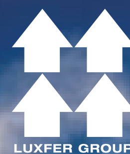


LUXFER HOLDINGS PLC
REPORT & ACCOUNTS 2009

MEL Chemicals
Delivering green products

HIGH PERFORMANCE ENGINEERING MATERIALS **WORLDWIDE**

ABOUT THE COVER

MEL Chemicals: Delivering green products

The low toxicity of Luxfer's zirconium compounds means that they are classified as being non-hazardous to the ecosphere. Over the years this has opened up new markets in areas where traditional but more toxic materials have been replaced. MEL has sold ceria-zirconia products into the car industry for many years for use in catalytic convertors to remove noxious and dangerous gases from car exhausts, and has sold zirconia into ceramic sensors that are used to measure the concentration of the noxious gases in the exhaust.

Care of the environment features as the key in identifying new business opportunities for MEL. ISOLUX® technology is being used to remove toxic arsenic from drinking water; there is commercial application in the US and ISOLUX® is helping to provide clean drinking water to the Indian sub-continent, where arsenic poisoning is prevalent. Coupled with ISOLUX® technology, MEL is introducing MELSorb® technologies to remove poisonous impurities from industrial waste streams to safeguard our rivers, lakes and oceans. MELSorb® technologies can also be used to capture CO_2, which will be a key technology of this coming decade; the MELSorb® technologies allow not only capture, but controlled release, which provides versatility in use. MELSorb® technologies will also be used for the next generation of portable dialysis equipment, making life easier for those requiring treatment.

MELCat technologies are being used in the control of noxious and dangerous gases from stationary engines and so called "end of pipe" applications to stop emission to the atmosphere. MELCat technologies are also being used in the development of alternative energy from biomass, which is significant for future energy production.

The joint development programme with Rhodia, known as Acilys technologies, will find application in Diesel car catalysts and reduce dangerous gas emissions and allow compliance with new regulations.

MELOx® technologies are providing a new generation of stabilised zirconias that will be used in the next generation of sensors as well as in Fuel Cells that will provide significant reductions in emissions of dangerous gases and liquids.

You can obtain an electronic copy of the Annual Report from our website **www.luxfer.com**

RESPONDING TO TOUGH TIMES

The performance of the business during the year was very pleasing given the recessionary conditions. The Group has once again demonstrated a robustness of performance despite a very tough world operating environment. Most pleasing was the organisation's response to the challenge to release cash from the balance sheet and reduce net debt. Besides the exemplary cash generation, it is particularly pleasing to note that we recorded positive net earnings in each and every quarter of 2009.

CONTENTS

Directors' Report 2

Business Review

- Principal Activities 3
- Strategy 4
- Group Key Performance Indicators 6
- Principal Risks and Uncertainties 7
- Chairman's Statement 9
- Chief Executive's Review 10
- Finance Review 12

Board of Directors 17

Members of the Executive Management Board 18

Corporate Governance 19

Directors' Remuneration 21

Directors' Interests 23

Other Statutory Information 24

Statement of Directors' Responsibilities 26

Report of the Auditors – Group 27

Consolidated Income Statement 28

Consolidated Statement of Comprehensive Income 29

Consolidated Balance Sheet 30

Consolidated Cash Flow Statement 31

List of Notes 32

Notes to the Group Financial Statements 33

Report of the Auditors – Company 66

Company Balance Sheet 67

Notes to the Company Financial Statements 68

Company Details Inside Back Cover

The Directors present their annual report together with the audited financial statements of the Group and the Company, Luxfer Holdings PLC, for the year ended 31 December 2009.

How we help our members assess how we discharged our duty to promote the success of the Company.

In the Business Review section of this report we demonstrate for the members how we have performed our duty under the Companies Act 2006 to promote the success of the Company for the benefit of the members as a whole.

A review of the development and performance of the Group's business as a whole and that of the individual businesses comprising the Group is set out in our Chairman's Statement and our Chief Executive's Review.

In his review, the Group Finance Director comments on the consolidated results of the Group and provides an analysis of the position of the Group's business at the end of 2009. He also explains exceptional items included in the Group financial statements and separately the key numbers explaining the Group's defined benefit pension arrangements.

Our Business Review also contains subsections explaining our business model and strategy, a discussion on the principal risks and uncertainties of our business, and the financial and non financial indicators that we consider key to understanding the development and performance of our business and which we use to drive and measure the performance of the business.

Forward Looking Statements

This report contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

(i) statements regarding the Group's results of operations and financial condition,

(ii) statements of plans, objectives or goals of the Group or its management, including those related to financing, products or services,

(iii) statements of future economic performance and

(iv) statements of assumptions underlying such statements.

Words such as "believes", "anticipates", "expects", "intends", "forecasts", "plans", "should" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

The Group cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to:

(i) the ability of the Group to reduce costs;

(ii) changes in raw material and labour prices,

(iii) the effects of competition;

(iv) the timely development of and acceptance of new products and services by the Group;

(v) the Group's leverage;

(vi) the disruption impact of rationalisation activities;

(vii) shifts in consumer and economic demand and

(viii) the Group's success at managing the risks of the foregoing.

The Group cautions that the foregoing list of important factors is not exhaustive; when relying on forward-looking statements to make decisions with respect to the Group, investors and others should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements speak only as of the date on which they are made, and the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

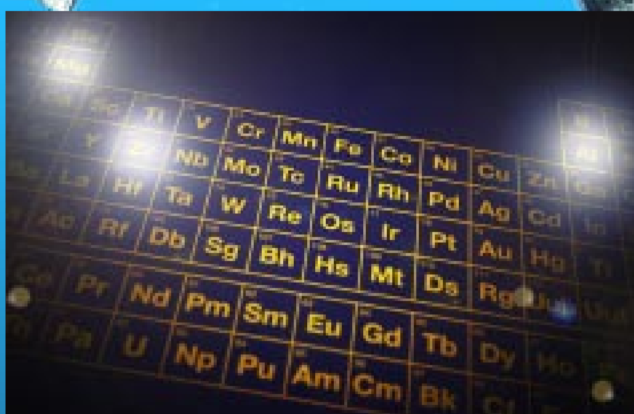
Our Business

The principal activity of the Company is the holding company for the Luxfer Group. Luxfer is an international group of businesses that specialise in the design, manufacture and supply of high performance materials to the engineering industry worldwide.

Our Group manufactures:

- high pressure gas cylinders in aluminium and composite materials;
- advanced magnesium alloys and powders;
- components in aluminium, magnesium and carbon composites; and
- chemically-derived compounds of zirconium.

The focus is on specialist products into high performance sectors where Luxfer's technical know-how and manufacturing expertise combine to deliver a superior product.

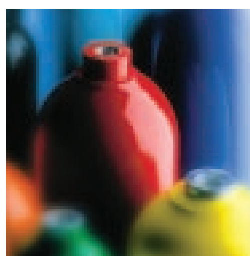


The Group is international, employing approximately 1,440 people in 26 countries. It operates 16 manufacturing plants in 6 countries, UK, US, France, Czech Republic, Canada and China, plus a joint venture in Japan and a new joint venture in India planned to commence production in 2010.

Luxfer's products are sold worldwide into a wide range of demanding applications. The main markets served include aerospace, defence, medical, automotive and general engineering.

During 2009 the Group was comprised of two divisions:

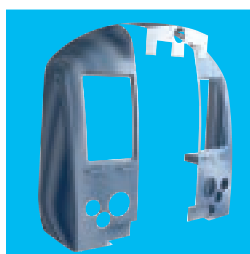
- GAS CYLINDERS, which trades as Luxfer Gas Cylinders and Superform; and
- ELEKTRON, which trades as MEL Chemicals and Magnesium Elektron



GAS CYLINDERS

Revenue: £118.9 million

Luxfer Gas Cylinders is one of the world's largest manufacturers of portable aluminium and composite high-pressure gas cylinders. From manufacturing facilities in the UK, France, US and China, Luxfer supplies high-performance products to customers in more than 50 countries.

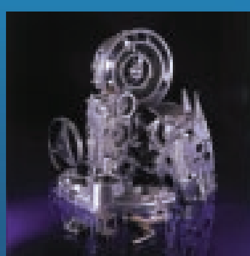


Superform is one of the world's leading suppliers of superplastically formed aluminium components for a wide variety of industries, including aerospace, automotive, rail transportation and architecture. It operates from two manufacturing facilities in the UK and US.

ELEKTRON

Revenue: £117.4 million

MEL Chemicals specialises in the development, manufacture and supply of zirconium chemicals, including their use in catalysis, electro and thermal ceramics and sorption technologies. From being pioneers in zirconium chemistry just 60 years ago, MEL Chemicals have developed an extensive expertise in zirconium. It operates from two manufacturing sites in the UK and US.



Magnesium Elektron specialises in the development, manufacture and supply of high performance magnesium materials and services to technology industries worldwide. It operates from manufacturing plants in the UK, US, Canada and the Czech Republic. Lighter than aluminium, ELEKTRON® magnesium alloys are used in high performance, extreme environment, safety critical automotive, aerospace, defence and other specialty applications. The Magnesium Elektron product range includes commercial casting alloys, sheet, plate and extruded products, recycling services and magnesium powders.

Our Business Model

During 2009 we continued to pursue our strategy of developing, manufacturing and selling high performance products into specialist markets. We focused on the commercial and strategic development of Luxfer Group, while improving business processes and efficiency.

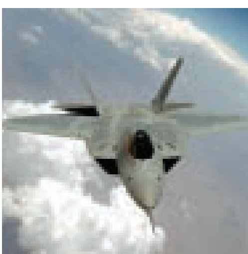
Over time we have developed what we believe to be an appropriate business philosophy for the Group that is founded on our business strengths. A "model" Luxfer business is one that focuses on:

- building long-term customer relationships;
- selling high performance products into specialist markets;
- maintaining a strong technical engineering base;
- achieving high levels of manufacturing excellence; and
- fostering industry-leading innovation, through research and the development of new products and processes.

Strong Customer Relationships

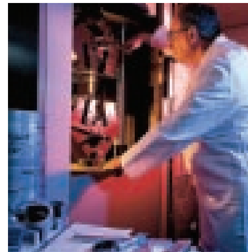
Our business philosophy places the customer at the centre of everything we do. We strive to establish lasting relationships, enabling us to work closely with customers as their partner of choice to ensure that the development of our products meets their operational goals. Luxfer's customer base includes many blue chip companies who have worked with us over decades.

Where possible, we promote our own brands and technology to end-users. We believe this will help maintain our presence in markets where we enjoy a technical lead and enable us to identify future growth areas at an early stage of development.



High Performance Products for Specialist Markets

We specialise in the manufacture of advanced materials where our expertise in metallurgy and materials science enables us to develop superior engineering materials and products for demanding specialist applications. We seek to focus production on higher added-value products, whilst limiting exposure to commodity business. We regularly review our product portfolio to ensure that we are addressing the requirements of market segments with growth potential. We often seek out markets that require a high level of technical expertise in which we believe we can deliver suitable innovative products ahead of competitors, which we believe gives us the opportunity to add value.



Strong Technical Base

Technology is at the core of the Luxfer business. We continue to develop our expertise in material science and to extend the boundaries of our core materials, and maintain our expertise in manufacturing and processing techniques. Luxfer´s proprietary technology, technical know-how, and international presence often provide a competitive advantage over alternative suppliers.

Manufacturing Excellence

We believe that manufacturing excellence is key to the Group's continuing commercial success.

The Group seeks to achieve high levels of manufacturing performance and efficiency by:

- investing in modern Enterprise Resource Planning ("ERP") Systems;
- achieving class-leading control over sales and operational planning; and
- managing the Group's manufacturing cost base to enable it to compete globally in a lower cost environment.

Over the past decade, the Group has made a major investment in its ERP business improvement programme, which is focused on achieving world-class levels of manufacturing excellence. Luxfer's approach makes use of external ERP auditors to benchmark progress against a rigorous checklist of world-class criteria, which include many different performance indicators, including on-time in full delivery to customers, minimisation of waste, quality levels, efficient management of inventories and production planning. Many of our facilities have been awarded 'Class A' status from our external ERP auditors, which is widely recognised as a world-class standard of operational excellence.

Since 2001, the Group has undergone significant rationalisation of its manufacturing cost base, partly in response to increased competition in its traditional markets, including competition from lower labour-cost economies, and partly to counter increases in raw material and other input costs. For example, the Gas Cylinders division had six aluminium cylinders plants at the start of 2001, four by the middle of 2004, and three by the end of 2008, without materially reducing overall capacity. The Group has invested in the automation of its remaining aluminium cylinder plants and aims, where possible, to focus plants on producing cylinders for particular end-use markets.

As an international group, part of the Group's long-term strategy is to position its manufacturing facilities in locations that are optimal, based on a range of criteria (for example where the key markets and customers are located), not just low-cost labour.

Commitment to R&D and New Product Development

Luxfer has always recognised the importance of research in materials science and the need for innovation in the development of new products. As a result, the Group makes a major investment in the development of new products and processes each year.

Thanks to the ingenuity of our own research and development teams, and close collaboration with research departments in universities around the world, Luxfer has developed a steady stream of new products, including carbon composite lightweight gas cylinders, L7X® high pressure aluminium gas cylinders, G4 zirconium oxides for automotive and chemical catalysis, ISOLUX® zirconium separation products and ELEKTRON® magnesium alloys for advanced aerospace and specialist automotive applications.

We believe that this commitment to research and new product development will drive the growth of the Luxfer Group worldwide.

Strategy Development

The long-term success of our strategy is dependent on investing in the right areas of our business. In particular, where we face competition from economies with lower labour-costs, we have found ways to reduce our own cost base, or reposition ourselves in premium product sectors. In 2009 we made significant further progress in pursuit of these objectives, despite the need to focus on more short-term cash generation priorities as a result of the worldwide recession.

Key Performance Indicators

The Group has used the following indicators of performance to assess its development against its strategy and financial objectives during the year.

Table 1: Group Key Performance Indicators		2009	2008
Operating Performance			
Trading Profit	£m	**18.1**	22.5
EBITDA before exceptionals	£m	**26.8**	30.5
Gross profit percentage	%	**20.4**	19.7
Return on revenue (trading profit divided by revenue)	%	**7.7**	8.7
Revenue per average full time equivalent employee for ongoing operations	£000s	**164**	162
– prior year adjusted for translation exchange rates	£000s	**164**	179
Operating Performance in US dollars			
Revenue	$m	**371.3**	475.9
EBITDA before exceptionals	$m	**42.2**	56.6
Financial Performance			
Net cash flow from continuing operating activities	£m	**34.4**	20.2
Working capital turnover for continuing operations (annual revenue divided by average trading working capital)	times	**5.4**	5.3
Net debt to EBITDA	times	**2.8**	3.2
Non-Financial Performance			
Number of man days lost following accidents at work	Man Days	**791**	704
ISO14001 Environmental Management System Certification (percentage of Group revenue originating from ISO14001 certified businesses)	%	**46.1**	39.7
Economic Indicators			
Average aluminium price (three-month LME)	$ per Tonne	**1,701**	2,620
Average aluminium price (three-month LME, three month lag and net of hedging)	$ per Tonne	**1,922**	2,704
Average US dollar to pounds sterling exchange rate	$:£	**1.57**	1.84

Non-Financial KPIs

We have identified two non-financial Key Performance Indicators that are important to our business.

Firstly, we report on the number of productive days lost through accidents at work. Our operations involve the use of rotating machinery, molten metal, heat treatment, strong acids and alkalis, high pressures and flammable materials, so the safety of our workforce is a top priority. For every accident at work involving the loss of more than a part-shift, we record the number of days lost while the employee is recovering. For 2009 this figure is 791 man days, up from the 704 man days lost in 2008, despite the number of accidents being significantly reduced from 34 in 2008 to 19 in 2009. While the deterioration is a disappointment, the total is a very small proportion of the total man-hours worked of 2.9 million, and has been adversely affected by two injuries that, while not particularly serious, have resulted in long recovery periods.

Secondly, we use a number of materials and generate waste streams that need careful management to ensure that no damage is done to the environment. We encourage all of our major business units to work towards ISO14001 Environmental Management System Certification. Each year we monitor our progress by measuring the proportion of our sales revenue that originates from ISO14001-certified business sites.

At the end of 2009 six of our units were certified and these units produced 46.1% of the Group's turnover in 2009. The corresponding figure in 2008 was 39.7%, when five units were so certificated. We expect further units to achieve certification during 2010.

