, including Germany, are highly developed, sophisticated and mature markets for sausage manufacture. However, traditional techniques are still widely employed, and many of the premium products remain in gut.
As Devro's new generation of edible collagen products are introduced, more and more producers and retailers are looking closely at the cost savings that can be made by converting to edible collagen casing.

Asia-Pacific

In Asia and the Pacific regions, growth in the use of edible collagen casing continues strongly. Asia-Pacific has the largest single edible collagen casing market, that being China. Use of the product has grown considerably, primarily due to the increase in urbanisation and the growing popularity of Western-style sausage. The need for efficient manufacturing of safe and secure quality sausage has driven producers to explore more urgently the benefits of edible collagen casing.

Edible collagen casing regional market share



OUR THREE STRATEGIC PRIORITIES

Our aim is to achieve earnings growth and improve return on capital. We have three strategic priorities in place to achieve this:

Our priorities:

Our approach:

Revenue growth

Read more on page 8-9

Growing in developed and emerging markets

- Growth in developed markets through displacement of gut casing
- Volume growth in emerging markets where demand is rising
- Price and value enhancement

Manufacturing efficiency

Read more on page 10-11

Optimising our use of existing assets and investing in new technology

- Upgrading existing assets to improve efficiency
- Bringing on new capacity using most-efficient technology
- Improving raw material sourcing and cost management

Product differentiation

Read more on page 12-13

Differentiating ourselves through research and development

- Investment in research and development
- Product and process technology development
- Unique collagen science knowledge built up over 50 years

Our strategy in action

Paul Kempers on the integration of Devro B.V. into the Devro group page 13

Robert Ralston on delivering a new manufacturing facility in Sandy Run page 11

Jason Lu shares his vision for Devro's new facility in China page 9

Our strategy in action

Growth in developed markets through displacement of gut casing

REVENUE GROWTH

Growing in developed and emerging markets

The collagen casing market in China now accounts for around 40% of the total global demand.

Devro is investing £60 million to establish a manufacturing facility in the city of Nantong, primarily to supply the domestic Chinese market which has seen significant investment in new sausage manufacturing capacity.

With the construction phase now complete, the local team will be supported by colleagues from Devro's operations in Scotland to carry out commissioning and commence commercial production during the second half of 2016.

Devro's strong product portfolio and international reputation position it well to compete in this key strategic market over the long-term.

Volume growth in emerging markets where demand is rising

In conversation with Jason Lu,
Utility and Environmental Manager, Devro Nantong

As the new facility takes shape, the company has been recruiting a new workforce to join the Devro family. They will support the commissioning and ongoing operation of the new facility in Nantong, China.

Jason Lu shares his vision for Devro's new facility in China. He has worked for the company for two years and played his part as Utility and Environmental Manager as the newest facility in the group has gone from blueprints in the office to a fully fitted out factory now entering the commissioning phase.

"I am excited to have the stage to demonstrate my skills and knowledge to add value to the new Devro operation in Nantong. The company is bringing the best technology for manufacturing collagen casing to China and we look forward to making high quality products for the domestic and wider Asian market.

"I have learned so much from working with colleagues from the other Devro locations and helping to bring the vision to a reality. The project team combines many local people who are new to the industry but keen to learn and develop, and experienced colleagues, mainly from Scotland, with huge knowledge that they are now passing on to us. We have a shared passion and ambition to produce the best products and help Devro take advantage of the opportunities in China and beyond."

Price and value enhancement

Our strategy in action

£50 million capital investment to replace 37-year-old facility

State of the art facility to supply product to broad customer base in North and Latin America

MANUFACTURING EFFICIENCY

Optimising our use of existing assets and investing in new technology

The capital investment of £50 million in a new manufacturing facility in Sandy Run, South Carolina, USA forms a key part of a three-year programme to transform our global manufacturing footprint.

The new state of the art facility sits adjacent to the existing 37-year-old plant which uses markedly different technology to our other facilities and is less efficient.

Installing the latest high-speed technology, already used in facilities in Europe, will allow us to significantly improve the efficiencies and yields and deliver consistent, high quality products to a broad customer base across North and Latin America.

We expect the transition to the new facility to deliver cost savings of c.£8 million per annum, which will start to come through during 2016.

Over the coming years, Devro plans to increase its market share in North and Latin America and lead the market in all three key product categories: snack sticks, fresh and cooked sausage. This will require increased focus and expenditure on new product development and close working relationships with existing and new customers.

Investment is a key element of three-year programme to transform Devro's global manufacturing footprint

ING

Factory tour during ribbon-cutting ceremony

New manufacturing hall has space to add further capacity in the future as required

In conversation with Robert Ralston,
Engineering Director, Devro Inc.

With over 30 years' experience working for Devro, firstly in Scotland and then relocating to the US, Robert Ralston was perfectly placed to help deliver a new manufacturing facility in the Devro Inc. business.

Robert explains:
"I joined Devro back home in Scotland in 1983 as a maintenance apprentice in my teens and like to think I have faced my fair share of challenges over the last 30 years. Until now, none of those challenges has been quite as big as the new factory we have been building in Sandy Run over the past 18 months or so.

"The collagen casings industry provides a dynamic and challenging marketplace that Devro operates in. There is always something new to learn and something to improve, which in effect means Devro can provide its entire workforce with a great environment to work in.

"The investment by Devro in the new state of the art manufacturing hall in Sandy Run shows the clear commitment by Devro to manufacturing casings in North America and, as importantly in our community here in South Carolina.

"The construction, installation and commissioning of the new facility has been a unique and great experience. Working on a project from breaking ground through to seeing finished product leaving the completed facility for delivery to our customers is simply amazing and hugely rewarding.

"It was something I only dreamed that I could be part of sometime in my life, but now it is a reality. The best part of this project for me was the privilege of working with an incredible design and construction team, both locally and globally, a real team effort."

Our strategy in action

We're focused on the most advanced product and process development

PRODUCT DIFFERENTIAT

Broadening our knowledge and expertise through strategic acquisition

In October 2015 we welcomed a new facility into the Devro family following the acquisition of PV Industries B.V. Based in the Netherlands and employing a team of 21, Devro has acquired a leading manufacturer of collagen gel products to the global meat processing industry.

The business will now be known as Devro B.V. and boasts a brand new manufacturing hall producing co-extrusion gel for a range of customers around the world. This acquisition supports Devro's strategy by growing sales of collagen products through product differentiation and enhancing value for customers.

Co-extrusion using collagen has been around for a considerable time, but in the last few years, significant growth opportunities have started to appear. With innovation in gels and machinery, we expect this trend to continue.

Devro B.V. will strengthen the company's presence in Europe, providing product knowledge and technical expertise in a specialist sector.

We're continuously investing in research and development

ION

In conversation with Paul Kempers,
Plant Manager, Devro B.V.

The integration of Devro B.V., formerly known as PV Industries B.V. ("PVI") into the Devro group has brought a wealth of experience in the co-extrusion gel sector.

An acquisition can be an unsettling time for all the staff involved, but plant manager Paul Kempers and his team have embraced this period of change which coincided with the move to a brand new manufacturing facility in Gendt, Netherlands.

Paul explains:
"I have been part of the PVI family for over 17 years and now we have all been welcomed into the Devro family which presents many exciting opportunities. The companies share many of the same values, most importantly around health and safety and of course the quality of our products. This has helped to ensure a smooth transition from PVI to Devro B.V.

"Devro has shown a lot of respect for what PVI has built over the years. We are excited to be part of the group and believe together we have a great future. The global activities of Devro and knowledge of PVI, combined with our new facility, provide exciting new opportunities for growth and development."

Developing our knowledge of collagen science built up over 50 years

Chairman's Statement

IN 2015, OVERALL VOLUMES OF CASINGS SOLD INCREASED, MOST NOTABLY IN KEY MARKETS SUCH AS JAPAN, NORTH AMERICA AND SOUTH EAST ASIA.

The construction and launch of the new plants in the USA and China are central to the transformation of the manufacturing footprint for the group.

We entered 2015 with three main areas of focus for the executive team: to develop our market position; to complete the restructuring of our operations in Scotland and Australia; and to maintain momentum on the implementation of our major investment projects in the USA and China.

In tough market conditions, overall volumes of casings sold increased, most notably in key markets such as Japan, North America and South East Asia, and many key accounts have been retained elsewhere in the face of strong competing offers. Sales of co-extrusion gel in North America continued to grow well and the acquisition of PV Industries has now firmly established Devro as the market leader for gel in Europe as well.

As part of our restructuring we took out capacity of older, less efficient technology at one of our factories in Scotland, which was an important step in aligning our product portfolio with market opportunities. In Australia we initiated the outsourcing of hide preparation operations. There was some disruption as we worked through the planned actions, but I am pleased to report that we have delivered annualised cost savings of £5.8 million, slightly ahead of the targeted amount.

In the USA and China we are undertaking two strategic investment projects to build new plants in these locations. It has been challenging to support two such significant projects in parallel, but we have made good progress this year and the projects remain on track for completion as planned in 2016.

FINANCIAL HIGHLIGHTS

Operating profit before exceptional items was £33.3 million (2014: £30.3 million), representing 10% growth over 2014, primarily relating to the delivery of cost savings from the restructuring actions. Profits would have increased more had it not been for adverse foreign exchange movements of £2.1 million (2014: adverse of £4.3 million). Whilst I am pleased with the growth in profits, there is clearly more to do on sales and this will be an area of focus for 2016.

A more complete explanation of the financial performance for the year, including a breakdown of the £14.1 million of exceptional items, is set out in the Financial Review on pages 18 to 21.

STRATEGIC INVESTMENTS

The construction and launch of the new plants in the USA and China are central to the transformation of the manufacturing footprint for the group.

The new factory in the USA will improve manufacturing efficiency by establishing an advanced technology production facility. This will enable us to largely decommission the existing plant, which has continued to underperform in 2015 as it reaches the end of its useful economic life.

As previously indicated we expect an additional contribution to annual operating profit of £8 million from this USA investment, with the benefits starting mid-2016. A key component of this improvement will be the decommissioning of the old production lines, and the realisation of the associated cost savings.

In China the new plant will establish a manufacturing presence in the world's largest collagen casing market, adding capacity to support future sales growth. The new factory continues to progress well, with construction now complete and commissioning of the newly-installed equipment due to commence in the first half of 2016. Demand for premium products has continued to increase in China during 2015, despite the overall market in China declining, reflecting the ongoing development and segmentation of the market.

BOARD

As announced last year, Simon Webb, Group Finance Director, will retire in March 2016. The Board sincerely thanks Simon for his significant contribution to the business over the past five years.

Rutger Helbing will join us as Group Finance Director on 4 April 2016.

EMPLOYEES

Devro's success is built upon the commitment of our employees. Supporting two major projects in parallel has tested this commitment and has significantly stretched our global resources. I have been impressed by the way our employees have stepped up and delivered at this critical time. On behalf of the whole Board, I would like to thank all of our employees for their contribution across our business.

2016 will be another important year as we complete the fundamental transformation of the manufacturing footprint of our business. To be successful we will again need to call upon the dedication and experience of our employees, but I am confident that the team will rise to the challenge.

I would like to take this opportunity to acknowledge the large number of employees leaving the business as part of the transition to more efficient manufacturing technology. I am very grateful for the professionalism they have demonstrated throughout the transformation and wish them well for the future.

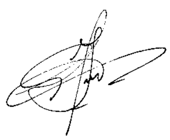
DIVIDEND

The Board is proposing to maintain the final dividend at 6.1p per share (2014: 6.1p) bringing the total for the year to 8.8p per share (2014: 8.8p). Subject to shareholder approval at the Annual General Meeting ("AGM") in April, the dividend will be paid on 13 May 2016, to those on the register at 29 March 2016.

RETURN ON INVESTMENTS

With our transformation programme nearing completion we must now demonstrate a return on the £110 million in capital investments we have made over the past three years. 2016 will be the year in which we start to see this return reflected in our profits with the new plant in the USA completing in the first half. Additional profit growth will follow in 2017 from the new plant in China, enabling us to increase capacity and support further revenue growth.

2016 is an important year for Devro given the complexities of starting up two new factories, but with the detailed planning in place we are on course to develop into the most advanced collagen casings company in the world. Devro will then be well placed to benefit from a dynamic and expanding global market, to create long-term value for our shareholders.



Gerard Hoetmer
Chairman

Chief Executive's Review

2015 WAS A YEAR OF NOTABLE PROGRESS FOR DEVRO.

Our three-year transformation programme, to ensure that the business has high-tech manufacturing assets capable of supplying future demand, progressed well and will complete in 2016.

SUMMARY

2015 was a year of notable progress for Devro, with sales volumes growing in a number of key markets, the completion of two restructuring programmes resulting in substantial cost reductions, significant progress in our investment projects in the USA and China and the acquisition of a specialist European collagen gel business.

Our three-year transformation programme, to ensure that the business has high-tech manufacturing assets capable of supplying future demand, progressed well and will complete in 2016.

MARKETS OVERVIEW

Devro supplies collagen casings, films and gel to a worldwide market that has long-term volume growth averaging 3-4% per year. Growth comes from the global trend towards urban living and rising levels of disposable income, with related increases in protein consumption, as well as the expansion of high-tech food manufacturing processes, which tend to use collagen casings.

In 2015, many regions reported volume growth, with an estimated global increase of 3% excluding China. Growth areas include meat-based snacks in the USA, snacks and confectionery in Japan and rising consumption in several South East Asian markets. After several years of remarkable growth, the total market in China contracted in 2015 due to a combination of economic and industry factors; however the premium casings segment continued to grow. Production of meat products in Russia declined in the earlier part of the year, as a result of economic, political and currency issues.

STRATEGY

Devro's three-part strategy focuses on revenue growth, manufacturing efficiency and product differentiation. The business made good progress in all three elements during 2015.

Revenue growth

Devro's sales volumes grew 1% in 2015. Strong increases were reported for the first half of the year, which were partially offset in the second half by declines in some markets, in part related to local economic factors but also short-term capacity constraints linked to the transformation of our manufacturing footprint.

Sales volume growth remained strong in Japan (7%), particularly in the snack and confectionery sector. Volumes across South East Asia increased 13% as capacity from the recently-expanded Czech and Australian plants enabled higher levels of supply. Latin America sales volumes, excluding Brazil, increased 5% having benefited from the launch of recently developed products.

Growth continued in the major markets of Continental EU and North America, with both markets increasing sales volumes by 3%. Volumes were broadly maintained in the mature and established markets of the UK and Australia, as well as in China where Devro sales were moderately constrained in the short-term by available capacity.

Russia and surrounding markets were affected by the geopolitical and economic factors, leading to a 16% sales volume decrease for Devro. Sales to Brazil, where prices are generally lower, were constrained by supply.

Demand for collagen gel in the manufacturing of large volume brands in the USA and Europe continues to grow as major food manufacturers make significant capital investments in co-extrusion technology to reduce operating costs.

Manufacturing efficiency

Input costs reduced in 2015, due to an improved market for hides and the benefits of lower energy costs passing through the global supply chain.

The Czech operation ran at full capacity, benefiting from the high levels of investment we have undertaken since 2005.

The businesses in Scotland and Australia both completed substantial restructuring projects to reduce overhead costs whilst at the same time maintaining full operating activities. This proved challenging, particularly in the first half, but over the course of the year annualised cost savings of £5.8 million were successfully realised, slightly ahead of expectations.

Over the three years from 2014-2016, Devro has been restructuring its manufacturing operations worldwide in order to have lower cost capacity located to supply both established and emerging markets with competitive products. From a total of 2,200 employees in 2014, 350 roles in higher-cost locations in the USA, the UK and Australia have become redundant, whilst 180 roles have been created at a new plant in China. This change reflects the scale of the cost reduction and reorganisation that has been undertaken at the same time that capacity is being increased.

In the USA construction and commissioning of the new £50 million plant in South Carolina is now approaching completion. The old USA plant saw its last full year of production in 2015. The permanent shutdown of the old, inefficient capacity commenced in December 2015, and will complete in the first half of 2016, as customers are transferred to enhanced products from the USA and Europe. Once the dual-running of the old and new capacity ceases during 2016, the expected annual cost saving of £8 million will start to be realised.

In China, construction of a £60 million new plant in Jiangsu province was completed. Commissioning will run through the first half of 2016, with commercial production due to commence during the second half. This plant represents the first stage of an investment to supply directly into the world's largest market for collagen casings.

Start-up of the new plants involves a large amount of specialist input and fine-tuning to achieve efficient output. In view of the scale of both projects, this will require significant input from all parts of the business during 2016.

Product differentiation

Effective research and development is key to product differentiation. During 2015 the priority for development was to ensure that products coming from the new capacity will be effective replacements of predecessors and, where possible, will provide enhanced performance to customers.

A single group research team is now established, with appropriate expertise recruited and a range of collaborative external research projects now starting to extend knowledge and opportunities.

The acquisition of PV Industries B.V., a specialist European collagen gel business, has provided Devro with access to a strong technical skills base and an innovative and developing product portfolio. This will further strengthen our ability to differentiate our products and enhance value for customers.

OUTLOOK

For current trading, some markets are positive and providing good opportunities for growth, whilst others face continuing economic and political pressures that limit demand. In China, Devro continues to pursue the strategy of supplying differentiated products for the premium sector, which is growing, whereas in the standard casings sector there has been a contraction in volumes recently along with high levels of availability leading to price erosion.

For Devro in 2016, it is the timely and efficient commissioning of our new plants that will most significantly contribute to improved profitability and, whilst we anticipate inevitable challenges in this phase, we are confident in the ability of our local management teams to reach successful conclusions.

Our transformation will complete in 2016, after which Devro will be well positioned to supply all of our markets with competitive products from efficient manufacturing operations. The benefits from this transformation will begin to flow through to profits in 2016 and the long term growth prospects are strong.

Peter Page
Chief Executive

Financial Review

WE ACHIEVED AN OPERATING MARGIN OF 14.5% (2014: 13.0%), LARGELY REFLECTING THE COST SAVINGS ACHIEVED THROUGH RESTRUCTURING.

Revenue

	2015 £'m	2014 £'m	Change	Change constant currency
Revenue	**230.2**	232.3	-0.9%	+1.2%

Year on year growth in revenue can be analysed as follows:

	2015 vs 2014	2014 vs 2013
Volume	**+0.9%**	+2.6%
Price/mix	**+0.3%**	-1.0%
Foreign exchange	**-2.1%**	-5.9%
Total	**-0.9%**	-4.3%

REVENUE

Sales volumes in 2015 grew 0.9% for Devro. Volumes of edible casings grew strongly in North America, Japan and South East Asia. Political and economic volatility in Russia and surrounding markets contributed to volumes declining in these markets and were partly responsible for holding back overall group sales growth, particularly in the second half. Sales in Brazil, where prices are generally lower, were constrained by supply resulting in a year on year decline in volumes in this region.

There was also an extra week of trading in the first half of the year, due to changes in the manufacturing calendar, and consequently a week less trading in the second half. This contributed to the movement in trading volumes between the two halves. Adjusting for this, underlying growth would have been 2% in the first half and a decline of 1% in the second half.

Sales of gel continue to grow well in the USA, as customers transition from cellulose applications to collagen co-extrusion. The acquisition of PV Industries B.V. ("PVI"), which was completed in October 2015, has helped to expand the group's expertise in this area as well as our sales into Europe.

Revenue, excluding the impact of foreign exchange, grew by 1.2% in 2015, predominantly as a result of improved volumes, particularly in Japan, North America and South East Asia. The acquisition of PVI contributed 0.4% of the revenue growth from gel sales in Europe.

Pricing was relatively neutral during the year with a small positive mix effect which reflects the geographical split of sales. Pricing in China remains competitive, which underlines the importance of focusing on the premium segment.

OPERATING PROFIT

	2015 £'m	2014 £'m	Change
Operating profit before exceptional items	**33.3**	30.3	+9.9%

The movement in operating profit before exceptional items between 2014 and 2015 can be analysed as follows:

Operating profit before exceptional items 2014	£30.3m
Volumes	+£0.4m
Price/mix	+£0.5m
Restructuring savings	+£5.8m
Input costs	+£3.0m
Manufacturing efficiencies	-£2.8m
Foreign exchange	-£2.1m
Other movements	-£1.8m
Operating profit before exceptional items 2015	**£33.3m**

Restructuring savings
The planned cost reductions have been realised following the restructuring of operations in Scotland in 2014, as the group closes its older and less efficient capacity, alongside the outsourcing of hide preparation operations in Australia. Together these actions contributed £5.8 million of cost savings, which was slightly ahead of target.

Input costs
Input costs reduced £3.0 million during the year following a number of years of increases. The group benefited from lower raw material costs in the USA and Australia, alongside lower energy costs across all locations.

Manufacturing
Manufacturing was especially challenging in the existing USA factory, which is nearing the end of its useful life, ahead of the transition to the new manufacturing plant. The updated equipment in the new plant is currently being commissioned and is expected to be fully operational in the first half of 2016.

As both this investment project and the new manufacturing site in China are completed during 2016 overall manufacturing costs for the group will be further reduced.

Foreign exchange
Devro has operations around the world in multiple currencies. There was an adverse foreign exchange impact on the results of £2.1 million which reflects the strengthening of sterling against most other key trading currencies of the group compared to 2014, particularly against the euro and Czech koruna.

Other movements
Other movements include inflation on wages and salaries.

OPERATING MARGIN

	2015	2014
Operating margin	**14.5%**	13.0%

We achieved an operating margin of 14.5%, compared with 13.0% in 2014, largely reflecting the cost savings achieved through the restructuring activities initiated in 2014.

EXCEPTIONAL ITEMS

	2015 £'m	2014 £'m
Investment projects	**14.4**	7.0
Restructuring/other	**(0.3)**	16.9
Total exceptional items	**14.1**	23.9
Cash	**12.7**	15.4
Non-cash	**1.4**	8.5
	14.1	23.9

Exceptional items incurred during 2015 comprise incremental costs associated with the two investment projects to establish new plants in the USA and China, an adjustment to the decommissioning provision related to restructuring actions and costs related to the acquisition of PVI.

Investment projects exceptional items include staff retention costs and redundancy provisions, accelerated depreciation, incremental costs attributable to the transition to the new plant and decommissioning costs related to the assets being made redundant by the USA investment, together with project management costs, training costs and professional fees for the two projects.

The non-cash exceptional item of £1.4 million comprises accelerated depreciation and the write-off of raw materials which will not be usable once production has ceased at the existing USA factory.

2016 will be the final year of exceptional items associated with the three-year transformation programme. Exceptional items in 2016 are expected to be at a similar level to those incurred in 2015, which reflects the start-up costs of the two new plants prior to full scale commercial production.

CAPITAL INVESTMENT

	2015 £'m	2014 £'m
Capital investment	**55.4**	60.5

Devro is on track to invest £110 million on the two investment projects to build new factories in the USA and China. Of this total, £91 million has been invested up to the end of 2015, and a further £19 million will be invested in the first half of 2016.

Financial Review continued

This is approximately £15 million higher than the amount originally planned for the two projects in order to provide additional functionality in both the USA and China plants to support future expansion, including investment in waste water treatment, product kitchens and the base infrastructure.

These two strategic projects are both on plan to commence commercial production in 2016.

ACQUISITION

The group acquired 100% of the shares in PV Industries B.V. ("PVI") on 5 October 2015. Based in the Netherlands, PVI is a leading manufacturer of high quality collagen gel products for the meat processing industry.

Cash consideration of €9.2 million (£6.8 million) was paid, with a further €0.2 million (£0.2 million) contingent consideration expected to be paid dependent upon revenues earned by PVI to the end of 2016. Including cash and debt acquired with PVI the acquisition increased group net debt by £8.8 million.

The fair value of net assets purchased (including net borrowings) was £3.9 million which included £2.1 million recognised as an intangible asset in respect of customer contracts and relationships. Additionally £3.1 million was recognised as goodwill.

WORKING CAPITAL AND CASH FLOW

	2015		2014	
	£'m	**Number of days**	£'m	Number of days
Inventories	**29**	**45**	33	53
Trade and other receivables	**38**	**50**	34	49
Trade and other payables	**(34)**	**30**	(34)	26
	33		33	

Inventory levels fell through the year in a continuation of the trend from the second half of 2014, and contributed positively to the group's operating cash flow. £3 million of the increase in trade and other receivables related to payment of input taxes on equipment installed in our new plant in China, which will be recovered as sales and profits are generated from the new plant.

Operating cash flow, before capital expenditure and exceptional items, improved to £49.9 million (2014: £48.1 million), in line with operating profits.

Cash outflow from exceptional items was £15.5 million (2014: £6.5 million).

FINANCING AND NET DEBT

Key financial measures are as follows:

	2015	2014
Net debt	**£125.5m**	£69.2m
Net debt/EBITDA	**2.6 times**	1.5 times
Gearing	**95.7%**	52.0%
Return on capital employed (ROCE)	**11.5%**	11.8%

Net debt increased as expected during the year, principally due to expenditure on the group's two major investment projects which are expected to commence commercial production during 2016. Additionally net debt increased £8.8 million upon the acquisition of PVI in October 2015, and we negotiated a temporary increase in the key net debt/EBITDA covenant on our funding facility from 3 times to 3.25 times as a result. The covenant reverts to 3 times in September 2016.

The group remained within its funding facilities which include the US$100 million US private placement that took place in the first half of 2014, and the £110 million revolving credit facility which was negotiated in December 2014 and will be in place until 2019.

Net debt/EBITDA ended the year at 2.6 times and is expected to peak in the first half of 2016 as the two investment projects are completed but will remain within the banking covenants.

ROCE reduced from 11.8% to 11.5% which reflects the significant investment programme currently being undertaken by the group.

INTEREST

	2015 £'m	2014 £'m
Net interest cost	**2.0**	2.2
Net finance cost on pensions	**2.1**	2.0
Total net interest cost	**4.1**	4.2

The net interest cost for the year was lower than 2014. In addition to the interest charged to the income statement, the group has capitalised interest of £2.7 million (2014: £0.6 million) reflecting the capital invested in the group's two major investment projects. As these projects are completed the capitalisation of interest will cease and the net interest cost will increase as a result.

The small increase in net finance cost on pensions over 2014 reflects the increase in the opening net pension liability.

PENSION SCHEMES

We operate a number of defined benefit schemes around the group, although all of these are now closed to new entrants. The net pension liabilities of these schemes can be analysed as follows:

	2015 £'m	2014 £'m
Fair value of scheme assets	**225.4**	231.8
Present value of scheme liabilities	**(281.8)**	(290.8)
Net pension liabilities	**(56.4)**	(59.0)

The decrease in the pension liability during the year largely reflects the increase in scheme discount rates.

During the year discussions with trustees of the UK scheme were completed following the triennial valuation as at 31 March 2014, and as a result annual contributions to fund the deficit were increased by £1 million for the next 12 years.

EARNINGS PER SHARE

	2015	2014
Basic earnings per share	**8.8p**	2.6p
Basic earnings per share before exceptional items	**15.4p**	13.7p

We have again presented an adjusted EPS that excludes the effects of exceptional items, to provide a better indication of our underlying performance. The increase in EPS reflects the group's higher operating profit before exceptional items.

TAX

	2015 £'m	2014 £'m
Tax charge on profit before tax before exceptional items	**3.6**	3.2
Tax credit on exceptional items	**(3.1)**	(5.4)
Tax charge/(credit) in income statement	**0.5**	(2.2)

The group operates around the world and earns profits which are subject to tax at varying rates.

During the year, further investment incentives were obtained in the Czech Republic which helped to keep the underlying tax rates low in 2015.

DIVIDEND

	2015	2014
Interim per share	**2.7p**	2.7p
Final per share	**6.1p**	6.1p
Total	**8.8p**	8.8p

The Board is recommending an unchanged dividend in 2015.

GOING CONCERN

At 31 December 2015 the group was operating within the banking covenants related to its revolving credit facility and US private placement facilities. The group's detailed financial forecasts indicate that there is sufficient headroom in the facilities for the foreseeable future and that they can be repaid in line with the expected terms.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Simon Webb
Group Finance Director

Principal Risks

IN 2015 WE REVIEWED OUR RISK MANAGEMENT PROCESS AND RELATED REPORTING

The directors have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The main risks identified are set out in the following pages. Additional risks which are not presently known to management could also have an adverse effect on the company.

The Board has taken into consideration the principal risks when considering the adoption of the going concern basis of accounting, and when assessing the prospects of the company for the purpose of the viability statement.

The going concern and viability statements can be found on page 41.

In addressing and overseeing risk, the Board is supported by the Risk Committee. In 2015, the Board asked that the Committee submit to it four formal reports in the course of the year, and this practice will be continued. A report from the Committee can be found on page 40.

The Committee's remit includes the following:

RESPONSIBILITIES OF THE RISK COMMITTEE

1) Assess and monitor
To assess and monitor risk across the group and to recommend mitigating strategies in respect of the key risks;

2) Risk Register review
To review and update the Risk Register four times a year;

3) Process review
To review the group process for evaluating risk to ensure it remains appropriate and relevant; and

4) "Bottom Up" review
To co-ordinate an annual 'bottom up' review of risk across the group, culminating in formal reports to the Audit Committee and the Board in the fourth quarter of each year.

Key Risk

LOSS OF MARKET SHARE/ PROFIT MARGINS DUE TO INCREASED COMPETITIVE PRESSURES

The group operates in competitive markets throughout the world.

DOWNTURN IN CONSUMER DEMAND

Consumer preferences evolve over time, and are influenced by a number of issues outside our control, including economic factors and health considerations.

OPERATIONAL DISRUPTION

The group is at risk of disruption to its manufacturing capability from poor operational performance, or major disruptive events such as fire or flooding.

BREXIT

The June 2016 referendum on the UK's continued membership of the European Union could result in a vote to exit.

FINANCIAL RISKS

The main financial risks relate to foreign exchange rate movements, and the availability of short and long-term funding.

RISK TREND
Increased
Unchanged
Decreased

Impact	Mitigation	Movement
A major change in the production capacities, pricing policies or behaviour of our competitors, or consolidation between either competitors or major customers, could have a significant adverse effect on sales revenues and profitability.	In addition to substantial capital investment, the group invested over £6 million in research and development activities in 2015 to extend and differentiate the product range and improve the quality of our products. We also expand the total collagen casings market by developing products which convert gut casing applications to collagen. Devro provides a high level of technical support to key customers.	Increased
A decline in consumer demand could lead to increased competition in the marketplace and reduced sales revenue/profitability.	Devro's wide range of products allows flexibility to respond to customer and market demands. We continue to invest heavily in our products and processes with the aim of increasing quality while reducing our cost base to remain competitive.	Increased
Prolonged operational disruption could result in sustained loss of capacity or capability, and could impact on our ability to deliver to customers. This, in turn, could adversely affect the group's financial performance.	The group maintains industry-leading operational processes and procedures to ensure effective operational management at each of our plants. With seven facilities in various locations, the group has manufacturing flexibility, and this enables effective contingency planning. Our business continuity and disaster recovery plans are regularly tested and continually updated. Appropriate insurance policies are in place.	Unchanged
The EU single market for goods, services and people is beneficial to Devro's European operations. Trading and regulatory relationships beyond Europe are in many cases facilitated by EU membership. A vote to leave would result in these arrangements lapsing, thereby leading to a period of uncertainty while new relationships were negotiated. New arrangements may not be secured before the existing framework falls, or may be on disadvantageous terms compared to the current conditions.	With seven manufacturing plants across the world, the group's diversity provides significant protection against this risk. Exports from our Scottish plants amount to c.10% of group turnover.	Increased
Adverse foreign exchange rate movements could reduce revenues and the sterling value of reported profits. Almost 90% of the group's revenues are currently invoiced in currencies other than sterling. Failure to operate within the agreed financial framework could lead to inability to support long-term investment or to raise capital for funding growth.	The financial impact of exchange rate fluctuations within our operating units is mitigated by a policy of hedging a substantial portion of transactional foreign exchange risk for periods of up to 12 months using forward contracts. All term debt is arranged and managed centrally and appropriate covenant headroom is maintained.	Unchanged

Principal Risks continued

Key Risk	Impact	Mitigation	Movement
DISRUPTION TO SUPPLY OR INCREASE IN PRICE OF KEY RAW MATERIALS The group's most important raw material is collagen, a naturally occurring animal protein obtained from cattle and sow hides. There is a risk that changes may occur in the supply or demand for food grade collagen, resulting in significant cost increases for the group's business.	Raw collagen represents approximately 15% of the group's total operating costs. Increase in price would adversely impact the group's operating costs. Disruption to supply could adversely affect manufacturing performance.	The group manages the collagen sourcing risk by, where possible, entering into long-term arrangements with specialised suppliers in various parts of the world. We monitor developments and changes in the global abattoir and leather Industries to maintain and develop appropriate relationships.	Decreased
DEVELOPMENT OF NON-CASING TECHNOLOGIES More than 85% of the group's revenue is derived from the manufacture and sale of edible collagen casing, primarily for sausages. For many years, several manufacturers of machinery used in the food industry have been promoting "co-extrusion" systems for sausages which do not require casing.	If there were to be a significant conversion to co-extrusion, there could be an adverse effect on the sale of casing, revenues and profits.	The group makes substantial investments in product development and manufacturing processes to sustain competitive advantage. Where there have been conversions to co-extrusion in the past, the group has often been successful in obtaining the business to supply the collagen gel required for such applications, and, following the 2015 acquisition of PV Industries B.V. (now "Devro B.V."), continues to be a world leader in this specialist category.	Unchanged

Risk	Impact	Mitigation	Movement
IMPACT OF CHANGES IN REGULATIONS AFFECTING FOOD PRODUCTION As a supplier to the food industry, the group complies with all relevant food safety regulations. These regulations are not only those of the jurisdictions where products are manufactured (the European Union, the USA and Australia), but also the regulations of the many countries in which products are sold. Regulatory authorities routinely enact changes to food safety legislation.	Changes to food safety regulations could result in restrictions on the movement of the group's products, or its raw materials, between territories, or necessitate changes to the production processes at one or more of the group's manufacturing facilities.	The Global Quality and Regulatory Affairs Director actively monitors planned and actual changes to regulations in all relevant jurisdictions in order to minimise disruption to our business. The group is a founder member of the Collagen Casings Trade Association, which represents the industry and promotes its excellent record in regulatory and health issues. Supplier approval and traceability are under constant review.	Increased

RISK TREND

- Increased
- Unchanged
- Decreased

Risk	Impact	Mitigation	Movement
INCREASED FUNDING REQUIREMENTS OF PENSION SCHEMES Estimates of the amount and timing of future funding obligations for the group's defined benefit pension schemes are based on various assumptions, including the projected investment performance of the pension scheme assets, future bond yields, changes to assumptions about the longevity of the schemes' members and statutory requirements.	Any significant deterioration in the schemes' asset values or unforeseen increases in scheme liabilities might increase the group's funding obligations and could adversely affect the group's profits and financial strength.	The position and performance of each of the pension schemes are continually monitored by the group, in conjunction with pension trustees and professional advisers. All defined benefit schemes are closed to new entrants, and the group is actively working to match assets to expected future cashflow.	Unchanged
PEOPLE Shortage of people with relevant expertise.	There is considerable competition for highly trained staff in certain areas. Devro's strategy of significant investment in the company's manufacturing base requires the recruitment and retention of highly-skilled technical managers and employees.	A number of internal programmes have been introduced to train and develop key employees.	Unchanged
PRODUCT CONTAMINATION Raw materials and ingredients may contain impurities, contamination or disease.	Contamination could lead to a product recall, loss of reputation, or significant costs of compensation.	All of our manufacturing sites have achieved FS22000 approval. This requires a Hazard Analysis and Critical Control Point programme to be implemented with the aim of preventing contamination.	Unchanged
IT SYSTEMS IT systems are central to our business operations. Vulnerability to an external attack is a growing worldwide issue.	An outage for a period of time could have an impact on our operations. Loss of commercial or personal data could damage the business or our reputation.	We ensure that our systems are regularly updated with appropriate external firewalls and security features. Regular penetration testing is conducted.	Increased

MEASURING OUR PERFORMANCE

We monitor our performance against our strategic objectives by means of Key Performance Indicators ("KPIs"). The most important of these KPIs at a group level focus on the following areas:

#1 Revenue growth

Growing in developed and emerging markets

#2 Manufacturing efficiency

Optimising our use of existing assets and investing in new technology

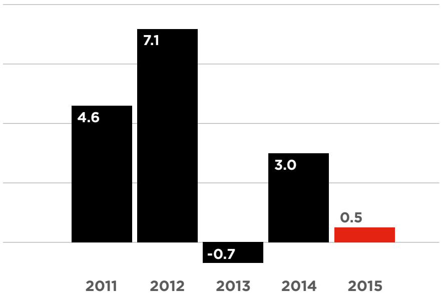
#3 Product differentiation

Differentiating ourselves through research and development

KPI #1
SALES VOLUME GROWTH*

#1 #3

Volume growth of edible collagen casings (%)

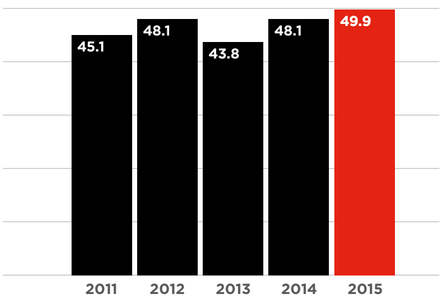


A key element underpinning the group's strategy is to deliver growth in sales revenue. There are several components to revenue growth, including changes in sales volumes and in price/mix. As a result, the group monitors sales volume growth separately, and changes in price/mix are monitored through revenue growth. Devro sells to markets around the world from strategically located commercial operations and through an extensive network of distributors and agents.

KPI #5
OPERATING CASH FLOW*

#1 #2 #3

Cash generated from operations before exceptional items (£m)



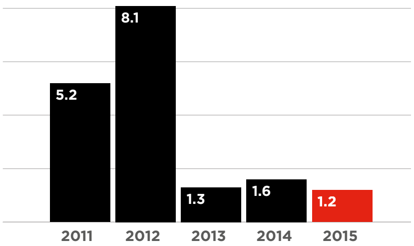
Operating cash flow before exceptional items is the amount of cash generated by the group through its trading activities and manufacturing operations before investment in capital expenditure. This measure is used to evaluate the performance of each business and to assist the management of working capital.

* Continuing operations, and restated for revised pensions accounting rules (IAS 19R) where relevant.
**Constant currency growth rates are calculated by restating prior year figures using 2015 exchange rates.

KPI #2
REVENUE GROWTH*

#1 #3

Value growth at constant currency (%)**

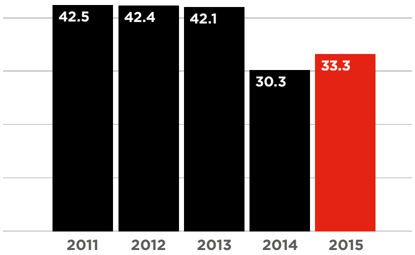


Revenue is monitored on the basis of operating segments as follows: Americas, Asia-Pacific and Europe. Given the significant distorting effects of movements in exchange rates, revenue growth is monitored in constant currency.**

KPI #3
OPERATING PROFIT*

#1 #2 #3

Operating profit before exceptional items (£m)

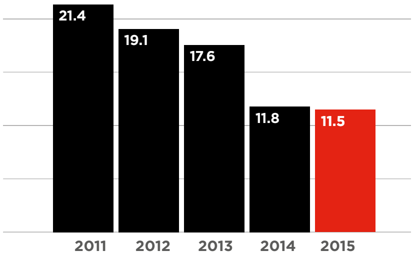


While the group aims to take a long-term perspective on shareholder value, it also monitors the financial performance of each of its businesses in the shorter term. The KPI used in this monitoring process is operating profit before exceptional items. This measure is used to evaluate the performance of each business, including sales price, manufacturing efficiency and overhead and operating cost control.

KPI #4
RETURN ON CAPITAL EMPLOYED*

#1 #2 #3

Operating profit before exceptional items/ average capital employed (%)

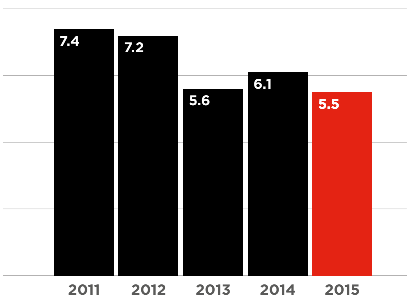


Return on capital employed (ROCE) represents operating profit before exceptional items as a percentage of average capital employed. Capital employed is defined as fixed assets plus current assets less current liabilities, excluding all balances related to interest-bearing assets and liabilities, any derivative financial instruments, any deferred tax balances, and any pension assets or liabilities. It is a key indicator of how the company is making use of its available capital, and is a good reflection of the performance of the company in terms of both earnings and cash flow.

KPI #6
HEALTH AND SAFETY

#2

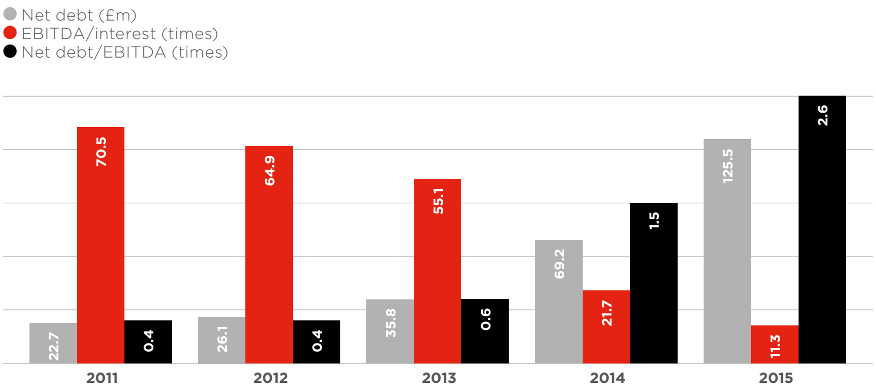
Number of injuries requiring treatment by a health professional per million hours worked



Health and safety matters are discussed further on pages 28 and 29 of this Annual Report. Safety performance is measured in various ways at a local level. At group level, it is measured by the rate of injuries requiring treatment by a health professional, which is calculated as the number of injuries per million hours worked, comprising both lost working day injuries and recordable injuries.

KPI #7
DEBT*

#1 #2 #3



Net debt/earnings before interest, tax, depreciation, and amortisation (EBITDA) measures the liquidity of the group. EBITDA/net interest measures our ability to service our net debt.

Net debt/EBITDA and EBITDA/net interest are the two key covenants for the short and long-term funding for the group, and are therefore monitored on an ongoing basis.

BEING A RESPONSIBLE BUSINESS

As a global manufacturing business, we inevitably have an impact on the wider world. We take our responsibilities to society and the environment seriously and make sure they are reflected in all our group policies.

HEALTH AND SAFETY

Devro believes in strong health and safety principles. One of our core beliefs is that all accidents are preventable. Our overarching aim is to make Devro a safer place to work and ensure everybody goes home safely at the end of the working day.

Safety underpins all our operational procedures with accountability for safety at every level of the organisation.

Our strategy and objectives are to:

- Promote health and safety, to work towards a target of zero accidents of employees, contractors, visitors and the public.
- Deliver zero "high potential" incidents in our businesses; i.e. events that could have resulted in significant harm, through ensuring all of our manufacturing sites have robust process safety management controls in place.
- Implement a proactive and visible safety-management culture founded on leading indicators.
- Ensure that health and safety training remains at the forefront of the development of our staff and the needs of the company, both today and in the future.
- Ensure each of the regions has a comprehensive risk assessment programme in place for both new and existing operations.
- Assess and ensure compliance with our company "Golden Rules".
- Deliver "best in class" health and safety performance.

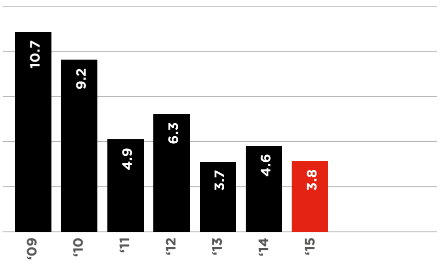
The Board's Health and Safety Committee reviews and monitors safety performance in each of the regions. All sites have an annual safety and training plan in place. These are submitted to the Committee for review at the start of the year.

The Committee met five times in 2015 to review progress and met with the regional safety committees on four of those occasions.

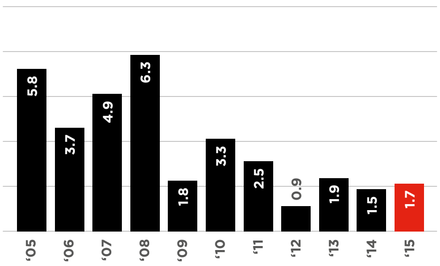
In 2015, as part of Devro's efforts to reinforce our philosophy of making the health and safety of every colleague our number one priority and consistently improving safety performance throughout the group, we launched a set of global mandatory safety rules. Their focus is on modifying worker and supervisor behaviours in the workplace by raising awareness.

We created a new Devro mascot, Nina ("No Incidents No Accidents"), as a means of keeping our colleagues informed of all the latest safety updates and improvements.

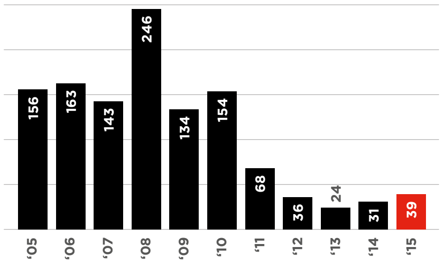
Recordable injury rate
(per million hours worked)



Lost working day injury rate
(injuries per million hours worked)



Number of lost working days
(per million hours worked)



How we did in 2015
The reported rate of lost working day injuries ("LWDIs") increased in the past year. We recorded nine LWDIs in 2015 compared to seven in 2014. The number of working days lost due to injury was 206 (2014: 144).

This demonstrates the need for continuous improvement in the management of health and safety risks in the workplace. Through our programme of change, we will continue to target the underlying causes of such incidents in order to achieve our objectives.

Following every LWDI, a full report is drafted with all remedial actions put in place as soon as is practical, and the circumstances shared with all sites to ensure the chance of recurrence elsewhere in the group is minimised. The Chief Executive meets personally with every colleague who has been involved in an LWDI.

We also measure our performance by looking at the number of "recordable injuries", defined as those that need more attention than basic first aid and require the attention of a health professional. In 2015, there were 20 recordable incidents reported which was a decrease from 21 reported in 2014.

Our contractor hours worked during 2015 were the equivalent to 518 full time staff, with no LWDIs recorded.

There were 1,709 behavioural audits conducted in 2015, lasting over 600 hours. These identified and prompted action to eliminate over 1,000 unsafe acts and conditions.

Safety statistics

	2015	2014
Number of LWDIs including contractors	**9**	7
Number of days lost	**206**	144
Number of cases of occupational illness	**0**	2
Number of dangerous incidents	**21**	18
Number of recordable injuries	**20**	21
Number of first aid cases	**115**	102
Number of minor incidents	**66**	112
Number of near misses	**106**	91
Unsafe act rate (per hour)	**0.44**	0.54
Employee hours worked	**4,308,730**	4,240,350
Contractor hours worked	**996,522**	332,351

Devro's plant at Moodiesburn, Scotland.

ENVIRONMENT

As a manufacturing company operating on a global platform, the main environmental impacts of our processes continue to be the emission of carbon dioxide and the generation of the solid waste from process which we send to landfill.

Within four of our major locations, including our new plant in Nantong, China, we operate our own waste water treatment plants. In the fifth, Scotland, we partially treat our effluent to ensure we meet the outflow parameters before discharging directly into the public sewerage system, where our waste is combined with domestic effluent and treated by Scottish Water.

Our world-wide operations are subject to a variety of regulatory regimes and cultures. As a consequence, we deal with environmental issues through a network of field and regional specialists operating within the business units. There is active co-operation between our sites, and many country-specific solutions have now been adopted across several business units where common solutions are practical.

While the individual business units measure the relevant environmental impacts aligned to the specific country or regional legislation, we also collectively monitor our group level performance via three main measures:

- carbon dioxide (CO_2) emissions from the use of fuels and electricity in our factories;
- water consumption; and
- solid waste produced in our processes disposed of via landfill.

All three are important to us but our major concern, and as such, a main area of focus, remains climate change and the twin issues of fuel consumption and electricity-related CO_2 emissions. Our capital projects in the USA and China have incorporated the best available technologies to minimise our emissions and energy usage per kilometre of product.

Global targets

In 2011 we set ourselves the target of making 10% reductions in each of these measures per kilometre-equivalent-product by the year 2015. We have surpassed these targets through a combination of targeted energy-reduction programmes and increased manufacturing volume in our plants.

Environment key performance indicators

	2015 performance	2015 target
Carbon dioxide	**65**	76
Water use	**68**	78
Solid waste	**67**	78

(per million metres equivalent casing, 2005 = 100)

Having evaluated the legislative requirements in the countries where we operate, and investigating the opportunities presented by technology, new targets (against 2014 baseline) have been adopted that by 2020 we will:

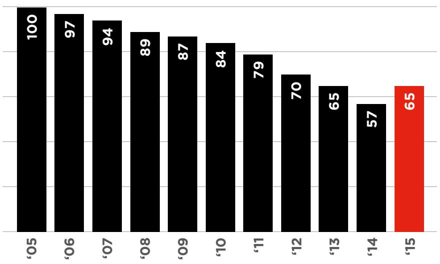
- reduce emissions (tonnes CO_2 per million metres production) by 30%;
- reduce energy usage (GJ per million metres production) by 15%;
- reduce water usage (cubic metres per million metres production) by 10%; and
- reduce landfill (tonnes of solids sent to landfill from process) to zero.

These targets demonstrate our aspirations in making a step-change in environmental performance into the next decade and underline our commitment and resolve to manage our environmental impacts and responsibilities.

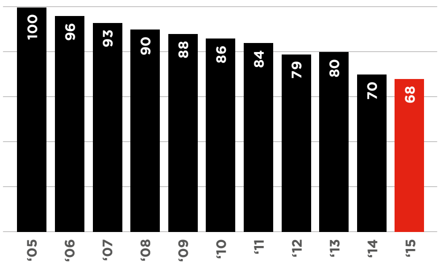
Carbon dioxide

Emissions of CO_2 rose slightly in 2015 against the previous year's excellent performance but still attained the target set back in 2011. The energy and emissions performance towards the end of the year gives confidence that we can attain the targets that we have set for our business out to 2020 and beyond.

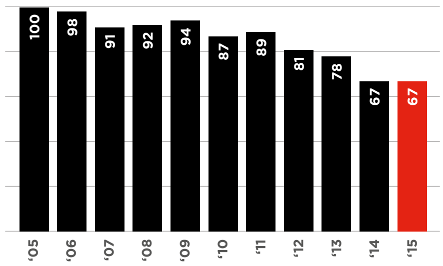
CO_2 emissions
(tonnes CO_2/million metres equivalent casing sold)



Water use
(m^3 water/million metres equivalent casing sold)



Tonnes waste
(converted to a solids basis)
(sent to landfill or incineration/million metres equivalent casing sold)



Water
Overall water use has reduced in 2015 at all four production locations. Changes in the USA process will also help strengthen this performance measure although the full effect has not been reflected in 2015 figures. The 2015 performance demonstrates a 32% reduction from the baseline, and our new targets reflect our determination to drive the agenda of resource efficiency in our business in the next target period.

Solid waste to landfill
In the various regions in which we operate, local legislation governs landfill use and is quite diverse. However, there is a common message to reduce the impact wherever and whenever possible. In most areas, landfill from inert sources (bricks, concrete, building waste) is under less restrictive control.

In 2015 some changes in the regulatory framework meant that some of our process waste in Scotland had to go back to landfill. This was, however, offset by good performances in other regions.

We remain focused on finding new streams for our process waste and continue to evaluate new technologies with our business partners. This is wholly consistent with our strategic aim to reduce waste from our manufacturing processes in the short-term and find new avenues for disposal in the longer term, thus achieving our stated goal of zero landfill from process waste by 2020.

Environmental management systems
All our manufacturing sites employ environmental management systems, based around the ISO 14001 model. Four of the plants have now been accredited with the ISO 14001 Standard and, both the remaining plant, and the Chinese operation, are currently evaluating the accreditation process as part of their environmental strategies.

Greenhouse gas emissions
Our emissions of greenhouse gases are mainly due to the use of energy in our factories. In addition, we use HFCs and HCFCs in refrigeration equipment, own a number of vehicles and rent offices. The figures above cover all of these activities except where we rent an office where the energy use is not measured separately. The impact of this on our numbers is not material.

We started collecting information in this format in 2012 as part of our responsibilities as a FTSE4Good company.

Methodology
We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, and taking account of the new GHG Protocol Scope 2 Guidance (2015).

We have used emission factors from UK Government's GHG Conversion Factors for Company Reporting.

Note
Overseas electricity conversion factors taken from DEFRA's tables refer to tes CO_2 rather than tes CO_2e. In the UK the difference is less than 1%.

GHG emissions data (tonnes of CO_2e)

	2015	2014	2013
Scope 1 emissions (tes)	**79,726**	76,805	79,297
Scope 2 emissions (tes)	**66,235**	65,240	67,584
Scope 1 + 2 emissions (tes)	**145,961**	142,045	146,881
Intensity measure (£m turnover)	**230.2**	232.3	242.7
Normalised emissions (tonnes of CO_2e per £m turnover)	**634**	611	605

Corporate Social Responsibility Report continued

PEOPLE AND HUMAN RIGHTS

The group places considerable value on the active involvement of its employees on matters affecting them locally and on matters that affect the group. This is achieved through visible and regular communications, both formal and informal, from their own management and that of visiting Executive Board members. It is now common practice to bring together multi-cultural teams to work on strategically important projects. This has many benefits, not least of which is creating a more unified and consistent business culture. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Particular focus this year has been the development of new factories, refresh of the talent management process across the group and developing the Devro Academy, our in-house knowledge-sharing initiative, to make technical knowledge easily available in all regions.

Devro is an equal opportunities employer and our employees and job-applicants are treated fairly and equally regardless of their age, colour, creed, disability, full or part-time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation. Applications from disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the group continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

We employed 2,174 people, on average, around the world during 2015 (2014: 2,226). As at 31 December 2015 the group employed 2,258 people (2014: 2,162). The number of employees is expected to fall during 2016 as the investment project in the USA is completed and the existing facility is closed.

We encourage the development of employees through training and invest both time and money in this in order to provide benefits for both the group, through a more highly skilled workforce, and the individual employees, who gain both qualifications and experience that they can use to further their careers whilst with the group and in any future roles elsewhere. As at 31 December 2015 we were training ten apprentices around the world. During the course of the year four apprenticeships were completed. As at 31 December 2015, 26 people who had successfully completed apprenticeships with us were still employed by the group.

The group continues to support employees in their Professional Certificate in Management accreditation and MBAs through the Open University Business School, with another intake planned for 2016. This is supplemented with professional education in other disciplines such as NEBOSH International Diploma, Level 6, an equivalent honours degree in Health and Safety.

Devro does not have a specific human rights policy. However, we have judged that human rights are not a material risk

Some of the team from Devro Nantong arrive in Scotland for training.

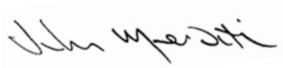
for the business due to the existing regulatory requirements in the regions where the group's significant operations are based and our recruitment practices that support these requirements. We run our business responsibly and ensure that all our employees, customers, suppliers and other stakeholders are treated fairly and with respect. We will continue to behave responsibly in all regions that the group may base operations in the future, and adhere to the highest standards, even where local regulatory requirements are not as advanced as those the group currently operates within.

As at the end of the year the gender breakdown of the workforce was as follows:

We encourage the development of employees through training to provide benefits for both the company and the individual.

	As at 31 December 2015			As at 31 December 2014		
	Male	**Female**	**Total**	Male	Female	Total
Board of Directors	5 83%	1 17%	6	5 83%	1 17%	6
Executive Board (excluding Directors)	3 75%	1 25%	4	3 75%	1 25%	4
Other senior managers	54 76%	17 24%	71	44 75%	15 25%	59
Other employees	1,372 63%	805 37%	2,177	1,352 65%	741 35%	2,093
Total	**1,434** **64%**	**824** **36%**	**2,258**	1,404 65%	758 35%	2,162

The Strategic Report, comprising pages 2 to 33 inclusive, was approved by the Board of Directors of the company on 16 March 2016.



John Meredith
Company Secretary
16 March 2016

Directors and Senior Management

Board of Directors

GERARD HOETMER
CHAIRMAN

Gerard joined Devro in July 2013.

Gerard was appointed Chairman of the Board on 15 May 2014, having joined the Board ten months earlier as a Non-Executive Director.

Previously Chief Executive of Corbion, an international bio-based products company, Gerard started his career with Unilever in 1980. He held a number of positions there until 2005, latterly as Senior Vice President Supply Chain, Unilever Foods and a member of the Unilever Foods Executive.

Gerard holds two other Non-Executive positions. He has been Chairman (unpaid) of the supervisory board of Feyenoord, the Rotterdam football club since March 2015. He is also Chairman of the supervisory board of Aon Groep Nederland B.V. since his appointment in June 2015. After 13 years, Gerard stepped down as Chairman of Spieren voor Spieren, a Dutch charity aimed at supporting research for muscular disease in September 2015.

PETER PAGE
CHIEF EXECUTIVE

Peter joined Devro as Chief Executive in June 2007.

Peter has worked for 29 years in the international food and agribusiness sector, as a general manager and as a marketing manager where he gained experience of managing the interface between technology and food manufacturers, which is relevant to Devro's situation.

SIMON WEBB
GROUP FINANCE DIRECTOR

Simon joined Devro at the start of 2011.

Simon previously worked as Chief Financial Officer of De La Rue plc and has held senior finance positions in global manufacturing companies such as Enodis plc, Paxar Inc and BAT plc.

As previously announced, Simon will be retiring from the company in March 2016.

COMMITTEE CHAIRMEN

NOMINATION COMMITTEE
CHAIRMAN: GERARD HOETMER

EXECUTIVE DIRECTORS' REMUNERATION COMMITTEE
CHAIRMAN: PAUL NEEP

NON-EXECUTIVE DIRECTORS' REMUNERATION COMMITTEE
CHAIRMAN: PETER PAGE

HEALTH AND SAFETY COMMITTEE
CHAIRMAN: PAUL WITHERS

AUDIT COMMITTEE
CHAIRMAN: JANE LODGE

Executive Board

GORDON FRAME
BUSINESS DIRECTOR

Gordon joined Devro in 1986 and over the past 29 years has held senior positions in R&D, commercial and operations. Gordon has worked for Devro in the USA, UK, Europe and Asia and so has a broad understanding of global markets, technology and customer applications. Gordon has been based in Hong Kong since 2011 and is responsible for the group's activities in China, Japan and South East Asia.

MICHAEL LAUESGAARD
GLOBAL BUSINESS DEVELOPMENT DIRECTOR

Michael joined the company in February 2016 as Global Business Development Director, assuming overall responsibility for marketing, product management and brand activities.

Michael has spent his career building expertise through marketing, business development and sales functions. His most recent role was Senior Director, Head of Global Marketing & Business Development in the natural colour division of Chr. Hansen in Denmark. Prior to this, he held a number of sales and marketing positions at Novozymes A/S, latterly as Senior Strategic Account Manager.

JANE LODGE
NON-EXECUTIVE DIRECTOR
Jane joined Devro in March 2012.

Jane is a Non-Executive Director and Audit Chairman of Costain Group PLC, DCC plc and Sirius Minerals plc. A chartered accountant, Jane was a senior audit partner with Deloitte, where she spent over 25 years advising global manufacturing companies including businesses in the food and automotive sectors. Jane was a member of the CBI Manufacturing Council until 2011. Her extensive experience with manufacturing companies and her strategic work with Deloitte has given her a strong international business perspective.

PAUL NEEP
NON-EXECUTIVE DIRECTOR
SENIOR INDEPENDENT DIRECTOR
Paul joined Devro in February 2005.

He was formerly Chairman of The Glenmorangie Company, part of LVMH, having previously been President and Chief Executive. Paul's knowledge of marketing and experience of international business development is particularly helpful in his role as a Non-Executive Director. He is Senior Independent Director.

PAUL WITHERS
NON-EXECUTIVE DIRECTOR
Paul joined Devro in April 2011.

Paul was Group Managing Director of BPB plc, leading businesses in the UK, the rest of Europe and the emerging markets as well as bringing leadership to the group's strategy development. He is a Non-Executive Director of Premier Farnell plc and Senior Independent Director at Keller Group plc, and has served as Senior Independent Director at Hyder Consulting plc. He therefore brings significant experience of international business to Devro's Board.

BILL MCGOWAN
BUSINESS DIRECTOR
Bill joined Devro in January 2015 as Business Director with responsibility for all the group's activities in the Americas region. He brings with him over 38 years' experience in both B2B and B2C food-related industries holding senior level positions in sales, marketing and supply chain. His most recent role was President, Americas for Corbion, an international bio-based products company. Prior to that he was CEO, Caravan Ingredients, a $450m US food ingredient company.

SARAH MURPHY
GROUP HUMAN RESOURCES DIRECTOR
Sarah joined Devro in December 2014, bringing 30 years of experience across a broad range of technology-based industry sectors. A metallurgist and mechanical engineer holding operational roles for 12 years, she subsequently held responsibility for executive level, global HR management positions. Sarah brings with her a practical understanding of how to develop organisational effectiveness and strong leadership teams. She holds FCIPD, FIMechE, executive coaching and mediation practice qualifications.

MICHAL STOCEK
BUSINESS DIRECTOR
Michal has worked in product development and, more recently, general management for 31 years, bringing in-depth knowledge of collagen products. A chemical engineer, he was appointed to the Czech management team in 1997 and became a member of the Executive Board of Devro and Business Director with responsibility for Eastern Europe in August 2006. In 2011, his remit was expanded to include all of Europe and Africa and in 2014 he assumed responsibility for Devro's research and development activities.

Corporate Governance Report

Chairman's introduction

The leadership and effectiveness of the Board are primarily the Chairman's responsibility. We recognise the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the company and the interests of all our stakeholders.

My fellow directors and I fully appreciate the importance of sound governance in the efficient running of the company, and in particular to the effectiveness and independence of the Board and the management of risks faced by the group. The following report sets out how we do this. It covers how the Board and its committees operated in 2015.

Gerard Hoetmer
Chairman

From 1 January 2015 until 31 December 2015, the company applied the 2014 edition of the UK Corporate Governance Code (the "Code").

1. BOARD COMPOSITION

Mr G J Hoetmer, Chairman, Mr P W B Page, Chief Executive, Mr S C Webb, Group Finance Director, Ms J A Lodge, Non-Executive Director, Mr P A J Neep, Non-Executive Director, and Mr P N Withers, Non-Executive Director, served as directors throughout 2015.

The Non-Executive Directors are considered to be "independent" directors. This opinion is based primarily on careful consideration of their character and judgement and their contribution to the work of the Board and its committees. None holds any external position which would impinge upon his or her independence or objectivity, nor are there any relationships or circumstances such as are envisaged by Provision B.1.1 of the Code, other than as set out in the following paragraph.

Mr P A J Neep has held the position of "Senior Independent Director" since October 2005. The Board recognises in terms of Provision B.2.3 of the Code that the independence of any Non-Executive Director may be compromised if he or she has been in that role for a long period of time. The Board has therefore rigorously evaluated Mr P A J Neep's performance, and the Chairman is satisfied that he continues to be effective and to demonstrate commitment to the role. The Board has therefore decided to recommend the re-election of Mr P A J Neep at the forthcoming Annual General Meeting ("AGM").

The Board views the Senior Independent Director's role generally as a passive one, but acknowledges that there can be occasions where there may be a need for shareholders to convey concerns to the Board other than through the Chairman or the Chief Executive. The company's major shareholders are reminded that the Senior Independent Director is willing to meet with them if they wish.

As previously announced, Mr S C Webb will step down from the Board in March 2016, and Mr Rutger Helbing will join as Group Finance Director on 4 April 2016.

All current directors, other than Mr S C Webb, will stand for re-election at the 2016 AGM, and Mr Helbing will stand for election. As in previous years, brief biographies of Board members, giving details of their experience and other main commitments, can be found on pages 34 and 35, allowing shareholders to make an informed decision on the question of re-election. All the directors have had their performance reviewed recently, as described on page 39 below, and the Chairman is satisfied that each continues to be effective and to demonstrate commitment to the role.

Details of Mr Helbing's experience can be found on page 121.

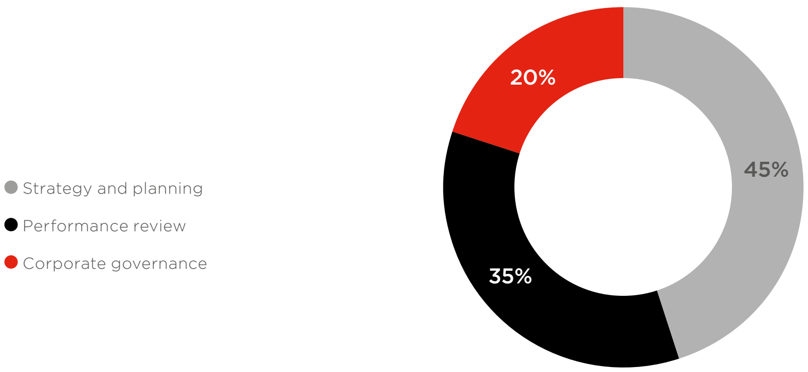
There is a clear division of authority and responsibility through the separation of the roles of the Chairman and Chief Executive. This demarcation is set out in writing and was reviewed by the Board in 2014.

Directors of the company and its subsidiaries have the benefit of a directors' and officers' liability insurance policy.

The directors believe that it is essential that the group should be led and controlled by an effective board. The Board has adopted a formal schedule of matters specifically reserved to it including:

- the setting of corporate strategy;
- approval of the annual budget; and
- major decisions on capital expenditure.

In 2015, the Board broadly divided its time as follows:



The day-to-day management of the business is the responsibility of executive management.