Principal Risks and Uncertainties Relating to the Group's Operations

The Group has in place a comprehensive risk management programme which is designed to ensure that significant and emerging risks are identified, assessed and managed effectively. A further explanation of our risk management programme and internal controls is set out in the section on Corporate Governance.

Exposure to Economic Conditions – The Group's operations are exposed to general and local changes in economic conditions over which it has no control. The Group sells products in a variety of industries, including industries that are cyclical in nature and to various economic regions. To the extent that any of these cyclical industries are at the low point in their economic cycle or markets in a particular geographical region experience any financial difficulties, sales may be adversely affected. These risks are partly mitigated by the Group having a wide spread of product markets and increasing sales in other economic regions, such as Asia.

Reliance on Major Customers – If the Group fails to maintain its relationships with its major customers, or fails to replace customers, or if there were reduced demand from such customers or for the products produced by such customers, it could reduce the Group's sales and have an adverse affect on the Group's financial position. Long-term relationships with customers are especially important and the Group's operations work closely with customers to ensure customer service is the best in the industry and aim to support our customers in their development of new products through our own product innovations and technical know-how. The Group's top ten customers accounted for, in aggregate, approximately 31% of Group revenue in 2009.

Competition – The markets for many of the Group's products are now increasingly global and highly competitive, especially in terms of quality, price and service. The Group could lose market share as a result of these competitive pressures which could negatively impact profit margins. More generally, the Group may also face potential competition from manufacturers of products similar to the Group's aluminium and magnesium based products using other materials, such as steel, plastics or composite materials. The Group continues to invest in new products and aims to focus its resources in niche parts of markets where it can maintain its competitive position.

Reliance on Key Suppliers – The Group depends upon its larger suppliers for a significant portion of its input components and production is sensitive to suppliers, particularly for aluminium and carbon fibre. If the Group fails to maintain its close long term commercial relationships with key suppliers or fails to develop relationships with other suppliers, it could have a negative impact on the Group. Maintaining these strong relationships is therefore a key element of the businesses strategy, but loss of a key supplier could be disruptive and hinder profitability. The Group has also mitigated this risk through buying forward certain materials when potential shortages appear.

Risks Relating to the Group's Retirement Benefit Funds – The Group operates defined benefit arrangements in the United Kingdom, the United States and France. These are further explained in Note 26. Their funding requirements are subject to fluctuations in investment markets, along with changes in the life expectancy of their members and as a result these plans may have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with new taxes such as the UK's Pension Protection Fund Levy which has added £1.7 million of additional costs to the UK plan during 2009. Regulatory burdens can also lead to restrictions in financing options for the Group and its ability to attract new investors.

Protection and Development of Intellectual Property Rights and Changing Industry Requirements – As a result of the nature of the competition faced by the Group, its ability to remain profitable depends on its ability to protect intellectual property and to invest in research and development, which requires funding. The Group tries to protect its intellectual property through patents and through reducing the disclosure of commercially sensitive information, it also invests long term in new products and manufacturing processes and maintains this investment through the business cycle.

Capital Expenditure Requirements – There is an ongoing need for expenditure for the repair or replacement of relatively old manufacturing plant and equipment. The development of new products, and/or new markets, can also lead to the need for additional capital expenditure, as manufacturing processes are changed, expanded or updated. The Group aims to allocate its limited financial resources to achieve the best commercial outcome for the Group as a whole. A steady level of investment in replacing older equipment is also planned for, though this can be flexed in the short term for fluctuations in available cash flow. Any long-term constraint due to a lack of cash resources could be harmful to the profitability of the Group.

Environmental Costs and Liabilities – The Group may be exposed to substantial environmental costs and liabilities, including liabilities associated with divested assets and prior activities performed on sites before the Group acquired an interest in them. The Group's operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. The Group cannot easily predict future environmental liabilities and cannot fully assure investors that the Group's management is aware of every fact or circumstance regarding potential liabilities or that the amounts provided and budgeted to address such liabilities will be adequate for all purposes. In addition, future developments, such as changes in laws or environmental conditions, may increase environmental costs and liabilities and could have a material adverse affect on the Group in any given year, which could negatively affect the Group's cash flows and hinder its ability to finance its indebtedness. To mitigate this risk the Group seeks to operate best practice procedures in this area and is in the process of attaining the ISO14001 qualification at all its main manufacturing sites.

Product Liability and Regulatory Risks – The Group is exposed to possible claims for personal injury, death or property damage which could result from a failure of a product manufactured by the Group or of a third party integrating a Group product. Many factors beyond the Group's control could lead to liability claims, which may in turn lead to product legal claims or disruption in sales to customers. The Group has obtained insurance coverage for most of these types of liabilities. The Group could, however, be required to pay a material amount if a claim is made against it that is not covered by insurance or otherwise subject to indemnification, or that exceeds the insurance coverage that the Group maintains. Moreover, the Group does not currently carry insurance to cover the expense of product liability recalls, and litigation involving significant product recalls or product liability could have a material adverse effect on the Group's financial position.

Dependence on Key Personnel – The Group relies upon a number of key executives and employees, particularly Brian Purves, its Chief Executive, and other members of the Executive Management Board. If these and certain other employees ceased to work for the Group, the Group would lose valuable expertise and could become less profitable. In addition, the Group's ability to attract and retain qualified engineering and technical personnel is of continued importance.

Risks Relating to Interruption of Operations – The Group's production facilities are located worldwide. Any of its facilities could suffer an interruption in production, either at separate times or at the same time, because of various and unavoidable occurrences. Although the Group carries certain levels of business interruption insurance, the cover on certain catastrophic events or natural disasters, including earthquakes and certain other events is limited, and it is possible that the occurrence of such events may have a significant adverse impact on the cash flows of the Group. Health and Safety is therefore a major consideration in the operation of the Luxfer Group manufacturing facilities and carefully monitored, with any issues being reported to the Board for their assessment.

The Group also has a number of financial risks which are summarised below. The management of these financial risks is explained further within the Finance Review and Notes 24 and 25 of the Group financial statements.

Exposure to Fluctuations in Raw Material and Utility Prices – The Group is exposed to fluctuations in the prices of the raw materials and utilities that are used to manufacture its products, and can incur unexpected cost changes. The primary raw material used in the manufacturing of gas cylinders and superformed panels is aluminium and though our operations use specialist alloys, their prices are pegged directly or indirectly to the quoted London Metal Exchange prices for primary aluminium. This makes the costs subject to speculative commodity cost changes, as well as fundamental supply and demand cost pressures.

We have also experienced significant price fluctuations in other raw material costs such as primary magnesium, carbon fibre, zircon sand and rare earths. The Group's operations also buy and sell goods in regional markets which may be protected by tariff barriers. Changes in these tariffs could have an adverse impact on the profitability of the operations. In addition, the Group's energy costs, which constitute another major input cost of the Group's total expenses in 2009, may be subject to significant variations.

Effect of International Currency Markets – Changes in foreign exchange rates or interest rates could cause sales to drop or costs to rise. The Group conducts a large proportion of its commercial transactions, purchases of raw materials and sales of goods in various countries and regions outside of the United Kingdom, including the United States, continental Europe and Asia. Changes in the relative values of currencies can decrease the profits of the Group's operations through both the translation of profits into pound sterling or on import and export transactions.

Exposure to Financial Indebtedness and Interest Rate Changes – Changes in interest rates, particularly pound sterling LIBOR could increase interest costs and reduce net profits and cash flow. The Group's debt is also subject to various financial performance covenants, which may restrict capital and other discretionary expenditures thereby limiting investment or in more extreme cases lead to breaches in the Group's banking agreements and ability to fund operations.

Peter Haslehurst

Chairman

"The entire organisation responded magnificently to the need to generate cash in the face of a deep recession."

As we entered 2009, the world was facing the prospect of a deep recession. Most businesses, including ours, were seeing a steep decline in demand and lack of forward visibility from customers. In such circumstances the old saying that *'cash is king'* comes to the fore. All of our business units nimbly re-focused onto cash conservation, and I am very pleased that we were able to generate large amounts of cash out of our balance sheet in response to the identified need. This demonstrates a number of things: a board and management team working together and able to identify the necessary response to economic events; an ability to change tack quickly and without fuss, and good control over our business processes. As part of this cash creation process, over the course of the year inventories were reduced 40% by value – even more when measured by volume.

Although the recession has affected demand, with overall volumes down by some 20%, it did offer some relief in other areas. Interest rates fell to their lowest ever levels, and as we have a floating rate note, we benefited from the reduction. The price of energy and raw materials fell back from the, frankly ridiculous, heights of mid-2008. Most importantly from our point of view, sterling suffered a long-overdue correction against the other major currencies. The cost of energy and raw materials has started to rise again, but we very much hope that sterling will now be stable at its new level.

Although volumes were well down, our profit has held up really quite well in the circumstances. Exchange rates have improved margins on dollar-denominated sales, and the volumes lost have tended to be in lower added value areas. Many markets have held up quite well, and even the volume automotive market started to recover in the second half of the year.

We continued with our efforts to take cost out of the business, with one plant being closed during the year, the ex-Revere operation in Massachusetts, as we completed the integration of photo-engraving plate manufacturing. Our main cost-saving project during the year was the conclusion of the rationalisation of our US composite cylinder plants, consolidating from three leased locations into one single, state of the art, owned facility in Riverside.

As with all manufacturing businesses, the current economic conditions remain a concern. Forward visibility from customers remains poor and there remains nervousness over the sustainability of economic recovery. With hands-on management at all levels, however, our business has once again demonstrated a robustness of performance. Besides the exemplary cash generation, I am particularly pleased that we managed to record positive net earnings in every quarter of 2009.

The general business trend for us has been positive since the second quarter of 2009, and so we hope soon to get back on track with our profit improvement plans. With the benefit of more reasonable exchange rates and our continuing focus on cost control, the Group is poised to improve in 2010, and I remain excited about the medium-term outlook, with a combination of new products in the market and, hopefully, a better economic backdrop.

In closing, I would like to thank all of my colleagues across the Group for their hard work and dedication during another challenging year.

Peter Haslehurst
Chairman

Brian Purves

Chief Executive

"Once again this group of businesses has shown itself to be robust in the face of the most difficult of conditions."

Review of 2009

The early part of the year was dominated by the recession, with certain markets being badly affected by a combination of reduced demand and de-stocking. Group revenue for continuing operations fell by £21.4 million (9%) to £236.3 million in 2009, but the underlying fall in volumes was much higher – nearer 20%. The mitigating factors were improved exchange rates and the fact that our loss of volume was predominantly, but not exclusively, in lower added-value areas of the business.

The US dollar averaged $1.57 against the pound sterling in 2009, compared to $1.84 in 2008 and $2.01 in 2007. This makes a significant difference to the Group, with our dependence on exports from the UK and the translation of US dollar earnings. Trading profit for continuing operations fell to £18.1 million from £22.5 million in 2008, but this is a good performance when measured against the loss of volume. In particular the Elektron division showed itself to be very robust, with even the automotive sector recovering strongly in the latter part of the year. The loss of volume in the Gas Cylinders division was less easy to accommodate, with high value cylinders for breathing apparatus and speciality gas containment being particularly badly hit.

At least the recession gave some, probably temporary, respite from the seemingly inexorable rise in input costs, with both raw material and energy costs collapsing back in quarter two before recovering strongly towards the end of the year.

The LME three-month price for primary aluminium averaged around $1,458 per tonne in the first half of the year, but $1,934 in the second half, ending the year at $2,241 despite global stocks of the metal being at a record high. The cost of magnesium charged to the income statement fell by approximately 15% to £30 million in 2009, while the cost of aluminium fell by approximately 20% to £25 million.

The most pleasing aspect of the Group's performance in the year was the organisation's response to my exhortation to get cash out of the balance sheet and reduce our net debt. Our inventories, which admittedly were too high at the end of 2008, were sharply reduced, ending the year around 40% by value lower over the year.

Gas Cylinders

The Gas Cylinders division saw a fall in revenue of 7%, to £118.9 million in 2009 compared to £127.2 million in 2008. The weaker pound sterling increased revenue through a translation gain of £14.3 million, so at constant exchange rates underlying revenue fell 16%.

The market for composite cylinders for breathing apparatus in the US fell back in 2009 following the end of a major supply contract with the US Navy and under the influence of budgetary constraints at State-level.

Sales of industrial cylinders for speciality gases fell as our customers, the major gas companies, clamped down on expenditure and reduced their inventories of cylinders.

The market for medical composite cylinders, however, held up well, and we continued to make progress in expanding our customer base for our range of Compressed Natural Gas cylinders.

Superform had a difficult year, particularly given the problems of the automotive sector, even the speciality sector that we serve. Demand, however, started to rise in the final quarter of the year, and encouragingly we had a record year for tooling sales. These new tools hold the promise of increased sales in 2010 and 2011.

As a consequence of the fall in demand, Gas Cylinders trading profit of £3.3 million in 2009 was £3.9 million down on 2008.

Elektron

Revenue from the Elektron division fell by 10%, to £117.9 million in 2009 compared to £130.5 million in 2008.

The weaker pound sterling resulted in a translation gain on revenue of £12.4 million. Using constant exchange rates the ongoing operations suffered an underlying sales decrease in 2009 of £25.0 million or 17.5% compared to 2008.

Under the influence of severe trading conditions in the automotive sector, especially in North America, sales of G4 auto-catalyst products fell in the first part of the year, but recovered strongly in the second half to end the year up 10% on 2008.

The business continued to benefit from its strong position in the specialist aerospace and defence markets, with total sales to this sector reasonably stable, and actually increasing in percentage terms because of the reductions elsewhere. Sales of photo-engraving plate were down, especially in the US, in the middle of the year, but they again showed a modest recovery in the fourth quarter.

Trading profit for Elektron was £14.8 million in 2009, only slightly reduced from the £15.3 million achieved in 2008, as a result of increased sales of our high performance products, across a range of specialised markets.

Magnesium Elektron is a leading supplier of photo-engraving products, however, the segment has been declining for many years. In September 2007, we acquired the trade and assets of Revere Graphics Worldwide, which enabled us to extend our photo-engraving product offering to brass, copper and zinc plate, in addition to the magnesium that we already supplied. The integration of the Revere production into our pre-existing facilities was completed during 2009. In 2009, we also charged £0.3 million in relation to additional acquisition costs on Revere Graphics, which included costs associated with a review by the US Federal Trade Commission ("FTC") concerning the impact of the Revere transaction on competition in the magnesium photo-engraving segment. In order to resolve expeditiously the FTC review in this matter, we have decided on a voluntary basis, to undertake a potential sale of a license to use intellectual property ("IP") rights specifically in relation to the acquired business. We expect that the potential sale of a license to use these IP rights to an interested buyer acceptable to the FTC would take place in 2010. The sale would not include our own Magnesium Elektron IP rights, but only IP rights in relation to the acquired business, nor does it include any of the manufacturing assets that we need to run our own business. We do not expect this development to materially affect the Group's profitability.

New Product and Market Developments

We continued to focus on new product development. During the year, we sampled several customers with an improved version of our G4 catalytic washcoat.

For the longer term, we are excited about the work that we are doing on applications for magnesium in civil aircraft and military vehicles, ambulatory oxygen supply systems in Gas Cylinders, and zirconium-based absorption technologies.

Of particular note was the successful fire testing of magnesium alloys by the Federal Aviation Authority during the year, which we hope will eventually result in our magnesium alloys being given approval as a light-weighting material in civil aircraft.

Over the past two years, we have been successful in securing grant monies to leverage up our research and development efforts in both the US and UK. During 2009 we received funding from the US military towards the development of lightweight armour and lightweight vehicle components made from compressed magnesium powder. As well as the obvious benefit to us of boosting our internal R&D funding, it is further confirmation that we are focussing on the right areas.

Summary

The performance of the business during the year was very pleasing given the recessionary conditions. Our main effort was on cash generation and we were very successful in that endeavour. Our continual focus on cost control meant that we were able to respond swiftly to the need to make further cost reductions as market conditions deteriorated, with a reduction of 9% in the workforce. With the benefit of much improved exchange rates, this in turn meant that the reduced volumes had a relatively modest impact on profitability, which we hope to recover as markets pick up. While general conditions remain quite depressed compared to 2008, and certain markets have, as yet, shown no recovery, we have seen a gradually improving trend in the second half of 2009. We will continue to be cautious until it is clear that the recovery is sustainable.

Brian Purves
Chief Executive

Stephen Williams

Group Finance Director

"Our focus on cash generation reduced our net debt to EBITDA ratio to 2.8 times, and we recorded positive net income in all four quarters of the year."