Balance and diversity
The Chairman and the Board understand the need to ensure that the balance of the Board is appropriate for the requirements of the business, and the benefits of diversity in its broadest sense are clearly understood. However, for a relatively small Board, it remains difficult to set targets for members of any particular background, and this applies to the issue of women on the Board. The Board's policy is therefore to actively encourage women to apply to join the Board whenever a vacancy exists, and the report from the Nomination Committee on page 39 sets out how we do this. Ultimately, however, any appointments must be made on merit, taking account of the specific needs of the business at the relevant times, for the benefit of the company and its stakeholders.

Information flow
On appointment to the Board, directors are provided with an induction programme to familiarise themselves with the group's businesses and the risks and strategic challenges facing the group, as well as the economic, competition, legal and regulatory environments in which the group operates.

The directors are supplied with detailed papers covering the group's operating functions in advance of all Board meetings and a secure web-based portal is used to disseminate additional relevant information on a regular basis.

Members of the executive management team attend and make presentations as appropriate at meetings of the Board. A programme of strategic and other reviews, together with training provided during the year, ensures that the directors continually update their skills, knowledge and familiarity with the group's businesses, as well as their awareness of industry, risk, legal, regulatory, financial and other developments to enable them to fulfil their role on the Board and committees of the Board effectively.

The directors are authorised to obtain independent professional advice at the company's expense in performance of their duties as directors, although none has done so in the period under review. In addition, all directors have access to the services of the Company Secretary, who is also responsible for ensuring that Board procedures are observed and for advising the Board on corporate governance matters.

Board and committee proceedings
The Board acknowledges that it is collectively responsible for the success of the company by providing entrepreneurial leadership, setting the company's strategic aims, ensuring that the necessary financial and human resources are in place and reviewing management performance.

Corporate Governance Report continued

A number of committees carry out detailed independent oversight on behalf of the Board in relation to the audit of the company, health and safety issues, the remuneration of directors, appointments to the Board and the risks facing the group.

In order to discharge these responsibilities, the Board and its committees meet on a regular basis throughout the year. In 2015, the Board held eight meetings. Full details of the Board and committee attendance are shown in the table below:

	G J Hoetmer	P W B Page	J A Lodge	P A J Neep	S C Webb	P N Withers
Board – 8 meetings	8	8	8	8	8	8
Audit Committee – 4 meetings	–	–	4	4	–	4
Executive Directors' Remuneration Committee – 4 meetings	4	–	4	4	–	4
Non-Executive Directors' Remuneration Committee – 1 meeting	–	1	–	–	1	–
Nomination Committee – 1 meeting	1	–	1	1	–	1
Health and Safety Committee – 5 meetings	–	5	–	–	–	5
Risk Committee – 4 meetings	–	4	–	–	4	–

Board papers are generally circulated one week before the meetings. Comprehensive monthly management accounts in an agreed format are also sent to directors in a timely manner.

The Audit, Remuneration, Nomination, Health and Safety and Risk Committees, all appropriately resourced, met a total of 19 times during the year.

The Chairman and the other Non-Executive Directors met informally during the year, providing an opportunity to review the business without the Executive Directors being present.

Board evaluation

In December 2015, the Board conducted an evaluation process based on a detailed questionnaire which was distributed to the directors for their consideration. Results were collated confidentially by the Company Secretary, and reviewed by the Chairman. Individual and collective discussions on the Board's performance then followed.

The questionnaire examines the balance of the skills of the directors, the operation of the Board in practice, including governance issues, and the content of Board meetings. Feedback from the process is used to identify opportunities to improve the performance of the Board and the directors.

This process also addresses the effectiveness of the Board committees, covering such matters as meeting arrangements, and information provision. The results of the 2015 process were discussed by the Board and, where areas of improvement were identified, actions were agreed.

A satisfactory review of the performance of the Chairman was completed by the Non-Executive Directors, led by the Senior Independent Director.

2. RELATIONSHIP WITH SHAREHOLDERS

The company communicates with institutional investors primarily though analysts' briefings and meetings with major shareholders, as well as timely Stock Exchange announcements. The Board, and in particular the Non-Executive Directors, are kept informed of investors' views in the main through distribution of analysts' and brokers' briefings. The Chairman is willing to meet with shareholders to discuss matters such as strategy and governance and, as mentioned above, the Senior Independent Director is available in the event of shareholder concerns which cannot be addressed through the usual channels.

Broader shareholder communication takes place through the company's website, which contains significant company announcements and other relevant information, and also through the Annual Report and AGM. All directors attend the AGM, and shareholders have the opportunity to hear presentations on the group's financial and business performance as well as to question any member of the Board on any relevant topic.

Votes at the AGM are conducted by way of a poll to ensure that the votes of shareholders who are unable to attend may be taken into account. The results are announced to the Stock Exchange.

Each substantial issue is proposed as an individual resolution of the AGM. Notice of the meeting is sent to shareholders at least 20 working days before the meeting.

3. DIRECTORS' REMUNERATION

Details of the level of remuneration received by the directors in 2015 are set out in the Directors' Remuneration Report on pages 45 to 58. The Board believes that the current levels of remuneration are at the right level to attract and retain the directors needed to run the company successfully, without being excessive. Base salaries for Executive Directors are reviewed against those paid for similar positions in comparable companies. Professional advice from independent advisers is sought each year in this regard by the Executive Directors' Remuneration Committee.

An explanation of the company's incentive schemes, including how these are linked to the company's strategy, is set out in the Remuneration Report on pages 45 to 58.

The Executive Directors' service contracts provide for notice periods of one year. Due to the technical nature of the business, these contracts contain restrictive covenants which will be rigorously applied and, taking this into account, the Board and the Executive Directors' Remuneration Committee believe that the notice periods are reasonable and in the best interests of the company, having regard to prevailing market conditions and current practice among public companies.

Non-Executive Directors' remuneration is reviewed annually by the Non-Executive Directors' Remuneration Committee, taking independent external advice as appropriate.

Mr P A J Neep chaired the Executive Directors' Remuneration Committee throughout 2015. The other members of the Committee were Mr G J Hoetmer, Ms J A Lodge and Mr P N Withers. The Committee met four times in 2015.

Throughout 2015, the Non-Executive Directors' Remuneration Committee was chaired by Mr P W B Page, with Mr S C Webb as the other member. This Committee met once in 2015 to review the remuneration of the Non-Executive Directors for the current year.

The Remuneration Report contains a detailed statement of the remuneration of each director for 2015, including details of the company's pension policy for Executive Directors.

The written remit of the Executive Directors' Remuneration Committee is available on the company's website.

4. REPORT FROM THE NOMINATION COMMITTEE

The members of the Committee during the year were Mr G J Hoetmer (Committee Chairman), Ms J A Lodge, Mr P A J Neep and Mr P N Withers. The Company Secretary acts as Secretary to the Committee.

The Committee has written terms of reference which can be found on the company's website. These include the regular review of the structure, size and composition of the Board. In 2015, the Committee met formally on one occasion.

During the course of the year, the Committee sought a new Group Finance Director following Mr S C Webb's decision to step down.

After a comprehensive search of external candidates using independent consultants, a number of strong contenders were identified. The Committee then reviewed the various candidates against the agreed specification before unanimously agreeing to nominate Mr Rutger Helbing to the Board for the post. Mr Helbing will take up the position on 4 April 2016.

The question of succession planning for senior management below Board level is primarily the responsibility of the Chief Executive.

Following a review of the Davies Report by the Board in the course of 2011, the Committee will continue to facilitate the candidature of women for Board appointments, and recruitment consultants will be instructed to ensure, whenever possible, that a significant proportion of any longlist put forward should be women. Shortlists will, where possible, be drawn up in a way which forces diversity amongst the final candidates.

5. REPORT FROM THE HEALTH AND SAFETY COMMITTEE

This Committee was formed in 2009, reflecting the Board's commitment to health and safety matters.

The members of the Committee during the year were Mr P N Withers, who chaired the Committee, Mr P W B Page and Ms F L Curran, the company's Group Health and Safety Manager.

The Committee has written terms of reference which can be found on the company's website.

The Committee convened five times in 2015 and on four of these occasions met (either by video, telephone or in person) with representatives of the safety committee of one of the group's main manufacturing facilities.

The safety performance of the group is reviewed at each meeting, and the Committee receives and reviews reports on all serious safety incidents. The Committee also reviewed and endorsed the safety plans for each of the main sites at the beginning of the year.

Corporate Governance Report continued

6. REPORT FROM THE RISK COMMITTEE

An ongoing process is in place to identify, evaluate and manage the significant risks the group faces, which accords with the FRC's 2014 guidance and the Code. A Risk Committee was formed in 2010, chaired by the Group Company Secretary and comprising the Executive Directors and other members of the Executive Board, as listed on pages 34 and 35. This Committee meets four times a year and is charged with reviewing risk throughout the group and reporting thereon to the Board. As part of the process, risk assessment procedures are applied across the group. Each group operating company prepares a risk assessment for its business. This involves each company preparing a report identifying the relevant risks to both current operations and future strategy, the process for managing and mitigating these risks and the means by which management might be assured that the processes are effective. A similar exercise is also conducted at group level, taking account of any significant risks identified by each of the individual operating companies. The risk assessment reports are collated and considered by the Risk Committee, and then the Audit Committee, before being reviewed and finalised by the Board. The Board and the Risk Committee also agree a number of key risks for in-depth review by the Committee in the course of the following year. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The principal risks identified as part of the group risk assessment process, and how they are managed or mitigated, are summarised on pages 22 to 25.

7. FINANCIAL REPORTING

The Board acknowledges its responsibility to present a fair, balanced and understandable assessment of the company's position and prospects. The Annual Report contains a Strategic Report on pages 2 to 33, including a Chairman's Statement, Chief Executive's Review and Financial Review. The Board believes that this additional narrative sets the accounts in context and promotes a better understanding of the current status of the business and its outlook.

To ensure consistency of reporting, the group has an established consolidation process as well as formal financial and operational procedures manuals. Management monitors the publication of new reporting standards and works closely with the statutory auditors in evaluating the impact of these standards.

8. INTERNAL CONTROL

The Board of Directors, being ultimately responsible for the group's system of internal control, has established an internal financial control structure which is designed to provide the Board with reasonable, but not absolute, assurance that it can rely on the accuracy and reliability of the financial records.

The structure, which is based on an assessment of material financial risks, can be described under the following headings:

Financial reporting

There is a budgeting system in place which includes an annual budget approved by the Board. Monthly actual results are reported against budget. Revised forecasts for the year are prepared regularly. The company reports formally to shareholders twice a year, with two additional trading updates.

Operating controls

Financial and operational policies and procedures are set out in formal procedures manuals. Business directors and senior financial staff are responsible for ensuring that all relevant staff are familiar with their content and application.

Treasury

Formal written treasury procedures are in operation, covering banking arrangements, hedging instruments, investment of cash balances and borrowing procedures. Individual staff responsibilities and levels of delegated authority in relation to treasury matters are defined.

Internal audit

The company has an internal audit function, provided by the Business Controls and Financial Analyst, who has a reporting line to the Chairman of the Audit Committee and also direct access to the Chairman of the Board. The Business Controls and Financial Analyst normally attends Audit Committee meetings and makes a formal report to the Committee annually.

Capital investment appraisal

The company has clearly defined guidelines for the approval and review of capital expenditure projects, which include annual budgets and designated levels of authority.

Integrity of personnel
The company has a Policy on Business Conduct which sets out specific requirements for all staff to meet the company's standards of conduct and integrity in their business dealings.

The Board has reviewed the effectiveness of the system of internal control and considers that the group has an established system of internal control which the directors believe to be appropriate to the business.

9. GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 33, along with the financial position of the group, its debt levels and borrowing facilities.

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Key factors to support the going concern basis of accounting include the following:

- As at 31 December 2015, the group was operating within the £110 million revolving credit facility negotiated in December 2014, and due to expire in 2019, and the US$100 million US private placement, completed in June 2014 and due to expire between 2021 and 2026, and related key covenants.
- Forecasts of profits and cash flow have been prepared which indicate that the group is expected to operate within its key covenants and funding facilities for the foreseeable future.

10. VIABILITY STATEMENT

In accordance with the Code, the directors have assessed the viability of the group over a three-year period, taking into account the group's current position and the potential impact of the principal risks.

The group's strategy is focused on long-term growth through revenue growth in developed and emerging markets, optimising the use of existing manufacturing assets and investment in new technology, and differentiation through product and process research and development. Whilst the directors have no reason to believe the group will not be viable over a longer period, given the inherent uncertainties involved and the higher level nature of longer-term forecasting, the directors have determined that a three-year period to 31 December 2018 constitutes an appropriate period over which to provide its viability statement. This three-year period aligns with the period focused on by the Board during the strategic planning process.

In making this statement, the Board carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency and liquidity. The group's principal risks, and how these are managed, are set out in the Strategic Report on pages 2 to 33, and the group's capital and financial risk management policies and exposures are set out in Note 23 to the financial statements.

The three-year strategic plan is constructed on a "bottom up" basis and is reviewed by the Board annually. This process involves input from individual group operating companies and includes assumptions regarding expected sales volumes by region, production levels by manufacturing site and timing of the commencement of commercial production at the group's two new manufacturing facilities in the USA and China. The plan is reviewed continuously throughout the year and is updated as circumstances evolve.

The output from this planning is used to perform central debt and headroom analysis, which includes a review of sensitivity to 'business as usual' risks and also stress testing using 'severe but plausible' events. The analysis takes account of the availability and likely effectiveness of the further mitigation actions that could be taken to avoid or reduce the impact or occurrence of the identified risks or events.

Based on this assessment, the directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

Corporate Governance Report continued

11. SHARE CAPITAL

The Takeover Directive disclosures regarding the company's share capital structure are included in the share capital section of the Directors' Report on pages 59 to 62 of this report.

12. STATEMENT ON COMPLIANCE

This statement, together with the Directors' Remuneration Report set out on pages 45 to 58, and the Audit Committee report on pages 43 to 44, describes how, in respect of the year ended 31 December 2015, the company has applied the provisions and principles of corporate governance as set out in the 2014 edition of the Code. The company has complied with all the Code's provisions throughout the period in question, with one exception. The company's remuneration committee structure does not fully comply with Provision D.2.2, as the remuneration of the Chairman is set by the Non-Executive Directors' Remuneration Committee comprising the Executive Directors instead of by a committee of Non-Executive Directors, as proposed by the Code. The company's two-committee approach, which is more fully described and explained in the Remuneration Report, is designed to ensure that no director is involved in setting his or her own remuneration, thus avoiding any potential conflict of interest, while ensuring that the experience of the Chairman is available to the Executive Directors' Remuneration Committee. The Board believes that this arrangement is an appropriate and effective use of the available resources and is fully aligned with the spirit of the Code.

Gerard Hoetmer
Chairman

Audit Committee Report

Committee Chairman's introduction

As Chairman of the Audit Committee, I am pleased to present the report in respect of 2015. This report summarises the work of the Committee in the course of the year.

Jane Lodge
Chairman, Audit Committee

The Audit Committee (the "Committee") has written terms of reference, which are available on the company's website, and include the responsibilities set out in Provision C.3.2 of the Code.

Ms J A Lodge chaired the Committee throughout the period under review. The other members of the Committee throughout 2015 were Mr P A J Neep and Mr P N Withers. The Company Secretary acts as Secretary to the Committee.

The Board views Ms J A Lodge as the Committee member with both recent and relevant financial expertise as stipulated in Provision C.3.1 of the Code.

In the course of the year there were four meetings, that were attended as required by the Group Finance Director, management and the Business Controls and Financial Analyst, as invitees. Representatives of the statutory auditors also attend as appropriate.

The Committee and the statutory auditors operate procedures to ensure that the auditors remain objective and independent. These procedures include the pre-approval of the scope of the audit by the Committee.

CHANGE OF STATUTORY AUDITORS

In view of the previous incumbent's long period of tenure, and following emerging best practice, the Committee recommended that the audit contract be put out to tender in 2014. Following the conclusion of this process, KPMG LLP ("KPMG") were formally appointed as the company's statutory auditors at the 2015 Annual General Meeting.

STATUTORY AUDIT

KPMG conducted limited non-audit work for the company in 2015, generating £41,000 in fees. Details are shown on page 81. The ratio of non-audit fees to audit fees is 0.13:1. The Committee noted the relatively low level of non-audit work when reviewing the statutory auditors' independence and concluded that, in view of the safeguards in place, this would not impinge upon their objectivity or independence.

Following completion of the 2015 audit, a number of processes were used to judge the perceived effectiveness of the statutory auditors:

- The Committee received a detailed audit plan from the statutory auditors at the beginning of the annual audit process which included an outline of the proposed scope of the audit, and identification of key audit risks and areas of focus. This was discussed and agreed with the Committee.
- The Committee challenged the work done by the statutory auditors to test management's assumptions and estimates in relation to the significant issues.
- A survey was conducted of all businesses within the group to assess the effectiveness of the group and local statutory audit teams.
- At the completion of the statutory audit the Committee received feedback from the Group Finance Director on how effectively issues were addressed at the statutory audit clearance meetings.

Audit Committee Report continued

Based on the above processes and feedback, and its own ongoing assessment of the statutory auditors' performance (for example through consideration of the statutory auditors' reports and interactions with the group audit partner) the Committee was satisfied with the independence, objectivity and overall effectiveness of the statutory auditors with regard to the 2015 audit process.

SIGNIFICANT ISSUES

The significant issues considered by the Committee during 2015, and how these were addressed, are as follows:

Investment projects and exceptional items

During the course of 2015 there was significant further work undertaken in respect of the group's two major investment projects to construct new manufacturing plants in the USA and China, which has caused some disruption to the ongoing operations of the group. These projects have generated a significant level of costs and judgement has been required by management to determine which costs should be expensed as incurred and which should be capitalised, particularly as the projects move towards completion which is expected during 2016 for both. Where costs have been expensed as incurred further judgement has also been required to determine whether these amounts should be disclosed as exceptional items, taking account of their nature and size, and, in particular, whether they are incremental to normal operations. In some cases the costs incurred during the year will actually be settled in future periods and a provision for the estimated liability is held on the balance sheet at the end of the year. The Committee has addressed these matters through reviewing and discussing reports from management outlining the nature and amount of the relevant costs, the amounts settled during the year for provisions held at the end of 2014, the estimates involved, and the proposed accounting treatments, in particular reviewing the disclosure of amounts as exceptional items, and the associated descriptions included in the financial statements. The external auditors have also carefully examined this area and have reported their assessment to the Committee.

Carrying value of inventory

The perishable nature of the group's inventory holdings means it is appropriate to hold a provision for obsolescence based on age. The group will make additional specific provisions in response to any quality issues or damaged inventory that become apparent. The group's two major investment projects also represent an significant change to the group's supply chain. During the course of the year inventory levels have fallen compared to the end of 2014. The level of inventory provisions has also fallen, although due to the factors noted above the carrying value of inventory remains a significant issue. The Committee has assessed the judgements of management over the carrying value of inventory, both with respect to the continued appropriateness of the group's accounting policy in providing for inventory obsolescence based on age, and for any additional specific provisions. The statutory auditors have also focused on this area and reported their findings to the Committee.

WHISTLEBLOWING PROCEDURE

The company's whistleblowing procedures are also reviewed regularly. Following a decision by the Committee in 2013, a confidential, multi-language system, entitled 'SpeakUp', was set up and communicated to everyone in the group. The Committee believe that these arrangements will facilitate a proportionate and independent investigation of such matters.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee acknowledges that, taken as a whole, the Annual Report and Accounts should be fair, balanced and understandable. The Committee advises the Board on whether it believes that the Annual Report and Accounts meet this requirement. In order for the Committee to make this assessment, it considers reports from management received during the year, monitoring financial performance and at year end in support of the financial statements, and also reports from the statutory auditors on the findings of their annual audit. Formal review processes are in place to ensure that the Annual Report and Accounts are factually accurate.

The Committee also satisfies itself that the key messages in the narrative are consistent with the financial reporting, and that the Annual Report and Accounts as a whole are clear and understandable both in terms of the language used, and the layout and framework.

Following its review, the Committee was satisfied that the 2015 Annual Report and Accounts present a fair, balanced and understandable overview, including the necessary information for shareholders to assess the group's position, performance, business model and strategy.

The responsibility statement of the directors in respect of the Annual Report and Accounts is on page 61.

Jane Lodge

Jane Lodge
Chairman, Audit Committee
16 March 2016

Directors' Remuneration Report

Committee Chairman's introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2015. This report explains the group's remuneration policy and provides details of the remuneration paid to Executive and Non-Executive Directors for services to the company during the year, as well as how our remuneration policy will be operated in 2016.

Paul Neep, Chairman,
Executive Directors' Remuneration Committee

OVERVIEW OF POLICY AND LINK TO OUR BUSINESS STRATEGY

The Committee sets the strategy, structure and levels of remuneration for the Executive Directors and reviews the remuneration of other members of senior management in the group generally. It does so in the context of the group's overall strategy and performance to align the financial interests of the Executive Directors and other senior managers with the achievement of the group's objectives, and with shareholder returns.

How we do this is set out in the policy table on pages 47 and 48.

The Committee believes that the policy, which was approved at the 2014 AGM, remains appropriate and should continue for 2016, and we have included it again for reference on pages 47 to 51. The Annual Report on Remuneration on pages 52 to 58 sets out how our policy was operated in 2015 and will be operated in the current year. The Annual Report on Remuneration will be subject to an advisory vote at the 2016 AGM.

BASE SALARY

Our long-standing approach is for base salaries of Executive Directors to be around mid-market levels. In 2015, the Committee awarded both Executive Directors an increase of 2%, a little less than the average of other pay rises elsewhere in the group.

For 2016, an increase of 1.5% will be made for the Chief Executive, effective from 1 April 2016. Again, this is consistent with average increases made for the group's UK employees.

ANNUAL BONUS

The Committee believes annual bonus targets should be challenging, clearly linked to the company's strategy and performance, and designed to align the interests of executives and shareholders.

In 2015, the bonus targets were largely focused on profit growth, but for the first time we introduced non-financial targets, accounting for a maximum of 20% of the award. These targets were designed to support delivery of key milestones in our strategy. The Committee made this change for 2015 recognising that the company is at a crucial point in its strategic development. The objectives included delivery of the two major capital projects underway in Nantong, China and South Carolina, USA, on which much of our strategic planning is based, and delivering the benefits of restructuring in Scotland and Australia, which was crucial to reversing the profit decline of the previous three years. The objectives were underpinned by a condition requiring underlying profit growth for the group in 2015.

We also agreed that, for the purpose of the profit-focused metric in the annual bonus, we would restate the results using the exchange rates we adopted for our 2015 budget. The idea here is to strip out the vagaries of currency fluctuations. The Committee intends to use this approach going forward.

The Committee reviewed performance against these targets in February 2016. Full details are set out on pages 54 and 55.

Directors' Remuneration Report continued

We have adopted a similar approach to the 2016 bonus metrics, provisional details of which are set out on page 52 of this report.

LONG-TERM INCENTIVE PLAN

The Chief Executive and Group Finance Director received conditional awards under the Devro Performance Share Plan in 2013. The performance targets for these awards were partly based on EPS growth and partly on relative TSR measured across a three-year performance period ending on 31 December 2015. The Committee reviewed the performance of the group against these conditions in February 2016, and concluded that neither threshold had been met. As a result, the awards in question have lapsed. A full explanation of the performance metric is shown on page 55.

SIMON WEBB EXIT PACKAGE

In October 2015, the company agreed with Simon Webb, Group Finance Director, that he would leave the company in 2016. The Committee reviewed and agreed an exit package with Simon, in line with the shareholder-approved policy.

In respect of the Performance Share Plan ("PSP"), the Committee exercised its discretion in Simon's favour: he will be treated as a "good leaver" and while his two outstanding awards will still be subject to the original performance conditions, they will not be pro-rated for time in post. The Committee believes this is a fair approach, taking account of the tough performance conditions pertaining to these awards.

Simon was informed that it may be necessary for him to work his full 12 month notice period depending on the time required to identify a successor. The Committee agreed, given the difficulty of providing Simon with a likely leaving date, that if a successor was identified and he left before the notice period expired, the balance of his base salary would be paid as a lump sum. In the course of settlement discussions with Simon in October 2015, the Committee agreed that the non-financial targets in his 2015 Annual Bonus Plan would be deemed to be achieved in full.

The Committee accepts that discretion in these situations should be exercised judiciously and is satisfied that this settlement is fair, having regard to the overall quantum, and taking account of Simon's performance and his flexibility on his departure date.

Details are shown on page 55.

RUTGER HELBING PACKAGE

Rutger Helbing, the new Group Finance Director, will take up the post on 4 April 2016. His base salary is consistent with that of the outgoing Group Finance Director and other elements of his package are in line with our shareholder-approved policy.

On joining, Rutger will receive a one-off additional award under the PSP, equivalent to 100% of salary, reflecting the fact that he forewent substantial unvested long-term incentive awards on leaving his former employer. Details are shown on page 52 of this report.

SUMMARY

We continue to monitor our approach to remuneration to ensure it remains relevant and consistent both with our strategy and performance, and is aligned to shareholder value. I look forward to your support of the advisory vote on our 2015 Annual Report on Remuneration at the forthcoming AGM.

Paul Neep
Chairman, Executive Directors' Remuneration Committee
16 March 2016

Policy report

This part of the Directors' Remuneration Report sets out the remuneration policy for the company directors, approved at the 2014 AGM. It has been prepared in accordance with The Large and Medium-sized Companies and groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations").

THE REMUNERATION POLICY

The company's remuneration policy must enable it to attract and retain leaders with the skills, experience and drive to execute the company's business strategy within a framework which is aligned to the interests of the company's shareholders, for example, through the deferral of bonuses and the requirement to hold shares. The Executive Directors' Remuneration Committee (the "Committee") believes that a significant proportion of Executive Directors' remuneration should be performance related.

Each year, the Committee conducts a formal review of risk in the context of remuneration. A review of pay for other employees across the group, particularly salary increases, is also carried out each year when reviewing overall remuneration policy and this is taken into account when setting policy for the Executive Directors. No consultation process with employees was conducted in 2015 in respect of the directors' remuneration policy.

The Committee welcomes dialogue with shareholders and consults with its major investors and investor bodies regarding changes to Executive Director remuneration policy. Any views and feedback on arrangements from our investors will be considered by the Committee as part of its annual review of directors' remuneration.

REMUNERATION OF EXECUTIVE DIRECTORS

The following table summarises each element of the Executive Directors' remuneration package, the policy for how these are operated and their link to the company's strategy.

POLICY TABLE

Element of pay	Purpose and link to company's strategy	How operated in practice	Maximum opportunity	Performance metrics where relevant
Base salary	Reflects the value of the individual and their role. Takes account of experience and personal contribution to group strategy. Set at a level to facilitate recruitment and retention of suitably experienced executives.	Salaries are reviewed annually on 1 April. Policy is for salaries to be around those paid by other companies comparable on the basis of size and complexity, but also takes account of other factors including any change in responsibilities or the scope of the role.	There is no prescribed annual increase. The Committee is guided by the wider workforce increases, but may also need to recognise increases in certain circumstances such as assumed additional responsibility, or an increase in the scope or size of the role.	Takes into account the performance and personal contribution of the individual and performance of the company.
Annual Bonus Plan (including Devro 2009 Deferred Share Bonus Plan)	Rewards performance against specific near-term goals which are consistent with the strategic direction of the business. Deferred bonus plan aligns the interests of executives and shareholders and provides a retention tool. Clawback and deferral discourage excessive risk-taking and encourage a long-term view.	Assessed by the Committee against the audited results of the company, where relevant. Any bonus paid in excess of 50% of salary is deferred into shares for three years subject to continued employment but no further performance conditions. Clawback may be applied to all of the bonus (cash and share deferred amounts), in the event of: (i) material misstatement of the company's accounts; (ii) an error in the computation of a bonus amount; or (iii) termination of service for gross misconduct.	A bonus of up to a maximum of 100% of salary may be awarded.	No less than 80% of the bonus is based on one or more relevant financial performance metrics such as group operating profit. Up to 20% of the bonus may be based on appropriate non-financial targets. Any non-financial target will be subject to an appropriate financial underpin.

Directors' Remuneration Report continued

Element of pay	Purpose and link to company's strategy	How operated in practice	Maximum opportunity	Performance metrics where relevant
Devro plc Performance Share Plan ("PSP")	Aims to reward long-term value creation. Facilitates share ownership and provides further alignment with shareholders. Provides a retention tool.	PSP awards structured as nil-cost options are usually granted annually so that no undue emphasis is placed on performance in any one particular financial year. Awards generally vest on the third anniversary of award subject to performance over three financial years. Clawback may be applied, in the event of: (i) material misstatement of the company's accounts; (ii) an error in the computation of a bonus amount; or (iii) termination of service for gross misconduct. The Committee has discretion under the PSP rules to pay dividend equivalents for the vesting period in respect of any awards which vest. Any shares vesting from the PSP must be held for a further period of two years post-vesting, subject to the right to sell sufficient shares to cover tax charges arising on vesting.	Under the PSP rules, 150% of salary with scope for higher awards in exceptional recruitment situations, but not exceeding 200% of salary. The Committee will not increase above the 2014 award levels without prior consultation with the company's major shareholders.	50% subject to EPS growth targets (or some other financial measure deemed to be appropriate) with 25% of the award vesting for threshold performance, and 50% subject to relative TSR targets. TSR performance is compared to a comparator group to be selected by the Committee at the time of grant. No vesting below median, 25% vesting at median and full vesting at upper quartile performance with straight-line vesting in between. Three financial year performance periods. A sliding scale for performance targets is used to provide incremental awards for additional performance delivered, in order to discourage excessive risk-taking.
Benefits	To remain competitive in the market place, and provide medical care for the Executive Directors and their families.	Executive Directors are entitled to private medical insurance.	There is no prescribed maximum. The value of the benefit is determined by the cost to the company.	Not performance related.
Pension contribution/ payment in lieu	To remain competitive in the market workplace and facilitate retirement planning.	A contribution equivalent to 10% of salary is made to both Executive Directors, paid either into a pension scheme, or paid direct to the individual in lieu.	10% of base salary.	Not performance related.

Policy for Non-Executive Chairman and Directors' fees

Element of pay	Purpose and link to company's strategy	How operated in practice	Maximum opportunity	Performance metrics where relevant
Non-Executive Chairman and Directors' fees	To attract and retain high-quality and experienced Non-Executive Chairman and Directors.	The Non-Executive Chairman and Directors are paid an annual fee. Fee levels are determined and reviewed taking into account experience, time commitment, responsibility and scope of role as well as market data for similar roles in other companies of a similar size and complexity to Devro.	There is no prescribed maximum fee or maximum increase. There may be a need to recognise increases in certain circumstances such as assumed additional responsibility (for example, taking on the Chairmanship of a Committee) or an increase in the scope or size of the role.	No performance-related element of remuneration.

NOTES TO THE POLICY TABLE

1. Annual Bonus Plan performance metrics

Performance measures, the weighting between them and stretching targets will be set at the start of each year by the Committee, based on the company's financial KPIs and strategic priorities for the year and taking account of the business plan, budget for the year and market conditions. At least 80% will be based on relevant financial targets and up to 20% may be attributed to a relevant non-financial target. Together, these targets are intended to incentivise and reward shorter-term performance, consistent with the interests of the shareholders and the overall strategy of the company.

2. PSP metrics

The Committee selects performance measures for the PSP awards that are aimed at incentivising and rewarding performance over the medium term, aligned with the interests of the shareholders and consistent with the group strategy. For a comparative TSR measure, the targets are as set out in the policy table with the Committee selecting the most appropriate comparator group at the time awards are made. For EPS growth and any other relevant financial targets, the Committee will set stretching targets based on the company's budget, business plan, and external economic environment at that time.

3. Deferred Share Bonus Plan

The Deferred Share Bonus Plan contains no additional performance conditions as any awards arise from an annual bonus which was itself subject to performance conditions.

4. Comparison with employees' remuneration policy

The key differences between Executive Directors' remuneration policy and that of employees generally is that, for the Executive Directors, there is significantly more weighting to variable performance-related pay. Variable pay is seen as more relevant for senior executives because of their greater ability to influence the overall performance of the company.

SHAREHOLDING GUIDELINES

To provide alignment between shareholders and directors, the Executive Directors are required to build up a holding of 100% of salary over time. Any shares vesting from share incentive plans must be retained (subject to sales to meet tax and incidental costs of sale) until the target is reached.

REMUNERATION AWARDED PRIOR TO THE EFFECTIVE DATE

For the avoidance of doubt, following approval of this Policy Report, authority was given to the company to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports including those share plan awards set out on page 57. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

ANNUAL BONUS PLAN AND PSP POLICY

The Committee will operate the Annual Bonus Plan and PSP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules of the London Stock Exchange, including flexibility in a number of aspects. How the Committee will retain flexibility includes (albeit with quantum and performance targets restricted to the descriptions detailed above):

- Who participates in the plans.
- When to make awards and payments.
- How to determine the size of an award, a payment, or when and how much of an award should vest.
- How to deal with a change of control or restructuring of the group.
- Whether a director is a "good/bad" leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s).
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).
- What the weighting, measures and targets should be for the Annual Bonus Plan and PSP from year to year.

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the Annual Bonus Plan and to adjust targets for the PSP if events happen that cause it to determine that the metrics are unable to fulfil their originally intended purpose, provided the new metrics are not materially less difficult to satisfy. Any adjustments will be fully disclosed in the following year's Annual Report on Remuneration.

All historic awards that were granted under any current or previous share schemes operated by the company but remain outstanding, detailed on pages 57 and 58, remain eligible to vest based on their original award terms.

Directors' Remuneration Report continued

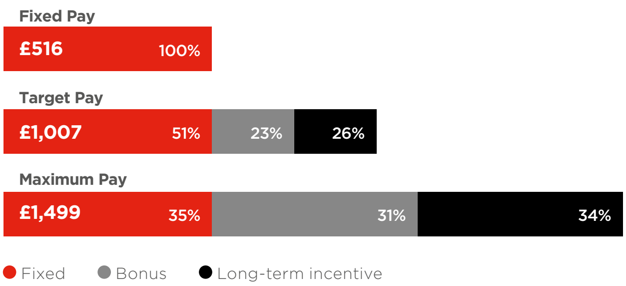
PAYMENT UNDER DIFFERENT SCENARIOS

Under the Regulations, we are required to show a bar-chart indicating the level of remuneration which would be received by the Executive Directors in 2016 under different scenarios. Three scenarios are shown below:

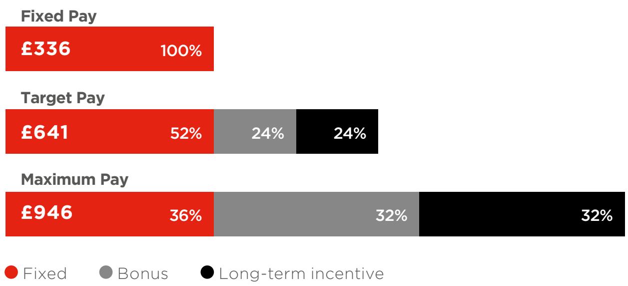
- "**Fixed pay**" is based on salary, benefits and pension contributions;
- "**Target pay**" is fixed pay, plus 50% of the maximum of variable pay; and
- "**Maximum pay**" is fixed pay, plus the maximum of variable pay.

The Group Finance Director bar-chart is based on the annualised pay of the new Director, who will start on 4 April 2016, assuming the normal level of long-term incentive awards (i.e. 100%) per the remuneration policy.

Chief Executive
£'000



Group Finance Director
£'000



Assumptions:
1. Based on policy to be applied for Financial Year 2016.
2. Salaries are based on salaries as at 1 April 2016. Taxable benefits are based on those disclosed for 2015.
3. Pension is 2016 policy applied to 1 April 2016 salaries.
4. No share price appreciation is assumed in long-term incentive awards.

SERVICE AGREEMENTS AND PAYMENTS FOR LOSS OF OFFICE OF EXECUTIVE DIRECTORS

It is the company's policy that Executive Directors should have contracts with an indefinite term, which are subject to one year's notice by the company and the director. In the event of early termination (including following a change of control in the company), the directors' contracts provide for compensation in line with their contractual notice period. In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	12 months by the company, 12 months by the director
Termination payment	There is no provision for specific payment. If any existing contract is breached by the company, it would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period, subject to mitigation and phased payments where appropriate. Any statutory amounts would be paid as necessary.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below). In all cases performance targets would apply.
Change of control	No Executive Director's contract contains additional provisions in respect of change of control.

Any share-based entitlements granted to an Executive Director under the company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, redundancy, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. For good leavers, awards will normally vest on cessation, or on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the three-year period actually served. However, the Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating.

The default treatment under the 2009 Deferred Share Bonus Plan is that any awards lapse on cessation of employment. However, good leavers are entitled to retain their awards, and to vest after leaving, subject to the rules of the Plan.

Details of the service contracts of the Executive Directors are shown in the table below:

Director	Date of initial contract	Date term due to expire	Notice period from company (months)	Notice period from the director (months)	Termination payment	Remuneration entitlement on termination of contract by company	Termination on change of control
P W B Page	25 April 2007	N/A	12	12	No contractual termination payments other than detailed above	12 months' notice	12 months' notice; "good leaver" status under share schemes
S C Webb	14 January 2011	N/A	12	12			

RECRUITMENT AND PROMOTION POLICY FOR DIRECTORS

The remuneration package for a new Executive Director would be set in accordance with the terms of the company's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as is required to attract the most appropriate candidate. It may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 100% of salary, and conditional awards under the Devro plc Performance Share Plan may be up to the Plan maximum of 150% of salary or 200% on recruitment in exceptional circumstances. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the company will meet certain relocation and other incidental expenses as appropriate.

If appropriate, the Committee may agree on the recruitment of a new executive to a notice period in excess of 12 months but to reduce to 12 months over a specified period.

The fees for a new Chairman or Non-Executive Director will be reflective of experience, time commitment, responsibility and scope of the role and will be consistent with the approved remuneration policy at the time.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are engaged for fixed terms, with no notice period, with an entitlement to accrued fees and expenses only up to the date of termination. These appointments are subject to the company's Articles of Association. All directors submit themselves for re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

The dates of the initial letters of appointment for the Non-Executive Directors are as follows:

Name	Date of letter of appointment	Date term due to expire
G J Hoetmer	30 July 2013	29 July 2016
J A Lodge	27 February 2012	AGM 2018
P A J Neep	5 February 2005	AGM 2016
P N Withers	12 April 2011	AGM 2017

Directors' Remuneration Report continued

Annual Report on Remuneration

How the policy will be implemented in 2016:

EXECUTIVE DIRECTORS' SALARIES

Current salaries for Executive Directors at the date of this report are as follows:

Chief Executive: £460,918
Group Finance Director: £297,147

From 1 April 2016 the Chief Executive's salary will be increased by 1.5% as follows:

Chief Executive: £467,832
The new Group Finance Director will join on 4 April 2016 at a salary of £305,000.

NON-EXECUTIVE DIRECTORS' FEES

The fees for Non-Executive Directors in 2016 are as follows:

Name	Base annual remuneration	Additional for committee chairmanships	Total annual remuneration
G J Hoetmer	£132,000	N/A	£132,000
P A J Neep	£42,500	£5,000	£47,500
P N Withers	£42,500	£5,000	£47,500
J A Lodge	£42,500	£5,000	£47,500

ANNUAL BONUS

For 2016, 80% of the annual bonus for the Chief Executive and our new Group Finance Director will be determined by growth in group operating profit and 20% by non-financial strategic targets. The Group Finance Director's bonus will be pro-rated for 2016 to reflect actual service as a proportion of the year. The non-financial targets are linked to key milestones in our strategy, including the delivery of the two major investment projects underway in Nantong, China and South Carolina, USA. They are underpinned by a condition requiring underlying profit growth in 2016.

Mr S C Webb will receive a pro-rated bonus for his actual service determined by the group operating profit targets only.

When reviewing the profit performance condition for 2016, the Committee will again look at operating profit before exceptional items and will restate the actual figures using the budgeted exchange rates in order to strip out the effect of currency fluctuations, which are, in the main, outside of the control and performance of management.

The Board considers that the actual targets for the 2016 bonus are commercially sensitive, but full details will be disclosed in the 2016 report.

LONG-TERM INCENTIVE PLAN

Awards will be made in 2016 to the Chief Executive to the extent of 110% of base salary; and to the newly-appointed Group Finance Director to the extent of 200% of base salary. As explained in the Committee Chairman's letter on page 46, and in line with the policy, the additional 100% award to the new Group Finance Director reflects the fact that he will lose significant long-term incentive awards when he leaves his current employer. The performance measures for these awards will be reviewed by the Committee when the awards are made.

PENSION AND OTHER BENEFITS

The pension and benefits arrangements are as set out in the policy table above.

EXTERNAL APPOINTMENTS

None of our Executive Directors has any external paid directorships. Executive Directors are permitted to accept external board or committee appointments provided they do not interfere with the Executive Directors' obligations to the company. The Board will decide at the time of appointment whether an Executive Director may retain the fees for such appointments.

THE REMUNERATION COMMITTEES

The members of the Executive Directors' Remuneration Committee (the "Committee") throughout 2015 were Mr P A J Neep (Committee Chairman), Mr G J Hoetmer, Ms J A Lodge and Mr P N Withers.

The Committee received advice from:

- The Company Secretary (as Secretary to the Committee) and the Chief Executive.
- New Bridge Street (a trading name of Aon Hewitt Limited being a group company of Aon plc) as independent adviser to the Committee. New Bridge Street were appointed as advisers by the Committee in view of their expertise in this area.

No director is involved in any part of a meeting of the Committee when their individual remuneration or contractual terms are being decided.

The remuneration of the Non-Executive Directors and the Chairman is set by the Non-Executive Directors' Remuneration Committee, whose members in 2015 were Mr P W B Page and Mr S C Webb. The two-committee approach ensures that no director is involved in setting his or her own remuneration.

ADVISERS TO THE COMMITTEE

New Bridge Street is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. The Committee has satisfied itself that advice from New Bridge Street is objective. As disclosed on page 34, Mr G J Hoetmer is Chairman of the supervisory board of Aon Groep Nederland B.V. While that company and New Bridge Street are both part of the Aon plc group, the Committee has been advised that the two are operated independently from each other, and therefore is satisfied that the relationship does not impinge on the objectivity or independence of the advice provided by New Bridge Street. The total fees paid to New Bridge Street for the advice provided to the Committee during the year were £21,320. Fees are charged on a 'time spent' basis. Neither New Bridge Street, nor any other company in the Aon Group, has provided any other services to the company during the year.

STATEMENT OF SHAREHOLDING VOTING AT AGM

At the AGM held on 29 April 2015, votes cast by proxy and at the meeting in respect of the directors' remuneration were as follows:

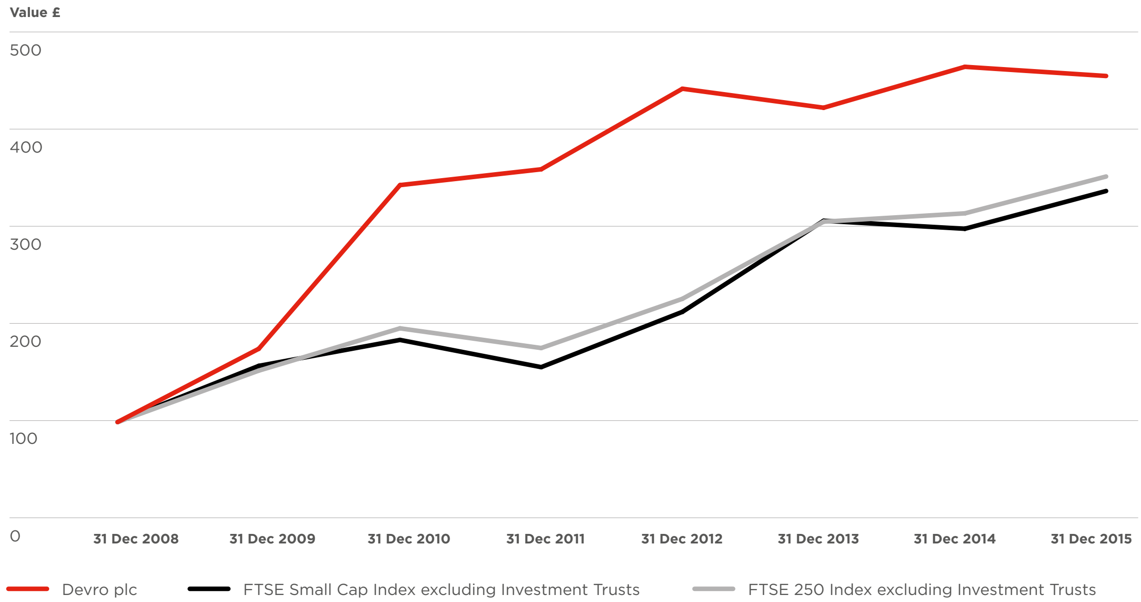
Resolution	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of remuneration report	121,896,924	99.88	148,978	0.12	122,045,902	208,375

ENGAGEMENT WITH INVESTORS

The Committee understands the need to engage with major investors when considering significant changes to remuneration policy. In view of the support for the remuneration report at the AGM, and considering no change to the remuneration policy was required, this was not deemed necessary in 2015. The Chairman of the Committee is always available to talk to investors should they have any concerns.

PERFORMANCE GRAPH

Total shareholder return



Source: Datastream (Thomson Reuters)

This graph shows the value, by 31 December 2015, of £100 invested in Devro plc on 31 December 2008 compared with the value of £100 invested in the FTSE SmallCap excluding Investment Trusts and the FTSE 250 Index excluding Investment Trusts. The other points plotted are the values at intervening financial year-ends.

Directors' Remuneration Report continued

TABLE OF HISTORIC DATA

The following table sets out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each of the past seven years for the Chief Executive.

Year	Chief Executive single figure of total remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2015	759	54.8	0
2014	498	0	0
2013	565	0	18.25
2012	1,154	0	100
2011	1,670	40	100
2010	1,767	100	100
2009	862	100	100

TOTAL REMUNERATION

Director	Base salaries/fees in payment at 31 December		Base salaries/fees		Bonuses		Deferred bonuses		Benefits in kind		Pension contributions or payments in lieu of pension contributions		Total remuneration	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
G J Hoetmer[1]	**130**	130	**130**	107	**–**	–	**–**	–	**–**	–	**–**	–	**130**	107
P W B Page[2]	**461**	452	**459**	452	**231**	–	**22**	–	**1**	1	**46**	45	**759**	498
S J Hannam[3]	**–**	–	**–**	41	**–**	–	**–**	–	**–**	–	**–**	–	**–**	41
J A Lodge	**47**	45	**47**	45	**–**	–	**–**	–	**–**	–	**–**	–	**47**	45
P A J Neep	**47**	45	**47**	45	**–**	–	**–**	–	**–**	–	**–**	–	**47**	45
S C Webb[2]	**297**	291	**296**	290	**148**	–	**74**	–	**1**	1	**30**	29	**549**	320
P N Withers	**47**	45	**47**	45	**–**	–	**–**	–	**–**	–	**–**	–	**47**	45
TOTAL	**1,029**	1,008	**1,026**	1,025	**379**	–	**96**	–	**2**	2	**76**	74	**1,579**	1,101

1. Mr G J Hoetmer was elected Chairman of the Board on 15 May 2014.
2. Benefits in kind for Mr P W B Page and Mr S C Webb relate to medical insurance.
3. Mr S J Hannam stepped down from the Board on 15 May 2014.

DETAILS OF VARIABLE PAY EARNED IN THE YEAR

Annual bonus

Set out below are the performance conditions which applied to the 2015 Annual Bonus Plan:

Performance condition	Proportion of total bonus available: % of maximum	Proportion of total bonus available: % of salary	Actual performance achieved	Performance target for threshold vesting	Performance target for maximum vesting	Resulting bonus out-turn	P W B Page bonus % of salary	S C Webb bonus % of salary
Group Operating Profit[1]	80%	80%	£35.3m[1]	£30.5m[1]	£37.5m[1]	54.8%	54.8%	54.8%
Non-financial targets	20%	20%	2 out of 5 targets met	3 out of 5 targets met	5 out of 5 targets met	0%	0%	20.0%[2]
Total	**100%**	**100%**				**54.8%**	**54.8%**	**74.8%**

1. Adjusted to exclude exceptional items, and recalculated using budgeted currency exchange rates.
2. 20% for the departing Group Finance Director as explained below.

Summary of 2015 annual bonus
Under the remuneration policy, any bonus above 50% is deferred into shares, using the Devro 2009 Deferred Share Bonus Plan, as shown in the table below:

	Cash bonus		Deferred bonus		Total bonus	
Director	**% of salary**	**£'000**	**% of salary**	**£'000**	**% of salary**	**£'000**
P W B Page	50	231	4.8	22	54.8	253
S C Webb	50	148	24.8	74	74.8	222

The notional Group Operating Profit figure for the purpose of the bonus calculation and the resulting level of vesting is shown in the table at the foot of page 54. The Committee agreed for the first time in 2015 that for 2015 and future years, for the purposes of the bonus calculation, currency exchange rate fluctuations would be excluded. It did this by agreeing at the outset that the Group Operating Profit would be re-stated using the company's budgeted exchange rates for the various currencies in which the group trades.

The non-financial targets in the 2015 Annual Bonus Plan were focused on out-performance milestones on the two major capital projects underway – the factory builds in the USA and China – and the delivery of cost-savings from restructurings in Scotland and Australia. Of the five separate targets, the Committee judged that, while two had been met, three were not fully completed. Under the rules of the Plan, this resulted in no pay-out under this heading, as shown in the table on page 54, but note the arrangement for Mr S C Webb explained below.

LEAVING ARRANGEMENTS FOR MR S C WEBB
Mr S C Webb has a 12 month notice period and the company will make a payment in respect of his unexpired notice period as at the date his employment terminates in late March 2016.

Mr S C Webb will be entitled to receive an annual bonus payment in respect of 2016. This bonus will be calculated by reference to the applicable financial performance targets and will be reduced on a pro rata basis to reflect his departure date. Any bonus will be paid in 2017.

All unvested awards made to Mr S C Webb under the company's PSP will vest, subject to performance, at their normal vesting date, in accordance with the "good leaver" provisions of the PSP.

As explained in the Committee Chairman's letter on page 46, in October 2015 the Committee agreed in the course of settlement discussions, that Mr S C Webb would receive the full bonus in respect of the non-financial targets in his 2015 Annual Bonus. This results in the bonus shown in the table above.

THE DEVRO PLC PERFORMANCE SHARE PLAN
The three-year performance period for the awards under the Devro plc Performance Share Plan made to Mr P W B Page and Mr S C Webb on 12 September 2013 ended on 31 December 2015. The performance conditions which applied, and performance achieved against them, are set out below.

Total Shareholder Return ("TSR") relative to comparator group consisting of the 100 FTSE-listed companies closest to the company in terms of market capitalisation (50%)		Earnings Per Share ("EPS") growth (50%)				
Performance required	**Performance achieved**	**Performance required**	**Performance achieved**	**Vesting %**	**Number of shares vesting in 2015**	**Value of shares vesting in 2015**
25% vesting for median performance rising to maximum vesting for upper quartile performance with straight-line vesting in between	Ranking below median	25% vesting for + 6% p.a. rising to maximum vesting at + 14% p.a. or above	-23%	0%	P W B Page – Nil	£0
					S C Webb – Nil	£0

The TSR condition and performance set out above were independently reviewed by New Bridge Street.

Directors' Remuneration Report continued

RELATIVE IMPORTANCE OF SPEND ON PAY

	Total remuneration of all employees of the Devro group £'000	Dividends paid £'000
2015	**76,964 (-5.4%)**	**14,684 (+0.1%)**
2014	81,399 (+4.3%)	14,663 (+3.6%)

PERCENTAGE CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

	2015 £'000	2014 £'000	% change
Salary	**459**	452	+2
Benefits	**1**	1	0
Bonus	**253**	0	N/A

PERCENTAGE CHANGE IN AVERAGE REMUNERATION OF ALL DEVRO GROUP EMPLOYEES

	2015 £'000	2014 £'000	% change
Salary	**27**	27	+2
Benefits	**1**	1	+13
Bonus	**2**	1	+52

PERFORMANCE SHARE PLAN AWARDS GRANTED ON 25 MARCH 2015

	Scheme	Basis of award granted	Face value of award[1] £'000	Maximum vesting (% of face value)	Percentage vesting for threshold performance	Vesting and performance period
P W B Page	The Devro plc Performance Share Plan	110% of salary 172,593 shares	494	100%	25% under TSR & EPS element together (12.5% for each part of the award)	Performance period 3 financial years from 1 January 2015. Vesting period 3 years from date of grant
S C Webb	The Devro plc Performance Share Plan	100% of salary 101,153 shares	290	100%		

Further details regarding the Performance Share Plan, together with the performance conditions applying to the above awards are set out on page 57.

1. Based on share price of 286.35p on 24 March 2015, being the day before the date of grant.

AUDITED INFORMATION

The following information has been audited by the company's statutory auditors, KPMG LLP. The total remuneration figure table on page 54 is incorporated into this section by reference.

COMPANY PENSIONS AND LIFE ASSURANCE POLICY REGARDING EXECUTIVE DIRECTORS

During the year, company contributions to pension schemes amounted to £29,569 (2014: £28,989) in respect of Mr S C Webb.

Mr P W B Page's contributions to a pension scheme ceased in March 2012, and thereafter he received a monthly payment in lieu, amounting to 10% of his base salary. The contribution in respect of 2015 is shown in the table on page 54.

The company provides life assurance cover for senior executives under which the Executive Directors have cover of five times base salary capped at £1.75 million.

THE DEVRO PERFORMANCE SHARE PLANS

The Executive Directors' awards outstanding under the Devro plc Performance Share Plan and its predecessor, the Devro 2003 Performance Share Plan, are as follows:

Director	Date awarded	Market value at date of award (pence per share)	Market value at date of vesting of shares (pence per share)	Number of shares at 1 January 2015	Number of shares awarded during year	Number of shares exercised during year	Number of shares lapsed during year	Number of shares at 31 December 2015	Earliest normal vesting date
P W B Page	2 April 2012	315.9p	N/A	118,000	–	–	118,000	–	2 April 2015
	12 September 2013	336.2p	N/A	150,800	–	–	–	150,800[1]	12 September 2016
	9 June 2014	268p	N/A	185,400	–	–	–	185,400	9 June 2017
	25 March 2015	286.3p	N/A	–	172,593	–	–	172,593	25 March 2018
S C Webb	24 February 2011	256.6p	N/A	103,846	–	–	103,846	–	24 February 2015
	12 September 2013	336.2p	N/A	86,670	–	–	–	86,670[1]	12 September 2016
	9 June 2014	268p	N/A	108,700	–	–	–	108,700	9 June 2017
	25 March 2015	286.3p	N/A	–	101,153	–	–	101,153	25 March 2018

1. These shares lapsed following a review of the relevant performance conditions by the Committee in February 2016.

Conditional nil-priced options under the Devro plc Performance Share Plan are considered annually, with earliest vesting occurring generally after three years and normally being dependent on both continued employment with the group and the extent to which the performance conditions set out below are met. Vesting of 50% of shares awarded is based upon the group's Earnings Per Share before exceptional items ("EPS") growth over the relevant performance period, with the other 50% being dependent upon the group's Total Shareholder Return ("TSR") performance measured over the same period against the 100 listed companies (excluding Investment Trusts) closest to the company in terms of market capitalisation (i.e. 50 higher and 50 lower).

The awards made since 2013, including the year under review, were granted as nil-priced options subject to the performance conditions below.

Annual EPS growth during the performance period	Performance shares vesting percentage
Less than 6% per annum	0%
6% per annum	12.5%
Between 6% and 14% per annum	On a straight-line basis between 12.5% and 50%
14% per annum or more	50%

TSR ranking relative to comparator group	Performance shares vesting percentage
Below median	0%
Median	12.5%
Between median and upper quartile	On a straight-line basis between 12.5% and 50%
Upper quartile or above	50%

THE DEVRO 2009 DEFERRED SHARE BONUS PLAN

There are no outstanding awards under the Devro 2009 Deferred Share Bonus Plan at the date of this report.

Directors' Remuneration Report continued

DIRECTORS' INTERESTS

The interests, all of which are beneficial, of the directors (and their immediate families) in the share capital of the company (ordinary shares of 10 pence each), and details of awards held under the Devro plc Performance Share Plan and its predecessor, the Devro 2003 Performance Share Plan (which have performance conditions) at the beginning and end of the financial year, are as follows:

Director	Total number of ordinary shares 1 January 2015	Total number of ordinary shares 31 December 2015	Performance Share Plans 1 January 2015	Performance Share Plans 31 December 2015
G J Hoetmer	30,000	45,000	–	–
P W B Page	662,440	672,440	454,200[1]	508,793[3]
J A Lodge	17,500	17,500	–	–
P A J Neep	220,893	220,893	–	–
S C Webb	42,952	42,952	299,216[2]	296,523[4]
P N Withers	90,000	90,000	–	–

1. Includes 118,000 shares which lapsed following a review by the Committee in February 2015.
2. Includes 103,846 shares which lapsed following a review by the Committee in February 2015.
3. Includes 150,800 shares which lapsed following a review by the Committee in February 2016.
4. Includes 86,670 shares which lapsed following a review by the Committee in February 2016.

SHAREHOLDING GUIDELINES

To provide alignment between shareholders and directors, the Executive Directors are required to build up a shareholding equivalent to 100% of base salary over time. Any shares vesting from share incentive plans must be retained (subject to sales to meet tax and incidental costs of sale) until the target is reached.

Director	Number of shares held including family interests as at 31 December 2015	Shares held as a % of salary[1]	Number of shares vested in 2015	Number of shares vested under share schemes, but unexercised
P W B Page	672,440	420	Nil	Nil
S C Webb	42,952	42	Nil	Nil

1. Calculated on basis of three month average share price to 31 December 2015, using salaries at 31 December 2015.

The company operates an employee share ownership plan ("ESOP"). All employees of the group, including the Executive Directors, are beneficiaries of the ESOP and are deemed to be interested in the shares held by the ESOP which, at 31 December 2015, amounted to 41,560 ordinary shares.

On behalf of the Board

Paul Neep
Chairman, Executive Directors' Remuneration Committee
16 March 2016

Directors' Report

INTRODUCTION

The directors of Devro plc (the "company") are pleased to present this Directors' Report for the year ended 31 December 2015 which sets out certain disclosures about the Devro group of companies (including the company) (the "group"), required under the Companies Act 2006 (the "Act") and under the Financial Conduct Authority's Listing Rules ("LRs") and Disclosure and Transparency Rules ("DTRs").

The Corporate Governance Report, which can be found on pages 36 to 42 also forms part of this Directors' Report as do other disclosures elsewhere in the Annual Report and Accounts, incorporated by cross reference in this Directors' Report.

In accordance with the Act, we have chosen to set out information about the following items in the discrete Strategic Report section of this Annual Report on pages 2 to 33:

- Principal activities of the group during the year;
- An indication of future developments in the business of the group;
- Its activities in the field of research and development;
- Greenhouse gas emissions; and
- Employee equality, diversity and involvement.

The information required to be included in the Annual Report under LR9.8.4R which is applicable to the company is set out as follows:

Section	Topic	Location
9.8.4R(1)	Capitalised interest	Note 14 to the financial statements
9.8.4R (12)	Shareholder waivers of dividends	Directors' Report (Shareholders' Rights)
9.8.4R (13)	Shareholder waivers of future dividends	Directors' Report (Shareholders' Rights) and Note 11 to the financial statements

THE COMPANY

The Company is a public limited company and is incorporated in Scotland under number SC129785.

The company's subsidiary undertakings and branches, including those located outside the UK, are listed in Note 15 to the financial statements.

AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION (THE "ARTICLES")

Any amendments to the company's Articles must be made in accordance with the provisions of the Act by way of special resolution.

DIRECTORS

The names and biographical details of the directors of the company at the date of this Directors' Report, having also been directors during the year ended 31 December 2015, are set out on pages 34 and 35.

Under the Articles, Directors shall be no less than two and no more than 11 in number. Directors may be appointed by the company by ordinary resolution or by the Board. A director appointed by the Board holds office only until the next Annual General Meeting of the company ("AGM") and is then eligible for election by the shareholders.

In line with the recommendations of the Code, the company requires every director to stand for election or re-election by the shareholders at each AGM, if he or she wishes to continue being a director.

The company may, by ordinary resolution, remove any director before the expiration of his or her term of office. The office of director shall also be vacated if: (i) he or she resigns; (ii) where he or she has been appointed for a fixed term, the term expires; (iii) he or she ceases to be a director by virtue of a provision of the Act, is removed from office pursuant to the company's Articles or becomes prohibited by law from being a director (including circumstances in which a director is declared bankrupt or, suffering from mental ill health, the Board resolves that the director's office should be vacated); (iv) he or she is absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his or her office be vacated; or (v) he or she is removed from office by notice addressed to him or her at his or her last-known address and signed by all his or her co-directors.

The company maintains directors' and officers' liability insurance for the benefit of personnel throughout the group, including its directors and the directors of its subsidiary undertakings, in respect of their duties as directors. Following shareholder approval, the company has also provided an indemnity for its directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Act. This indemnity was in force throughout the year and remains in place at the date of this Directors' Report.

Directors' Report continued

DIRECTORS continued
None of the directors had, during the year ended 31 December 2015, or has an interest in any material contract relating to the business of the company or of any of its subsidiary undertakings.

The interests of the directors in the share capital of the company as at 31 December 2015 are shown on page 58.

SHARE CAPITAL
The share capital of the company consists entirely of ordinary shares of 10 pence each. The company had 166,932,532 shares in issue at 31 December 2015 (2014: 166,921,042) as shown in Note 26 to the financial statements.

DIVIDENDS
The Board is recommending a final dividend in respect of 2015 of 6.1 pence per share (2014: 6.1 pence), making a total dividend for the year of 8.8 pence per share (2014: 8.8 pence). If approved, the final dividend will be payable to shareholders on the register as at 29 March 2016.

SHAREHOLDERS' RIGHTS
Subject to applicable laws and the Articles, each registered holder of ordinary shares is entitled to receive all communications that the company sends to its members generally, including the Annual Report and notice of any general meeting; to attend, speak and exercise voting rights at general meetings, either in person or by proxy; and to participate in any distribution of income or capital.

The company's Articles specify a deadline for receipt of electronic and paper proxy forms of not less than 48 hours before a general meeting.

Subject to applicable laws and regulations, there are no restrictions on transfer or limitations on the holding of shares and no requirements for prior approval of any transfers.

None of the shares carry any special rights with regard to control of the company.

The company is also not aware of any agreements between its shareholders which may restrict the transfer of their shares or the exercise of their voting rights.

Shares acquired through company share schemes and plans rank pari passu with the shares in issue and have no special rights. They are held on trust and a dividend waiver applies to them. During the year 11,490 shares were issued under the rules of the Devro 2003 Performance Share Plan (2014: 141,812) and Nil shares were issued under the rules of the Devro plc Performance Share Plan (2014: Nil).

POWERS OF THE DIRECTORS
The business of the company is managed by the Board who may exercise all the powers of the company, subject to the provisions of the company's Articles and applicable legislation.

At the company's AGM on 29 April 2015, shareholders renewed the authority for the directors to exercise all powers of the company to allot relevant securities up to an aggregate nominal amount of £5,500,000.

At the same AGM, shareholders granted the company authority to make market purchases of up to 16,600,000 of its issued ordinary shares, provided that: the minimum price which may be paid for any such ordinary share is 10 pence (exclusive of expenses), its par value; the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which that ordinary share is purchased. Except in relation to a purchase of ordinary shares, the contract for which was concluded before this authority expires and which will or may be executed wholly or partly after the expiry of such authority, the authority granted shall expire at the conclusion of this year's AGM.

POLITICAL CONTRIBUTIONS
The group made no political donations and incurred no political expenditure in 2015 (2014: Nil).

POST BALANCE SHEET EVENTS
There have been no material events from 31 December 2015 to the date of this Directors' Report.

FINANCIAL INSTRUMENTS
Details of the group's financial risk management policies and objectives in respect of its use of financial instruments are included in Note 23 to the financial statements together with a description of its exposure, including its exposure to market risk, credit risk, liquidity risk and capital risk of the group, in connection with such financial instruments.

CHANGE OF CONTROL

The company has a number of financial agreements which it considers significant, with major banks containing certain termination rights for those banks upon a change of control of the company.

The company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share schemes and plans may cause options and awards granted to directors and employees under such schemes and plans to become exercisable on takeover.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2015, the company had been notified of the following material interests in the issued ordinary share capital of the company under DTR5:

	Notified number of ordinary shares	Notified Percentage (%) of issued share capital
NN Group N.V.	18,702,435	11.20
Marathon Asset Management	11,492,268	7.06
Neptune Investment Management Limited	8,520,812	5.10
Aberdeen Asset Managers Limited	8,350,475	5.01

During the period 1 January 2016 to 4 March 2016 the company received no additional notifications of material interests in the issued ordinary share capital of the company under DTR5, other than a notification from Templeton Investment Counsel LLC that it holds less than 5% of the company's issued ordinary share capital, having previously advised the company during the same period of a holding above the 5% threshold.

ANNUAL GENERAL MEETING

The AGM of the company will be held on 27 April 2016 at 11am at the offices of Devro (Scotland) Limited, Gartferry Road, Moodiesburn, Chryston, G69 0JE. The notice of meeting is set out on pages 118 and 119. Shareholders will be asked for their approval of the items of business which are explained in the notes on pages 120 to 123.