Finance Review of 2009

The operating results for the year are discussed in more detail in the Chief Executive's Review.

Introduction

The year started with the global economy in recession and many markets in a state of shock. We saw our revenues decrease as customers cut back their orders and destock in response to the severe economic conditions and whilst there has been some recovery in certain of our markets by the end of the year, sales volumes overall for the Group are down by over 20% in 2009 compared to the previous year. Despite this significant deterioration in demand we have remained profitable with a trading profit for 2009 of £18.1 million only £4.4 million below that achieved in 2008.

We remained profitable through being able to increase margins by retaining our sales prices and taking immediate action to reduce both production and overhead costs in response to the drop in revenue. We also benefited from reduced raw material and utility costs and more favourable exchange rates.

During a recession *'cash is king'* and the Group's primary objective in 2009 was to improve cash flow performance. The major emphasis was to reduce working capital, particularly inventory. Discretionary expenditure was constrained and the measure of our success can be judged by our net cash flow before financing which has improved to £27.1 million in 2009, £16.2 million above that achieved in 2008.

Over the past few years, the Group has had to cope with a number of adverse economic conditions with rising commodity prices, higher energy costs and the relative strength of sterling against the US dollar.

In 2008 we experienced for the first three quarters of the year, a rapid escalation in the cost of utilities and commodity raw materials but in the fourth quarter of the year, with the deterioration of the world economy, we saw a dramatic decrease in certain commodity costs, an easing of utility prices and a significant fall in the value of sterling against most currencies and particularly the US dollar.

In 2009, the markets have been more benign and whilst they have generally crept up from the lows of December 2008, with the recovery in the world's economy, the costs of raw materials and utilities for the Group have been lower with the exception of commodity chemicals and rare earths.

We estimate that allowing for hedges that the average LME base cost for aluminium in 2009 was $1,922 per tonne compared to the average cost in 2008 of $2,704 per tonne. We pay a premium over the LME cost to cover the types of specialised alloys and billet sizes we use, and as we focus our cylinder technology more on advanced alloys, the total cost of these premiums increased. Taking into account LME base cost, inventory movements and premiums for specialist alloys, we estimated the net saving on the cost of aluminium for the total year compared to 2008 was approximately £1.0 million.

In 2009, the cost of Chinese magnesium fell back significantly from the peak in 2008, when we saw Chinese FOB prices exceed $6,000 per tonne. The average 2009 cost of Chinese magnesium (FOB) was $2,686 per tonne compared to $4,373 in 2008. Though the quoted Platts price of US magnesium also fell from its peak of $7,500 per tonne in 2008, the actual contracted prices paid in 2009 were higher, due to purchasing being on a longer term contract basis to secure supply for our US military products.

We therefore saved £2 million on the purchase price of Chinese magnesium used outside the US, but incurred an additional £1 million in our US operations.

The benefits arising from the lower costs of aluminium and magnesium were constrained during 2009 as our purchases of these metals were significantly reduced by the lower level of demand and our consumption of the high inventory levels held at the end of 2008.

We also benefited from lower utility costs of £1.5 million and the reduced cost of other materials of £1.0 million, but these were offset by the rise in the cost of commodity chemicals and rare earths which in total added an additional cost of £2.8 million in the year.

The Group is also exposed to movement in the US dollar and the euro. Our overseas operations contributed 78% of our trading profit before the allocation of head office costs. The major exposure was to the US dollar, as 70% of the Group's trading profit before head office costs was derived from our US operations.

Whilst in 2009 sterling has strengthened from the closing position of 2008, the average exchange rates for both the US dollar and the euro during 2009 were more beneficial than the average rates experienced in 2008. The financial statements reflect an average US dollar exchange rate for the year of $1.57: £1 compared to an average rate in 2008 of $1.84: £1. For the euro, the average rate for 2009 was €1.13: £1 compared to €1.25: £1 in 2008. The long overdue weakening of sterling has helped to support our trading income during this recessionary period.

In recognising the economic challenges, the Group has continued to implement profit improvement plans. Started in 2008 and completed in early 2009, we undertook a major rationalisation and automation programme within our Gas Cylinders division designed to reduce both production and overhead costs.

We closed our aluminium plant in California and successfully transferred production to our North Carolina and Nottingham operations. We relocated our composite cylinder plant and the cylinder liner plants to the vacated freehold site whilst at the same time automating many of the manufacturing processes.

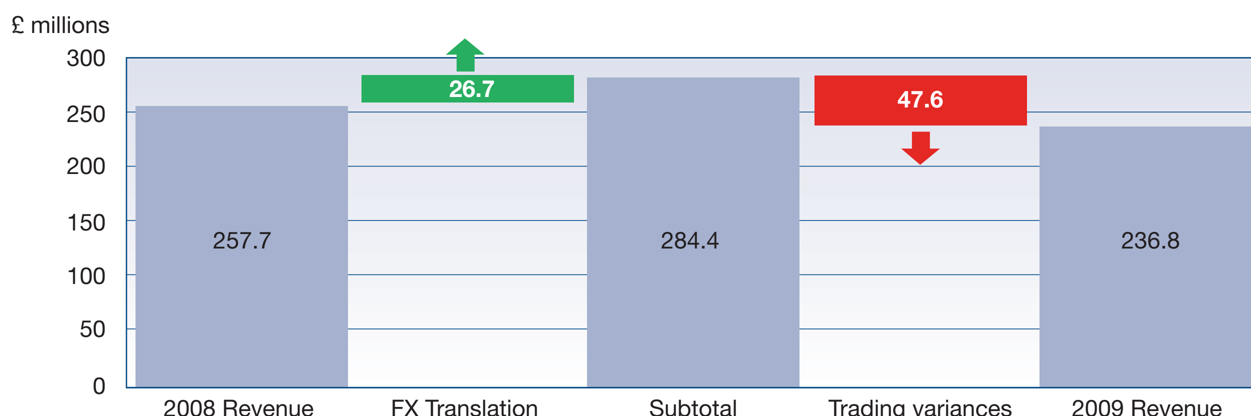
In 2009, we also completed the transfer and integration of production from the recently acquired Revere operations to our own plants and were able to vacate the rented Revere sites. The significant reduction in manufacturing costs arising from both these major projects benefited our results in 2009. In response to the recessionary economic conditions we also instigated numerous other cost savings initiatives across all our plants, these included short term working, pay cuts, changes in employment terms and where necessary redundancy programmes.

Income Statement

Revenue

Group sales revenue in 2009 at £236.3 million was £21.4 million below the £257.7 million reported in 2008. On a Group basis, there was a £26.7 million revenue improvement as a result of translating underlying revenue from overseas operations at more favourable exchange rates, when reporting in pound sterling. The main benefit was from the strengthening in the US dollar which added £23.1 million to revenues from our US operations. Smaller gains of £3.6 million occurred from our continental European and Asia Pacific operations. The underlying trading variances were negative in 2009, reducing Group revenue by £47.6 million, due mainly to lower sales volumes. See Chart 1.

Chart 1: Group Revenue Bridge 2008 to 2009



Note: 2009 Group Revenue of £236.8 million is before the elimination of £0.5 million inter-segment sales.

The loss of volume was felt across both divisions and across most markets. The market in which we lost most volume in the Elektron division was the automotive market, where we experienced a fall in sales of both zirconium catalyst products and magnesium recycled products. Despite the downturn in demand for automotive catalysts generally, we did increase our sales of G4 products in 2009 compared to 2008. In the Gas Cylinders division, aluminium volumes were down 17% with the largest deterioration being experienced in the sales of industrial cylinders. Composite cylinder sales were also down, the major reduction being in the sale of cylinders to the SCBA market, where lack of State funding is currently depressing the market.

The revenue per employee for 2009 was £164,000 compared to £162,000 in 2008, though based on 2009 exchange rates, the 2008 revenue per employee would have been £179,000. The fall in the foreign exchange adjusted ratio was due to lower sales volumes, but we were able to mitigate some of this impact through temporary shut-downs of plants and other cost saving initiatives.

Gross profit

Reflecting the downturn in revenue, gross profit for the year at £48.2 million was £2.6 million lower than in 2008, but the gross profit percentage increased from 19.7% to 20.4%. The improved margin arose from an improvement in the mix of products sold, the maintenance of price increases implemented in 2008, the reduction in raw materials, utilities and production costs and the benefit of improved exchange rates.

Net operating expenses

Our reported net operating expenses increased by £1.7 million or 6%, compared to 2008, to £30.0 million. The translation of costs of our overseas businesses at stronger foreign currency exchange rates increased the costs by £2.5 million.

The cost of the UK Pension Protection Fund levy charged by the regulator on our UK defined benefit scheme increased costs by a further £0.7 million. Other underlying costs were reduced by a net £1.5 million. Though research and development expenditure was up £0.2 million to £4.0 million, we received grant income of £0.8 million to support this, itself up from grant income of £0.3 million in 2008.

Share of start-up costs of new joint venture

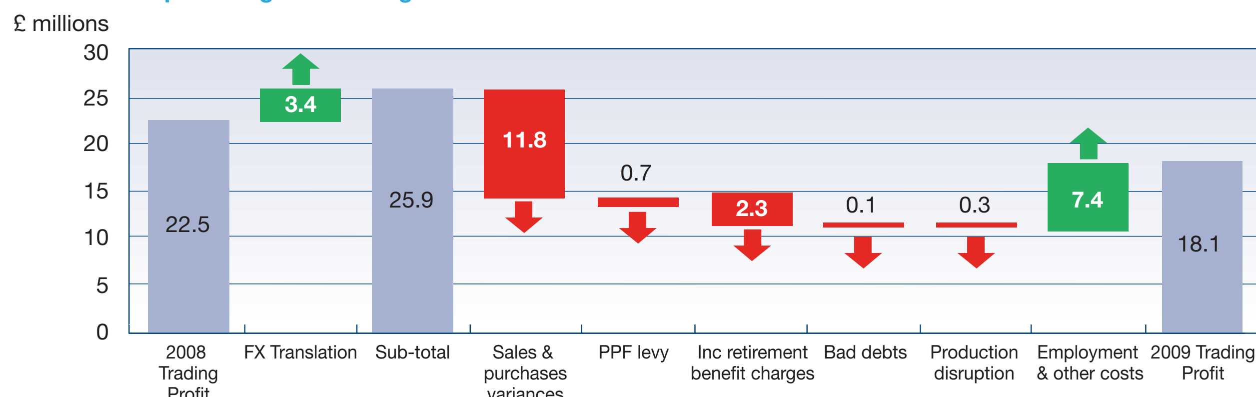
During 2009 we incurred £0.1 million of costs relating to the new India Joint Venture formed by our Gas Cylinders division and its distribution partner in India. The operation is expected to start trading in 2010.

Trading profit

Trading profit for the year before exceptional items was £18.1 million compared to £22.5 million in 2008. Trading profit as a percentage of sales revenue was 7.7% compared to 8.7% in 2008.

Translating the overseas operations of the Group into pound sterling has resulted in an incremental benefit for 2009 of £3.4 million, mainly as a result of an average stronger US dollar exchange rate in 2009. The Elektron division benefited more from this movement in exchange rates due to the size of its US operations. Therefore, the £22.5 million of trading profit reported in 2008 would have been £25.9 million if reported at 2009 exchange rates. The underlying fall in Group trading profit was, therefore, £7.8 million, when measured at constant translation exchange rates. This fall was a direct result of the fall in volumes due to the major economic recession in the western economies and higher retirement benefit scheme costs, but these were partly mitigated by cost saving measures across the Group's operations. The net negative profit variance in sales and purchases, including sales mix and price changes and related foreign exchange transaction gains and losses, was £11.8 million. The costs of the retirement benefit schemes increased by another £3.0 million. The cost of retirement benefit arrangements have been increasing in recent years, but added to these pressures is the UK's Pension Protection Fund levy, which is now £1.7 million per annum. See Chart 2.

Chart 2: Group Trading Profit Bridge 2008 to 2009



Though we incurred some inefficiency as a result of our rationalisation actions, we still made in 2009 a net saving in costs of £7.0 million and it was through these efforts that we were able to report a trading profit that was only £4.4 million below 2008.

Exceptional items

Exceptional costs provided in the year total £1.0 million, of which £0.7 million relate to rationalisation and redundancy programmes across both divisions and £0.3 million to costs in relation to the 2007 acquisition of Revere.

The two largest redundancy programmes were at our US magnesium powders operation and our magnesium foundry operation in the UK and totalled £0.3 million and £0.2 million, respectively.

In 2008, the cost of exceptional items provided in the year was £1.9 million, of which £1.0 million related to redundancies at our UK zirconium operation and our Czech Republic magnesium recycling operation. Of the balance, £0.5 million related to the loss on the disposal of plant and equipment within our Gas Cylinders operation, £0.2 million to the rationalisation of our production facilities within our US Gas Cylinders division and within our US magnesium photoengraving operations, and £0.2 million for environmental issues.

Profit on operations before interest and tax

The operating profit after exceptional items was £17.1 million for the year, compared to £20.6 million in 2008. EBITDA for our ongoing operations and before exceptional items was £26.8 million compared to £30.5 million in 2008.

Finance costs

Net interest costs payable during the year were £7.5 million, comprising £6.1 million relating to bond interest on the Senior Notes due 2012, £0.8 million to other bank borrowings, £0.7 million relating to the amortisation of issue costs and £0.1 million relating to other interest received.

Net interest costs payable during 2008 were £9.4 million, comprising £8.3 million relating to bond interest on the Senior Notes due 2012, £1.0 million to other bank borrowings and £0.1 million relating to the amortisation of issue costs.

Taxation

The tax expense of £3.7 million related to a profit before tax of £9.6 million. The tax expense was split between a corporation tax charge of £2.6 million and a deferred tax charge of £1.1 million. Profits in our overseas subsidiaries again led to a local corporation tax charge, despite the UK remaining in a loss making position.

Retained Profit

The retained profit of the Group for the year was £5.9 million compared to a profit in 2008 of £6.9 million.

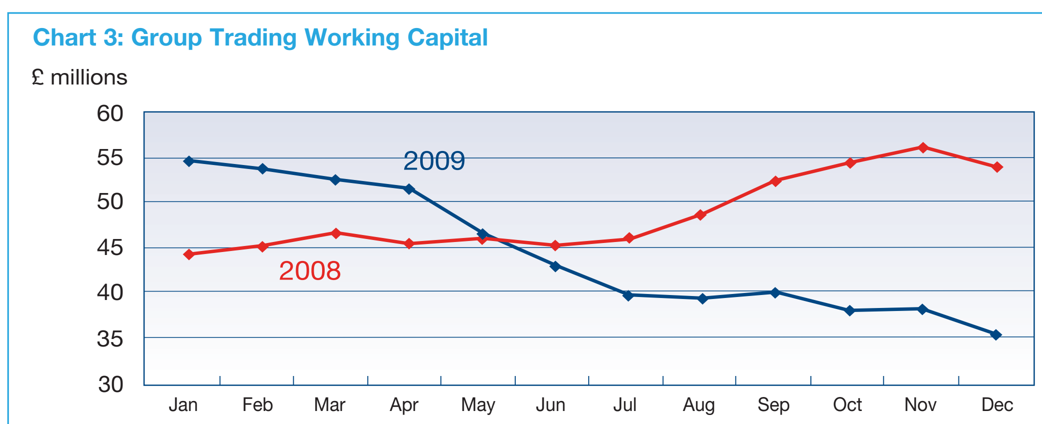
Cash Flow

Net cash flows from operating activities at £34.6 million in 2009 were £14.6 million higher than 2008, despite operating profit being £3.5 million below 2008.

The major influence on our cash flow during 2009 was the £19.8 million cash reduction in inventories. This results from a concerted effort to reduce inventories across the Group and whilst some of the inventory reduction is due to lower sales volume, we estimate a sizeable proportion arises from direct management actions to permanently reduce inventory levels.

The cash reduction in receivables was £2.7 million, reflecting lower sales volume and active credit control. Throughout the year we have maintained our receivable days position and at the end of December, the Group's receivables days calculation averaged 46 days an improvement of 5 days over the same month in 2008.

Trade and other payables decreased by a cash reduction of £8.0 million compared to 31 December 2008. The reduction in trade payables for the most part reflects the much lower level of inventories at the year end. As at 31 December 2008, inventories totalled £59.1 million compared to £35.8 million at 31 December 2009. Chart 3 shows the change in Group trading working capital over 2008 and 2009.



During 2009 we spent £2.8 million against our exceptional provisions of which £1.9 million was on rationalisation and redundancy costs.

Capital expenditure for the year totalled £8.0 million. Within the Gas Cylinders division the major expenditure related to the completion of the rationalisation programme with the move of the Riverside aluminium operation to our North Carolina facility and the consolidation and automation of our composite facility on the vacated site. The other major project was the commencement of a new production line at our UK Superform operation to enable the business to meet current sales demand. Within the Elektron division the major expenditure was on the building of a second atomiser at our US magnesium powders plant. Other major projects included the commencement of the installation of an extrusion press at our UK magnesium operation, and the relocation of a mill from the closed Revere operation to our rolling operation in Madison.

During 2009, we also received the first annual instalment of £0.5 million relating to the deferred consideration payable from the sale of our Speciality Aluminium division. We also received the second annual instalment of £0.5 million in January 2010.

Net interest costs paid during the year totalled £7.4 million. These costs include £6.7 million paid on the Senior Notes due 2012, and £0.8 million in bank interest. Costs paid during the year relating to the renegotiation of the Group's revolver facility amounted to £1.5 million. The lower interest paid in 2009 compared to 2008, which amounted to a saving of £2.2 million, reflects the lower utilisation of the revolver and lower interest rates.

Shareholder Funds & Borrowings

Shareholder funds at the end of the year were £22.0 million compared to £23.2 million at the end of 2008.

The loss on the consolidated statement of comprehensive income for the year of £0.3 million included a £4.3 million exchange loss on the translation of foreign operations, a gain of £3.2 million on cash flow hedges, an actuarial loss of £5.9 million on our defined benefit pension schemes and a deferred tax benefit on the actuarial loss of £0.8 million.

Banking Facilities

The Group has a £45.0 million facility, which expires in April 2011. The facility provides for up to £10.0 million of ancillary financing for letters of credit, bank guarantees and foreign exchange hedging within the total £45.0 million facility. The facility is provided through asset-backed financing arrangements in the UK and the US and is secured over substantially all the operating assets of the Group in the UK and US.

Treasury and Financial Risk Management

The Group operates a central treasury function that controls all borrowing facilities, investment of surplus funds and the management of financial risks. The Group's financial risk management is described in detail in Note 24 of the Group financial statements.

Pension Plans

The Group operates defined benefit arrangements in the UK, US and France. The levels of funding are determined by periodic actuarial valuation. The Group also operates defined contribution schemes in the UK, US and Australia.

At the end of 2005, the decision was taken to close the US defined benefit pension scheme, offering alternative arrangements to the employees who were members of that scheme. The termination of the scheme resulted in an exceptional credit to the income statement of £3.7 million in that year.

At 31 December 2009 the Group's actuaries prepared a valuation of the pension schemes under IAS 19. This indicated that, based upon the current state of the equities market, there would be a point-in-time shortfall of £32.8 million (2008: £28.7 million), and £23.2 million (2008: £19.3 million) net of the related deferred tax asset.

The last full actuarial valuation of the UK defined benefit scheme as at April 2009 (probably the worst possible time with the global recession having a major distorting effect on both asset values and bond yields) has identified a deficit of £55.2 million. The pension actuary estimates that this deficit was reduced to approximately £36.9 million as at the end of December 2009, reflecting the improvement in asset and bond yields.

Stephen Williams
Group Finance Director

Peter Joseph Kinder Haslehurst (69), Non-Executive Chairman

Appointed Non-Executive Director in 2003 and became Chairman in 2006.
Appointed to the Audit Committee and the Remuneration Committees in 2003 and became Chairman of both committees in 2006.

Peter has been a Chartered Engineer, a Companion of the Chartered Management Institute and a fellow of the Institution of Mechanical Engineers, the Institution of Engineering and Technology, the RSA and also the Institute of Materials, Minerals and Mining, where he is a past vice president. Peter has been a managing director/chief executive and chairman in international manufacturing industry for over 40 years. From 1969 to 1981 he was managing director of Wellman Mechanical Engineering Ltd., the metallurgical plant makers, from 1981 to 1984 he was chief executive, then chairman in 1985, of Flexibox International Ltd., from 1985 to 1999 he was chief executive and deputy chairman of the EIS Group PLC. He was chairman of the Brunner Mond Group from 2000 to 2008. From 2003 to 2009 he was chairman of Imago at Loughborough Ltd., he is a non-executive director of ECGD, chairman and Vice Commodore of the Royal Thames Yacht Club Ltd. since 2008 and was appointed president emeritus of VAI Industries (UK), following chairmanship of VA Tech (UK) from 1999 to 2002. He is chairman of the Leonard Cheshire Hill House appeal fund. He was made Eisenhower Fellow from Britain in 1980, an honorary Doctor of Science at Loughborough University in 2008 and is a Freeman of the City of London.

Brian Gordon Purves (55), Chief Executive

Appointed to the Board of the Luxfer Group in 1996 on the Group's formation.
Appointed Chief Executive in 2002.

Brian served as the Luxfer Group's Finance Director from 1996 to 2002. He was also a member of the management buy-in team in 1996. He is a qualified accountant with a degree in physics and a masters in business studies. Between 1977 and 1996 he held senior positions in Land Rover and Rover Group covering financial, commercial and general management responsibilities, often with international aspects.

Stephen Norman Williams (58), Group Finance Director

Appointed as a Director in 2001. Appointed Group Finance Director in 2002.
From 1996 until his appointment as Group Finance Director Stephen served as the Group Financial Controller. He is a chartered accountant and holds a degree in economics and business administration. Prior to joining the Luxfer Group, Steve held a number of senior financial roles in Alcan. In 1996 he was a member of the management buy-in team, having served as Alcan's divisional finance director responsible for the businesses acquired.

Joseph Allison Bonn (66), Non-Executive Director

Appointed as a Non-Executive Director in 2007.
Appointed a member of the Audit and the Remuneration Committees in 2007.

Joe has extensive experience in the aluminium and specialty chemical industry having worked for Kaiser Aluminium and Chemical Corporation for over 35 years in various senior capacities. Since leaving Kaiser in 2004 he has acted as a consultant to various corporations, investment banks and financial organisations in M & A, restructuring, due diligence and board activity matters. Among other appointments in the US he has served on the Board and Executive Committee of the Aluminum Association, the Board of the National Association of Purchasing Management, and the International Primary Aluminum Institute Board. He is a US citizen and resides in the US.

Kevin Flannery (65), Non-Executive Director

Appointed as a Non-Executive Director in 2007.
Appointed a member of the Audit and the Remuneration Committees in 2007.

Kevin has extensive experience in Corporate Finance, pursuing a career on Wall Street for over 24 years. Since leaving Bear Stearns in 1992 he has worked for Whelan Financial Corporation, becoming President and Chief Executive in 2004. He has also held the position of Chairman and Chief Executive with both Telespectrum Worldwide, Inc (2002-04) and RoweCom, Inc (2003-04). He is engaged in Corporate Advisory work with several US corporations and since 1997 has held directorships with several US companies, including Geneva Steel Company, Sheffield Steel Company and Raytech Corporation. He is a US citizen and resides in the US.

MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

Brian Gordon Purves (55), Chief Executive

Please refer to the main Board biographies on page 17.

Stephen Norman Williams (58), Group Finance Director

Please refer to the main Board biographies on page 17.

Andrew Michael Beaden (42), Director of Planning and Finance

Andy was appointed to the Executive Management Board in January 2006. He joined the Luxfer Group in 1997 and was promoted to Group Financial Controller in 2002. He became Director of Planning and Finance in mid 2008. Andy is a qualified chartered accountant who has worked for KPMG, as well as several UK FTSE 100 companies in a variety of financial roles. He has an economics honours degree from Nottingham University.

Christopher John Hilary Dagger (61), Managing Director of Magnesium Elektron

Chris was appointed to the Executive Management Board in 2001 on assuming responsibility for Luxfer's Magnesium businesses. He joined the Luxfer Group in 1999 as Managing Director of Magnesium Elektron UK and became Divisional Managing Director in 2001. Prior to this he held a number of positions within British Alcan Aluminium over 20 years in businesses ranging from stockholders, gas cylinder manufacture, extrusions to smelting.

Edward John Haughey (54), Managing Director of MEL Chemicals

Eddie was appointed to the Executive Management Board on his appointment as Managing Director of Luxfer´s Zirconium businesses in 2003. Eddie joined the Luxfer Group from Croda International Plc where he held the post of Managing Director of Croda Colloids Limited. He is a graduate in chemistry and has held a series of senior general management positions in the Croda Group, BASF and Rhone Poulenc.

John Stephen Rhodes (60), President of Luxfer Gas Cylinders

John has been a member of the Executive Management Board since the formation of the Luxfer Group. He joined Alcan in 1974 following 3 years with The British Council, and has a BSc (Hons) from London University. He initially worked in HR and, after post graduate studies at Cranfield, he moved into Sales & Marketing within the Alcan Distribution business becoming Managing Director in 1986. In 1989 he became Director of Business Development for the Enterprise Division of British Alcan Aluminium and following that Managing Director of Superform in 1991. John moved to the US in 1994 to become President of Luxfer Gas Cylinders.

Linda Frances Seddon (59), Company Secretary and Legal Adviser

Linda was appointed to the Executive Management Board in 2001. She qualified as a solicitor in 1976. After 14 years in private practice she joined industry in 1990 initially as an in-house legal adviser dealing with general commercial, property, IP, M & A and corporate matters. Subsequently she added the role of group company secretary. She joined the Luxfer Group in 1997 as Company Secretary and Legal Adviser.

The Directors support the principal of corporate governance in so far as it is practical for a company of its size.

Our Board of Directors

In 2009, our Board of Directors continued to consist of five members, the maximum number permitted under the articles of association of the Company. It comprised a Non-Executive Chairman, two Non-Executive Directors and two Executive Directors. The Chairman and the Executive Directors are also shareholders. There were no changes in membership of the Board or of the Board Committees during the year. Brief biographical details are shown on page 17.

Our Board has responsibility for the overall management and performance of the Group and approval of its long-term strategy. They have determined a schedule of appropriate matters reserved to them which is reviewed periodically. There are six scheduled meetings each year with additional meetings called as appropriate. They will normally meet at least once a year at one of the Group's overseas locations as part of their monitoring role and to ensure a better understanding of the Group's various operations.

We also have a Remuneration Committee and an Audit Committee, which deal with various appropriate aspects of the affairs of both the Company and the Group in accordance with written terms of reference which are reviewed periodically.

The Chief Executive is responsible to our Board for the management and performance of the business within the frame work of the matters reserved to the Board. Both he and the Group Finance Director each provide routine monthly reports to our Board which together cover all aspects of the business as agreed with the Board and which are then further commented upon at scheduled Board Meetings and elaborated upon as necessary.

Our Executive Management Board

We also have an established Executive Management Board, chaired by the Chief Executive which is normally scheduled to meet monthly. This board consists of senior management at Group and divisional level and provides a forum where matters of interest or concern to the Group can be reviewed and discussed, policies agreed and appropriate measures implemented. It also provides a forum for senior management to update themselves with progress in other parts of the Group outside their remit. In 2009 the make-up of the Executive Board remained the same as in 2008 and consisted of seven members. Please see page 18.

Internal Controls and Risk Management

As a Group we operate to established procedures, which are designed to identify, evaluate and manage significant risks in the Group. These procedures are reviewed on an on-going basis as considered appropriate and cover both financial and non-financial risks. Our Board receives periodic reports on internal controls, the management of identified risks and the processes involved in their identification.

The following are our Group's principal internal control procedures:

Risk Management – We have over the years developed and implemented a Risk Management Process with the help of external advisors. On an annual self-certification and monitoring basis, local management create a risk profile for their business by identifying and evaluating the likelihood and magnitude of their key operational, commercial and financial risks. These risk factors are also consolidated annually to form an overall risk profile for the Group. Risk profiles are used as a management tool both at business unit and Group level with a view to reducing, transferring or eliminating risk as appropriate and where possible.

Health and Safety – The Group is fully committed to achieving and maintaining the highest standards of health and safety for all its employees, contractors, visitors and all those who may be affected by its operations as an integral part of good business practice. Members of the Executive Management Board have been designated to monitor, co-ordinate and report upon the health and safety aspects of specific regions of the Group's international operations.

The main elements of our approach to health and safety are:

- A requirement that all operating units comply with the Group's health and safety policy and relevant local health and safety legislation and regulation.
- Health and safety is considered as an element in both the business unit and corporate risk assessment.
- Each operating site has a designated health and safety officer who is appropriately trained and responsible for health and safety matters and compliance with relevant legislation at the site. Risks are identified on a site basis and appropriate training of employees is undertaken.
- Site health and safety issues are discussed at the regular business review meetings undertaken by our Chief Executive and our Group Finance Director on each site.

- Periodic cross audits between operating units. The results of these audits are reported upon to the site managing director with appropriate recommendations. Progress on implementation of any recommendations is followed and reported upon in the business review meetings undertaken by our Chief Executive.
- There are also regional periodic meetings of health and safety officers from operating units across the Group.
- Professional expertise is sourced as and when appropriate.
- A quarterly report is made to the Board by our Chief Executive who also reports any issue of which the Board should be aware if and when such issues may arise.

To further heighten the profile of health and safety within the Group, in 2009 we introduced two new health and safety awards which will be competed for annually within the Group. They are awarded on a site basis for the 'Best Overall Safety Performance' and the 'Most Improved Safety Performance'. All employees at the award winning site participate in the reward.

Environment – Our Group remains committed to a high standard of environmental management to ensure legislative compliance across the Group. Members of the Executive Management Board have been designated to monitor, co-ordinate and report upon the environment and environmental issues relevant to the Group and its activities for specific regions of the Group's international operations.

The main elements of the Group's approach to the environment are:

- A Group Environmental Policy and site-specific Environmental Management System ("EMS") with which all operating sites are required to comply. The Group is committed to achieve ISO14001 certification at larger sites and several of our business units have already achieved this standard. Many of the elements of the current EMS and work carried out for IPPC registration are consistent with ISO14001.
- All UK manufacturing sites that require IPPC permits have attained them.
- The environment is managed and reported on at various levels within the Group. Each operating site has a manager designated with responsibility for environmental matters who has appropriate knowledge and expertise.
- External expertise and advice is sought as necessary and appropriate.
- The Chief Executive reports to the Board annually on the main environmental issues affecting the Group and any significant individual issues are brought to the attention of the Board as appropriate and as they arise during the year.
- The environment is considered as an element of the Group's corporate risk assessment. No acquisition involving land or an operating site is undertaken without first obtaining an independent environmental report.

Internal Financial Controls – The key controls consist of:

- The preparation of comprehensive monthly financial reviews submitted to and discussed with the Directors at regular Board meetings.
- Hedging policies approved by the Board and operated by a hedging committee which is chaired by the Group Finance Director. The policy covers the Group's exposure to and management of metal costs and foreign exchange rates as appropriate. The Board also receives regular monthly reports on such activities. Policies are reviewed periodically as circumstances dictate.
- A Group Accounting Manual and Group Authority Manual requiring proper, consistent, and legally compliant financial management at all levels.
- Regular performance reviews with divisional management carried out by our Chief Executive and our Group Finance Director at site.
- Periodic internal audits carried out by Head Office finance staff.

Directors' Remuneration

Executive Directors – The remuneration packages of the Executive Directors are determined by the Company's Remuneration Committee on a consistent basis with the policy for senior executive remuneration within the Group. The Committee also determines compensation packages for exiting executives when appropriate.

Remuneration packages aim to attract, retain and incentivise high calibre managers and reward individual performance. On appointment and periodically thereafter the Committee benchmarks executive remuneration packages against appropriate comparators.