DISCLOSURE OF INFORMATION TO STATUTORY AUDITORS

So far as each person who is a director at the date of approval of this Annual Report is aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has taken all the steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Act and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of corporate and financial information published on the company's website (www.devro.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report continued

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULE 4.1
Each of the directors, whose names and functions are listed on pages 34 and 35, confirms that, to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company and of the group included in the consolidation taken as a whole; and
- the management report required by DTR4.1.8R (set out in the Strategic Report and this Directors' Report) includes a fair review of the development and performance of the business and the position of the company and group included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In addition, each of the directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

By order of the Board

John Meredith
Company Secretary
16 March 2016

Consolidated income statement
for the year ended 31 December 2015

	Note	2015 Before exceptional items £'m	2015 Exceptional items £'m	2015 Total £'m	2014 Before exceptional items £'m	2014 Exceptional items £'m	2014 Total £'m
Revenue	2	**230.2**	**–**	**230.2**	232.3	–	232.3
Operating profit	3,4	**33.3**	**(14.1)**	**19.2**	30.3	(23.9)	6.4
Finance income	7	**–**	**–**	**–**	0.1	–	0.1
Finance cost	7	**(2.0)**	**–**	**(2.0)**	(2.3)	–	(2.3)
Net finance cost on pensions	7	**(2.1)**	**–**	**(2.1)**	(2.0)	–	(2.0)
Profit before tax	8	**29.2**	**(14.1)**	**15.1**	26.1	(23.9)	2.2
Tax	9	**(3.6)**	**3.1**	**(0.5)**	(3.2)	5.4	2.2
Profit for the year attributable to owners of the parent		**25.6**	**(11.0)**	**14.6**	22.9	(18.5)	4.4
Earnings per share							
Basic	12			**8.8p**			2.6p
Diluted	12			**8.7p**			2.6p

All results relate to continuing operations.

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	Note	2015 £'m	2014 £'m
Profit for the year		**14.6**	4.4
Other comprehensive income/(expense) for the year			
Items that will not be reclassified to profit or loss			
Pension obligations:			
– re-measurements	25	**4.0**	(11.2)
– movement in deferred tax	24	**(2.6)**	4.6
Total items that will not be reclassified to profit or loss		**1.4**	(6.6)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
– net fair value gains/(losses)	29	**1.1**	(0.9)
– reclassified and reported in operating profit	29	**0.1**	0.2
– movement in deferred tax	29	**(0.2)**	0.1
Net investment hedges:			
– fair value gains	29	**0.9**	0.7
– movement in deferred tax	29	**(0.2)**	(0.1)
Net exchange adjustments	29	**(6.0)**	(8.1)
Total items that may be reclassified subsequently to profit or loss		**(4.3)**	(8.1)
Other comprehensive expense for the year, net of tax		**(2.9)**	(14.7)
Total comprehensive income/(expense) for the year attributable to owners of the parent		**11.7**	(10.3)

Balance sheets
at 31 December 2015

	Note	Group 2015 £'m	Group 2014 £'m	Company 2015 £'m	Company 2014 £'m
ASSETS					
Non-current assets					
Goodwill	13,37	**3.1**	–	**–**	–
Intangible assets	13	**6.1**	4.0	**0.3**	0.8
Property, plant and equipment	14	**270.1**	230.3	**0.2**	0.3
Investments	15	**–**	–	**199.5**	153.7
Deferred tax assets	24	**25.5**	24.5	**0.4**	–
Trade and other receivables	17	**3.2**	–	**78.1**	63.2
		308.0	258.8	**278.5**	218.0
Current assets					
Inventories	16	**28.5**	33.4	**–**	–
Current tax assets		**–**	0.2	**–**	–
Trade and other receivables	17	**35.2**	33.7	**12.7**	9.6
Derivative financial instruments	23	**3.5**	1.7	**4.5**	3.4
Cash and cash equivalents	18	**9.6**	11.1	**0.1**	0.1
		76.8	80.1	**17.3**	13.1
Total assets		**384.8**	338.9	**295.8**	231.1
LIABILITIES					
Current liabilities					
Borrowings	22	**1.9**	1.7	**2.1**	1.8
Derivative financial instruments	23	**2.3**	2.7	**2.6**	3.1
Trade and other payables	19	**31.1**	31.7	**2.5**	2.6
Current tax liabilities		**5.4**	5.3	**–**	–
Provisions for other liabilities and charges	21	**5.5**	6.3	**–**	–
		46.2	47.7	**7.2**	7.5
Non-current liabilities					
Borrowings	22	**133.2**	78.6	**112.5**	66.5
Deferred tax liabilities	24	**14.8**	15.4	**–**	0.1
Pension obligations	25	**56.4**	59.0	**–**	–
Other payables	20	**2.6**	2.4	**23.1**	15.8
Provisions for other liabilities and charges	21	**0.5**	2.6	**–**	–
		207.5	158.0	**135.6**	82.4
Total liabilities		**253.7**	205.7	**142.8**	89.9
Net assets		**131.1**	133.2	**153.0**	141.2
EQUITY					
Capital and reserves attributable to owners of the parent					
Ordinary shares	26	**16.7**	16.7	**16.7**	16.7
Share premium	28	**9.3**	9.3	**9.3**	9.3
Other reserves	29	**52.9**	56.5	**46.0**	45.2
Retained earnings	30	**52.2**	50.7	**81.0**	70.0
Total equity		**131.1**	133.2	**153.0**	141.2

The financial statements on pages 63 to 113 were approved by the Board of Directors and signed on its behalf by:

S C Webb, Group Finance Director
16 March 2016

Statements of changes in equity
for the year ended 31 December 2015

Group	Note	Ordinary shares £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity attributable to owners of the parent £'m
Balance at 1 January 2015		16.7	9.3	56.5	50.7	133.2
Comprehensive income						
Profit for the year		–	–	–	14.6	14.6
Other comprehensive income/(expense)						
Cash flow hedges, net of tax	29	–	–	1.0	–	1.0
Net investment hedges, net of tax	29	–	–	0.7	–	0.7
Pension obligations, net of tax	25,24	–	–	–	1.4	1.4
Exchange adjustments	29	–	–	(6.0)	–	(6.0)
Total other comprehensive income/(expense)		–	–	(4.3)	1.4	(2.9)
Total comprehensive income/(expense)		–	–	(4.3)	16.0	11.7
Transactions with owners						
Performance Share Plan charge, net of tax	29	–	–	0.9	–	0.9
Performance Share Plan credit in respect of shares vested	29	–	–	–	–	–
Performance Share Plan credit in respect of awards lapsed	29	–	–	(0.2)	0.2	–
Issue of share capital	26,28	–	–	–	–	–
Dividends paid	11	–	–	–	(14.7)	(14.7)
Total transactions with owners		–	–	0.7	(14.5)	(13.8)
Balance at 31 December 2015		**16.7**	**9.3**	**52.9**	**52.2**	**131.1**
Balance at 1 January 2014		16.7	9.0	64.9	67.4	158.0
Comprehensive income						
Profit for the year		–	–	–	4.4	4.4
Other comprehensive income/(expense)						
Cash flow hedges, net of tax	29	–	–	(0.6)	–	(0.6)
Net investment hedges, net of tax	29	–	–	0.6	–	0.6
Pension obligations, net of tax	25,24	–	–	–	(6.6)	(6.6)
Exchange adjustments	29	–	–	(8.1)	–	(8.1)
Total other comprehensive income/(expense)		–	–	(8.1)	(6.6)	(14.7)
Total comprehensive income/(expense)		–	–	(8.1)	(2.2)	(10.3)
Transactions with owners						
Performance Share Plan charge	29	–	–	0.2	–	0.2
Performance Share Plan credit in respect of shares vested	29	–	–	(0.3)	–	(0.3)
Performance Share Plan credit in respect of awards lapsed	29	–	–	(0.2)	0.2	–
Issue of share capital	26,28	–	0.3	–	–	0.3
Dividends paid	11	–	–	–	(14.7)	(14.7)
Total transactions with owners		–	0.3	(0.3)	(14.5)	(14.5)
Balance at 31 December 2014		16.7	9.3	56.5	50.7	133.2

Statements of changes in equity
for the year ended 31 December 2015 continued

Company	Note	Ordinary shares £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity attributable to owners of the parent £'m
Balance at 1 January 2015		16.7	9.3	45.2	70.0	141.2
Comprehensive income						
Profit for the year		–	–	–	25.5	25.5
Other comprehensive income						
Cash flow hedges, net of tax	29	–	–	0.6	–	0.6
Total comprehensive income		–	–	0.6	25.5	26.1
Transactions with owners						
Performance Share Plan charge	29	–	–	0.4	–	0.4
Performance Share Plan credit in respect of shares vested	29	–	–	–	–	–
Performance Share Plan credit in respect of awards lapsed	29	–	–	(0.2)	0.2	–
Issue of share capital	26,28	–	–	–	–	–
Dividends paid	11	–	–	–	(14.7)	(14.7)
Total transactions with owners		–	–	0.2	(14.5)	(14.3)
Balance at 31 December 2015		**16.7**	**9.3**	**46.0**	**81.0**	**153.0**
Balance at 1 January 2014		16.7	9.0	45.2	62.0	132.9
Comprehensive income						
Profit for the year		–	–	–	22.5	22.5
Other comprehensive income						
Cash flow hedges, net of tax	29	–	–	0.3	–	0.3
Total comprehensive income		–	–	0.3	22.5	22.8
Transactions with owners						
Performance Share Plan charge	29	–	–	0.2	–	0.2
Performance Share Plan credit in respect of shares vested	29	–	–	(0.3)	–	(0.3)
Performance Share Plan credit in respect of awards lapsed	29	–	–	(0.2)	0.2	–
Issue of share capital	26,28	–	0.3	–	–	0.3
Dividends paid	11	–	–	–	(14.7)	(14.7)
Total transactions with owners		–	0.3	(0.3)	(14.5)	(14.5)
Balance at 31 December 2014		16.7	9.3	45.2	70.0	141.2

Cash flow statements
for the year ended 31 December 2015

	Note	Group 2015 £'m	Group 2014 £'m	Company 2015 £'m	Company 2014 £'m
Cash flows from operating activities					
Cash generated from/(used in) operations	31	**34.4**	41.6	**(9.6)**	(35.4)
Interest received		**–**	0.1	**2.9**	1.2
Interest paid		**(4.4)**	(2.3)	**(3.9)**	(2.0)
Tax paid		**(4.0)**	(2.7)	**–**	(0.1)
Net cash generated from/(used in) operating activities		**26.0**	36.7	**(10.6)**	(36.3)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(54.2)**	(53.0)	**(0.1)**	–
Proceeds from disposal of property, plant and equipment		**–**	–	**–**	0.4
Purchase of intangible assets		**(1.1)**	(1.9)	**(0.1)**	(0.1)
Capital grants received		**0.1**	0.7	**–**	–
Investment in subsidiary undertakings		**–**	–	**(45.8)**	(15.0)
Dividends received from subsidiary undertakings		**–**	–	**28.9**	25.9
Acquisition of subsidiary	37	**(6.4)**	–	**–**	–
Net cash (used in)/generated from investing activities		**(61.6)**	(54.2)	**(17.1)**	11.2
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		**–**	0.3	**–**	0.3
Repayment under the loan facilities		**–**	(31.1)	**–**	(22.1)
Borrowing under the loan facilities		**48.6**	8.0	**42.1**	2.0
Proceeds from issue of other loans		**–**	60.6	**–**	60.6
Dividends paid	11	**(14.7)**	(14.7)	**(14.7)**	(14.7)
Net cash generated from financing activities		**33.9**	23.1	**27.4**	26.1
Net (decrease)/increase in cash and cash equivalents		**(1.7)**	5.6	**(0.3)**	1.0
Net cash and cash equivalents at 1 January		**9.4**	3.6	**(1.7)**	(2.7)
Net (decrease)/increase in cash and cash equivalents		**(1.7)**	5.6	**(0.3)**	1.0
Exchange gain on cash and cash equivalents		**–**	0.2	**–**	–
Net cash and cash equivalents at 31 December		**7.7**	9.4	**(2.0)**	(1.7)
Cash and cash equivalents	18	**9.6**	11.1	**0.1**	0.1
Bank overdrafts	22	**(1.9)**	(1.7)	**(2.1)**	(1.8)
Net cash and cash equivalents at 31 December		**7.7**	9.4	**(2.0)**	(1.7)

Notes to the financial statements
for the year ended 31 December 2015

Devro plc ("the company") and its subsidiaries ("the group") is one of the world's leading manufacturers of collagen products for the food industry. The company is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in Scotland. The address of its registered office is Moodiesburn, Chryston, Glasgow G69 0JE.

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and individual company financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation

These consolidated and individual company financial statements have both been prepared in accordance with European Union endorsed International Financial Reporting Standards ("IFRSs"), IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of derivative financial instruments and pension scheme assets.

The group's reporting currency is sterling and unless otherwise stated the financial statements are rounded to the nearest £0.1 million.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 33, along with the financial position of the group, its debt levels and borrowing facilities.

In addition, note 23 includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

Key factors to support the going concern basis of accounting include the following:

- As at 31 December 2015 the group was operating within the £110m revolving bank facility negotiated in December 2014 and due to expire in December 2019, and US$100m US private placement, completed in June 2014 and due to expire between 2021 and 2026.
- Forecast of profits and cash flows have been prepared which indicate that the group is expected to operate within its key covenants and funding facilities for the foreseeable future.

Critical estimates and judgements

The preparation of financial statements in conformity with IFRSs 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 revenues and expenses during the reporting year. Although these estimates are based on management's best assessments of amounts, events or actions, actual results ultimately may differ from those estimates. The key uncertainties that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the accounting for the group's investment projects and carrying value of inventory.

Investment projects

The group's two major investment projects, to construct new manufacturing plants in the USA and China require judgement including whether related costs should be expensed as incurred or capitalised, and whether any existing assets should be impaired or their useful lives amended. The new plant in the USA involves elements which will be implemented over a number of months or longer, including redundancy programmes and decommissioning of equipment. Provisions are made when the obligation arises and judgement is applied relating to the timing of recognition of provisions and the estimation of the amount of the provision. Where amounts are expensed, judgement is also required to determine whether these amounts should be disclosed as exceptional items, taking account of their nature and size, and in particular whether they are incremental to normal operations. An analysis of exceptional items recognised is included in notes 3 and 4. Details of provisions are included in note 21.

Carrying value of inventory

Determining the carrying value of inventory involves a degree of judgement as to whether the group will be able to sell the inventory it has on hand for more than the value recorded in the balance sheet, which is typically the cost of production. The group adopts a policy of providing for inventory when it reaches a certain age, and also for any inventory where there are specific concerns. These estimated provisions are based on management's best assessments of future sales volumes and the likely selling prices, and actual results may differ from these estimates.

Notes to the financial statements
for the year ended 31 December 2015 continued

1. ACCOUNTING POLICIES continued

Critical estimates and judgements continued

Although not considered significant issues the following are considered to be other key areas of judgement and estimation:

Pension obligations

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves certain key assumptions and complex calculations. The key assumptions include discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to uncertainty. An analysis of the sensitivity of the pension obligation to changes in key assumptions is provided based on movements in key variables that could reasonably occur. Further details are provided in note 25.

Tax

The group's tax charge is based on the profit for the year and tax rates effective at the balance sheet date. In addition to corporation tax, the group is subject to indirect taxes such as sales and employment taxes across the tax jurisdictions in the countries in which it operates. The varying nature and complexity of these tax laws requires the group to review its tax positions and make appropriate adjustments at the balance sheet date. In addition the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years. Further details are provided in notes 9 and 24.

Changes in accounting policies and disclosures

(a) New standards, amendments to standards and interpretations effective in 2015

The following new standards, amendments to standards and interpretations became mandatory for the first time during the financial year beginning 1 January 2015. All were either not relevant for the group or had no material impact on the financial statements of the group:

	Effective date
• IAS 19 (amendment) – Employee benefits	1 January 2015
• Annual improvements 2012	1 January 2015
• Annual improvements 2013	1 January 2015

(b) New standards, amendments to standards and interpretations not applied

At the date of approval of these financial statements, the following standards, amendments to standards and interpretations were in issue but have not been applied in these financial statements:

	Effective date
• IFRS 9 – Financial instruments	1 January 2018
• IFRS 10 (amendment) – Consolidated financial statements	1 January 2016
• IFRS 11 (amendment) – Joint arrangements	1 January 2016
• IFRS 12 (amendment) – Disclosure of interests in other entities	1 January 2016
• IFRS 14 – Regulatory deferral accounts	1 January 2016
• IFRS 15 – Revenue from contracts with customers	1 January 2018
• IFRS 16 – Leases	1 January 2019
• IAS 1 (amendment) – Presentation of financial statements	1 January 2016
• IAS 12 (amendment) – Income taxes	1 January 2016
• IAS 16 (amendment) – Property, plant and equipment	1 January 2016
• IAS 27 (amendment) – Separate financial statements	1 January 2016
• IAS 28 (amendment) – Investments in associates	1 January 2016
• IAS 38 (amendment) – Intangible assets	1 January 2016
• Annual improvements 2014	1 January 2016

It is expected that the group will adopt these amendments to standards on their effective dates. The directors do not anticipate that the adoption of these amendments to standards will have a material impact on the financial statements of the group, apart from that IFRS 9 will impact both the measurement and disclosures of financial instruments.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and all its subsidiary undertakings made up to 31 December 2015. Intra-group sales and profits are eliminated fully on consolidation. The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the group. The results of subsidiary undertakings acquired or disposed of are consolidated for the period from or to the date on which control passed. Uniform accounting policies are applied across the group.

The subsidiaries are entities over which the group has the power to govern the financial and operating policies. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred. Any identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Any unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group and liabilities incurred by the group to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

Goodwill
Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets
Intangible assets acquired separately that meet the recognition criteria of IAS 38 Intangible Assets, are capitalised at cost and when acquired in a business combination are capitalised at fair value at the date of acquisition. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset to its working condition for its intended use. Following initial recognition, finite life assets are amortised on a straight-line basis and indefinite life assets are not amortised. Finite life intangible assets have a residual value of £nil and are amortised over their estimated useful lives as follows:

Computer software	4-5 years
Development costs	15 years
Customer contracts and relationships	12 years

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. External and internal costs are capitalised to the extent that they enhance the future economic benefit of the asset.

Intangible assets with indefinite lives are tested annually for impairment. The useful lives of finite life intangible assets are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Finite life assets are reviewed for impairment where indicators of impairment exist.

The group's only indefinite life intangible asset is goodwill.

Research and development
In general, research and development expenditure is charged to the income statement in the year in which it occurred. However, as set out above, under certain conditions development expenditure is capitalised as an intangible asset.

Notes to the financial statements
for the year ended 31 December 2015 continued

1. ACCOUNTING POLICIES continued

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition and directly attributable costs. Provision for depreciation is made so as to write off the costs of the assets on a straight-line basis over their expected useful economic lives as follows:

Freehold buildings	50 years
Plant and machinery	8-15 years
Computer equipment	4-5 years
Motor vehicles	4 years
Fixtures and fittings	10 years

No depreciation is provided on freehold land or on assets under construction.

Assets under construction are transferred to the appropriate asset category when they come into use. Depreciation on assets so transferred is provided with effect from the month following the date of transfer.

Asset residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date, or more frequently if there have been indications of any significant change in either.

Gains and losses on disposals are determined by comparing the proceeds with carrying amounts and are recognised within other operating income or expense in the income statement.

Repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Grants

Grants relating to property, plant and equipment are included in current and non-current liabilities as appropriate and credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Fixed asset investments

The company's investments in subsidiary undertakings are shown at cost less accumulated impairment losses.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made, where appropriate, for obsolete, slow-moving and defective inventories.

Trade receivables

Trade receivables are non-interest bearing and are initially recognised at fair value and subsequently measured at amortised cost, less provision for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on historical experience, together with specific amounts that are not expected to be collectible. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Individual trade receivables are written off when management deems them not to be collectible.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturity dates of less than three months which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, net cash and cash equivalents comprise cash and cash equivalents net of bank overdrafts.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of non-derivative financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment which could include significant financial difficulty for the issuer or counterparty or observable data indicating there is a measurable decrease in the cash flows expected from a group of financial assets.

Foreign currencies

Items included in the financial statements of each of the group's subsidiary undertakings are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

Foreign currency transactions in each entity are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Other gains and losses arising from foreign currency transactions are included in the income statement.

The trading results of foreign currency denominated subsidiaries are translated into sterling, the presentation currency of the group and functional currency of the parent, using average rates of exchange for the year. The balance sheets of foreign currency denominated subsidiaries are translated into sterling at the rates of exchange ruling at the year end and exchange differences arising are taken directly to the translation reserve in equity. On disposal of a foreign denominated subsidiary, the deferred cumulative amount recognised in the translation reserve (since 1 January 2004 under the transitional rules of IFRS 1) relating to that entity is recognised in the income statement. All other translation differences are taken to the income statement, with the exception of differences on foreign currency borrowings and forward foreign currency contracts which are used to provide a hedge against the group's net investments in foreign enterprises. These are taken directly to equity or other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's activities. Sales revenue, which is net of returns, rebates and discounts, and which excludes value added tax and sales between group companies, represents the net invoiced value of goods supplied and is recognised when the goods have either been delivered to or collected by the customer and the risks and rewards of ownership of the goods have been transferred to them.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised by the company when payment is made by subsidiary undertakings.

Tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowable. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with within equity or other comprehensive income.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the financial statements
for the year ended 31 December 2015 continued

1. ACCOUNTING POLICIES continued

Tax continued

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pensions

The group operates a number of defined contribution and defined benefit pension plans. All defined benefit pension plans are now closed to new entrants.

Payments to defined contribution pension plans are charged as an expense as they fall due.

The group's obligations in respect of defined benefit pension plans are valued by independent actuaries using the projected unit credit method. All group plans are funded externally, with the exception of Germany, where, in line with local practice, obligations are supported by insurance policies. Plan assets are valued at fair market value and are held completely separate from the group's assets. Full formal actuarial valuations of obligations are carried out at frequencies of not more than three years and are updated regularly for reporting purposes.

Amounts recorded in the balance sheet represent the fair value of external plan assets less the present value of the defined benefit obligations.

Amounts recorded in the income statement represent the current service cost over the reporting year, which is included in operating profit, and net finance income or cost , i.e. interest income on assets less interest cost on liabilities calculated using the discount rate, which is included as a separate component of finance income and cost. Other income statement credits or charges can arise for special events, such as a past service benefit improvement or settlement and curtailment of plan liabilities.

Re-measurements of the net defined benefit liabilities which comprise actuarial gains and losses, the gains or losses on plan assets excluding interest, and the effect of the asset ceiling (if any) are recognised immediately in other comprehensive income. Actuarial gains and losses on liabilities occur due to changes in actuarial assumptions at the balance sheet date and also due to any differences between assumptions and actual outcomes. Gains and losses on plan assets represent the difference between interest income over the year, and the actual return achieved.

Share schemes

The group operates a number of equity-settled share-based incentive plans as consideration for services received from employees. The fair value of services received in exchange for the grant of share awards is recognised as an expense with the total amount to be expensed being determined by reference to the fair value of the awards granted. The fair value of the awards includes any market performance conditions, but excludes the impact of any service or non-market performance vesting conditions and is reduced by any consideration received from employees. Any non-market performance or service conditions are included in assumptions over the number of awards expected to vest, and the total expense is recognised over the full vesting period in the income statement with a corresponding credit made to equity. At the end of each year the group revises its estimates of the number of awards expected to vest based on non-market vesting conditions and recognises the impact of any revision in the income statement, with a corresponding adjustment to equity.

The social security contributions payable on share awards granted is recognised in the income statement over the vesting period and is treated as a cash-settled transaction.

Dividends payable

The liability for final dividends is recorded when the dividends are approved by the company's shareholders. Interim dividends are recorded when paid.

Borrowings

Borrowings are recognised initially at fair value, net of transactions costs incurred, and subsequently re-measured at fair value where associated risks are hedged by derivative financial instruments. Un-hedged borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense in the year in which they are incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Trade payables
Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for other liabilities and charges
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, with the present value of estimated cash flows used if the effect of the time value of money is material.

Restructuring provisions are recognised when the group has a detailed formal plan for the restructuring and has either started implementing the plan or announced its main features to those affected by it. The measurement of the obligation comprises costs which are directly related to the restructuring.

Derivative financial instruments
Derivative financial instruments used to hedge risks associated with interest rate and foreign currency fluctuations are initially and subsequently re-measured at fair value.

The fair values of forward exchange contracts are calculated by reference to market forward rates at the balance sheet date. The fair values of interest rate swap contracts are calculated on a discounted cash flow basis using market forward rates.

Gains or losses arising from the movement to fair value are taken to the income statement except where the derivative is designated as a cash flow hedge or net investment hedge.

In order to qualify for hedge accounting, the group is required to document in advance the relationship between the item being hedged and the hedging instrument, and demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each reporting date to ensure that the hedge remains highly effective.

Cash flow hedges
The group has designated forward foreign exchange contracts and the interest rate differential of cross-currency interest rate swaps as cash flow hedges.

For cash flow hedges, the effective part of changes in the fair value of the derivative is recognised in other comprehensive income. Gains or losses relating to any ineffective part of changes in fair value are taken immediately to the income statement. Amounts accumulated in equity are transferred to the income statement in the same period as the hedged transaction occurs, for example, when the forecast sale or purchase transaction takes place.

Any movements in fair value occurring after the time when hedging contracts cease to be cash flow hedges are taken directly to the income statement.

Fair value hedges
The group has designated the exchange element of cross-currency interest rate swaps as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value adjustment to the carrying amount of the hedged risk is amortised in the income statement from the time the hedging contracts cease to be fair value hedges.

Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income. Gains or losses relating to any ineffective portion are taken immediately to the income statement. Amounts accumulated in equity are transferred to the income statement when the foreign operation is partially disposed of or sold.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board, which is responsible for allocating resources and assessing the performance of the operating segments.

Exceptional items
Exceptional items are those significant items which are incremental to normal operations and are separately disclosed by virtue of their nature or size to enable a better understanding of the group's underlying financial performance.

Notes to the financial statements
for the year ended 31 December 2015 continued

2. SEGMENT INFORMATION
The chief operating decision-maker has been identified as the Board. The Board reviews the group's financial results on a geographical segment basis with three identifiable operating segments:

- Americas: which includes North America and Latin America.
- Asia-Pacific: which includes Australia, New Zealand, Japan, China and the rest of South East Asia.
- Europe: which includes Continental Europe, UK, Ireland and Africa.

The Board assesses the performance of the operating segments based on operating profit. This measurement basis excludes the effects of exceptional income and expenditure from the operating segments. The Board assesses the operating segments based on group profit for external sales in each region, rather than statutory profit for the region which also includes profit on intercompany sales.

Finance income and cost, and net finance cost on pensions, are not included in the segment results that are reviewed by the Board.

Segment assets exclude tax assets, which are managed on a central basis.

Segment liabilities exclude tax liabilities and non-current borrowings, which are managed on a central basis.

Information provided to the Board is consistent with that in the financial statements.

	Americas		Asia-Pacific		Europe		Total group	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
Revenue Sales to external customers	**64.0**	57.8	**69.6**	70.1	**96.6**	104.4	**230.2**	232.3
Operating profit before corporate overheads & exceptional items	**2.8**	1.8	**13.0**	8.7	**21.3**	21.8	**37.1**	32.3
Corporate overheads							**(3.8)**	(2.0)
							33.3	30.3
Exceptional items	**(10.7)**	(5.3)	**(3.7)**	(4.9)	**0.3**	(12.6)	**(14.1)**	(22.8)
Corporate exceptional items							**–**	(1.1)
Operating profit after exceptional items							**19.2**	6.4
Finance income							**–**	0.1
Finance cost							**(2.0)**	(2.3)
Net finance cost on pensions							**(2.1)**	(2.0)
Profit before tax							**15.1**	2.2

Other segment information:

	Americas		Asia-Pacific		Europe		Total group	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
Additions to property, plant and equipment:								
– Segment	**20.7**	29.4	**27.3**	22.6	**6.2**	6.6	**54.2**	58.6
– Corporate							**0.1**	–
Total							**54.3**	58.6
Additions to intangible assets:								
– Segment	**0.3**	0.7	**–**	0.7	**0.7**	0.4	**1.0**	1.8
– Corporate							**0.1**	0.1
Total							**1.1**	1.9
Depreciation of property, plant and equipment:								
– Segment	**3.7**	2.8	**2.7**	5.2	**9.9**	14.6	**16.3**	22.6
– Corporate							**0.2**	0.2
Total							**16.5**	22.8
Amortisation of intangible assets:								
– Segment	**0.1**	0.1	**0.1**	–	**0.3**	0.2	**0.5**	0.3
– Corporate							**0.6**	0.8
Total							**1.1**	1.1

Segment assets and liabilities can be analysed as follows:

	2015 £'m	2014 £'m
Assets		
Americas	**92.7**	73.3
Asia-Pacific	**105.4**	81.6
Europe	**155.7**	155.5
Total segment assets	**353.8**	310.4
Corporate assets	**5.5**	3.8
Tax	**25.5**	24.7
Total assets	**384.8**	338.9
Liabilities		
Americas	**37.6**	33.6
Asia-Pacific	**11.4**	15.4
Europe	**45.4**	52.5
Total segment liabilities	**94.4**	101.5
Corporate liabilities	**5.9**	4.9
Borrowings	**133.2**	78.6
Tax	**20.2**	20.7
Total liabilities	**253.7**	205.7

Notes to the financial statements
for the year ended 31 December 2015 continued

2. SEGMENT INFORMATION continued

The company is domiciled in the United Kingdom. Revenue by destination is presented based on the location of the customer receiving the supply and can be analysed as follows:

	2015 £'m	2014 £'m
United Kingdom	28.7	28.2
Other Europe	69.1	77.2
Total Europe	97.8	105.4
USA	45.2	40.5
Other Americas	19.2	17.8
Total Americas	64.4	58.3
Australia	19.4	21.3
Other Asia-Pacific	48.6	47.3
Total Asia-Pacific	68.0	68.6
Total	230.2	232.3

The total of non-current assets other than deferred tax can be analysed as follows:

	2015 £'m	2014 £'m
USA	76.7	56.6
Australia	29.8	32.7
China	48.7	20.3
UK	43.6	44.5
Czech Republic	74.0	79.1
Netherlands	9.2	–
Corporate	0.5	1.1
Total	282.5	234.3

3. OPERATING PROFIT

	2015			2014		
	Before exceptional items £'m	Exceptional items £'m	Total £'m	Before exceptional items £'m	Exceptional items £'m	Total £'m
Revenue	230.2	–	230.2	232.3	–	232.3
Cost of sales	(153.0)	(11.1)	(164.1)	(161.8)	(20.5)	(182.3)
Gross profit	77.2	(11.1)	66.1	70.5	(20.5)	50.0
Selling and distribution costs	(15.4)	–	(15.4)	(15.2)	–	(15.2)
Administrative expenses	(20.1)	(3.0)	(23.1)	(17.2)	(3.4)	(20.6)
Research and development expenditure	(5.3)	–	(5.3)	(6.0)	–	(6.0)
Other expenses	(3.2)	–	(3.2)	(1.9)	–	(1.9)
Total operating expenses	(44.0)	(3.0)	(47.0)	(40.3)	(3.4)	(43.7)
Other operating income	0.1	–	0.1	0.1	–	0.1
Net operating expenses	(43.9)	(3.0)	(46.9)	(40.2)	(3.4)	(43.6)
Operating profit/(expense)	33.3	(14.1)	19.2	30.3	(23.9)	6.4

An additional £0.8m (2014:£1.6m) of development expenditure has been capitalised within intangible assets (note 13).

4. EXCEPTIONAL ITEMS

Exceptional charges included in operating profit were £14.1m (2014: £23.9m).

	2015 £'m	2014 £'m
Investment projects		
Redundancy and retention costs (i)	**1.8**	1.6
Training (ii)	**1.9**	–
Costs to establish new manufacturing plants (iii)	**9.0**	2.0
Accelerated depreciation (iv)	**1.2**	0.8
Decommissioning costs (v)	**0.3**	2.6
Other costs (viii)	**0.2**	–
	14.4	7.0
Restructuring and other		
Redundancy and retention costs (i)	**–**	7.1
Accelerated depreciation (iv)	**–**	5.7
Decommissioning costs (v)	**(0.6)**	2.1
Pension charge (vi)	**–**	1.7
Acquisition costs (vii)	**0.3**	–
Other costs (viii)	**–**	0.3
	(0.3)	16.9
Total exceptional items	**14.1**	23.9

Exceptional items comprise incremental costs that are directly related to the actions being taken to transform the business. During 2015 this principally comprises the two investment projects to establish new plants in the USA and China. Over the course of 2014 exceptional costs were also incurred in relation to the significant restructuring of existing operations, particularly in Scotland and Australia. The restructuring of operations in Scotland involved older, less efficient lines being permanently shut down and the restructuring in Australia related to the closure of the hide preparation plant.

(i) During 2015 costs have been incurred in the USA where the completion of the new plant will require significantly fewer operators compared with the existing less efficient operation. The redundancy programme was initially announced during 2014. During the year an extension to the programme was announced resulting in further redundancy costs and retention payments. Redundancy costs in 2014 principally related to the restructuring of operations in Scotland, where 130 roles were impacted, and the outsourcing of hide preparation operations in Australia.

(ii) Costs incurred related to training staff prior to the commencement of production, in the use of the group's latest technology that will be used in the new manufacturing facilities.