The reward structure for the Executive Directors and other senior executives in the Group comprises the following elements:

- **Base salary** which takes into account market rates, affordability, the responsibilities of the position held, the experience and contribution of the individual executive and the international scale of the Group's operations. Base salary is reviewed annually.
- **Annual bonus** based on achievement against financial targets. These financial targets are set in January of each year and for the Executive Directors are primarily based on Group trading profit and annual cash flow, measured against the approved annual budget. The specific combination of financial targets in any year are aligned, as appropriate, with the needs of the Group and the businesses for that year. The bonus scheme consists of a maximum annual bonus payable of a pre-defined percentage of annual salary related to the individual's position in the Group. The Executive Directors' maximum percentage bonus achievable is normally 60% of base salary. Under the bonus scheme, maximum percentage bonus is payable only for achieving specified stretch targets beyond budget in the target areas. In addition, the Remuneration Committee has determined to consider each year offering to the Executive Directors as an incentive, an additional percentage bonus over and above the pre-defined maximum annual bonus payable only on achievement of specific additional targets set by them aligned with the requirements of the business. In 2009 the Executive Directors earned an additional percentage bonus of 15% of base salary for achieving certain pre-defined targets determined by the Remuneration Committee as a primary objective of the Group in 2009. As determined by the Remuneration Committee, a proportion of Stephen Williams' bonus has been pensionable since 2008 and the same proportion of Brian Purves' bonus is pensionable in 2009. The sums paid are included in the figures set out in *'Pensions – defined contribution'* on page 22.
- **Benefits** consisting of membership of pension arrangements, company car or car allowance, medical, dental and life insurance.
- **Salary** sacrifice arrangements where a proportion of salary and bonus can be sacrificed for additional payments into certain of the Group's registered and unregistered defined contribution pension arrangements.
- **Longer Term Incentives** related to share ownership consisting of the Management Incentive Plan described on page 23 and share option scheme, The Luxfer Holdings Executive Share Option Plan described in Note 27 on page 64 and Note 39 on page 75 to the financial statements.

Non-Executive Directors – The remuneration of the Chairman and the Non-Executive Directors consists of an annual fee for their services as members of the Board and Committees which is reviewed annually. Non-Executive Remuneration is determined by the Board and benchmarked against appropriate comparators on appointment and periodically thereafter.

Table 2 details the remuneration for each Director in respect of the year ended 31 December 2009, together with comparative totals in respect of the year ended 31 December 2008.

Table 2: Directors' Remuneration for the year ended 31 December 2009 – Audited

	Salary/Fees £	Annual Bonus £	Benefits £	Total 2009 £	Total 2008 £
Executive Directors:					
Brian Purves*	**264,804**	**123,531**	**17,174**	**405,509**	374,073
Stephen Williams*	**147,504**	**68,811**	**12,974**	**229,289**	212,394
Non-Executive Directors:					
Peter Haslehurst**	**80,304**	**-**	**-**	**80,304**	77,250
Joseph Bonn***	**41,137**	**-**	**-**	**41,137**	36,050
Kevin Flannery***	**41,137**	**-**	**-**	**41,137**	36,050
Total	**574,886**	**192,342**	**30,148**	**797,376**	735,817

* Both Executive Directors elected to sacrifice a proportion of their salary and bonus set out above in return for additional employer contributions of equivalent value into the Group's registered and unregistered defined contribution pension arrangements.

** Fees paid to third party for services provided as a Director.

*** The fees of the two Non-Executive Directors were set at US$65,000 for 2009. The above figures represent the pound sterling equivalent cost incurred by the Company to make the US dollar payments.

Pensions

During the year, Brian Purves and Stephen Williams participated in the Group's contributory and non contributory pension arrangements.

Pensions - defined benefit

Changes were made to the defined benefit pension arrangements from 6 October 2007, the result of which is that the defined benefit pension accrual rate for both Executive Directors reduced from 7/400ths (1.75%) to 6/400ths (1.5%) of pensionable earnings for each year of service from 6 October 2007, where pensionable earnings are restricted to a scheme specific earnings cap of £67,000 per annum (£65,000 for 2008/2009), with defined contribution arrangements covering salary above the cap. Member contributions for both Executive Directors were 9.8% of pensionable earnings in 2009. Provision is also made for payment of a spouse's pension on death and a lump sum payment on death in service. Details of the pension benefits are set out in Table 3.

Table 3: Directors' Pension Benefits for the year ended 31 December 2009 – Audited

Pensions – defined benefit	Accumulated total accrued pension at 31 December 2009	Increase in accrued pension over year to 31 December 2009	Transfer value of increase
Executive Directors:			
Brian Purves	£28,058 pa	£891 pa	£5,634
Stephen Williams	£35,542 pa	£891 pa	£5,537

Notes

1. The accumulated total pension is the total defined benefit pension, which would be paid annually on retirement based on service to and salary at the end of the year.
2. The increase in accrued pension includes all defined benefit pension earned during the year, excluding any increase due to inflation.
3. Brian Purves previously brought a transfer value into the Group pension arrangements from the scheme of a previous employer, in exchange for added years of service credit. The pension resulting from this service credit is included in the accumulated total accrued pension figure.
4. The transfer value has been calculated on the basis set by the Trustees of the Luxfer Group Pension Plan under legislation, less contributions paid by the Directors themselves.
5. Brian Purves and Stephen Williams both contributed £6,039 over the year. This is based on 9.8% of the salary cap less State Pension Deduction.
6. Neither Additional Voluntary Contributions nor their resulting benefits are included in the above table.

Pensions - defined contribution

In October 2008 the Group's registered defined contribution arrangements were switched from a trust based occupational plan to a Group personal pension plan. An unregistered defined contribution arrangement was put in place in 2010 as an alternative to the Group personal pension plan.

The defined contributions, including for 2009 pensionable bonus, made in respect of Brian Purves were divided between the Group's registered and unregistered defined contribution arrangements and a personal pension plan. The Company's contributions to the Group's registered and unregistered defined contribution arrangements in respect of Brian Purves for the year to 31 December 2009 were £51,270 (2008: £19,114) and to his personal arrangements were £46,606 (2008: £44,810). These contributions are subject to a cap.

For Stephen Williams, the Company paid £38,956 (2008: £33,546) into the Group's registered and unregistered defined contribution arrangements.

The above 2009 contributions do not include any additional amounts as a result of the actual sacrifice of salary or bonus shown in Table 2, but do include a share of certain savings that the Company makes as a consequence of those sacrifices.

Directors' Interests and Related Party Transactions

No Director had a material interest in, nor were they a party to, any contract or arrangement to which the Company or any subsidiary is or was party either during the year or at the end of the year, with the following exceptions: in the case of the Executive Directors their individual service contract; in the case of the Non-Executive Directors their engagement letters or the contract for services under which their services as a director of the Company are provided; and Brian Purves, Steve Williams and Peter Haslehurst are party to the Management Incentive Plan ("MIP") described below.

The interests of the Directors who held office at 31 December 2009, and those of their families, in the share capital of the Company are set out below in Table 4 ***'Directors' Shareholdings in the Company'*** and Table 5 ***'Options held by Directors'***. All of the interests were beneficial.

No Director had any other notifiable interest in any securities of any Group company or undertaking during the year.

Management Share Incentives

The Company has entered into a share incentive arrangement, the Management Incentive Plan, with a group of senior managers. Peter Haslehurst the Chairman and the two Executive Directors, Brian Purves and Stephen Williams, participate in the MIP.

The MIP was established to promote the success of the Group and incentivise certain Directors and senior management by providing them the opportunity to share in any increase in the long term value of the Group. On establishment of the MIP in 2007, out of the 1.3 million ordinary shares of £1 each held by MIP members, which represented 13% of the Company's issued ordinary share capital, 800,000 shares (8% of the Company's issued ordinary share capital) were Restricted shares. Restricted shares are held subject to the provision of the MIP and subject to contractual restrictions whereby the management holders of the shares waive their economic rights, benefits and/or entitlement as holders of those shares (such as their rights to receive dividends or distributions from the Company) until certain specified EBITDA targets are attained. In addition, MIP members waive their entitlement to transfer any Restricted ordinary shares (other than in accordance with certain leaver provisions set out in the MIP) whether or not the shares have become Unrestricted shares by the attainment of the relevant the EBITDA targets. All Restricted ordinary shares of £1 each held by management carry the same voting rights per share as any other ordinary share of £1 each, with very limited exceptions.

For the financial year 2008, the Company attained an EBITDA of £30.5 million. As a result under the rules of the MIP 262,500 of the 800,000 Restricted shares become classified as Unrestricted shares. Of the 1.3 million ordinary shares of £1 each held by MIP members, at the 31 December 2009 only 537,500 were classed as Restricted shares representing 5.4% of the Company's total issued ordinary share capital. The division between Restricted shares and Unrestricted shares held by the Directors in Table 4 for the year 2009 reflects the lifting of these restrictions. There will be no lifting of restrictions over Restricted shares for the financial year 2009 as no additional EBITDA targets were attained during the year.

The Company also has an employee share option plan. The Luxfer Holdings PLC Executive Share Option Plan under which options to purchase certain shares can be granted to eligible employees. Further particulars of this plan are set out in Notes 27 and 39 to the financial statements.

Table 4: Directors' Shareholdings in the Company – Audited

	Ordinary shares of £1 each			'B' Preference shares	Deferred shares
	Restricted	Unrestricted	Total	£1 each (25% paid)	£0.0001 each
Directors:	**No.**	**No.**	**No.**	**No.**	**No.**
Peter Haslehurst					
Held at 31 Dec 2009	**26,875**	**38,125**	**65,000**	**-**	**5,920,598,526**
Held at 1 Jan 2009	40,000	25,000	65,000	-	5,920,598,526
Brian Purves*					
Held at 31 Dec 2009	**134,375**	**190,624**	**324,999**	**25,000**	**29,602,992,629**
Held at 1 Jan 2009	200,000	124,999	324,999	25,000	29,602,992,629
Stephen Williams**					
Held at 31 Dec 2009	**34,938**	**54,562**	**89,500**	**-**	**7,341,542,172**
Held at 1 Jan 2009	52,000	37,500	89,500	-	7,341,542,172

* Includes Brian Purves' beneficial holding through BG Purves Retirement Trust.
** Includes shares held in Stephen Williams' SIPP.
Restricted ordinary shares are held subject to the provisions of the MIP – see above.

Table 5: Options held by Directors – Audited

Executive Directors:	Options held No.	Options granted No.	Options exercised No.	Options lapsed No.
Stephen Williams				
Ordinary share of £1 each* – Unrestricted				
at 31 December 2009	**2,625**	**-**	**-**	**-**
at 1 January 2009	-	-	-	-
Ordinary share of £1 each* – Restricted				
at 31 December 2009	**5,375**	**-**	**-**	**-**
at 1 January 2009	8,000	-	-	-

* Exercise price of 97p

OTHER STATUTORY INFORMATION

Dividend

No dividend has been paid and the Directors do not recommend a dividend on the ordinary shares of £1 each.

Employee Involvement

We directly involve employees in the performance of the Group and divisions through the use of various incentive schemes. These include bonus schemes, and for senior management share option schemes, share ownership and other performance related incentives.

A combination of newsletters, regular line manager and team briefings, exchanges and consultations, at both Group and site level (as appropriate) are used to systematically communicate with employees and develop their awareness of matters, which concern them, their business unit, division and the Group. As required, employees are consulted on matters that concern them in an appropriate manner and through appropriate channels.

Our Group continues to offer training and development opportunities to employees at all levels and of all abilities providing benefit to both the Group and the individual employee. Periodically we undertake a succession planning review to ensure that we develop suitable candidates for critical leadership roles within the Group.

We have an equal opportunities policy, which is intended to promote good employment practices throughout the Group in the treatment of both employees and job applicants.

Disabled Employees

Where an employee has developed a disability whilst employed in his or her business, which impacts on their ability to carry out their job effectively, the relevant business unit will make arrangements where possible to retain that employee and continue his or her employment. Applicants for job vacancies who are disabled are given full and fair consideration bearing in mind the requirements of the particular job and the particular aptitude and abilities of the candidate.

Research and Development

During the year the Group invested £4.0 million in research and development on new and improved products and processes. This compares with a total spend in 2008 of £3.8 million. The Group continues to maintain links in fields of research with both leading universities in various countries and outside agencies to support and supplement its own in-house expertise. A further indication of the activities of the Group in the field of research and development can be found in the section on our business model on page 5 and in the Chief Executive's Review on page 11 of this report.

Payment of Creditors

Our Group does not follow a formal code on the payment of creditors. Group policy provides that payment terms should be agreed with suppliers during negotiations. Each business unit endeavours to adhere to this policy as far as it is practicable. Usual practice is to pay suppliers in accordance with agreed terms and conditions provided that goods or services supplied are in accordance with the agreed terms and conditions of contract.

Normally, suppliers will be advised as soon as is practicable of a dispute and payment will be made of that part of the invoice not in dispute unless good reason exists. Smaller suppliers will usually be paid in accordance with their standard terms and conditions or those of the business unit concerned (of which they are made aware) as appropriate. Actual practice may vary between business units. As the Company is a parent company it has no trade creditors. However, at 31 December 2009 the Group had an average of 38 days purchases outstanding to trade creditors calculated in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Political and Charitable Donations

The Company and its subsidiaries made no political donations in the year. During the year the Group made charitable donations amounting to £33,000 (2008: £30,000) consisting of a number of small donations to various community, welfare and health charities local to the businesses that make up the Group and a significantly larger donation of approximately £20,000 divided between a US children's charity and an international aid charity.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources and borrowing facilities to continue operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Liabilities

During the year the Company had in force an indemnity provision in favour of the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 17. Having made enquiries of fellow Directors and of the Company's auditors, each of those Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all steps a Director may be reasonably expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution will be put to the Annual General Meeting of the Company to re-appoint Ernst & Young LLP as auditors.

By order of the Board

Linda F Seddon
Secretary
25 March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

For each financial year, the Directors are responsible for preparing the annual report, the Group consolidated financial statements and the Company financial statements in accordance with applicable laws and regulations.

Under United Kingdom company law the Directors are required to prepare the group consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union

The Directors are also responsible for preparing group financial statements for each financial period, which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit and loss for that period.

The Directors have chosen to prepare the company financial statements in accordance with UK applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) as required by United Kingdom company law. The company financial statements are required by company law to give a true and fair view of the state of affairs of the Company as at the end of the financial year.

In preparing financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- in respect of the group consolidated financial statements only, state they have been prepared in accordance with International Financial Reporting Standards; and
- in respect of the company financial statements only, state whether they have followed applicable accounting standards subject to any material departures disclosed or explained in the financial statements.

The Directors are responsible for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Luxfer Board of Directors 2009

We have audited the group financial statements of Luxfer Holdings PLC for the year ended 31 December 2009, which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Comprehensive Income, the related notes 1 to 29 and tables 2 to 5 in the Directors' Report marked as audited. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the Directors' are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit on the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors'; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Other matter

We have reported separately on the parent company financial statements of Luxfer Holdings PLC for the year ended 31 December 2009.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
25 March 2010

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CONTINUING OPERATIONS	Notes	**2009 £M**	2008 £M
REVENUE	2	**236.3**	257.7
Cost of sales		**(188.1)**	(206.9)
Gross profit		**48.2**	50.8
Other income		**0.1**	0.2
Distribution costs		**(4.3)**	(4.5)
Administrative expenses		**(25.8)**	(24.0)
Share of start-up costs of joint venture	12	**(0.1)**	-
TRADING PROFIT		**18.1**	22.5
Exceptional items	4	**(1.0)**	(1.9)
OPERATING PROFIT	3	**17.1**	20.6
PROFIT ON OPERATIONS BEFORE INTEREST AND TAX		**17.1**	20.6
Finance income	6	**0.1**	0.2
Finance costs:			
Interest costs	7	**(7.6)**	(9.6)
PROFIT ON OPERATIONS BEFORE TAXATION		**9.6**	11.2
Tax expense	8	**(3.7)**	(4.3)
PROFIT FOR THE YEAR		**5.9**	6.9
Attributable to:			
Equity shareholders		**5.9**	6.8
Non-controlling interests		**-**	0.1
		5.9	6.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £M	2008 £M
Profit for the year		**5.9**	6.9
Other comprehensive income			
Exchange differences on translation of foreign operations		**(4.3)**	16.2
Fair value movements in cash flow hedges		**2.0**	(3.3)
Transfers to income statement on cash flow hedges		**1.2**	1.0
		3.2	(2.3)
Actuarial losses on defined benefit retirement schemes	26	**(5.9)**	(29.3)
Deferred tax on items taken directly to equity	20	**0.8**	9.1
		(5.1)	(20.2)
Other comprehensive income for the year		**(6.2)**	(6.3)
Total comprehensive income for the year		**(0.3)**	0.6
Attributed to:			
Equity shareholders		**(0.3)**	0.5
Non-controlling interests		**-**	0.1
		(0.3)	0.6