(iii) Costs related to the projects to establish new manufacturing plants in the USA and China, including project management, legal and professional fees, and other incremental costs incurred prior to the commencement of commercial production that are not eligible for capitalisation. The increased costs during 2015 are a reflection of the more advanced stages of the projects.

(iv) Accelerated depreciation charge incurred on assets that will be replaced earlier than their previously estimated useful economic lives due to the group's planned investment in the new USA plant. The 2014 charge also included amounts related to the restructuring actions in Scotland and Australia.

(v) Estimate of the costs that will be incurred to ensure the affected sites are made safe and that food hygiene and environmental standards are maintained, for which a constructive obligation exists at the balance sheet date. During 2014 an estimate was made relating to the removal of equipment that would no longer be used once the restructuring was complete in Scotland and Australia, and the new manufacturing plant is operational in the USA. Some costs have been settled during 2015 with the remainder expected to be settled over the next two years. The cost/(credit) recognised in 2015 reflects the latest estimate of the ultimate costs that will be incurred.

(vi) Estimate of the incremental UK pension liability recognised in 2014 that was expected to arise related to people leaving the business as part of the restructuring of operations in Scotland.

(vii) Costs (including professional fees) incurred in relation to the acquisition of PV Industries B.V. in October 2015.

(viii) Costs in 2015 relate to the write-off of raw materials which are specific to the old manufacturing process in the USA and cannot be re-used. The costs incurred during 2014 related to the write-off of raw materials that were specific to some of the equipment being decommissioned in Scotland.

Notes to the financial statements
for the year ended 31 December 2015 continued

5. DIRECTORS' EMOLUMENTS

A detailed analysis of directors' emoluments, shareholdings, long-term incentive schemes and pension arrangements is provided in the Directors' Remuneration Report on pages 45 to 58. Emoluments are summarised as follows:

	2015 £'m	2014 £'m
Aggregate emoluments (including long-term incentives with performance period ending during the year)	**1.5**	1.0
Payments in lieu of pension contributions	**0.1**	0.1

Details of the emoluments of the highest-paid director are as follows:

	2015 £'m	2014 £'m
Aggregate emoluments (including long-term incentives with performance period ending during the year)	**0.7**	0.4
Payments in lieu of pension contributions	**0.1**	0.1

6. EMPLOYEE INFORMATION

The average monthly number of persons (including Executive Directors) employed by the group during the year was:

	2015	2014
By employee category		
Operations and engineering	**1,790**	1,833
Sales and marketing	**94**	96
Distribution	**33**	33
Administration	**156**	153
Research and development	**101**	111
	2,174	2,226

The above total includes 41 persons in the company.

Staff costs for the group were:

	2015 £'m	2014 £'m
Wages and salaries (including bonus and other benefits)	**66.9**	63.6
Social security costs	**8.0**	7.7
Pension obligation costs (note 25)	**7.5**	8.9
Performance Share Plan charge	**0.8**	0.2
Redundancy costs	**1.8**	8.7
	85.0	89.1

£6.5m (2014: £11.4m) of staff costs above were included within exceptional items.

The key management of the group comprises of the directors and the Executive Board.

7. FINANCE INCOME AND COST

	2015 £'m	2014 £'m
Finance income		
Interest receivable and similar income:		
– On bank balances	**–**	0.1
Finance cost		
Interest payable and similar charges:		
– On loans and overdrafts	**(2.0)**	(2.3)
Net finance cost on pensions	**(2.1)**	(2.0)

8. PROFIT BEFORE TAX

	2015 £'m	2014 £'m
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment – including exceptional items of £1.2m (2014: £6.5m)	**16.5**	22.8
Amortisation of intangible assets	**1.1**	1.1
Inventory recognised as an expense	**122.3**	125.8
Inventory written down or written-off – including exceptional items of £0.2m (2014: £0.3m)	**1.6**	5.5
Repairs and maintenance expenditure	**14.6**	15.2
Research and development expenditure	**5.3**	6.0
Hire of assets – operating leases	**1.9**	1.7
Net foreign exchange losses	**1.8**	0.4
Auditors' remuneration (see below)	**0.3**	0.6

The creation and release of provisions for impaired receivables is included in other expenses in the income statement (note 3). Amounts provided are written-off when there is no expectation of them being collected.

Services provided by the company's auditors and its associates
KPMG LLP were appointed as the company's auditors during the year as explained in the Audit Committee report on page 43. During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates (figures for 2014 relate to PricewaterhouseCoopers LLP, the company's previous auditors):

Group	2015 £'m	2014 £'m
Fees payable to the company's auditors and its associates for the audit of the parent company and consolidated accounts	**0.1**	0.1
Fees payable to the company's auditors and its associates for other services:		
– The audit of the company's subsidiaries	**0.2**	0.2
– Audit related assurance services (£5,000; 2014: £35,000)	**–**	–
– Tax advisory services	**–**	0.1
– Tax compliance services	**–**	0.1
– All other services	**–**	0.1
	0.3	0.6

The company's previous auditors, PricewaterhouseCoopers LLP, were paid £0.2m during the year for tax advisory, tax compliance and other services to the group.

In the prior year, in addition to the above services, the company's previous auditors, acted as auditor to some of the group's pension schemes. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the group. The aggregate fees paid to the company's current auditors for services to the pension schemes during the year were £36,000. A further £143,000 was paid to the company's previous auditors for audit and other services to the group's pension schemes during the year (2014: £36,000).

Notes to the financial statements
for the year ended 31 December 2015 continued

9. TAX

2015	Before exceptional items £'m	Exceptional items £'m	Total £'m
Current Tax			
United Kingdom corporation tax at 20.25%	(0.1)	–	(0.1)
Foreign tax	4.9	0.1	5.0
Total current tax charge/(credit)	4.8	0.1	4.9
Deferred tax			
Origination and reversal of temporary differences representing:			
United Kingdom corporation tax	(0.2)	–	(0.2)
Foreign tax	(0.5)	(3.2)	(3.7)
	(0.7)	(3.2)	(3.9)
Adjustments in respect of prior years	(0.5)	–	(0.5)
Total deferred tax charge/(credit) to the income statement (note 24)	(1.2)	(3.2)	(4.4)
Tax charge /(credit) for the year ended 31 December 2015	**3.6**	**(3.1)**	**0.5**
Tax on items charged/(credited) to equity or other comprehensive income			
Deferred tax credit on pension obligations	2.0	–	2.0
Deferred tax charge on net fair value losses on cash flow hedges	0.2	–	0.2
Deferred tax charge on other hedges	0.1	–	0.1
Deferred tax charge on Performance Share Plan charge	(0.1)	–	(0.1)
Rate change	0.6	–	0.6
Total deferred tax on items charged to equity or other comprehensive income	**2.8**	**–**	**2.8**
Total current tax charge for the year ended 31 December 2015	**4.8**	**0.1**	**4.9**
Total deferred tax charge/(credit) for the year ended 31 December 2015	**1.6**	**(3.2)**	**(1.6)**

2014	Before exceptional items £'m	Exceptional items £'m	Total £'m
Current Tax			
United Kingdom corporation tax at 21.5%	–	–	–
Foreign tax	5.6	(1.0)	4.6
	5.6	(1.0)	4.6
Adjustment in respect of prior years	(0.4)	–	(0.4)
Total current tax	5.2	(1.0)	4.2
Deferred tax			
Origination and reversal of temporary differences representing:			
United Kingdom corporation tax	(0.3)	(2.4)	(2.7)
Foreign tax	(2.2)	(2.0)	(4.2)
	(2.5)	(4.4)	(6.9)
Adjustments in respect of prior years	0.5	–	0.5
Total deferred tax credited to the income statement (note 24)	(2.0)	(4.4)	(6.4)
Tax charge/(credit) for the year ended 31 December 2014	3.2	(5.4)	(2.2)
Tax on items charged to equity or other comprehensive income			
Deferred tax credit on pension obligations	(4.6)	–	(4.6)
Deferred tax credit on net fair value losses on cash flow hedges	(0.2)	–	(0.2)
Deferred tax charge on other hedges	0.2	–	0.2
Total deferred tax on items charged to equity or other comprehensive income	(4.6)	–	(4.6)
Total current tax charge/(credit) for the year ended 31 December 2014	5.2	(1.0)	4.2
Total deferred tax credit for the year ended 31 December 2014	(6.6)	(4.4)	(11.0)

The effective rates for both years are lower than the standard rate of corporation tax in the UK. The differences are explained below:

2015	**Before exceptional items £'m**	**Exceptional items £'m**	**Total £'m**
Profit before tax	29.2	(14.1)	15.1
Profit before tax multiplied by the blended rate of corporation tax in the UK of 20.25%	5.9	(2.8)	3.1
Effects of:			
– Adjustments in respect of prior years	(0.5)	–	(0.5)
– Adjustments in respect of foreign tax rates	(0.6)	(1.8)	(2.4)
– Changes in tax rates	(0.1)	–	(0.1)
– Deferred tax on losses not recognised	2.0	1.5	3.5
– Permanent differences	(3.1)	–	(3.1)
Tax charge/(credit) for the year ended 31 December 2015	**3.6**	**(3.1)**	**0.5**

Notes to the financial statements
for the year ended 31 December 2015 continued

9. TAX continued

2014	Before exceptional items £'m	Exceptional items £'m	Total £'m
Profit before tax	26.1	(23.9)	2.2
Profit before tax multiplied by the blended rate of corporation tax in the UK of 21.5%	5.6	(5.1)	0.5
Effects of:			
– Adjustments in respect of prior years	0.1	–	0.1
– Adjustments in respect of foreign tax rates	(1.2)	(0.9)	(2.1)
– Permanent differences	(1.3)	0.6	(0.7)
Tax charge/(credit) for the year ended 31 December 2014	3.2	(5.4)	(2.2)

During the year, the UK corporation tax rate changed from 21% to 20%, effective from 1 April 2015. Further reductions to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted in October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2015 has been calculated based on these rates.

Permanent differences have principally arisen due to an investment incentive scheme in the Czech Republic.

10. PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's income statement and statement of comprehensive income have not been presented in these financial statements.

The parent company profit for the year is £25.5m (2014: £22.5m).

11. DIVIDENDS

Group and company	2015 £'m	2014 £'m
Final paid of 6.10 pence per share (2014: 6.10 pence)	**10.2**	10.2
Interim paid of 2.70 pence per share (2014: 2.70 pence)	**4.5**	4.5
	14.7	14.7

During the year, dividends totalling £nil (2014: £0.1m) were waived in respect of shares owned by the Devro Employee Share Ownership Trust.

The directors propose a final dividend of 6.10 pence per share in respect of the financial year ended 31 December 2015 which will absorb an estimated £10.2m of shareholders' funds. It will be paid on 13 May 2016 to shareholders who are on the register at close of business on 29 March 2016.

12. EARNINGS PER SHARE

	2015 £'m	2014 £'m
Profit attributable to equity holders	**14.6**	4.4
Profit attributable to equity holders excluding exceptional items	**25.6**	22.9
Earnings per share		
– Basic	**8.8p**	2.6p
– Basic excluding exceptional items	**15.4p**	13.7p
– Diluted	**8.7p**	2.6p
– Diluted excluding exceptional items	**15.3p**	13.6p

Shares in issue	2015	2014
Weighted average number of shares	**166,928,534**	166,866,949
Adjustments for:		
– Performance Share Plan	**1,477,842**	1,032,452
Weighted average number of shares adjusted for potential dilution	**168,406,376**	167,899,401

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent of £14.6m (2014: £4.4m) by 166,928,534 (2014: 166,866,949) shares, being the weighted average number of shares in issue throughout the year.

Shares arising from the Performance Share Plan are only treated as dilutive where the effect is to reduce earnings per share. Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £14.6m (2014: £4.4m) by the average number of shares, including the effect of all dilutive potential shares, of 168,406,376 (2014: 167,899,401).

Earnings per share before exceptional items is calculated in order to eliminate the effect of exceptional items after tax in 2015 of £11.0m (2014: £18.5m) on the results. Basic earnings per share before exceptional items is calculated by dividing the profit attributable to ordinary shareholders before exceptional items, after attributable tax, of £25.6m (2014: £22.9m) by 166,928,534 (2014: 166,866,949) shares, being the weighted average number of shares in issue throughout the year.

13. INTANGIBLE ASSETS

Group	Goodwill £'m	Customer contracts and relationships £'m	Computer software £'m	Development costs £'m	Other intangible assets £'m	Total £'m
Cost						
At 1 January 2015	–	–	8.2	3.5	11.7	11.7
Arising on acquisition	3.1	2.1	–	–	2.1	5.2
Exchange differences	–	–	(0.1)	0.1	–	–
Additions	–	–	0.3	0.8	1.1	1.1
Disposals	–	–	(1.4)	–	(1.4)	(1.4)
At 31 December 2015	3.1	2.1	7.0	4.4	13.5	16.6
Accumulated amortisation						
At 1 January 2015	–	–	6.9	0.8	7.7	7.7
Charge for year	–	–	0.9	0.2	1.1	1.1
Disposals	–	–	(1.4)	–	(1.4)	(1.4)
At 31 December 2015	–	–	6.4	1.0	7.4	7.4
Net book value at 31 December 2015	**3.1**	**2.1**	**0.6**	**3.4**	**6.1**	**9.2**
Cost						
At 1 January 2014	–	–	8.0	1.9	9.9	9.9
Exchange differences	–	–	(0.1)	–	(0.1)	(0.1)
Additions	–	–	0.3	1.6	1.9	1.9
At 31 December 2014	–	–	8.2	3.5	11.7	11.7
Accumulated amortisation						
At 1 January 2014	–	–	6.0	0.7	6.7	6.7
Exchange differences	–	–	(0.1)	–	(0.1)	(0.1)
Charge for year	–	–	1.0	0.1	1.1	1.1
At 31 December 2014	–	–	6.9	0.8	7.7	7.7
Net book value at 31 December 2014	–	–	1.3	2.7	4.0	4.0
Cost at 1 January 2014	–	–	8.0	1.9	9.9	9.9
Accumulated amortisation at 1 January 2014	–	–	(6.0)	(0.7)	(6.7)	(6.7)
Net book value at 1 January 2014	–	–	2.0	1.2	3.2	3.2

Included in the net book value of intangible assets is £3.1m (2014: £2.5m) relating to internally generated development costs.

Notes to the financial statements
for the year ended 31 December 2015 continued

13. INTANGIBLE ASSETS continued

In the income statement, amortisation of £0.3m (2014: £0.2m) is included in cost of sales and £0.8m (2014: £0.9m) in administrative expenses.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The group's goodwill entirely relates to the acquisition of PV Industries B.V. which was completed during the year, and represents a single cash-generating unit. The recoverable amount of this cash-generating unit is determined from value in use calculations, and the key assumptions are those regarding the discount rate, profit margin and sales growth rates.

The group prepares cash flow forecasts for the next five years derived from the most recent financial budgets approved by management, based on expected market growth rates and prior experience, with an estimated long-term growth rate of 1.5% per annum assumed at the end of the five year forecast period. The rate used to discount the forecast cash flows is 11.3%.

Based on these calculations there is sufficient headroom over the book value of goodwill.

Company	Computer software £'m	Development costs £'m	Total £'m
Cost			
At 1 January 2015	3.6	–	3.6
Additions	–	0.1	0.1
At 31 December 2015	3.6	0.1	3.7
Accumulated amortisation			
At 1 January 2015	2.8	–	2.8
Charge for year	0.6	–	0.6
At 31 December 2015	3.4	–	3.4
Net book value at 31 December 2015	**0.2**	**0.1**	**0.3**
Cost			
At 1 January 2014	3.5	–	3.5
Additions	0.1	–	0.1
31 December 2014	3.6	–	3.6
Accumulated amortisation			
At 1 January 2014	2.0	–	2.0
Charge for year	0.8	–	0.8
At 31 December 2014	2.8	–	2.8
Net book value at 31 December 2014	0.8	–	0.8
Cost at 1 January 2014	3.5	–	3.5
Accumulated amortisation at 1 January 2014	(2.0)	–	(2.0)
Net book value at 1 January 2014	1.5	–	1.5

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'m	Plant and machinery, and motor vehicles £'m	Fixtures and fittings, and computer equipment £'m	Assets in the course of construction £'m	Total £'m
Cost					
At 1 January 2015	86.3	262.9	11.0	59.3	419.5
Exchange differences	(2.3)	(2.9)	(0.1)	1.5	(3.8)
Arising on acquisition	3.0	2.9	–	–	5.9
Additions	0.3	1.9	0.3	51.8	54.3
Disposals	–	(6.4)	(0.9)	–	(7.3)
Reclassification	1.2	7.7	0.3	(9.2)	–
At 31 December 2015	88.5	266.1	10.6	103.4	468.6
Accumulated depreciation					
At 1 January 2015	30.6	149.8	8.8	–	189.2
Exchange differences	(0.7)	(0.9)	(0.1)	–	(1.7)
Arising on acquisition	0.1	1.7	–	–	1.8
Charge for year	2.2	13.4	0.9	–	16.5
Disposals	–	(6.4)	(0.9)	–	(7.3)
At 31 December 2015	32.2	157.6	8.7	–	198.5
Net book value at 31 December 2015	**56.3**	**108.5**	**1.9**	**103.4**	**270.1**
Cost					
At 1 January 2014	86.8	252.0	10.4	19.4	368.6
Exchange differences	(3.9)	(4.5)	(0.2)	1.4	(7.2)
Additions	0.9	5.0	0.5	52.2	58.6
Disposals	–	(0.3)	(0.2)	–	(0.5)
Reclassification	2.5	10.7	0.5	(13.7)	–
At 31 December 2014	86.3	262.9	11.0	59.3	419.5
Accumulated depreciation					
At 1 January 2014	28.4	132.7	8.4	–	169.5
Exchange differences	(1.1)	(1.3)	(0.2)	–	(2.6)
Charge for year	3.3	18.7	0.8	–	22.8
Disposals	–	(0.3)	(0.2)	–	(0.5)
At 31 December 2014	30.6	149.8	8.8	–	189.2
Net book value at 31 December 2014	55.7	113.1	2.2	59.3	230.3
Cost at 1 January 2014	86.8	252.0	10.4	19.4	368.6
Accumulated depreciation at 1 January 2014	(28.4)	(132.7)	(8.4)	–	(169.5)
Net book value at 1 January 2014	58.4	119.3	2.0	19.4	199.1

In the income statement, depreciation of £14.4m (2014: £15.4m) has been charged in cost of sales before exceptional items; £0.1m (2014: £0.1m) in selling and distribution costs; £0.7m (2014: £0.7m) in administrative expenses; £0.1m (2014: £0.1m) in research and development expenditure and £1.2m (2014: £6.5m) in exceptional items.

Borrowing costs of £2.7m (2014: £0.6m) have been capitalised to property, plant and equipment with a tax effect of £0.3m (2014: £0.1m). A rate of 4.3% has been used to capitalise borrowing costs.

Notes to the financial statements
for the year ended 31 December 2015 continued

14. PROPERTY, PLANT AND EQUIPMENT continued

Company	Plant and machinery, and motor vehicles £'m	Assets in the course of construction £'m	Total £'m
Cost			
At 1 January 2015	0.8	–	0.8
Additions	0.1	–	0.1
At 31 December 2015	0.9	–	0.9
Accumulated depreciation			
At 1 January 2015	0.5	–	0.5
Charge for year	0.2	–	0.2
At 31 December 2015	0.7	–	0.7
Net book value at 31 December 2015	**0.2**	**–**	**0.2**
Cost			
At 1 January 2014	0.8	0.4	1.2
Disposals	–	(0.4)	(0.4)
At 31 December 2014	0.8	–	0.8
Accumulated depreciation			
At 1 January 2014	0.3	–	0.3
Charge for year	0.2	–	0.2
At 31 December 2014	0.5	–	0.5
Net book value at 31 December 2014	0.3	–	0.3
Cost at 1 January 2014	0.8	0.4	1.2
Accumulated depreciation at 1 January 2014	(0.3)	–	(0.3)
Net book value at 1 January 2014	0.5	0.4	0.9

15. INVESTMENTS

Company	2015 £'m	2014 £'m
Interest in group undertakings		
Cost and net book value at 1 January	**153.7**	138.7
Additions	**45.8**	15.0
Cost and net book value at 31 December	**199.5**	153.7

Additions during the year have arisen due to the company's investment in its China and US subsidiaries in order to fund the group's investment projects, in Devro New Holdings Limited to fund the acquisition of PVI Industries B.V., the capitalisation of an intercompany loan, and Performance Share Plan charges for employees within subsidiaries which will be settled with the company's shares.

The company's subsidiary undertakings at 31 December 2015 are shown below:

Name of undertaking	Country of incorporation or registration	Nature of business	Class of shares held	Proportion of nominal value of issued shares held by: Group	Proportion of nominal value of issued shares held by: Company	Proportion of voting rights represented by shares held: Group	Proportion of voting rights represented by shares held: Company
Devro (Scotland) Limited	Scotland	Casings	Ordinary		100%		100%
Devro New Holdings Limited	Scotland	Holding	Ordinary		100%		100%
Devro Acquisition Corp	USA	Holding	Common	100%		100%	
Devro Asia Limited	Hong Kong	Casings	Ordinary	100%		100%	
Devro Pty Limited	Australia	Casings	Ordinary	100%		100%	
Devro KK	Japan	Casings	Ordinary	100%		100%	
Devro Inc	USA	Casings	Common	100%		100%	
Devro s.r.o	Czech Republic	Casings	Ordinary	100%		100%	
Devro Trading (Beijing) Co. Limited	China	Casings	Ordinary	100%		100%	
Devro (Nantong) Technology Co. Limited	China	Casings	Ordinary	100%		100%	
Devro B.V.	Netherlands	Casings	Ordinary	100%		100%	

Devro Pty Limited has a branch located in New Zealand.

16. INVENTORIES

Details of inventories relating to the group are as follows:

	2015 £'m	2014 £'m
Raw materials and consumables	**4.8**	5.7
Work in progress	**3.8**	3.9
Finished goods and goods for resale	**19.9**	23.8
	28.5	33.4

At 31 December 2015, inventories amounting to £9.0m (2014: £4.5m) were held at net realisable value. Amounts written down or written off in respect of inventories during the year are disclosed in note 8.

17. TRADE AND OTHER RECEIVABLES

	Group 2015 £'m	Group 2014 £'m	Company 2015 £'m	Company 2014 Re-presented* £'m
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings – loans	**–**	–	**78.1**	63.2
Other receivables	**3.2**	–	**–**	–
Amounts falling due within one year				
Trade receivables	**31.3**	29.6	**–**	–
Less: provision for doubtful debts	**(0.6)**	(0.9)	**–**	–
Trade receivables – net	**30.7**	28.7	**–**	–
Amounts owed by subsidiary undertakings – current	**–**	–	**10.9**	7.8
Other receivables	**1.9**	2.4	**–**	–
Prepayments and accrued income	**2.6**	2.6	**1.8**	1.8
	35.2	33.7	**12.7**	9.6

*Amounts receivable from group companies in respect of tax losses surrendered which were included as current tax assets have been re-presented as amounts owed by subsidiary undertakings to better reflect their nature. These amount to £6.9m (2014: £6.5m).

Notes to the financial statements
for the year ended 31 December 2015 continued

17. TRADE AND OTHER RECEIVABLES continued

At 31 December 2015, trade receivables of £0.2m (2014: £0.2m) were impaired and fully provided. It was assessed that none of the impaired receivables would be recovered. The ageing of these receivables was as follows:

Group	2015 £'m	2014 £'m
Less than 30 days past due	**0.1**	0.1
Greater than 90 days past due	**0.1**	0.1
	0.2	0.2

Movements on the group's provision for impairment of receivables were as follows:

Group	2015 £'m	2014 £'m
At 1 January	**0.9**	0.2
Receivables impaired	**(0.3)**	0.9
Receivables written-off as uncollectible	**–**	(0.2)
At 31 December	**0.6**	0.9

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

At 31 December 2015, trade receivables of £5.0m (2014: £5.5m) were past due but not impaired. The group believes that the unimpaired amounts are collectible in full based on historical payment behaviour and an analysis of customer credit risk. The ageing of these receivables was as follows:

Group	2015 £'m	2014 £'m
Less than 30 days past due	**4.4**	3.6
30 to 90 days past due	**0.6**	1.9
	5.0	5.5

Formal procedures are in place to minimise, as far as possible, losses from non-collection of receivables. These procedures, which include designated levels of authority, cover the opening of new accounts, payment terms and the setting up and review of credit limits. Where considered appropriate, payment in advance or confirmed letters of credit are required before product is released to customers.

There have been no significant losses due to the impairment or non-collection of receivables in recent years.

The carrying amounts of the group's trade receivables were denominated in the following currencies:

Group	2015 £'m	2014 £'m
US dollar	**10.3**	9.9
Euro	**6.2**	5.3
Japanese yen	**5.0**	4.1
Sterling	**3.3**	3.2
Australian dollar	**2.3**	2.9
Czech koruna	**0.8**	0.1
Other currencies	**2.8**	3.2
	30.7	28.7

At 31 December 2015, trade receivables of £nil (2014: £nil) were neither past due nor impaired.

At 31 December 2015, receivables due from subsidiary undertakings of £89.0m (2014: £71.0m) were neither past due nor impaired.

The carrying amounts of the company's receivables due from subsidiaries were denominated in the following currencies:

Company	2015 £'m	2014 £'m
Sterling	**6.9**	19.9
Japanese yen	**3.9**	3.8
US dollar	**62.5**	45.1
Chinese renminbi	**13.2**	2.2
Euro	**2.2**	–
Other currencies	**0.3**	–
	89.0	71.0

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Cash at bank and in hand	**9.4**	10.3	**0.1**	0.1
Short-term bank deposits	**0.2**	0.8	**–**	–
	9.6	11.1	**0.1**	0.1

19. TRADE AND OTHER PAYABLES – CURRENT

	Group		Company	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Trade payables	**9.9**	12.6	**0.3**	0.1
Tax and social security payable	**2.1**	1.7	**–**	0.2
Accruals	**19.1**	17.4	**2.2**	2.3
	31.1	31.7	**2.5**	2.6

Accruals include £0.1m (2014: £0.3m) in respect of government grants.

20. OTHER PAYABLES – NON-CURRENT

	Group		Company	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Amounts owed to subsidiary undertakings	**–**	–	**23.1**	15.8
Accruals	**2.6**	2.4	**–**	–
	2.6	2.4	**23.1**	15.8

Accruals include £2.0m (2014: £2.0m) in respect of government grants. Government grants are primarily used for the purpose of funding capital expenditure.

Notes to the financial statements
for the year ended 31 December 2015 continued

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Group	2015 £'m	2014 £'m
At 1 January	**8.9**	–
Charge to the income statement during the year	**2.1**	13.4
Released to the income statement during the year	**(0.6)**	–
Utilised during the year	**(4.3)**	(4.5)
Foreign exchange	**(0.1)**	–
At 31 December	**6.0**	8.9
Non-current	**0.5**	2.6
Current	**5.5**	6.3
Total	**6.0**	8.9

The closing provision as at 31 December 2015 includes redundancy provisions of £2.6m (2014: £4.2m), which are expected to be paid before the end of 2016 and an estimated £3.4m (2014: £4.7m) for decommissioning costs for the sites that need to be made safe following the cessation of associated manufacturing activities, and to ensure food hygiene and environmental standards are maintained at those sites. The amounts are expected to be settled over the next two years.

22. FINANCIAL LIABILITIES – BORROWINGS

	Group		Company	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Current				
Bank overdrafts due within one year or on demand	**1.9**	1.7	**2.1**	1.8
Non-current				
Unsecured bank loans	**66.5**	15.8	**45.8**	3.7
US dollar private placement	**66.7**	62.8	**66.7**	62.8
	133.2	78.6	**112.5**	66.5

Bank overdrafts and bank loans are denominated in a number of currencies, and bear interest based on the London Interbank Offered Rate ("LIBOR") as set by the British Bankers' Association or equivalent rates appropriate to the country in which the borrowing is incurred. The group is exposed to short-term interest rate changes on all of its bank borrowings.

The group issued a private placement of senior unsecured notes on 17 April 2014 for a total of US$100 million, of which US$50 million was received in April 2014 and the remainder was received in June 2014. The private placement notes provide funding with fixed terms of between 7 and 12 years, with an average fixed interest rate of 4.48%.

US$60 million of this cash was retained in US dollars to fund the investment project in the USA, and the remainder has been swapped into sterling at an average fixed interest rate of 4.49%.

The effective interest rates at the balance sheet dates were as follows:

	Currency	Rate	2015	2014
Bank overdrafts:				
	Sterling*	Bank of England base rate plus 150 basis points	**2.00%**	2.00%
	US dollar	US 1 month LIBOR plus 200 basis points	**2.43%**	2.17%
	Australian dollar	National Australia Bank business overdraft prime rate minus 100 basis points	**N/A**	6.97%
	Czech koruna	PRIBOR plus 90 basis points	**1.03%**	1.06%
	Euro	EUR LIBOR plus 90 basis points	**0.90%**	0.93%
Bank borrowings:				
Floating rate	Sterling	LIBOR plus 140 basis points (2014: plus 100 basis points)	**1.90%**	1.50%
Floating rate	US dollar	US LIBOR plus 140 basis points (2014: plus 100 basis points)	**1.83%**	N/A
Floating rate	Australian dollar	BBSW (Bank Bill Swap Rate) plus 140 basis points (2014: BBSW plus 100 basis points)	**3.47%**	3.69%
Floating rate	Chinese renminbi	CNH Hong Kong HIBOR plus 140 basis points (2014: N/A)	**6.42%**	N/A
Average bank borrowings rate			**2.92%**	2.97%
Other debt payable:				
Fixed rate	US dollar		**4.48%**	4.48%

* includes overdrafts in certain currencies pooled with sterling for interest calculation purposes.

Borrowings were denominated in the following currencies:

	2015			2014		
Group	**Bank borrowings £'m**	**Other debt £'m**	**Total £'m**	Bank borrowings £'m	Other debt £'m	Total £'m
Sterling	**22.7**	**–**	**22.7**	3.7	–	3.7
Australian dollar	**2.7**	**–**	**2.7**	12.1	–	12.1
Chinese renminbi	**18.0**	**–**	**18.0**	–	–	–
Czech koruna	**1.9**	**–**	**1.9**	1.7	–	1.7
US dollar	**23.1**	**66.7**	**89.8**	–	62.8	62.8
	68.4	**66.7**	**135.1**	17.5	62.8	80.3

	2015			2014		
Company	**Bank borrowings £'m**	**Other debt £'m**	**Total £'m**	Bank borrowings £'m	Other debt £'m	Total £'m
Sterling	**24.8**	**–**	**24.8**	5.5	–	5.5
US dollar	**23.1**	**66.7**	**89.8**	–	62.8	62.8
	47.9	**66.7**	**114.6**	5.5	62.8	68.3

Notes to the financial statements
for the year ended 31 December 2015 continued

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS

Financial risk management

The Board reviews and agrees policies for managing each of the risks associated with capital, interest rates, foreign exchange, credit, and liquidity. It is the group's policy that no speculative trading in financial instruments shall be undertaken. These policies have remained unchanged throughout the year, are consistent with the previous year, and are summarised below:

Capital

When managing capital, the group's objectives are to safeguard the business as a going concern, provide returns to shareholders and benefits for other stakeholders, and maintain an efficient capital structure. The group's capital structure consists of net debt and equity of the group. In order to maintain its capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The covenants related to the group's bank loan facilities determine a minimum EBITDA to net interest payable ratio and a maximum net debt to EBITDA ratio. EBITDA is measured as operating profit before exceptional items excluding depreciation, amortisation and profit or loss on disposal of assets. The group had adequate headroom within both covenants throughout the years ending 31 December 2015 and 31 December 2014.

Another measure used to monitor the strength of the group's balance sheet is the gearing ratio, which expresses the group's net debt as a percentage of its equity. Net debt is total borrowings less cash and cash equivalents. Equity comprises issued share capital, reserves and retained earnings. The covenant and gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

	2015 £'m	2014 £'m
Total borrowings (note 22)	**135.1**	80.3
Less: cash and cash equivalents (note 18)	**(9.6)**	(11.1)
Net debt (note 32)	**125.5**	69.2
Equity	**131.1**	133.2
Bank loan covenant ratios:		
Net debt to EBITDA (times)	**2.6**	1.5
EBITDA to net interest payable (times)	**11.3**	21.7
Gearing ratio	**95.7%**	52.0%

Market risk

a) Interest rate risk

The group's interest rate risk arises from borrowings, cash and short-term deposits, together with currency swaps used to hedge intercompany loans.

The group borrows in the desired currencies at both floating and fixed rates of interest and may use forward rate agreements or interest rate swaps to generate the desired interest rate profile and manage the group's exposure to interest rate fluctuations. The US dollar private placement completed during 2014 means that around half of the group's debt is currently at a fixed rate of interest. The group entered into cross-currency interest rate swaps of US$40 million during 2014 to convert a portion of the US dollar private placement into synthetic sterling denominated debt at a fixed rate of interest. The foreign exchange element of these swaps are measured at fair value through profit and loss, with any gains or losses being taken immediately to the income statement to offset any fair value gains or losses on the hedged portion of the US dollar private placement. The interest rate differential element of these swaps have been designated as a cash flow hedge with movements in fair value recognised in other comprehensive income to be transferred to the income statement as the hedged interest payment occurs.