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009

	Notes	2009 £M	2008 £M
ASSETS			
Non-current assets			
Property, plant and equipment	9	**67.4**	72.2
Intangible assets	10	**23.9**	24.0
Investments	12	**0.2**	0.1
Deferred tax assets	20	**7.2**	8.1
Other non-current assets	21	**1.4**	1.9
		100.1	106.3
Current assets			
Inventories	13	**35.8**	59.1
Trade and other receivables	14	**31.6**	36.7
Cash and short term deposits	15	**1.8**	2.0
		69.2	97.8
TOTAL ASSETS		**169.3**	204.1
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders			
Ordinary share capital	16	**10.0**	10.0
Deferred share capital	16	**76.9**	76.9
Retained earnings	17	**132.3**	131.5
Own shares held by ESOP	16	**(0.4)**	(0.4)
Hedging reserve	17	**(0.1)**	(3.3)
Translation reserve	17	**10.8**	15.1
Merger reserve	17	**(207.5)**	(207.5)
Equity attributable to the equity holders of the parent		**22.0**	22.3
Non-controlling interests	28	**-**	0.9
Total equity		**22.0**	23.2
Non-current liabilities			
Bank loans and overdrafts	18	**6.3**	-
Senior loan Notes due 2012	18	**71.7**	71.6
Retirement benefits	26	**32.8**	28.7
Preference shares	16	**0.1**	0.1
Provisions	19	**2.5**	1.8
Deferred tax liabilities	20	**0.1**	0.4
		113.5	102.6
Current liabilities			
Bank loans and overdrafts	18	**-**	26.9
Trade and other payables	22	**32.4**	46.5
Current income tax liabilities		**0.1**	1.1
Provisions	19	**1.3**	3.8
		33.8	78.3
Total liabilities		**147.3**	180.9
TOTAL EQUITY AND LIABILITIES		**169.3**	204.1

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Stephen Williams**

25 March 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009 £M**	**2009 £M**	2008 £M	2008 £M
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit		**17.1**		20.6	
Adjustments for:					
Depreciation and amortisation		**8.7**		8.0	
Loss on disposal of property, plant and equipment	3	**-**		0.5	
Share of net loss of joint venture	12	**0.1**		-	
Decrease/(increase) in inventories		**19.8**		(7.3)	
Decrease in receivables		**2.7**		3.0	
(Decrease)/increase in payables		**(8.0)**		1.1	
Decrease in retirement benefits	26	**(0.5)**		(2.6)	
Decrease in provisions	19	**(1.7)**		(1.4)	
Income tax paid		**(3.6)**		(1.9)	
NET CASH FLOWS FROM OPERATING ACTIVITIES			**34.6**		20.0
Net cash inflow from continuing operating activities			***34.4***		***20.2***
Net cash inflow/(outflow) from discontinued operating activities			***0.2***		***(0.2)***
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		**(8.0)**		(12.0)	
Purchase of intangible assets		**-**		(0.3)	
Proceeds on disposal of property, plant and equipment (net of costs)		**0.2**		0.2	
Purchase of business (net of costs)		**-**		(0.2)	
Investment in joint venture	12	**(0.2)**		-	
Proceeds from sale of business (net of costs)	21	**0.5**		3.2	
NET CASH USED IN INVESTING ACTIVITIES			**(7.5)**		(9.1)
NET CASH FLOW BEFORE FINANCING			**27.1**		10.9
FINANCING ACTIVITIES					
Net interest paid on banking facilities		**(0.8)**		(1.3)	
Interest paid on Senior Notes due 2012		**(6.7)**		(8.4)	
Interest received on Loan Note		**0.1**		-	
Renewal of banking facility – financing costs	18	**(1.5)**		-	
Payments to acquire non-controlling interests	28	**(0.9)**		-	
Repayments of banking facilities		**(17.5)**		(1.8)	
NET CASH FLOWS FROM FINANCING ACTIVITIES			**(27.3)**		11.5
NET DECREASE IN CASH AND CASH EQUIVALENTS			**(0.2)**		(0.6)
Net decrease in cash and cash equivalents			**(0.2)**		(0.6)
Net foreign exchange difference			-		0.4
Cash and cash equivalents at 1 January	15		**2.0**		2.2
Cash and cash equivalents at 31 December	15		**1.8**		2.0

LIST OF NOTES

Notes to the Group Financial Statements

Note		Page
1	Accounting Policies	33
2	Revenue and Segmental Analysis	39
3	Operating Profit	41
4	Exceptional Items	41
5	Staff Costs	42
6	Finance Income	42
7	Finance Costs	42
8	Income Tax	43
9	Property, Plant and Equipment	44
10	Intangible Assets	45
11	Impairment of Goodwill	45
12	Investments	46
13	Inventories	46
14	Trade and Other Receivables	47
15	Cash and Short Term Deposits	47
16	Share Capital	48
17	Reserves	49
18	Interest Bearing Loans and Borrowings	50
19	Provisions	51
20	Deferred Tax	52
21	Other Long Term Assets and Liabilities	52
22	Trade and Other Payables	53
23	Commitments and Contingencies	53
24	Financial Risk Management Objectives and Policies	53
25	Financial Instruments	56
26	Retirement Benefits	61
27	The Luxfer Group Employee Share Ownership Plan	64
28	Non-controlling Interests	65
29	Related Party Transactions	65

Notes to the Company Financial Statements

Note		Page
30	Significant Accounting Policies	68
31	Investments	69
32	Debtors	70
33	Creditors: amounts falling due within one year	70
34	Creditors: amounts falling due after more than one year	70
35	Deferred Tax	71
36	Share Capital	71
37	Reconciliation of Shareholders' Funds and Movements in Reserves	72
38	Retirement Benefits	72
39	The Luxfer Group Employee Share Ownership Plan	75
40	Related Party Transactions	75

1. ACCOUNTING POLICIES

Authorisation of financial statements

The Group's financial statements for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 25 March 2010 and the balance sheet was signed on the Board's behalf by BG Purves and SN Williams. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

Basis of preparation and statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2009 and applied in accordance with the Companies Act 2006. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest £0.1 million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Luxfer Holdings PLC and its subsidiaries as at 31 December each year. The financial statements consolidated of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The accounting policies which follow set out those polices which apply in preparing the financial statements for the year ended 31 December 2009.

Business combinations and goodwill

Goodwill on the acquisition of a business is initially measured at purchase cost, being the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Impairment is determined by assessing the recoverable amount of a cash generating unit to which the goodwill relates. Where the recoverable amount of the unit is less than the carrying amount of goodwill, an impairment loss is recognised. On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Patents

Patents are measured initially at purchase cost and are amortised on a straight-line basis over the lower of their estimated useful lives, or legal life, this being 17 to 20 years. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Reviews are made annually of the estimated remaining lives and residual values of the patents and trademarks.

Revenue

Revenue excludes inter-company sales and value added tax and represents net invoice value less estimated rebates, returns and settlement discounts. Revenue is recognised on the sale of goods and services when the significant risks and rewards of ownership of those goods and services have been transferred to a third party.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is initially calculated on a straight-line basis over the estimated useful life of the asset. The annual charge is as follows:

Freehold buildings	3% - 10%
Leasehold land and buildings	The lesser of life of lease or freehold rate
Plant and equipment	4% - 30%

Freehold land is not depreciated.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

For any specific cash generating units the carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of the cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of the net selling price and the value in use.

1. ACCOUNTING POLICIES (continued)

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement as part of the profit or loss before tax and interest.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are valued on a first-in, first-out basis. Work in progress and finished goods costs comprise direct materials and, where applicable, direct labour costs, an apportionment of production overheads and any other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Research and development

Research expenditure is written off as incurred. Internal development expenditure is charged to the income statement in the year it is incurred unless it meets the recognition criteria of IAS 38 "Intangible Assets". Regulatory and other uncertainties generally mean that such criteria are not usually met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

Foreign currencies

The functional and presentation currency of Luxfer Holdings PLC and its UK subsidiaries is pounds sterling. Transactions in currencies other than pounds sterling are initially recorded in the functional currency at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowing are also dealt with in equity.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences that arise, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed.

Income tax

Deferred income tax is the future corporation tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, investments in associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rate that is expected to apply in the period when the liability is settled or the asset is realised based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. Deferred income tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalised as a fixed asset at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

1. ACCOUNTING POLICIES (continued)

The capital element of the leasing commitment is shown as obligations under finance leases. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Retirement benefit costs

In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each balance sheet date. The charge to the income statement is based on an actuarial calculation of the Group's portion of the annual expected costs of the benefit plans, based on a series of actuarial assumptions which include an estimate of the regular service costs, the liability discount rate and the expected return on assets.

When a settlement or curtailment occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement in the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

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

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the asset concerned.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Discontinued operations and assets and liabilities held for sale

Discontinued operations are those operations that represent a separately identifiable major line of business that has either been disposed of, or is classified as held for sale.

For those activities classified as discontinued, the post-tax profit or loss is disclosed separately on the face of the income statement. The cash flows associated with the discontinued operation are also disclosed.

Assets (or disposal groups) held for sale are classified as assets held for sale and stated at the lower of their carrying amount and fair value costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Assets held for sale are no longer amortised or depreciated from the time they are classified as such.

Interest in joint venture

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the equity method.

Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The income statement reflects the share of the results of the joint venture. The share of the result of joint venture is shown on the face of the income statement. This is the result attributable to equity holders of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

1. ACCOUNTING POLICIES (continued)

When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Financial assets and liabilities

Trade and other receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest bearing loans and borrowings
Interest bearing bank loans and overdrafts are recorded at the fair value of the proceeds received. Issue costs relating to revolving credit facilities are charged to the income statement over the life of the facility on a periodic basis. Issue costs relating to fixed term loans are charged to the income statement using the effective interest method and are added to the carrying amount of the fixed term loan.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments
The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

Hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

In relation to derivative financial instruments used to hedge a forecast transaction, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Group are recorded at the proceeds received.

Financial liabilities and equity instruments are all instruments that are issued by the Group as a means of raising finance, including shares, loan notes, debentures, debt instruments and options and warrants that give the holder the right to subscribe for or obtain financial liabilities and equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. All equity instruments are included in shareholders' funds. The finance costs incurred in respect of an equity instrument are charged directly to the income statement. Other instruments are classified as financial liabilities if they contain a contractual obligation to transfer economic benefits.

Critical accounting judgements and key sources of estimation of uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The judgements used by management in the application of the Group's accounting policies in respect of these key areas of estimation are considered to be the most significant.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Details regarding goodwill and assumptions used in carrying out the impairment review are provided in Note 11.

Pensions
Determining the present value of future obligations of pensions requires an estimation of future mortality rates, expected rates of return on assets, future salary increases, future pension increases and discount rates. These assumptions are determined in association with qualified actuaries. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The pension liability at 31 December 2009 is £32.8 million (2008: £28.7 million). Further details are given in Note 26.

1. ACCOUNTING POLICIES (continued)

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group.

- IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The principal effects of these changes are as follows:

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
The Group adopted the revised standard from 1 January 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on the financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 25. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 24.

IFRS 8 Operating Segments effective 1 January 2009
This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. The disclosures for each of these segments are shown in Note 2, including additional comparative information.

1. ACCOUNTING POLICIES (continued)

IAS 1 Presentation of Financial Statements effective 1 January 2009

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. As permitted by IAS 1 the Group has elected to show any movements in equity and reserves in Notes 16 and 17, respectively. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 Borrowing Costs (Revised) effective 1 January 2009

The standard has been revised to require capitalisation of borrowing costs on qualifying assets. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs on qualifying assets are to be capitalised with a commencement date on or after 1 January 2009. During the twelve months ended 31 December 2009 the Group does not have any qualifying assets and so the adoption of this Standard did not have any effect on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009

These standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments was not relevant to the presentation of the financial statements of the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transactions in which they are granted. A portion of the fair value of the consideration received is allocated to the award in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group does not have a customer loyalty points programme and so this interpretation will have no impact on the financial position or performance of the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

This interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

New standards and interpretations not applied

During the year, the IFRIC has issued the following interpretation with an effective date after the date of these financial statements:

International Financial Reporting Interpretations Committee (IFRIC)		Effective date
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

The interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Directors do not anticipate IFRIC 17 to have a material effect on the Group's financial statements as the Group has not made non-cash distributions to shareholders in the past.

2. REVENUE AND SEGMENTAL ANALYSIS

For management purposes, the Group is organised into divisions based on their products and has two reportable business segments as defined on page 3 of the Directors' Report. The tables below set out information on the results of the Group's businesses for these two business segments. As permitted by IFRS 8 business segments with similar characteristics have been aggregated to form the defined reportable business segments.

Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to business segments.

All inter-segment sales are made on an arm's length basis.

BUSINESS SEGMENTS:

Year ended 31 December 2009

Revenue	Gas Cylinders £M	Elektron £M	Unallocated £M	Total Continuing Activities £M
Segment revenue	118.9	117.9	-	**236.8**
Inter-segment sales	-	(0.5)	-	**(0.5)**
Sales to external customers	118.9	117.4	-	**236.3**
Result				
Trading profit	3.3	14.8	-	**18.1**
Exceptional items (Note 4):				
Rationalisation and redundancy	(0.1)	(0.6)	-	**(0.7)**
Acquisition costs	-	(0.3)	-	**(0.3)**
Operating profit	3.2	13.9	-	**17.1**
Net finance costs				**(7.5)**
Profit before tax				**9.6**
Tax expense				**(3.7)**
Net profit for the year				**5.9**
Other segment information				
Segment assets	77.8	78.8	12.7	**169.3**
Segment liabilities	20.4	15.6	111.3	**147.3**
Capital expenditure: Property, plant and equipment	4.2	4.1	-	**8.3**
Capital expenditure: Intangible assets	-	-	-	-
Depreciation and amortisation	3.8	4.9	-	**8.7**

Year ended 31 December 2008

Revenue	Gas Cylinders £M	Elektron £M	Unallocated £M	Total Continuing Activities £M
Segment revenue	127.2	130.5	-	**257.7**
Inter-segment sales	-	-	-	-
Sales to external customers	127.2	130.5	-	**257.7**
Result				
Trading profit	7.2	15.3	-	**22.5**
Exceptional items (Note 4):				
Rationalisation and redundancy	0.2	(1.4)	-	**(1.2)**
Loss on disposal of property, plant and equipment	(0.5)	-	-	**(0.5)**
Provision for environmental costs	(0.2)	-	-	**(0.2)**
Operating profit	6.7	13.9	-	**20.6**
Net finance costs				**(9.4)**
Profit before tax				**11.2**
Tax expense				**(4.3)**
Net profit for the year				**6.9**
Other segment information				
Segment assets	91.0	96.2	16.9	**204.1**
Segment liabilities	28.8	21.3	130.8	**180.9**
Capital expenditure: Property, plant and equipment	6.0	6.4	-	**12.4**
Capital expenditure: Intangible assets	0.3	-	-	**0.3**
Depreciation and amortisation	3.2	4.8	-	**8.0**

2. REVENUE AND SEGMENTAL ANALYSIS (continued)

GEOGRAPHIC ORIGIN:

Year ended 31 December 2009

	United Kingdom £M	Rest of Europe £M	Americas £M	Australasia £M	Asia £M	Total Continuing Activities £M
Revenue						
Segment revenue	92.9	33.6	137.6	0.1	2.8	**267.0**
Inter-segment sales	(16.1)	(1.5)	(13.1)	-	-	**(30.7)**
Sales to external customers	76.8	32.1	124.5	0.1	2.8	**236.3**
Result						
Trading profit	3.7	0.9	13.2	0.1	0.2	**18.1**
Exceptional items (Note 4):						
Rationalisation and redundancy	(0.3)	-	(0.4)	-	-	**(0.7)**
Acquisition costs	-	-	(0.3)	-	-	**(0.3)**
Operating profit	3.4	0.9	12.5	0.1	0.2	**17.1**
Other segment information						
Segment assets	64.9	25.8	76.7	0.4	1.5	**169.3**
Segment liabilities	112.8	7.2	27.0	0.2	0.1	**147.3**
Capital expenditure: Property, plant and equipment	2.4	0.8	5.1	-	-	**8.3**
Capital expenditure: Intangible assets	-	-	-	-	-	**-**
Depreciation and amortisation	3.5	1.8	3.3	-	0.1	**8.7**

GEOGRAPHIC ORIGIN:

Year ended 31 December 2008

	United Kingdom £M	Rest of Europe £M	Americas £M	Australasia £M	Asia £M	Total Continuing Activities £M
Revenue						
Segment revenue	97.5	41.1	146.6	-	3.2	**288.4**
Inter-segment sales	(14.7)	(1.2)	(14.8)	-	-	**(30.7)**
Sales to external customers	82.8	39.9	131.8	-	3.2	**257.7**
Result						
Trading profit	4.2	1.5	16.5	-	0.3	**22.5**
Exceptional items (Note 4):						
Rationalisation and redundancy	(0.8)	(0.2)	(0.2)	-	-	**(1.2)**
Loss on disposal of property, plant and equipment	-	(0.2)	(0.3)	-	-	**(0.5)**
Provision for environmental costs	-	-	(0.2)	-	-	**(0.2)**
Operating profit	3.4	1.1	15.8	-	0.3	**20.6**
Other segment information						
Segment assets	71.1	31.8	98.8	0.2	2.2	**204.1**
Segment liabilities	124.6	9.7	46.2	0.2	0.2	**180.9**
Capital expenditure: Property, plant and equipment	3.5	1.2	7.7	-	-	**12.4**
Capital expenditure: Intangible assets	0.3	-	-	-	-	**0.3**
Depreciation and amortisation	3.5	1.5	2.9	-	0.1	**8.0**

2. REVENUE AND SEGMENTAL ANALYSIS (continued)

GEOGRAPHIC DESTINATION:

	United Kingdom £M	Rest of Europe £M	Africa £M	Americas £M	Asia £M	Australasia £M	Total £M
Revenue - Continuing							
Year ended 31 December 2009	27.1	63.9	5.1	113.3	22.5	4.4	**236.3**
Year ended 31 December 2008	27.8	76.9	4.3	125.7	18.9	4.1	**257.7**

3. OPERATING PROFIT

Operating profit for continuing activities is stated after charging/(crediting):	**2009 £M**	2008 £M
Depreciation (Note 9)	**8.6**	7.9
Loss on disposal of property, plant and equipment (Note 4)	**-**	0.5
Amortisation (Note 10)	**0.1**	0.1
Staff costs (Note 5)	**60.6**	59.1
Cost of inventories recognised as expense	**185.3**	191.7
Research and development income - grants	**(0.8)**	(0.3)
Research and development expenditure	**4.0**	3.8

Fees paid to auditors for the audit of the financial statements were £0.3 million (2008: £0.3 million). Other fees paid to auditors for non-audit services were £0.3 million (2008: £0.3 million) relating to taxation services. In 2008, £0.1 million was also paid to auditors that related to corporate finance services. The audit fee for the Company financial statements of Luxfer Holdings PLC was £0.1 million (2008: £0.1 million).