Cash is held in interest-bearing current accounts where practicable with any excess cash placed on deposit. Any deposits made are for periods of less than three months.

The sensitivity of net finance costs to a movement in interest rates is restricted by the level of fixed rate borrowing now in place. A variation of, for example, 100 basis points in interest rates, applied to the group's borrowings, cash and short-term deposits at 31 December 2015, would result in a movement in finance costs of £0.7m (2014: £0.2m) and finance income of £0.1m (2014: £0.1m). This would result in an adverse post-tax impact on the group's income statement of £0.5m (2014: £0.1m) and a post-tax impact on the group's equity of £0.5m (2014: £0.1m).

b) Foreign exchange risk

The group has several significant overseas subsidiary undertakings whose revenues and expenses are denominated in a variety of currencies. Group policy dictates that foreign currency exposures arising from future commercial transactions are reviewed by Group Treasury and hedging activities are undertaken as appropriate in order to manage the net foreign exchange risks arising. Group policy permits the hedging of up to a maximum of 80% of the net external currency transaction exposures for periods of up to a maximum of fifteen months forward. It is not group policy to routinely hedge translation exposures apart from those created by intercompany loans or where foreign currency denominated assets are planned to be returned to the UK in the form of a dividend. Specific Board approval is required for any other translation exposure hedging. The group's investment in its Czech subsidiary, Devro s.r.o., is hedged by a Czech koruna foreign exchange forward contract which mitigates the foreign currency risk arising from the subsidiary's net assets. The forward contract is designated as a net investment hedge. No ineffectiveness was recognised from the hedge. The group's investments in other subsidiaries are not hedged.

The table below details the impact changes in foreign exchange rates would have had on the group's operating profit before exceptional items and post-tax profit for the years ended 31 December 2015 and 31 December 2014 due to the translation of both subsidiary profits from their functional currency into sterling, and also underlying currency transactions and balances within group companies which are denominated in currencies other than the reporting currency of that group company. The movements in equity as at 31 December 2015 and 31 December 2014 includes the impact changes in foreign exchange rates would have on the translation of subsidiary net assets, as well as the effect of cash flow currency and net investment hedges.

In each case, it is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant. The percentage foreign currency movement is based on the maximum annual percentage movement against sterling during the previous four years. Results are shown for all currencies where the impact on group post-tax profits would be more than £25,000.

	Impact on group operating profit before exceptional items gains/(losses)		Impact on group profit after tax and exceptional items gains/(losses)		Impact on equity increase/(decrease)	
Foreign currency movement	**Strengthening £'m**	**Weakening £'m**	**Strengthening £'m**	**Weakening £'m**	**Strengthening £'m**	**Weakening £'m**
2015						
Australian dollar: 19%	**1.3**	**(0.7)**	**1.0**	**(0.5)**	**5.9**	**(5.6)**
Czech koruna: 8%	**0.9**	**(0.4)**	**0.8**	**(0.4)**	**6.2**	**(6.0)**
Euro: 7%	**1.4**	**(1.4)**	**1.2**	**(1.2)**	**0.2**	**(0.2)**
Japanese yen: 25%	**1.1**	**(1.0)**	**1.0**	**(0.9)**	**0.6**	**(0.6)**
US dollar: 6%	**0.6**	**(0.6)**	**–**	**–**	**2.3**	**(2.3)**
2014						
Australian dollar: 19%	(0.2)	0.4	(0.7)	1.0	5.3	(5.1)
Czech koruna: 8%	0.6	(0.2)	0.5	(0.2)	6.8	(6.6)
Euro: 7%	1.4	(1.4)	1.3	(1.3)	0.4	(0.4)
Japanese yen: 25%	2.0	(2.0)	1.8	(1.8)	0.4	(0.4)
US dollar: 4%	0.7	(0.7)	0.2	(0.2)	2.0	(2.0)

Credit risk

The group considers its exposure to credit risk at 31 December to be as follows:

	2015 £'m	2014 £'m
Cash and cash equivalents	**9.6**	11.1
Derivative financial instruments	**3.5**	1.7
Trade receivables	**30.7**	28.7
Other receivables	**1.9**	2.4
	45.7	43.9

The group monitors its credit exposure using credit ratings, where applicable, and through its policy of requiring appropriate credit checks on potential customers before sales commence. These procedures limit the group's exposure to any one party to approved levels. Exposure to banking counterparties is only permitted with approved banks which have one minimum short-term rating of A1/P1/F1 with rating agencies S&P, Moody's or Fitch. At the reporting date no single banking exposure was greater than £2.4m (2014: £2.4m). The group does not hold any collateral as security.

Notes to the financial statements
for the year ended 31 December 2015 continued

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS continued

Financial risk management continued

Liquidity risk

Alongside the longer-term funding provided by the US dollar private placement completed during 2014, which was put in place to support the group's two major investment projects, the group has medium-term loan facilities which are regularly reviewed to ensure that they provide adequate liquidity for the group. The facilities are managed on a centralised basis with appropriate local availability. Details of the undrawn committed borrowing facilities available at 31 December 2015 and 31 December 2014 are shown below:

	2015 £'m	2014 £'m
Expiring in more than two years	**43.5**	94.2

At 31 December 2015, the group had in place unsecured floating rate committed loan facilities totalling £110.0m (2014: £110.0m). These facilities consist of a single syndicated revolving credit facility with four banks, negotiated in December 2014 and expiring on 19 December 2019.

In addition to the committed facilities, local uncommitted working capital facilities of £5.0m (2014: £9.5m), US dollars 2.0m (2014: US dollars 2.0m), Czech koruna 120.0m (2014: Czech koruna 120.0m) and Australian dollars nil (2014: Australian dollars 0.5m) were also in place at 31 December 2015. These facilities are renewable within one year.

Financial instruments

Disclosures regarding financial instruments are set out below:

Fair value of derivative financial instruments

The fair values of derivative financial instruments were as follows:

	Group		Company	
	Assets £'m	Liabilities £'m	Assets £'m	Liabilities £'m
At 31 December 2015				
Forward foreign exchange contracts				
– cash flow hedge	0.3	1.0	0.3	1.0
– cash flow hedge held with subsidiaries	–	–	1.0	0.3
– net investment hedge	–	1.1	–	–
– other	0.2	0.2	0.2	1.3
Cross-currency interest rate swap	3.0	–	3.0	–
	3.5	**2.3**	**4.5**	**2.6**
At 31 December 2014			Re-presented*	Re-presented*
Forward foreign exchange contracts				
– cash flow hedge	0.7	1.9	0.7	1.9
– cash flow hedge held with subsidiaries	–	–	1.9	0.7
– net investment hedge	0.2	–	–	–
– other	0.4	0.8	0.4	0.5
Cross-currency interest rate swap	0.4	–	0.4	–
	1.7	2.7	3.4	3.1

* The fair values of intercompany and external cash flow hedges that exactly off-set were previously netted off and have been re-presented separately on the basis that there is no legal right of set-off.

Forward foreign exchange contracts – other, shown in the table above, relate to currency swaps used to hedge exposures in respect of intercompany loans.

Derivative financial instruments that are measured at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

All of the group and company's derivative financial instruments that are measured at fair value were classified as Level 2 as at 31 December 2015 (2014: Level 2). They have been valued using publicly available data, such as forward foreign exchange rates. There are no financial instruments measured as Level 3.

At 31 December 2015, the net fair value losses on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales and purchases amounted to £0.7m (2014: £1.2m). These will be transferred to the income statement and recognised in other operating income or expense when the forecast sales and purchases occur during 2016.

At 31 December, the principal amounts of the outstanding financial instruments were:

	2015 £'m	2014 £'m
Forward foreign exchange contracts	**55.5**	99.0
Currency swaps	**88.3**	51.2

Fair values of non-derivative financial assets and liabilities

	2015		2014	
Group	**Book value £'m**	**Fair value £'m**	Book value £'m	Fair value £'m
Fair value of non–current borrowings				
Financial liabilities at amortised cost				
Long–term borrowings (note 22)	**(107.0)**	**(105.8)**	(54.4)	(52.1)
Financial liabilities at fair value				
Long–term borrowings	**(26.2)**	**(26.2)**	(24.2)	(24.2)
	(133.2)	**(132.0)**	(78.6)	(76.3)
Fair value of other financial assets and liabilities				
Loans and receivables				
Trade and other receivables (note 17)	**32.6**	**32.6**	31.1	31.1
Short–term bank deposits (note 18)	**0.2**	**0.2**	0.8	0.8
Cash at bank and in hand (note 18)	**9.4**	**9.4**	10.3	10.3
Financial liabilities at amortised cost				
Trade and other payables (note 19)	**(29.0)**	**(29.0)**	(30.0)	(30.0)
Short–term borrowings (note 22)	**(1.9)**	**(1.9)**	(1.7)	(1.7)
Provisions for other liabilities and charges (note 21)	**(6.0)**	**(6.0)**	(8.9)	(8.9)

The fair values of the group's bank borrowings are equivalent to the carrying values reported in the balance sheets as they are floating rate borrowings where interest rates are re-set to market rates at intervals of up to six months.

The fair values of trade and other receivables, short-term deposits and trade and other payables are equivalent to the carrying values because of the short-term nature of these instruments.

Maturity of financial liabilities

The tables below analyse the group's and company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period to the contractual maturity dates at 31 December 2015 and 31 December 2014. The amounts disclosed in the tables are the relevant undiscounted cash flows.

Notes to the financial statements
for the year ended 31 December 2015 continued

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS continued

Maturity of financial liabilities continued

Group	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 31 December 2015				
Bank borrowings	**3.2**	**1.3**	**69.2**	**–**
US dollar private placement	**3.0**	**3.0**	**9.0**	**76.1**
Derivative financial instruments	**2.3**	**–**	**–**	**–**
Trade and other payables	**29.0**	**–**	**–**	**–**
Provisions for other liabilities and charges	**5.5**	**0.5**	**–**	**–**
At 31 December 2014				
Bank borrowings	2.2	0.5	17.2	–
US dollar private placement	2.8	2.8	8.4	74.5
Derivative financial instruments	2.7	–	–	–
Trade and other payables	30.0	–	–	–
Provisions for other liabilities and charges	6.3	2.6	–	–

Company	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 31 December 2015				
Bank borrowings	**3.1**	**0.9**	**47.6**	**–**
US dollar private placement	**3.0**	**3.0**	**9.0**	**76.1**
Derivative financial instruments	**2.6**	**–**	**–**	**–**
Trade and other payables	**2.5**	**–**	**–**	**–**
At 31 December 2014				
Bank borrowings	2.0	0.1	4.0	–
US dollar private placement	2.8	2.8	8.4	74.5
Derivative financial instruments	3.1	–	–	–
Trade and other payables	2.4	–	–	–

The amounts shown as borrowings in the above tables include the capital outstanding at each balance sheet date, together with the estimated interest thereon calculated at the effective interest rates at these dates for the periods until the contractual maturity of the relevant borrowing facilities. There is no certainty that these amounts will be outstanding for all of the period involved or that these interest rates will be applicable during these periods.

The amounts showing as trade and other payables in the above tables exclude tax and social security payable.

Maturity of derivative financial instruments

The table below shows the group's and company's derivative financial instruments, which will be settled on a gross basis. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	At 31 December 2015			
Group	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	More than 5 years £'m
Forward foreign exchange contracts – cash flow hedges				
Outflow	(56.5)	–	–	–
Inflow	55.8	–	–	–
Forward foreign exchange contracts – net investment hedges				
Outflow	(24.5)	–	–	–
Inflow	23.4	–	–	–
Forward foreign exchange contracts – other				
Outflow	(38.5)	–	–	–
Inflow	37.8	–	–	–
Cross-currency interest rate swaps				
Outflow	(1.1)	(1.1)	(3.2)	(28.0)
Inflow	1.2	1.2	3.6	30.4
Company				
Forward foreign exchange contracts – cash flow hedges				
Outflow	(112.3)	–	–	–
Inflow	112.3	–	–	–
Forward foreign exchange contracts – other				
Outflow	(63.0)	–	–	–
Inflow	61.2	–	–	–
Cross-currency interest rate swaps				
Outflow	(1.1)	(1.1)	(3.2)	(28.0)
Inflow	1.2	1.2	3.6	30.4

Notes to the financial statements
for the year ended 31 December 2015 continued

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS continued

Maturity of derivative financial instruments continued

	At 31 December 2014			
Group	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	More than 5 years £'m
Forward foreign exchange contracts – cash flow hedges				
Outflow	(91.2)	–	–	–
Inflow	88.4	–	–	–
Forward foreign exchange contracts – net investment hedges				
Outflow	(12.6)	–	–	–
Inflow	12.8	–	–	–
Forward foreign exchange contracts – other				
Outflow	(12.5)	–	–	–
Inflow	12.1	–	–	–
Cross-currency interest rate swaps				
Outflow	(0.8)	(0.8)	(2.5)	(21.9)
Inflow	0.8	0.8	2.6	22.2
Company				
Forward foreign exchange contracts – cash flow hedges				
Outflow	(179.6)	–	–	–
Inflow	179.6	–	–	–
Forward foreign exchange contracts – other				
Outflow	(17.3)	–	–	–
Inflow	17.4	–	–	–
Cross-currency interest rate swaps				
Outflow	(0.8)	(0.8)	(2.5)	(21.9)
Inflow	0.8	0.8	2.6	22.2

24. DEFERRED TAX

	Group		Company	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m
Net asset/(liability) at 1 January	**9.1**	(2.5)	**(0.1)**	–
Exchange differences	**0.5**	0.6	**–**	–
Arising on acquisition	**(0.5)**	–	**–**	–
Credit for the year to profit	**4.4**	6.4	**0.5**	–
(Charge)/credit to equity or other comprehensive income	**(2.2)**	4.6	**–**	(0.1)
United Kingdom corporation tax rate change	**(0.6)**	–	**–**	–
Net asset/(liability) at 31 December	**10.7**	9.1	**0.4**	(0.1)

Deferred tax assets can be analysed as follows:

Group	Pension obligations £'m	Losses and other £'m	Accelerated capital allowances £'m	Total £'m
At 1 January 2015	15.4	8.2	0.9	24.5
Exchange differences	0.4	(0.1)	–	0.3
Credit for the year to profit	1.3	1.5	0.7	3.5
Charge to equity or other comprehensive income	(2.0)	(0.2)	–	(2.2)
United Kingdom corporation tax rate change	(0.6)	–	–	(0.6)
At 31 December 2015	**14.5**	**9.4**	**1.6**	**25.5**
At 1 January 2014	11.2	3.6	–	14.8
Exchange differences	0.4	–	–	0.4
(Charge)/credit for the year to profit	(0.8)	4.6	0.9	4.7
Credit to equity or other comprehensive income	4.6	–	–	4.6
At 31 December 2014	15.4	8.2	0.9	24.5

Deferred tax liabilities can be analysed as follows:

Group	Accelerated capital allowances £'m	Other £'m	Total £'m
At 1 January 2015	(14.4)	(1.0)	(15.4)
Exchange differences	0.1	0.1	0.2
Arising on acquisition	–	(0.5)	(0.5)
Credit for the year to profit	0.9	–	0.9
At 31 December 2015	**(13.4)**	**(1.4)**	**(14.8)**
At 1 January 2014	(13.4)	(3.9)	(17.3)
Exchange differences	0.3	(0.1)	0.2
(Charge)/credit for the year to profit	(1.3)	3.0	1.7
At 31 December 2014	(14.4)	(1.0)	(15.4)

The net deferred tax asset/(liability) can be analysed as follows:

	Asset		Liability		Total	
Group	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
Due within one year	**1.7**	1.4	**(0.4)**	(0.3)	**1.3**	1.1
Due after more than one year	**23.8**	23.1	**(14.4)**	(15.1)	**9.4**	8.0
	25.5	24.5	**(14.8)**	(15.4)	**10.7**	9.1

Notes to the financial statements
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24. DEFERRED TAX continued

Company	Temporary differences £'m
Liability at 1 January 2015	(0.1)
Credit for the year to profit	0.5
Asset at 31 December 2015	**0.4**
Liability at 1 January 2014	–
Charge to equity or other comprehensive income	(0.1)
Liability at 31 December 2014	(0.1)

The deferred tax asset/(liability) can be analysed as follows:

Company	2015 £'m	2014 £'m
Due after more than one year	**0.4**	(0.1)

Deferred tax assets and liabilities are only offset to the extent that there is a legally enforceable right to do so, as permitted by IAS 12.

The unrecognised deferred tax in respect of losses in China is £1.3m (2014: £0.5m) which has not been recognised due to uncertainty. The unrecognised deferred tax in respect of the USA is £2.9m (2014: Nil) due to uncertainty associated with available tax capacity.

No deferred tax has been recognised in respect of any withholding or other taxes that would be payable on the unremitted earnings of subsidiaries. There are no unremitted earnings on which UK tax is expected to become payable if repatriated (2014: Nil).

25. PENSION OBLIGATIONS

The amounts recognised as charges in the income statement are as follows:

	2015 £'m	2014 £'m
Defined benefit schemes: – Current service cost	**1.6**	1.8
– Scheme administrative expenses	**1.4**	1.0
Defined benefit costs included within operating profit before exceptional items	**3.0**	2.8
Defined benefit schemes curtailment – restructuring exceptional item	**–**	1.7
Defined benefit costs included within operating profit after exceptional items	**3.0**	4.5
Net finance cost	**2.1**	2.0
Total deferred benefit scheme costs	**5.1**	6.5
Defined contribution schemes	**2.4**	2.4
Total pension obligation costs	**7.5**	8.9

The amounts recognised as non-current liabilities in the balance sheet are as follows:

	2015 £'m	2014 £'m
Fair value of scheme assets	**225.4**	231.8
Present value of scheme liabilities	**(281.8)**	(290.8)
Pension obligations	**(56.4)**	(59.0)

The group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type and, with the exception of Germany where book reserves are supported by insurance policies, the assets of the schemes are held in separate trustee-administered funds. The defined benefit schemes are closed to new entrants. The total pension obligation cost for the group was £7.5m (2014: £8.9m), of which £3.2m (2014: £3.0m) related to the overseas schemes.
On the advice of the actuaries, cash contributions to the group's defined benefit schemes are expected to be £5.0m for the year ending 31 December 2016.

The most significant defined benefit scheme within the group is the Devro Limited (UK) Pension Plan, which operates in the United Kingdom. The latest triennial valuation of the UK scheme as at 31 March 2014 was finalised during 2015. The other major defined benefit schemes operate in Australia and the USA.

Actuarial assumptions appropriate for each country have been used.

The last formal actuarial valuations of the group's material defined benefit schemes have been updated to 31 December 2015 by qualified independent actuaries. The major assumptions used by the actuaries in the following principal countries were:

	Australia		United Kingdom		USA	
	2015 %	2014 %	**2015 %**	2014 %	**2015 %**	2014 %
Discount rate	**4.00**	3.10	**3.75**	3.55	**3.95**	3.80
Rate of increase in salaries*	**3.50**	3.50	**1.00**	1.00	**–**	–
General inflation	**2.50**	2.50	**3.00**	2.95	**–**	–

* As part of the changes to the United Kingdom plan agreed in 2010, future pensionable salary increases are capped at 1% per annum. No rate of increase in salaries has been assumed in respect of the USA plan as the plan is now frozen.

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy plan experience. These assumptions are under continual review. The mortality assumptions at 31 December 2015 are based on the following tables:

	2015		2014	
Years of life expectancy for current pensioners aged 65	**Male**	**Female**	Male	Female
United Kingdom – SAPS 'Normal' (YOB)*	**22.4**	**24.7**	22.4	24.7
USA – RP-2014 and projection scale MP- 2014	**21.1**	**23.3**	21.1	23.3

* Adjusted by -0.2 years for male non-pensioners and -1.1 years for female non-pensioners (-0.4 for female pensioners) with CMI 2013 improvements using a long-term rate of 1.25% per annum.

The Australian defined benefit scheme provides only for a lump sum payment on retirement.

In addition to the above schemes, the group operates a defined benefit pension plan in Germany which, in common with typical practice in that country, is supported by insurance policies. At 31 December 2015, the value of the insurance asset was £2.0m (2014: £2.2m) and the value of the liability was £3.0m (2014: £3.5m). A proportion of the assets and liabilities of the German plan, relating to the period when the business operated as a branch of Devro Inc or Devro (Scotland) Limited, was retained by the group after the sale of Devro GmbH in September 2011.

In addition, the group has benefit arrangements in respect of two former executives in the USA for which the group has made adequate provisions on the advice of the actuaries. There is also an individual pension arrangement in Japan in respect of which appropriate contributions are made annually. The plan in Germany and these additional arrangements in the USA and Japan are included under the "other" heading in this note.

The aggregate fair values of assets in the group's defined benefit schemes at 31 December 2015 were estimated to be:

	Australia		United Kingdom		USA		Other		Total	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
Equities	**5.3**	6.0	**28.5**	45.6	**13.7**	14.4	**–**	–	**47.5**	66.0
Bonds	**1.7**	1.7	**68.5**	97.0	**30.7**	31.7	**–**	–	**100.9**	130.4
Diversified growth funds	**–**	–	**49.3**	–	**–**	–	**–**	–	**49.3**	–
Absolute return fund	**–**	–	**18.0**	–	**–**	–	**–**	–	**18.0**	–
Other	**2.2**	2.1	**5.1**	30.7	**0.4**	0.4	**2.0**	2.2	**9.7**	35.4
	9.2	9.8	**169.4**	173.3	**44.8**	46.5	**2.0**	2.2	**225.4**	231.8

All equities and bonds have quoted prices in active markets. All other plan assets are not quoted in an active market.

Notes to the financial statements
for the year ended 31 December 2015 continued

25. PENSION OBLIGATIONS continued

Investments in each of the main schemes are well diversified. Strategy is split between liability matching and return generating assets with the split determined depending on the duration of the scheme, the funding position and the relevant country's pension rules. For the UK, the scheme invests 60% of the portfolio in growth assets with the remainder in UK government bonds matched to scheme liabilities. For the US scheme a defensive approach is taken given the shorter maturity of the scheme liabilities with around 70% of the portfolio invested in fixed income assets and the remainder in growth assets, principally equities. For the Australian scheme the strategy is for 70% of the portfolio to be invested in growth assets, with the remainder invested in defensive, primarily fixed income assets. In all three schemes, the investment approach will be de-risked over time as the funding position improves and market conditions allow.

Net pension assets and liabilities at 31 December 2015 were as follows:

	Australia		United Kingdom		USA		Other		Total	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
Total fair value of scheme assets (as above)	**9.2**	9.8	**169.4**	173.3	**44.8**	46.5	**2.0**	2.2	**225.4**	231.8
Present value of scheme liabilities	**(9.2)**	(10.0)	**(198.7)**	(207.1)	**(70.7)**	(70.0)	**(3.2)**	(3.7)	**(281.8)**	(290.8)
Deficit	**–**	(0.2)	**(29.3)**	(33.8)	**(25.9)**	(23.5)	**(1.2)**	(1.5)	**(56.4)**	(59.0)
Related deferred tax assets	**–**	0.1	**5.2**	6.8	**8.9**	8.0	**0.4**	0.5	**14.5**	15.4
Net pension liabilities	**–**	(0.1)	**(24.1)**	(27.0)	**(17.0)**	(15.5)	**(0.8)**	(1.0)	**(41.9)**	(43.6)

The net deficit position has decreased during the year. The discount rate increased for all of the group's schemes, reducing the present value of the liabilities in each of the schemes. The impact of the increase in the discount rate on the net deficit of the UK scheme was mitigated by the performance of the scheme assets with actual returns being below estimated interest income. The group continues to pay contributions to pension schemes in accordance with local regulatory requirements and on the advice of qualified independent actuaries. The latest triennial valuation of the UK scheme as at 31 March 2014 was finalised during 2015 and resulted in contributions increasing by a further £1.0m per annum.

Changes in the fair value of scheme assets were as follows:

	2015 £'m	2014 £'m
At 1 January	**231.8**	202.6
Interest income	**8.0**	8.9
Scheme administrative expenses	**(1.4)**	(1.0)
Employer contributions	**4.8**	5.8
Member contributions	**0.2**	0.3
Benefits paid	**(14.7)**	(12.8)
Re-measurements – return on plan assets (excluding interest income)	**(4.9)**	25.7
Exchange gains	**1.6**	2.3
At 31 December	**225.4**	231.8

Changes in the present value of defined benefit scheme liabilities were as follows:

	2015 £'m	2014 £'m
At 1 January	**290.8**	248.7
Service cost	**1.6**	1.8
Interest cost	**10.1**	10.9
Curtailment cost (restructuring exceptional item)	**–**	1.7
Member contributions	**0.2**	0.3
Benefits paid	**(14.7)**	(12.8)
Re-measurements – changes in financial assumptions	**(8.8)**	34.1
Re-measurements – changes in demographic assumptions	**–**	6.5
Re-measurements – experience adjustments	**(0.6)**	(3.7)
Re-measurements – restriction of surplus	**0.5**	–
Exchange losses	**2.7**	3.3
At 31 December	**281.8**	290.8

Amounts charged/(credited) to the income statement were as follows:

	Australia		United Kingdom		USA		Other		Total	
	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m	2015 £'m	2014 £'m
Amounts charged to the income statement										
Current service cost	**0.4**	0.3	**1.2**	1.4	**–**	–	**–**	0.1	**1.6**	1.8
Scheme administrative expenses	**0.2**	0.3	**0.8**	0.4	**0.4**	0.3	**–**	–	**1.4**	1.0
Restructuring costs included in exceptional items	**–**	–	**–**	1.7	**–**	–	**–**	–	**–**	1.7
Net charge to operating profit	**0.6**	0.6	**2.0**	3.5	**0.4**	0.3	**–**	0.1	**3.0**	4.5
Interest income on pension scheme assets	**(0.3)**	(0.4)	**(6.0)**	(6.6)	**(1.6)**	(1.9)	**(0.1)**	–	**(8.0)**	(8.9)
Interest on pension scheme liabilities	**0.3**	0.4	**7.2**	8.0	**2.6**	2.5	**–**	–	**10.1**	10.9
Net finance cost	**–**	–	**1.2**	1.4	**1.0**	0.6	**(0.1)**	–	**2.1**	2.0
Net charge to profit	**0.6**	0.6	**3.2**	4.9	**1.4**	0.9	**(0.1)**	0.1	**5.1**	6.5

Notes to the financial statements
for the year ended 31 December 2015 continued

25. PENSION OBLIGATIONS continued

Amounts (charged)/credited to other comprehensive income were as follows:

	Australia		United Kingdom		USA		Other		Total	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
Amounts recognised in statement of comprehensive income										
Return on plan assets less interest income	**0.3**	0.4	**(3.3)**	24.0	**(1.9)**	1.3	**–**	–	**(4.9)**	25.7
Experience gains/ (losses) on liabilities	**–**	0.2	**0.6**	4.4	**–**	(0.8)	**–**	(0.1)	**0.6**	3.7
Changes in financial assumptions	**0.6**	(1.0)	**6.7**	(27.5)	**1.4**	(5.0)	**0.1**	(0.6)	**8.8**	(34.1)
Changes in demographic assumptions	**–**	–	**–**	(0.4)	**–**	(6.1)	**–**	–	**–**	(6.5)
Restriction of surplus	**(0.5)**	–	**–**	–	**–**	–	**–**	–	**(0.5)**	–
Re-measurements	**0.4**	(0.4)	**4.0**	0.5	**(0.5)**	(10.6)	**0.1**	(0.7)	**4.0**	(11.2)

Movements in the deficit during the year were as follows:

	Australia		United Kingdom		USA		Other		Total	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m	**2015 £'m**	2014 £'m
(Deficit)/surplus in scheme at beginning of year	**(0.2)**	0.1	**(33.8)**	(32.1)	**(23.5)**	(13.2)	**(1.5)**	(0.9)	**(59.0)**	(46.1)
Movement in year: Pension charge	**(0.6)**	(0.6)	**(3.2)**	(4.9)	**(1.4)**	(0.9)	**0.1**	(0.1)	**(5.1)**	(6.5)
Employer contributions	**0.4**	0.6	**3.7**	2.7	**0.7**	2.4	**–**	0.1	**4.8**	5.8
Re-measurements	**0.4**	(0.4)	**4.0**	0.5	**(0.5)**	(10.6)	**0.1**	(0.7)	**4.0**	(11.2)
Exchange (losses)/ gains	**–**	0.1	**–**	–	**(1.2)**	(1.2)	**0.1**	0.1	**(1.1)**	(1.0)
Deficit in scheme at end of year	**–**	(0.2)	**(29.3)**	(33.8)	**(25.9)**	(23.5)	**(1.2)**	(1.5)	**(56.4)**	(59.0)

The actual return on plan assets in 2015 was £3.1m (2014: £33.6m).

The cumulative re-measurements in other comprehensive income are £68.2m loss (2014: £72.2m loss).

The weighted average duration of the defined benefit obligation is 17 years, with benefit payments over the next ten years expected to be as follows:

	2015 £'m
In the next year	**11.8**
In years 2–5	**50.1**
In years 6–10	**68.3**
	130.2

The schemes' funds have been invested in a range of assets which are due to be realised in line with the associated liabilities. The trustees review the schemes' assets and adjust the weighting between short-term and long-term assets to combine security and growth with the liquidity required to meet the obligations as they fall due.

Sensitivity analysis of the principal assumptions used to measure defined benefit obligations:

Assumption	Change in assumption	Indicative impact on defined benefit obligation (before deferred tax)
Discount rate	Increase by 0.25%	Decrease by £11.4m
	Decrease by 0.25%	Increase by £12.0m
Rate of salary increase	Increase by 0.25%	Increase by £0.2m
	Decrease by 0.25%	Decrease by £0.2m
General inflation	Increase by 0.25%	Increase by £3.2m
	Decrease by 0.25%	Decrease by £3.7m
Life expectancy	Increase by 1 year	Increase by £7.9m

The above sensitivity analyses are based on the same change in assumption in each of the group's schemes (except where changes are limited through the individual scheme rules), while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the projected unit credit method is applied in the same way as for the calculation of the pension liability recognised in the financial statements.

Risks
Through its defined benefit pension obligations, the group is exposed to a number of risks, the most significant of which are detailed below:

Market volatility
The accounting estimate of net pension obligations is very sensitive to changes in market conditions. The discount rate used to estimate the defined benefit obligation is linked to yields on AA-rated corporate bonds, or similar, whilst scheme assets are invested in a range of other assets, which are themselves subject to fluctuations in value. Changing market conditions and movements in the discount rate will lead to volatility in the net pension obligation on the group's balance sheet, in other comprehensive income and in the income statement.

Choice of accounting assumptions
The value of the defined benefit obligation is determined by actuarial valuations over long-term cash flows. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future inflation. Due to the long-term nature of these schemes these estimates are subject to significant uncertainty, and the final outcome could be significantly different to the assumptions used.

However, the risk is limited in certain respects for some schemes. The Australian scheme allows for a lump sum payment on retirement, so is not sensitive to changes in mortality assumptions, whilst the US scheme is frozen so that it is not sensitive to inflation or salary rises. Similarly the rate of increase in UK salaries is limited to 1% per annum.

26. ORDINARY SHARES

Group and Company	2015 £'m	2014 £'m
Issued and fully paid		
166,932,532 (2014: 166,921,042) ordinary shares of 10 pence each	**16.7**	16.7

11,490 ordinary shares of 10 pence each were issued during the year in connection with the Devro 2003 Performance Share Plan (2014: 141,812).

27. SHARE-BASED PAYMENTS

Under the Devro plc Performance Share Plan and its predecessor (together "the plans"), the Executive Directors' Remuneration Committee made provisional allocations of ordinary shares in the company to employees of the group, including executive directors. No payment for an allocation is made by a participant. Allocations normally vest over a three-year period, are conditional on the continued employment of the participant and are subject to certain performance conditions. These performance conditions relate to growth in the company's earnings per share and the company's Total Shareholder Return in comparison to its peer group.

For awards where vesting is subject to the growth in earnings per share the fair value of an allocation represents the market value of the ordinary shares in the company on the date of the provisional allocation, less the discounted value of estimated dividends expected to be paid during the vesting period. A participant is not entitled to receive dividends during this period.

Notes to the financial statements
for the year ended 31 December 2015 continued

27. SHARE-BASED PAYMENTS continued

The fair value of awards subject to the company's Total Shareholder Return performance is determined using a Monte Carlo option valuation methodology. The weighted average fair value of options granted during the year using this method was £2.01 (2014: £1.69) with the significant inputs to the model being the share price at the grant date, an expected volatility in the share price of 25.5% (based on historic trends), the term of three years, risk free interest rate of 0.51% and expected dividend yield.

Amounts provided in the accounts are based on an estimate of the probability of the targets in respect of allocations being achieved.

During the year 11,490 shares vested under the Devro 2003 Performance Share Plan (2014: 141,812).

At 31 December 2015, the maximum number of shares which may vest under the plans is as follows:

Grant date	Fair value per share	Normal vesting date	Number of shares at 1 January 2015	Number of shares awarded during the year	Number of shares vested and exercised during the year	Number of shares lapsed during the year	Number of shares at 31 December 2015	Weighted average share price at exercise
26 September 2008	£0.693	26 September 2011	5,000	–	–	–	5,000	–
24 February 2011	£2.242	24 February 2015	103,846	–	–	(103,846)	–	–
29 March 2011	£2.640	29 March 2014	22,980	–	(11,490)	–	11,490	£2.89
2 April 2012	£2.900	2 April 2015	238,000	–	–	(238,000)	–	–
12 September 2013	£2.080	12 September 2016	517,470	–	–	(10,000)	507,470	–
20 December 2013	£1.840	20 December 2016	40,000	–	–	–	40,000	–
9 June 2014	£1.690	9 June 2017	834,100	–	–	(40,000)	794,100	–
25 March 2015	£2.005	25 March 2018	–	1,013,746	–	(30,000)	983,746	–
			1,761,396	1,013,746	(11,490)	(421,846)	2,341,806	£2.89

A more detailed summary of the performance conditions of the plans is included in the Directors' Remuneration Report on pages 45 to 58.

28. SHARE PREMIUM

Group and company	2015 £'m	2014 £'m
At 1 January	**9.3**	9.0
Premium on shares issued under the Devro 2003 Performance Share Plan	**–**	0.3
At 31 December	**9.3**	9.3

29. OTHER RESERVES

Group	Capital redemption reserve £'m	Special reserve £'m	Performance Share Plan £'m	Hedging reserve £'m	Cumulative translation adjustment £'m	Total £'m
At 1 January 2015	35.6	8.9	0.4	0.6	11.0	56.5
Exchange adjustments	–	–	–	–	(6.0)	(6.0)
Cash flow hedges, net of tax	–	–	–	1.0	–	1.0
Net investment hedges, net of tax	–	–	–	0.7	–	0.7
Performance Share Plan charge, net of tax	–	–	0.9	–	–	0.9
Performance Share Plan credit in respect of shares vested	–	–	–	–	–	–
Performance Share Plan credit in respect of awards lapsed	–	–	(0.2)	–	–	(0.2)
At 31 December 2015	**35.6**	**8.9**	**1.1**	**2.3**	**5.0**	**52.9**
At 1 January 2014	35.6	8.9	0.7	0.6	19.1	64.9
Exchange adjustments	–	–	–	–	(8.1)	(8.1)
Cash flow hedges, net of tax	–	–	–	(0.6)	–	(0.6)
Net investment hedges, net of tax	–	–	–	0.6	–	0.6
Performance Share Plan charge	–	–	0.2	–	–	0.2
Performance Share Plan credit in respect of shares vested	–	–	(0.3)	–	–	(0.3)
Performance Share Plan credit in respect of awards lapsed	–	–	(0.2)	–	–	(0.2)
At 31 December 2014	35.6	8.9	0.4	0.6	11.0	56.5

Company	Capital redemption reserve £'m	Special reserve £'m	Performance Share Plan £'m	Hedging reserve £'m	Total £'m
At 1 January 2015	35.6	8.9	0.4	0.3	45.2
Cash flow hedges, net of tax	–	–	–	0.6	0.6
Performance Share Plan charge	–	–	0.4	–	0.4
Performance Share Plan credit in respect of shares vested	–	–	–	–	–
Performance Share Plan credit in respect of awards lapsed	–	–	(0.2)	–	(0.2)
At 31 December 2015	**35.6**	**8.9**	**0.6**	**0.9**	**46.0**
At 1 January 2014	35.6	8.9	0.7	–	45.2
Cash flow hedges, net of tax	–	–	–	0.3	0.3
Performance Share Plan charge	–	–	0.2	–	0.2
Performance Share Plan credit in respect of shares vested	–	–	(0.3)	–	(0.3)
Performance Share Plan credit in respect of awards lapsed	–	–	(0.2)	–	(0.2)
At 31 December 2014	35.6	8.9	0.4	0.3	45.2

The balance on the capital redemption reserve represents the amount which arose at the time of the redemption of the preference share capital in 2002.

The balance on the special reserve account represents the remaining undistributable proportion of the amount which arose on the acquisition of Teepak International Inc in 1996 under the merger relief provisions of the Companies Act 1985.

Notes to the financial statements
for the year ended 31 December 2015 continued

29. OTHER RESERVES continued

The balance on Performance Share Plan reserve represents the cumulative net expense recognised through the income statement in respect of share awards under the plan which have yet to be vested by employees.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective. The cumulative deferred gain or loss on the hedging instrument is recognised in the income statement only when the hedged transaction impacts profit or loss.

The cumulative translation reserve comprises all foreign currency differences arising from the retranslation of the balance sheets of foreign currency denominated subsidiaries.

30. RETAINED EARNINGS

	Group		Company	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m
At 1 January	**50.7**	67.4	**70.0**	62.0
Profit for the year	**14.6**	4.4	**25.5**	22.5
Dividends paid	**(14.7)**	(14.7)	**(14.7)**	(14.7)
Re-measurements of pension obligations, net of tax	**1.4**	(6.6)	**–**	–
Performance Share Plan credit in respect of awards lapsed	**0.2**	0.2	**0.2**	0.2
At 31 December	**52.2**	50.7	**81.0**	70.0

31. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	2015 £'m	2014 £'m	**2015 £'m**	2014 £'m
Profit before tax	**15.1**	2.2	**24.7**	22.9
Adjustments for:				
Finance income	**–**	(0.1)	**(2.9)**	(1.2)
Finance cost	**2.0**	2.3	**4.0**	2.6
Dividends from subsidiaries	**–**	–	**(28.9)**	(25.9)
Net finance cost on pensions	**2.1**	2.0	**–**	–
Pension cost adjustment for normal contributions	**1.4**	2.7	**–**	–
Depreciation of property, plant and equipment – including exceptional items of £1.2m (2014: £6.5m)	**16.5**	22.8	**0.2**	0.2
Amortisation of intangible assets	**1.1**	1.1	**0.6**	0.8
Release from capital grants balance	**(0.1)**	(0.1)	**–**	–
Additional cash contributions to pension schemes	**(3.2)**	(4.0)	**–**	–
Performance Share Plan	**0.8**	0.2	**0.4**	0.2
Changes in working capital:				
Decrease in inventories	**5.2**	4.2	**–**	–
Increase in trade and other receivables	**(4.2)**	(0.2)	**(15.8)**	(39.0)
Increase/(decrease) in trade and other payables	**0.6**	(0.4)	**8.1**	4.0
Increase/(decrease) in provisions	**(2.9)**	8.9	**–**	–
Cash generated from/(used in) operations	**34.4**	41.6	**(9.6)**	(35.4)
Of which:				
Cash generated from/(used in) underlying operations	**49.9**	48.1	**(9.6)**	(34.3)
Exceptional items	**(15.5)**	(6.5)	**–**	(1.1)
Cash generated from/(used in) operations	**34.4**	41.6	**(9.6)**	(35.4)

32. ANALYSIS OF NET DEBT

	Group 2015 £'m	Group 2014 £'m	Company 2015 £'m	Company 2014 £'m
Cash and cash equivalents	**9.6**	11.1	**0.1**	0.1
Bank overdrafts	**(1.9)**	(1.7)	**(2.1)**	(1.8)
	7.7	9.4	**(2.0)**	(1.7)
Other bank borrowings	**(66.5)**	(15.8)	**(45.8)**	(3.7)
US dollar private placement	**(66.7)**	(62.8)	**(66.7)**	(62.8)
Net debt	**(125.5)**	(69.2)	**(114.5)**	(68.2)

33. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the financial statements:

	Group 2015 £'m	Group 2014 £'m	Company 2015 £'m	Company 2014 £'m
Property, plant and equipment	**14.3**	31.1	**–**	–

34. CONTINGENT LIABILITIES

In the opinion of the directors, the group has no material contingent liabilities (2014:Nil).

35. FINANCIAL COMMITMENTS

At 31 December 2015, the future aggregate minimum payments under operating leases were as follows:

	Group 2015 £'m	Group 2014 £'m	Company 2015 £'m	Company 2014 £'m
No later than one year	**0.7**	0.7	**0.1**	0.1
Later than one year and no later than five years	**1.0**	0.9	**0.1**	0.2
	1.7	1.6	**0.2**	0.3

36. RELATED PARTY TRANSACTIONS

Key management are deemed to be the Executive and Non-Executive directors and the Executive Board of the group as together they have the authority and responsibility for controlling group activities. The compensation paid or payable to key management for employee services is shown below:

	2015 £'m	2014 £'m
Emoluments payable to Executive and Non-Executive directors		
Short-term employee benefits	**1.5**	1.0
Post-employment benefits	**0.1**	0.1
	1.6	1.1
Emoluments payable to remainder of the Executive Board		
Short-term employee benefits	**1.4**	1.2
Post-employment benefits	**–**	0.1
Compensation for loss of office	**–**	1.0
	1.4	2.3
Total emoluments payable to key management	**3.0**	3.4

Transactions with the group's pension schemes are disclosed in note 25. Amounts due to the pension schemes at 31 December 2015 are £0.4m (2014: £0.4m).

The group had no further related party transactions.

Notes to the financial statements
for the year ended 31 December 2015 continued

36. RELATED PARTY TRANSACTIONS continued

Related party transactions carried out by the company during the year ended 31 December 2015 were as follows:

	2015 £'m	2014 £'m
Sale of services to subsidiary undertakings	**4.4**	4.3
Purchase of services from subsidiary undertakings	**0.2**	0.1
Royalty income received from subsidiary undertakings	**0.6**	1.1
Interest received from subsidiary undertakings	**2.9**	1.2
Interest paid to subsidiary undertakings	**0.1**	0.1

Balances at 31 December arising from transactions with subsidiary undertakings:

	2015 £'m	2014 £'m
Derivative assets	**1.0**	1.9
Derivative liabilities	**0.3**	0.7
Receivables		
– current	**10.9**	7.8
– non-current	**78.1**	63.2
Payables		
– non-current	**23.1**	15.8

Current receivables from subsidiaries arise mainly on the sale of services and tax losses surrendered. The receivables are unsecured and do not bear interest. No provisions are held against receivables from subsidiaries, and all sales are made on an arm's length basis.

Non-current receivables and payables principally relate to loans to and from subsidiaries and interest is charged on them at commercial rates.

37. ACQUISITION

On 5 October 2015 the group acquired 100% of the issued share capital of PV Industries B.V. ("PVI"). Based in the Netherlands, PVI is a leading manufacturer of high quality collagen gel products for the meat processing industry. The acquisition gives the group access to PVI's strong technical skills base together with an innovative and developing product portfolio. PVI has since been re-named Devro B.V.

The amounts recognised in respect of identifiable assets acquired and liabilities assumed are set out in the table below:

	£'m
Identifiable intangible assets	2.1
Property, plant and equipment	4.0
Inventory	0.3
Trade and other receivables	0.7
Cash and cash equivalents	0.4
Trade and other payables	(0.8)
Current and deferred tax	(0.4)
Borrowings	(2.4)
Total identifiable assets	3.9
Goodwill	3.1
Total consideration	**7.0**
Satisfied by:	
Cash consideration	6.8
Contingent consideration arrangement	0.2
Total consideration	**7.0**
Net cash outflow arising on acquisition	
Cash consideration	6.8
Less: cash and cash equivalents balances acquired	(0.4)
	6.4

Identifiable intangible assets solely relate to customer contracts and relationships.

The goodwill of £3.1m arising from the acquisition consists of PVI's technological expertise, including the expertise of its staff and potential new customer relationships.

The contingent consideration arrangement requires further payment to be made to the previous owners of PVI dependent upon the level of revenue generated by PVI up to 31 December 2016. The fair value of the contingent consideration arrangement of £0.2m was estimated based on the latest financial projections for PVI. The potential undiscounted amount of all future payments the group could be required to make under the arrangement are up to £0.7m.

Acquisition related costs (included in operating expenses) amount to £0.3m.

PVI contributed £1.0m revenue and £0.1m operating profit to the group for the period between the date of acquisition and 31 December 2015. It contributed £0.1m to group profit after tax. If the acquisition had been completed on 1 January 2015, group revenues for the year would have been £233.8m, group operating profit after exceptional items would have been £19.5m and group profit after tax would have been £14.7m.

Independent Auditors' Report to the members of Devro plc

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Devro plc for the year ended 31 December 2015 which comprise the group income statement, the group statement of comprehensive income, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of changes in equity and the related notes, set out on pages 63 to 113. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying value of inventory (£28.5m)
(Refer to page 44 of the Audit Committee Report, pages 69 and 72 for accounting policies and note 16 on page 89 for financial disclosures).

The risk: The risk is that the carrying value of inventory exceeds its net realisable value due to the perishable nature of inventory held and the quality of finished goods. The group adopts a policy of providing for inventory when it reaches a certain age, and also for any inventory where there are specific quality concerns. Establishing a provision for slow-moving, obsolete and damaged inventory involves estimation and judgment, taking into account forecast sales and product quality issues based on history.

Our response: Among our audit procedures in this area, we tested the inventory provision calculations against the group's policy for aged, obsolete and slow-moving inventory. We evaluated management's inventory quality reports which supported the provisions. We assessed the provisions for inventory loss compared to historical trends. We considered the manufacturing performance of each of the factories reported within the monthly management reports, including the production yields in our assessment of the quality provision. We attended stock counts close to the year-end to challenge and understand the group's procedures for identifying obsolete inventory and we observed such inventories at the count. We also tested a sample of inventory to sales subsequent to the year end and assessed that they were sold at more than net book value.

Capitalisation of assets relating to capital projects
(Refer to page 44 of the Audit Committee Report, page 69, 71 and 72 for accounting policies and notes 13 and 14 for financial disclosures).

The risk: The group is progressing two significant investment projects, one in the USA and one in China. The total capital spend in the year of £55.4m principally related to the capital projects, with other costs incurred of £14.4m which have been expensed and are included in exceptional items on the face of the income statement. We focused on this area as the amounts are significant and involve judgment in terms of the nature of certain internal costs capitalised, such as employee costs, and whether they are appropriately capitalised in relation to the stage of completion of the capital projects.

Our response: Among our audit procedures in this area, we considered whether the group's policies and principles for recording capital project costs are in line with the relevant accounting standards. We assessed whether the processes and controls in place to capture and analyse project costs in accordance with these policies were sufficient. We performed detailed testing on a sample basis (e.g. by comparing to third party contractual agreements) and considered whether costs were capital in nature and appropriately capitalised with reference to the stage of completion of the project. As part of this testing, we sought to test whether a sample of internal costs relating to capitalised intangible assets were related directly to the development of new products for the new factories. We also inspected the group's disclosures over the capitalisation of assets to determine whether the accounting policies accurately reflect the judgement involved in determining the costs.

Exceptional items (£14.1m)
(Refer to page 44 of the Audit Committee Report and pages 69 and 75 for accounting policies and note 4 on page 79 for financial disclosures).

The risk: The financial statements include costs of £14.1m which are disclosed as exceptional and primarily comprise the incremental costs associated with building the two new factories in the USA and China which include expenses of decommissioning existing plant, redundancy in relation to employees and other direct costs associated with the projects. The classification of income and expenditure as exceptional is an area of judgement and it is not a term defined under IFRS. There is a risk that items are inappropriately described as exceptional, thus not providing an accurate reflection of the underlying performance of the group within the narrative sections of the financial statements. Further, there is a risk that amounts are inconsistently classified as exceptional year on year.

Our response: Among our audit procedures in this area, we have considered in detail the group's policies and principles for recognising elements of income and expenditure as exceptional. We challenged management over the inclusion of costs and expenses within the exceptional categorisation, with particular focus on the non-recurring nature of any amounts. We also performed detailed testing on a sample basis (e.g. by comparing to purchase invoices), and have considered the appropriateness of recognising these items as exceptional with reference to the aforementioned group policies. We assessed the consistency of the items classified as 'exceptional' year on year and in accordance with the group's accounting policy. We assessed the group's disclosures for exceptional items and assessed that amounts classified as exceptional are described within the financial statements with reference to either their nature or function as appropriate and that exceptional items in consecutive periods are classified consistently.

3 Our application of materiality and an overview of the scope of our audit
The materiality for the group financial statements as a whole was set at £1.2m, determined with reference to a benchmark of group profit before tax adjusted for exceptional items, of £29.2m (of which it represents 4%).

The group audit team approved the component materialities, which ranged from £0.1m to £1.0m, having regard to the mix of size and risk profile of the group across the components.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £60,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team and component auditors performed audits for group reporting purposes at three of the group's ten reporting components and the head office function, and performed specified audit procedures at a further two components. The latter were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the following percentages of the group's results:

%	Components subject to audit	Components subject to specified audit procedures	Total
Revenue	54	28	82
Profit before tax	90	7	97
Total assets	48	41	89

The remaining 18% of total group revenue, 3% of group profit before tax and 11% of total group assets is represented by five reporting components, none of which individually represented more than 9% of any of total group revenue, group profit before tax or total group assets. The group team visited component locations in Scotland, Czech Republic and Nantong, China. to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and certain others that were not physically visited. At these meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the members of Devro plc continued

5 We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on page 41, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31 December 2018; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 41, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on page 42 relating to the company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Tony Sykes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
16 March 2016

Financial Summary
for the years ended 31 December

	2015 £'m	2014 £'m	2013 £'m	Restated 2012 £'m	Restated 2011 £'m
Revenue*	**230.2**	232.3	242.7	241.1	227.7
Operating profit before exceptional items*	**33.3**	30.3	42.1	42.4	42.5
Exceptional items*	**(14.1)**	(23.9)	(1.3)	–	–
Operating profit*	**19.2**	6.4	40.8	42.4	42.5
Profit before tax*	**15.1**	2.2	37.5	39.3	41.2
Profit after tax*	**14.6**	4.4	33.6	32.0	32.7
Net assets	**131.1**	133.2	158.0	146.9	140.5
Earnings per share:					
– Basic*	**8.8p**	2.6p	20.1p	19.4p	19.9p
– Basic before exceptional items*	**15.4p**	13.7p	20.8p	19.4p	19.9p
– Diluted*	**8.7p**	2.6p	20.0p	19.2p	19.6p
Dividends per share	**8.8p**	8.8p	8.8p	8.5p	8.0p
Net assets per share	**78.6p**	79.8p	94.9p	88.7p	85.1p

* The information above refers to continuing operations exclusive of the discontinued operation, Devro GmbH, which was sold on 30 September 2011.

Notice of Annual General Meeting

Notice is hereby given that the twenty-fifth Annual General Meeting ("AGM") of Devro plc (the "Company") will be held at the offices of Devro (Scotland) Limited, Gartferry Road, Moodiesburn, Chryston, G69 0JE, Scotland on Wednesday, 27 April 2016 at 11am.

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in the Company, please forward this notice, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Shareholders will be asked to consider and, if thought fit, pass at the AGM the resolutions below. Resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13, 14 and 15 will be proposed as special resolutions.

Recommendation
The directors of the Company ("Directors") consider that all the proposals to be considered at the AGM are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings.

Ordinary resolutions
1. To receive the Company's accounts for the year ended 31 December 2015, together with the Directors' Report, the Strategic Report and the Auditors' Report on those accounts.

2. To declare a final dividend of 6.1 pence per ordinary share for the year ended 31 December 2015.

3. To re-elect as a Director Mr Gerard Hoetmer.

4. To re-elect as a Director Mr Peter Page.

5. To elect as a Director Mr Rutger Helbing.

6. To re-elect as a Director Ms Jane Lodge.

7. To re-elect as a Director Mr Paul Neep.

8. To re-elect as a Director Mr Paul Withers.

9. To re-appoint KPMG LLP as the Company's Auditors to hold office until the conclusion of the next AGM of the Company.

10. To authorise the Audit Committee of the Board (for and on behalf of the Directors) to determine the remuneration of the Company's Auditors.

11. THAT the Directors' Remuneration Report contained within the Company's Annual Report and Accounts for the year ended 31 December 2015 excluding the Directors' Remuneration Policy, set out on pages 47 to 51 of the Directors' Remuneration Report for reference only, be and is hereby approved.

12. THAT, in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the explanatory notes to this resolution) up to an aggregate nominal amount of £5,500,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the close of business on 30 June 2017 or, if earlier, the date of the Company's next AGM save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolutions

13. THAT, subject to the passing of resolution 12, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 12 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
    13.1. the allotment of equity securities in connection with an offer of equity securities:
        a. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
        b. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

        but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
    13.2. the allotment (otherwise than pursuant to paragraph 13.1 above) of equity securities up to an aggregate nominal amount of £1,669,000.

    The power granted by this resolution will expire at the close of business on 30 June 2017, or, if earlier, the conclusion of the Company's next AGM (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

    This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

14. THAT the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") provided that:
    14.1. the maximum aggregate number of Ordinary Shares that may be purchased is 16,600,000;
    14.2. the minimum price (excluding expenses) which may be paid for each Ordinary Share is 10 pence;
    14.3. the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:
        a. 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day the purchase is made; and
        b. the value of an Ordinary Share calculated on the basis of the higher of the price quoted for:
            i. the last independent trade of; and
            ii. the highest current independent bid for,

        any number of Ordinary Shares on the trading venue where the purchase is carried out.
    14.4. the authority conferred by this resolution shall expire at close of business on 30 June 2017 or, if earlier, at the conclusion of the Company's next AGM, save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

15. THAT a general meeting of the Company, other than an AGM of the Company, may be called on not less than 14 clear days' notice, provided that this authority expires at the conclusion of the next AGM of the Company after the date of passing this resolution.

By order of the Board

John Meredith
Company Secretary
Devro plc
16 March 2016

Registered Office:
Moodiesburn, Chryston, G69 0JE

Explanatory notes to the AGM notice

EXPLANATORY NOTES

1. Appointment of proxies

A member of the Company is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at a general meeting of the Company. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company but must attend the meeting in person.

Members may register their appointment of a proxy either electronically or by returning the hard copy proxy form (where supplied) in accordance with the instructions set out below.

To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a copy of such power or authority, certified by a notary) must be deposited at the office of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, not later than 11am on 25 April 2016. Completion and return of a form of proxy will not preclude shareholders from attending or voting in person at the AGM, if they wish to do so.

Shareholders can also register their appointment of a proxy to attend the AGM electronically via the internet by visiting https://www.investorcentre.co.uk/eproxy where full instructions are given. A proxy appointment made electronically will not be valid if sent to any address other than that provided or, if received after 11am on 25 April 2016 or, if the meeting is adjourned, if received less than 48 hours (excluding any part of a day which is a non-working day) before the time of the adjourned meeting. Please note that any electronic communication found to contain a computer virus will not be accepted.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of it by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with specifications of Euroclear UK & Ireland Limited ("EUI") and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) no later than 48 hours before the time appointed for holding the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

2. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the registered shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the registered shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in section 1 above does not apply to Nominated Persons. The rights described in that section can only be exercised by registered shareholders of the Company.

3. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided they do not do so in relation to the same shares.

4. Entitlement to attend and vote
To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6pm on 25 April 2016 (or, in the event of any adjournment, not less than 48 hours (excluding any part of a day that is not a working day) before the time of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5. Poll vote
All resolutions at the AGM will be taken on a poll rather than on a show of hands, so as to reflect accurately the view of all of the Company's shareholders by ensuring that every vote is recognised, including the votes of shareholders who are unable to attend the AGM but who have appointed a proxy. On a poll, each shareholder has one vote for each share held.

6. Website publication of audit concerns
Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

7. Shareholders' right to ask questions
Any member of the Company attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

8. Documents available for inspection
Copies of all service contracts of the Executive Directors, and all appointment letters of the Non-Executive Directors are available for inspection at the Company's registered office, Gartferry Road, Moodiesburn, Chryston, G69 0JE and at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ during usual business hours. They will also be available at the place of the AGM from 10.45am until the close of the meeting.

9. Issued share capital and total voting rights
At 4 March 2016 (being the latest practicable date prior to the publication of this notice) the issued share capital of the Company consists of 166,932,532 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2016 are 166,932,532.

10. Electronic publication
A copy of this notice, and other information required by section 311A of the Act, can be found at www.devro.com.

11. Resolutions
Resolution 1: Accounts and Reports of the Directors and of the Auditors
The Directors of the Company have a duty to present (to shareholders in general meeting) the annual accounts together with the Directors' Reports and the Report of the Auditors. The Auditors' Report can be found on pages 114 to 116 of this Annual Report.

Resolution 2: Final dividend
The Directors recommend that a final dividend of 6.1 pence per share be paid on 13 May 2016 to shareholders whose names appear on the register of members at the close of business on 29 March 2016. Payment of the final dividend will bring the total dividend for the year ended 31 December 2015 to 8.8 pence per share.

Resolutions 3 to 8: Election and re-election of Directors
In line with best practice on corporate governance, each Director of the Company wishing to remain a Director is subject to election or re-election by shareholders at each AGM. The names of the Directors at the date of this notice who are standing for re-election to the Board and their biographies are set out on pages 34 and 35 of this Annual Report.

Additionally, as was announced on 9 December 2015, Rutger Helbing will join the Company as Group Finance Director on 4 April 2016 and he will stand for election to the Board at this AGM. His position immediately prior to joining the Company, which he has held since 2013, has been as the Group CFO of Element Six, the global leader in synthetic diamond supermaterials. Previously Rutger has held senior positions in finance and general management with ICI/Akzo Nobel and Unilever and has managed finance functions during periods of significant growth and change at international businesses for over 20 years.

Explanatory notes to the AGM notice continued

Resolutions 9 and 10: Appointment and remuneration of the Company's Auditors
Following a tender process in 2014, KPMG LLP ("KPMG") were appointed as the Company's Auditors for the first time, in respect of the Company's accounts for the year ended 31 December 2015. Resolutions 9 and 10 are standard resolutions proposing the re-appointment of KPMG as the Company's Auditors and authorising the Audit Committee of the Board, acting for and on behalf of the Directors, to determine the remuneration of the Company's Auditors.

Resolution 11: Directors' Remuneration Report
Shareholders will be invited to approve the Directors' Remuneration Report for the year ended 31 December 2015, set out on pages 45 to 58 (other than the part containing the Directors' Remuneration Policy which is included in this year's report for reference only, having been approved at the Company's AGM in 2014).

Resolution 12: Allotment of new shares
This resolution seeks authority for the Directors to allot Relevant Securities similar to the authority given to the Directors at the Company's last AGM, held on 29 April 2015.

This resolution complies with the Investment Management Association Share Capital Management Guidelines issued in July 2014.

The resolution will authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £5,500,000 which represents approximately one-third of the Company's issued Ordinary Shares (excluding treasury shares) as at 4 March 2016.

The Directors have no present intention to use this authority, which will expire at the earlier of the conclusion of the next AGM of the Company and 30 June 2017. As is normal practice, the Directors intend to seek renewal of this authority at subsequent AGMs.

In this resolution, Relevant Securities means:

- shares in the Company, other than shares allotted pursuant to:
  - an employee share scheme (as defined in section 1166 of the Act);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and
- any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined in section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Resolution 13: Pre-emption rights
This resolution, if passed, will give the Directors power, pursuant to the authority to allot granted by resolution 12, to allot equity securities (as defined by section 560 of the Act) or to sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings (a) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the Directors otherwise consider necessary, up to a maximum nominal amount of £5,500,000 which represents approximately one-third of the Company's issued Ordinary Shares (excluding treasury shares) as at 4 March 2016; and (b) in any other case, up to a maximum nominal amount of £1,669,000 which represents slightly less than 10% of the Company's issued Ordinary Shares (excluding treasury shares) as at 4 March 2016, which is the latest practicable date before publication of this notice.

This resolution is in line with guidance issued by the Investment Association and the Pre-emption Group's Statement of Principles, as updated in March 2015 ("the Statement of Principles").

In compliance with the Statement of Principles, the Directors confirm that they will not allot shares for cash on a non-pre-emptive basis pursuant to the authority in this resolution:

- in excess of an amount equal to 5% of the issued share capital of the Company (excluding treasury shares); or
- in excess of an amount equal to 7.5% of the issued share capital of the Company (excluding treasury shares) within a rolling three-year period, without prior consultation with the Company's shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The power granted by this resolution will expire at close of business on 30 June 2017 or, if earlier, the conclusion of the next AGM of the Company.

The Directors have no present intention to exercise this authority.

Resolution 14: Authority for market purchases by the Company of its own shares
The authority for the Company to purchase its own Ordinary Shares granted at last year's AGM will expire on the date of the forthcoming AGM. The Directors wish to renew this authority and a special resolution will be proposed to give the Company the authority to purchase its own Ordinary Shares in the market as permitted by the Act. The resolution gives authority for the Company to purchase up to 16,600,000 of its Ordinary Shares, representing just under 10 per cent of the Company's issued Ordinary Share capital (excluding treasury shares) as at 4 March 2016.

The resolution specifies the minimum and maximum prices which may be paid for any Ordinary Shares purchased under this authority. The authority will expire on the earlier of close of business on 30 June 2017 and the end of the Company's 2017 AGM.

Although the Directors have no present intention of exercising the authority to purchase the Company's Ordinary Shares, they consider that it is in the best interests of the Company to have available this authorisation, in case of circumstances when it would be appropriate to use it. They would only use it when satisfied that this would result in an increase in earnings per share and was in the best interests of shareholders generally.

Any Ordinary Shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of shareholders at the time.

As at 4 March 2016, there were share scheme award options over 1,764,336 Ordinary Shares in the capital of the Company, which represents 1.1% of the Company's issued Ordinary Share capital. If the authority to purchase the Company's Ordinary Shares were exercised in full, these options would represent 1.2% of the Company's issued Ordinary Share capital. As at 4 March 2016, the Company did not hold any treasury shares in the Company and no warrants over Ordinary Shares in the capital of the Company existed.

Resolution 15: General meeting notice
Changes made to the Act by the Shareholders' Rights Regulations increased the notice period required for general meetings of the Company from 14 clear days to 21 days, unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days, and certain requirements are satisfied. In accordance with the Act, AGMs will continue to be held on at least 21 clear days' notice.

At the last AGM, the shareholders approved a notice period of not less than 14 clear days (other than for AGMs) effective until the forthcoming AGM. The Directors believe it is in the best interests of shareholders to preserve this ability and this resolution, which will be proposed as a special resolution, seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

It is intended that this flexibility will only be used for non-routine business and where merited in the interests of shareholders generally.

It should also be noted that in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting. This condition is met if there is a facility to appoint a proxy by means of a website.

Shareholder information

If you have sold or transferred all of your holding of ordinary shares, you should pass this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

FINANCIAL CALENDAR

27 April 2016	Annual General Meeting
13 May 2016	Final dividend paid
3 August 2016	Half year results and interim dividend announced
7 October 2016	Interim dividend paid
31 December 2016	Financial year end
March 2017	2016 results and proposed final dividend announced

DIVIDENDS

The final dividend will be paid on 13 May 2016 to shareholders on the register at close of business on 29 March 2016.

DIVIDEND MANDATES

Shareholders wishing dividends to be paid directly into a bank or building society account should apply online at www.investorcentre.co.uk or, alternatively, contact the registrar for a dividend mandate form at the address below. Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

DIVIDEND REINVESTMENT PLAN

Dividends are normally paid twice a year in May and October. We offer shareholders the opportunity to join the Computershare regulated Dividend Reinvestment Plan ("the Plan"), which allows you to reinvest your cash dividend in Devro plc ordinary shares. If you wish to participate in the Plan, please apply online at www.investorcentre.co.uk or, alternatively, you can complete a mandate form and return it to the registrar. If you do not have a mandate form, please contact our registrar at the address below.

PAYMENT OF DIVIDENDS IN FOREIGN CURRENCY

The company's registrar offers a Global Payment Service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency. Please note that a payment charge would be deducted from each individual payment before conversion into your local currency. This service can be set up at www.investorcentre.co.uk or by contacting the registrar.

HALF YEAR RESULTS

Any shareholder wishing to receive a paper copy of the Interim Report and Results for the six months to 30 June 2016 should contact the Company Secretary.

SHAREHOLDER ENQUIRIES

For all share registration and dividend mandate enquiries contact:

The Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone – 0370 889 4050
Website – www.investorcentre.co.uk

For other shareholder enquiries contact:

The Company Secretary
Devro plc
Moodiesburn
Chryston
G69 0JE

Telephone – 01236 872261

Investor Centre is a free, secure share management website provided by Computershare. This service allows you to view your share portfolio and see the latest market price of your shares, check your dividend payment and tax information, change your address, update payment instructions and receive your shareholder communications online. To take advantage of this service, please register at www.investorcentre.co.uk.

To register you will be required to enter Devro as the name of the company in which you hold shares, your Shareholder Reference Number (SRN) which can be found on your share certificate or on your dividend tax voucher, your postcode or country if outside the UK or Channel Islands and security code (provided on screen). For security purposes, Computershare will send a unique activation code to your registered address to complete registration.

WEBSITE

The company has a website (www.devro.com) which provides up-to-date information on the company and its products.

Directors and Advisers
(as at 16 March 2016)

Executive Directors
P W B Page
S C Webb

Non-Executive Directors
G J Hoetmer
J A Lodge
P A J Neep
P N Withers

Company Secretary and registered office
J Meredith
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