Included in other fees to auditors is £0.2 million (2008: £0.2 million) relating to the Company and its UK subsidiaries.

4. EXCEPTIONAL ITEMS

	2009 £M	2008 £M
Rationalisation of operations:		
- redundancy and restructuring costs	**(0.7)**	(1.2)
- loss on disposal of property, plant and equipment	**-**	(0.5)
Environmental costs	**-**	(0.2)
Acquisition costs	**(0.3)**	-
Exceptional items included within operating profit	**(1.0)**	(1.9)

Rationalisation of operations

In 2009, the Elektron division incurred further costs of £0.6 million (2008: £1.4 million), relating to a series of rationalisation activities conducted at the manufacturing plants to improve operating efficiencies. £0.3 million (2008: £0.4 million) of these costs relate to US operations and £0.3 million (2008: £0.8 million) of these costs relate to UK operations. In 2008, £0.2 million of these costs relate to operations in the Rest of Europe. In addition, in 2009 £0.1 million of costs have been incurred in relation to rationalisation costs in the US Gas Cylinders division.

The rationalisation costs incurred in 2008 related to the global reorganisation of the Gas Cylinders division production facilities. As part of this project the US Gas Cylinders division recognised an exceptional credit of £0.2 million relating to the part release of its redundancy and restructuring costs provision made at the start of the year due to redundancy costs being lower than originally expected. In relation to the same reorganisation project, a loss on disposal of property, plant and equipment of £0.3 million was made in the United States, resulting from the sale of some redundant assets for below their carrying value. Also in conjunction with this reorganisation a £0.2 million loss on disposal of redundant plant and equipment was made at the Gas Cylinders division in the Rest of Europe.

Environmental costs

No environmental costs have been incurred during 2009. The 2008 charge of £0.2 million was made for environmental costs at the Gas Cylinders division in the US.

Acquisition costs

In 2009, £0.3 million of exceptional costs have been incurred by the Elektron division in relation to the 2007 acquisition of Revere Graphics.

5. STAFF COSTS

	2009 £M	2008 £M
Redundancy costs:		
– continuing activities (Note 4)	**0.7**	1.2
Wages and salaries	**47.7**	49.1
Social security costs	**7.3**	6.9
Retirement benefits costs	**4.9**	1.9
	60.6	59.1

The details of Directors' remuneration, pension entitlements, share holdings and share options are disclosed in the Directors' Report in Tables 2, 3, 4 and 5 respectively.

The average monthly number of employees during the year was made up as follows:

	2009 No.	2008 No.
Production and distribution	**1,221**	1,370
Sales and administration	**177**	176
Research and development	**42**	42
	1,440	1,588

Compensation of key management personnel (comprising the Executive Management Board as set out on page 18 of the Directors' Report) was £1.5 million (2008: £1.4 million) for short term employee benefits and £0.3 million (2008: £0.2 million) for post-employment benefits.

6. FINANCE INCOME

	2009 £M	2008 £M
Bank interest received	**-**	0.1
Other interest received (Note 21)	**0.1**	0.1
Total finance income	**0.1**	0.2

7. FINANCE COSTS

	2009 £M	2008 £M
Senior Notes due 2012	**6.1**	8.3
Bank loan, overdrafts and revolving credit facilities	**0.8**	1.2
Amortisation of issue costs	**0.7**	0.1
Total finance costs	**7.6**	9.6

8. INCOME TAX

(a) Analysis of taxation charge for the year	**2009 £M**	2008 £M
Current tax:		
UK Corporation tax	**3.2**	-
Double tax relief	**(3.2)**	-
	-	-
Overseas tax	**2.3**	3.0
Adjustments in respect of previous years	**0.3**	(0.2)
Total current tax charge	**2.6**	2.8
Deferred tax:		
Origination and reversal of temporary differences	**1.8**	2.3
Adjustments in respect of previous years	**(0.7)**	(0.8)
Total deferred tax charge	**1.1**	1.5
Tax on profit on ordinary activities	**3.7**	4.3

The income tax charge relates to continuing activities and there is no tax charge in relation to discontinued activities.

(b) Factors affecting the taxation charge for the year

The tax assessed for the year differs from the standard rate of 28% (2008: 28.5%) for corporation tax in the UK.
The differences are explained below:

	2009 £M	2008 £M
Profit on ordinary activities before taxation	**9.6**	11.2
Profit on ordinary activities at 2009 standard rate of corporation tax in the UK of 28% (2008: 28.5%)	**2.7**	3.2
Effects of:		
Gains not taxable	**-**	(0.2)
Unprovided deferred tax	**0.3**	0.9
Foreign tax rate differences	**1.1**	1.4
Adjustment in respect of previous years	**(0.4)**	(1.0)
Tax expense	**3.7**	4.3

(c) Factors that may affect future taxation charge

As at 31 December 2009, the Group has carried forward tax losses of £46.0 million (UK: £42.2 million, Overseas: £3.8 million). Carried forward tax losses for 2008 were £44.4 million (UK: £41.5 million, Overseas: £2.9 million). To the extent that these losses are available to offset against future taxable profits, it is expected that the future effective tax rate would be below the standard rate in the country where the profits are offset.

The Senior Notes issued by Luxfer Holdings PLC, form a significant interest burden for the UK companies. Profits from overseas companies cannot be offset against this interest burden. To the extent that insufficient taxable profits arise in the UK companies to utilise the tax loss from the interest burden, there will be an impact on the future tax rate. This may also result in further losses being carried forward, which would remain unrelieved.

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold £M	Long leasehold £M	Short leasehold £M	Plant and equipment £M	Total £M
Cost:					
At 1 January 2008	20.6	2.5	2.3	134.8	**160.2**
Additions	2.0	-	1.0	9.4	**12.4**
Business additions	-	-	-	0.8	**0.8**
Disposals	(1.2)	-	-	(6.5)	**(7.7)**
Exchange adjustments	5.3	-	0.7	18.6	**24.6**
At 1 January 2009	26.7	2.5	4.0	157.1	**190.3**
Additions	2.2	-	0.2	5.9	**8.3**
Disposals	-	-	-	(1.0)	**(1.0)**
Exchange adjustments	(1.8)	-	(0.3)	(6.5)	**(8.6)**
At 31 December 2009	27.1	2.5	3.9	155.5	**189.0**
Depreciation:					
At 1 January 2008	7.6	2.0	1.0	93.7	**104.3**
Provided during the year	0.4	-	0.1	7.4	**7.9**
Disposals	(0.7)	-	-	(6.3)	**(7.0)**
Exchange adjustments	1.9	-	0.3	10.7	**12.9**
At 1 January 2009	9.2	2.0	1.4	105.5	**118.1**
Provided during the year	0.5	-	0.2	7.9	**8.6**
Disposals	-	-	-	(0.7)	**(0.7)**
Exchange adjustments	(0.6)	-	(0.1)	(3.7)	**(4.4)**
At 31 December 2009	9.1	2.0	1.5	109.0	**121.6**
Net book values:					
At 31 December 2009	18.0	0.5	2.4	46.5	**67.4**
At 31 December 2008	17.5	0.5	2.6	51.6	**72.2**
At 1 January 2008	13.0	0.5	1.3	41.1	**55.9**

Business additions

The £0.8 million business addition in 2008 resulted from the finalisation of the net asset value of the balance sheet of Revere Graphics Worldwide.

Long and short leasehold

The long and short leasehold costs relate to leasehold property improvements.

10. INTANGIBLE ASSETS

	Goodwill £M	Patents £M	Other £M	Total £M
Cost:				
At 1 January 2008	34.9	1.0	0.4	**36.3**
Additions	-	-	0.3	**0.3**
At 1 January 2009	34.9	1.0	0.7	**36.6**
Additions	-	-	-	**-**
At 31 December 2009	34.9	1.0	0.7	**36.6**
Amortisation:				
At 1 January 2008	12.0	0.3	0.2	**12.5**
Provided during the year	-	-	0.1	**0.1**
At 1 January 2009	12.0	0.3	0.3	**12.6**
Provided during the year	-	0.1	-	**0.1**
At 31 December 2009	12.0	0.4	0.3	**12.7**
Net book values:				
At 31 December 2009	22.9	0.6	0.4	**23.9**
At 31 December 2008	22.9	0.7	0.4	**24.0**
At 1 January 2008	22.9	0.7	0.2	**23.8**

The patents acquired are being amortised over the lower of their estimated useful life, or legal life; this being 17 to 20 years.

11. IMPAIRMENT OF GOODWILL

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two cash-generating units, the Gas Cylinders division and the Elektron division. Both of these cash-generating units are also reportable segments.

	Gas Cylinders division		Elektron division		Total	
	2009 £M	2008 £M	**2009 £M**	2008 £M	**2009 £M**	2008 £M
Carrying amount of goodwill	**14.7**	14.7	**8.2**	8.2	**22.9**	22.9

The recoverable amount of both cash-generating units has been determined based on a value in use calculation using a discounted cash flow method. The cash flows were derived from a business plan prepared at a detailed level by individual businesses within each division. The results of these plans were then extrapolated to give cash flow projections to 2014 and then a terminal value based on a growth rate of 3%. The business plans were driven by detailed sales forecasts by product type and best estimate of future demand by end market. The cash flows included allowance for detailed capital expenditure and maintenance programmes, along with working capital requirements based on the projected level of sales. The before tax discount rate used was 11%, which was considered a best estimate for the risk-adjusted cost of capital for the business units. The long term projections assumed product prices and costs were at current levels, but the exchange rates used were: US$: £ exchange rate of $1.70 and euro: £ exchange rate of €1.20. These exchange rates are higher than the actual exchange rates as at 31 December 2009. Lower exchange rates would be expected to result in higher valuations for each cash-generating unit. Based on the current business plans used in the impairment testing, it is believed no reasonable changes in the discount and growth rates are expected to result in an impairment of the carrying value of the goodwill.

12. INVESTMENTS

	Joint venture – India £M	Other £M	Total £M
At 1 January 2009	-	0.1	**0.1**
Increase in investments at cost	0.2	-	**0.2**
Share of start-up costs of joint venture	(0.1)	-	**(0.1)**
At 31 December 2009	0.1	0.1	**0.2**

Investment in Indian joint venture

At 31 December 2009, the Group had the following joint venture undertaking which affects the profit of the Group. Unless otherwise stated, the Group's joint venture has share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Luxfer Uttam India Private Limited *	India	Ordinary	51%	Engineering

* Uttam Cylinders Private Limited was incorporated in November 2008. In July 2009 the company changed its name to Luxfer Uttam India Private Limited.

During 2009, the cost paid by the Group for 51% of the equity in the joint venture was £0.2 million. The joint venture has been accounted for using the equity method, as the venturers have a contractual agreement that establishes joint control over the economic activities of the entity, and the loss attributable to the joint venture for 2009 was £0.1 million as a result of start-up costs being incurred.

The joint venture is due to start trading during 2010 when it will manufacture and distribute gas cylinders from its operation in India as part of the Group's Gas Cylinders division.

Other investments

A list of the significant subsidiaries and other investments, including the name, country of incorporation and proportion of voting rights is given in Note 31 to the company's separate financial statements.

13. INVENTORIES

	2009 £M	2008 £M
Raw materials and consumables	**12.4**	24.3
Work in progress	**12.0**	16.0
Finished goods and goods for resale	**11.4**	18.8
	35.8	59.1

The provision against obsolete and excess stocks at 31 December 2009 was £2.7 million (2008: £3.5 million). The cost of inventories recognised as an expense during the year has been disclosed in Note 3.

14. TRADE AND OTHER RECEIVABLES

	2009 £M	2008 £M
Trade receivables	**25.6**	30.4
Other receivables	**1.9**	2.9
Prepayments and accrued income	**4.1**	3.4
	31.6	36.7

The Directors consider that the carrying value of trade and other receivables approximates to their fair value.
Trade receivables are non-interest bearing and are generally on 30-90 days' terms.
Trade receivables above are disclosed net of any provisions for doubtful receivables.
As at 31 December 2009, trade receivables at nominal value £0.9 million (2008: £0.9 million) were impaired and fully provided for.

Movements in the provision for impairment of trade receivables were as follows:

	2009 £M	2008 £M
At 1 January	**0.9**	0.7
Charge in the year	**0.2**	-
Utilised in the year	**(0.3)**	(0.3)
Other movements	**0.1**	0.4
Foreign exchange movement	-	0.1
At 31 December	**0.9**	0.9

15. CASH AND SHORT TERM DEPOSITS

	2009 £M	2008 £M
Cash at bank and in hand	**1.8**	2.0

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The Directors consider that the carrying amount of cash and short-term deposits approximates to their fair value.

16. SHARE CAPITAL

(a) Ordinary share capital

	2009 No.	2008 No.	2009 £M	2008 £M
Authorised:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,433,688,000	769,433,688,000	**86.9**	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,413,688,000**	769,413,688,000	**76.9**	76.9
	769,423,688,000	769,423,688,000	**86.9**	86.9

(b) Preference share capital

	2009 No.	2008 No.	2009 £M	2008 £M
Authorised:				
‘B’ preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1
Allotted, called up and 25% paid:				
‘B’ preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1

The 50,000 ‘B’ preference shares are entitled to a dividend and are entitled to be redeemed prior to any distribution or return of capital to shareholders.

(c) Own shares held by ESOP

	2009 £M	2008 £M
Own shares held by ESOP	**0.4**	0.4

As at 31 December 2009 and 31 December 2008, 175,674 ordinary shares of £1 each were held by The Luxfer Group Employee Share Ownership Plan. For further information refer to Note 27.

17. RESERVES

	Hedging reserve £M	Translation reserve £M	Merger reserve £M	Retained earnings £M
At 1 January 2008	(1.0)	(1.1)	(207.5)	144.9
Profit for the year	-	-	-	6.8
Currency translation differences	-	16.2	-	-
Decrease in fair value of cash flow hedges	(3.3)	-	-	-
Transfer to income statement on cash flow hedges	1.0	-	-	-
Actuarial gains and losses on pension schemes	-	-	-	(29.3)
Deferred tax on items taken directly to equity	-	-	-	9.1
At 31 December 2008	(3.3)	15.1	(207.5)	131.5
Profit for the year	-	-	-	5.9
Currency translation differences	-	(4.3)	-	-
Increase in fair value of cash flow hedges	2.0	-	-	-
Transfer to income statement on cash flow hedges	1.2	-	-	-
Actuarial gains and losses on pension schemes	-	-	-	(5.9)
Deferred tax on items taken directly to equity	-	-	-	0.8
At 31 December 2009	**(0.1)**	**10.8**	**(207.5)**	**132.3**

Nature and purpose of reserves

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group at the reporting date. The movement in the year of £3.2 million includes an increase in the fair value of cash flow hedges of £2.0 million and £1.2 million of cash flow hedges being transferred to the income statement. For further information regarding the Group's forward foreign currency contracts, forward aluminium commodity contracts and forward rate interest rate agreements refer to Note 25 section (a) - Financial Instruments: Financial Instruments of the Group.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It would also be used to record the effect of hedging net investments in foreign operations.

Merger reserve

The merger reserve relates to the recapitalisation of Luxfer Group Limited during the year ended 31 December 1999. Pursuant to the recapitalisation of Luxfer Group Limited, Luxfer Holdings PLC acquired the entire share capital of Luxfer Group Limited. The company known as Luxfer Group Limited during the year ended 31 December 1999 was subsequently renamed LGL 1996 Limited and remains dormant.
The recapitalisation was accounted for using merger accounting principles. The accounting treatment reflected the fact that ownership and control of Luxfer Group Limited, after the recapitalisation, remained with the same institutional and management shareholders as before the recapitalisation. Under merger accounting principles the consolidated financial statements of Luxfer Holdings PLC appear as a continuation of those for Luxfer Group Limited and therefore as if it had been the parent of the Group from its incorporation.

18. INTEREST BEARING LOANS AND BORROWINGS

Current	2009 £M	2008 £M
Bank loans and overdrafts	-	26.9

Non-current	2009 £M	2008 £M
Bank loans and overdrafts	6.3	-
Senior Notes due 2012	71.7	71.6
	78.0	71.6

Bank loans and overdrafts

The bank loan and overdrafts relate to loan drawings on the Group's £45 million revolving credit facilities and were secured against the Group's UK and US operating assets. They bear interest at a rate connected to LIBOR. The Group extended its revolving credit facilities on 5 March 2009 until April 2011. Issue costs incurred with the renewal totalled £1.5 million and are being amortised from the date of renewal to April 2011. As at 31 December 2009, £0.6 million of issue costs had been amortised in the year. Therefore, as at 31 December 2009 bank loan and overdrafts are shown net of issue costs of £0.9 million and the Group is exposed to variable interest rates on its bank loans and overdrafts of £7.2 million. This represented the loan utilisation of the Group's revolving credit facility. The Group's revolving credit facilities are further detailed in Note 25 section (e) - Financial Instruments: Undrawn committed facilities.

Senior Notes due 2012

The Senior Notes due 2012 were issued as part of the 6 February 2007 capital reorganisation. The principal amount held by external parties was £71.9 million. The notes are listed on the Euro MTF Luxembourg Stock Exchange and interest is payable bi-annually. At 31 December 2009, the Senior Notes due 2012 are shown net of deferred transaction costs of £0.2 million (2008: £0.3 million). On issue, £0.5 million of costs were capitalised and are being amortised over the five-year life of the notes, with £0.3 million of these issue costs being amortised up to 31 December 2009. A variable interest rate is payable on 1 May and 1 November, each year, based on six-month LIBOR plus 5.5% to 6%, depending on the credit rating of the notes. The rate payable at the end of 31 December 2009 was 6.3075%, being 5.5% above the relevant LIBOR rate, which is fixed at the start of each six-month interest period. At the Company's discretion, 1% (1.5% if the interest rate is LIBOR plus 6%) may be paid in kind through the issue of new notes. The Senior Notes were not allowed to be repaid until one year after issue, with a 3% early redemption premium for repayment in the second year after issue, 2% in the third and 1% in the fourth year. There is no redemption premium for repayment after four years from issue. The maturity then being February 2012. During 2009, the Group entered into a forward rate agreement for the six month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%.

19. PROVISIONS

	Rationalisation & redundancy £M	Employee benefits £M	Environmental provisions £M	Total £M
At 1 January 2009	1.7	0.9	3.0	**5.6**
Charge to income statement	0.7	0.1	-	**0.8**
Cash payments	(1.9)	(0.3)	(0.3)	**(2.5)**
Exchange adjustments	-	(0.1)	-	**(0.1)**
At 31 December 2009	**0.5**	**0.6**	**2.7**	**3.8**
Included in current liabilities	0.5	-	0.8	**1.3**
Included in non-current liabilities	-	0.6	1.9	**2.5**
	0.5	**0.6**	**2.7**	**3.8**

Rationalisation and redundancy

At 31 December 2009 the Group had £0.5 million of provisions relating to redundancy and the rationalisation of its operations. £0.1 million of this provision relates to restructuring of the production facilities at Riverside, California, USA within the Gas Cylinders division. A further £0.2 million of this provision relates to closure of the Gas Cylinders division manufacturing facility based at Aldridge in the UK. In addition £0.2 million of the provision relates to rationalisation and redundancy within the Elektron division to improve operating efficiencies. These costs are expected to be spent in 2010.

Employee benefits

At 31 December 2009 the Group had £0.6 million of employee benefit liabilities (in addition to retirement benefits), as calculated on an actuarial basis, relating to a provision for workers' compensation at the Gas Cylinders division in the USA.

Environmental provisions

As at 31 December 2009, the Group had environmental provisions of £2.7 million relating to environmental clean up costs. £0.9 million of the provision is for future remediation costs required at the Speciality Aluminium site, in relation to an incident before Luxfer Group's ownership. The remediation expenditure is expected to take place over the next five years. A further £1.8 million of environmental provisions relate to work required at the UK Elektron division site. This expenditure is expected to take place over the next two to three years.

20. DEFERRED TAX

	Accelerated tax depreciation	Other temporary differences	Tax losses	Retirement benefit obligations	Total
	£M	£M	£M	£M	£M
At 1 January 2008	3.5	(3.1)	(0.2)	(0.5)	(0.3)
Charged to income	1.1	0.1	0.1	0.2	1.5
Credited to equity	-	-	-	(9.1)	(9.1)
Exchange adjustment	0.2	-	-	-	0.2
At 31 December 2008	4.8	(3.0)	(0.1)	(9.4)	(7.7)
(Credited)/charged to income	(0.2)	1.1	-	0.2	1.1
Credited to equity	-	-	-	(0.8)	(0.8)
Exchange adjustment	(0.1)	-	-	0.4	0.3
At 31 December 2009	**4.5**	**(1.9)**	**(0.1)**	**(9.6)**	**(7.1)**

The amount of deferred taxation accounted for in the Group balance sheet, before netting off balances within countries, comprised the following deferred tax assets and liabilities:

	2009	2008
	£M	£M
Deferred tax liabilities	**0.1**	0.4
Deferred tax assets	**(7.2)**	(8.1)
Net deferred tax asset	**(7.1)**	(7.7)

At the balance sheet date, the Group has unrecognised deferred tax assets relating to certain trading and capital losses and other temporary differences of £16.5 million (2008: £15.8 million) potentially available for offset against future profits. No deferred tax asset has been recognised in respect of this amount because of the unpredictability of future qualifying profit streams. Of the total unrecognised deferred tax asset of £16.5 million (2008: £15.8 million), £12.2 million (2008: £12.3 million) relates to losses that can be carried forward indefinitely under current legislation.

21. OTHER LONG TERM ASSETS AND LIABILITIES

Other long term assets

	2009	2008
	£M	£M
Loan Note – deferred consideration	**1.4**	1.9

The Loan Note receivable relates to the deferred consideration due from the sale of plant and equipment of the Speciality Aluminium division which was completed in January 2008. The total amount of the deferred consideration was £2.4 million, payable in annual instalments over the next five years, commencing on the first anniversary of the sale date. The Loan Note earns interest at 6.5% pa from the sale date, and the interest is payable annually in arrears. The interest accrued to 31 December 2009 was £0.1 million, as disclosed in Note 6.

The first two annual repayment instalments of the Loan Note of £0.5 million, plus interest accrued, were received in January 2009 and January 2010.

As at 31 December 2009, the fair value of the remaining deferred consideration was £2.0 million, which included £0.1 million of interest accrued. Of the £2.0 million, £0.6 million has been included within other receivables, as disclosed in Note 14, and £1.4 million has been included within other non-current assets, as shown above.

22. TRADE AND OTHER PAYABLES

	2009	2008
	£M	£M
Trade payables	**15.4**	22.3
Other taxation and social security	**2.6**	2.8
Accruals	**13.4**	15.8
Interest payable	**0.8**	1.4
Derivative financial instruments	**0.2**	4.2
	32.4	46.5

The Directors consider that the carrying amount of trade payables approximates to their fair value.

23. COMMITMENTS AND CONTINGENCIES

	2009	2008
	£M	£M
Operating lease commitments – Group as a lessee		
Minimum lease payments under operating leases recognised in the income statement	**2.4**	2.6

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009	2008
	£M	£M
Within one year	**2.2**	2.3
In two to five years	**6.2**	5.8
In over five years	**10.7**	11.0
	19.1	19.1

Operating lease payments represent rentals payable by the Group for certain of its properties and items of machinery. Leasehold land and buildings have a life between 2 and 65 years. Plant and equipment held under operating leases have an average life between 2 and 5 years. Renewal terms are included in the lease contracts.

Capital commitments

At 31 December 2009, the Group had capital expenditure commitments of £1.8 million (2008: £0.5 million) for the acquisition of new plant and equipment.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Group's financial instruments comprise bank loans and overdrafts, senior loan notes, derivatives and trade payables. Other than derivatives, the main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group enters into forward currency contracts and London Metal Exchange ("LME") derivative transactions to manage currency and aluminium pricing risks. A Hedging Committee, chaired by the Group Finance Director, oversees the implementation of the Group's hedging policies, including the risk management of currency and aluminium risks and the use of derivative financial instruments.

It is not the Group's policy or business activity to trade in derivatives. They are only used to hedge underlying risks occurring as part of the Group's normal operating activities.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency translation and transaction risk, aluminium price risk and credit risk on trade receivables and a £45 million variable interest rate revolving credit facility, of which £7.2 million was drawn down as at 31 December 2009, see Note 18.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group has significant exposure to variable interest rates in the form of its £71.9 million floating rate Senior Notes due 2012. The Senior Notes bear interest at six-month LIBOR plus a margin, a portion of which interest may, with the sole discretion of the Company, be paid in kind. As a result of this exposure, the Group may decide to hedge interest payable under the notes based on a combination of forward rate agreements, interest rate caps and swaps.

During 2009, the Group entered into a forward rate agreement for the six-month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. The Senior Notes due 2012 are shown net of transaction costs of £0.2 million (2008: £0.3 million) which have been capitalised and amortised over the five-year life of the Senior Notes due 2012.

The Group extended its revolving credit facilities on 5 March 2009 until April 2011. Issue costs incurred with the renewal totalled £1.5 million and are being amortised from the date of renewal to April 2011. As at 31 December 2009, £0.6 million of issue costs had been amortised in the year. Therefore, as at 31 December 2009 bank loan and overdrafts are shown net of issue costs of £0.9 million and the Group is exposed to variable interest rates on its bank loans and overdrafts of £7.2 million.

Total debt, before netting off issue costs as at 31 December 2009, subject to variable interest rates was therefore £79.1 million and based on this level a 1% increase in rates would increase the Group's annual interest cost by £0.8 million.

Liquidity risk

To understand and monitor cash flows, the Group uses a combination of a short-term rolling six week cash forecast, based on expected daily liquidity requirements and longer term monthly rolling forecasts, covering forecast periods of between six and eighteen months forward. The Group also prepares, at least annually, longer-term strategic cash forecasts. Together this system of control is used to ensure the Group can fund its ongoing operations, including working capital, capital expenditure and interest payments. Short and medium term changes in liquidity needs are funded from the Group's £45 million bank facility, which provides the ability to draw down and repay funds on a daily basis. In monitoring liquidity requirements and planning its working capital and capital expenditure programmes, the Group aims to maintain a sufficiently prudent level of headroom against its banking facilities as protection against any unexpected or sudden market shocks.

The maturity of the Group's liabilities are also monitored to ensure sufficient funds remain available to meet liabilities as they fall due. The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

	31 December 2009			31 December 2008		
	Within 12 months	**1-5 years**	**Total**	Within 12 months	1-5 years	Total
	£M	**£M**	**£M**	£M	£M	£M
Senior Notes due 2012	**-**	**71.9**	**71.9**	-	71.9	71.9
Cumulative preference shares	**-**	**0.1**	**0.1**	-	0.1	0.1
Bank loans and overdrafts	**-**	**7.2**	**7.2**	-	26.9	26.9
Trade payables	**15.4**	**-**	**15.4**	22.3	-	22.3
Other taxation and social security	**2.6**	**-**	**2.6**	2.8	-	2.8
Accruals	**13.4**	**-**	**13.4**	15.8	-	15.8
Interest payable	**0.8**	**-**	**0.8**	1.4	-	1.4
Derivative financial instruments	**0.2**	**-**	**0.2**	4.2	-	4.2
	32.4	**79.2**	**111.6**	46.5	98.9	145.4

Capital management

The Group underwent a major reorganisation of its capital structure, which was completed 6 February 2007. The reasons for the reorganisation were to ensure the Group could fund its medium and long-term investment programmes aimed at the development and production of new products, whilst also automating and rationalising existing production facilities.

This reorganisation resulted in the Group significantly reducing its financial liabilities and related finance costs, reducing the level of interest payments. The reorganisation was performed to enable more of the Group's cash flows to be invested in its businesses to enhance profitability.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group monitors its EBITDA for continuing activities before exceptional items to net debt ratio and has sought to reduce this over time from between 5x to 6x to between 3x to 4x. The table below sets out the calculations for 2009 and 2008:

	2009	2008
	£M	£M
For continuing operations:		
Trading profit	**18.1**	22.5
Depreciation and amortisation	**8.7**	8.0
EBITDA – before exceptionals	**26.8**	30.5
Bank loans and overdrafts	**6.3**	26.9
Senior Notes due 2012	**71.7**	71.6
Total debt	**78.0**	98.5
Less cash	**(1.8)**	(2.0)
Net debt	**76.2**	96.5
Net debt: EBITDA ratio	**2.8x**	3.2x

Credit risk

The Group only provides trade credit to creditworthy third parties. Credit checks are performed on new and existing customers along with monitoring payment histories of customers. Outstanding receivables from customers are closely monitored to ensure they are paid when due, with both outstanding overdue days and total days of sales outstanding (“DSO days”) reported as a business unit key performance measure. Where possible export sales are also protected through the use of credit export insurance. At 31 December 2009, the Group has a provision for bad and doubtful debtors of £0.9 million (2008: £0.9 million) and £0.2 million (2008: £nil) has been charged to the Income Statement in relation to bad debts incurred in 2009.

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

		Neither past due	**Past due but not impaired**				
	Total	**nor impaired**	**< 31 days**	**31-61 days**	**61-91 days**	**91-121 days**	**> 121 days**
	£M	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
2009	**25.6**	**20.8**	**4.3**	**0.5**	**-**	**-**	**-**
2008	30.4	23.4	4.8	1.4	0.4	0.4	-

The Group also monitors the spread of its customer base with the objective of trying to minimise exposure at a Group and divisional level to any one customer. The top ten customers in 2009 represented 31.2% (2008: 30.6%) of total revenue.

Foreign currency translation risk

With substantial operations in the USA and Europe, the Group is exposed to translation risk on both its Income Statement, based on average exchange rates, and its Balance Sheet with regards to period end exchange rates.

The Group’s results, assets and liabilities are reported by geographic region in Note 2. This analysis shows in 2009 the Group had revenue of £137.6 million derived from US operations, a trading profit of £13.2 million and when adding back depreciation and amortisation an EBITDA of £16.5 million. During 2009, the average exchange rate for the US dollar was $1.5713, being stronger than the 2008 average of $1.8437. This resulted in a favourable impact of £23.1 million on revenue, £3.2 million on trading profit and £3.6 million on EBITDA. Based on the 2009 level of sales and profits a $0.10 increase in the US dollar to pound sterling exchange rate would result in a £8.5 million decrease in revenue, £1.2 million decrease in trading profit and £1.3 million decrease in EBITDA.

The capital employed as at 31 December 2009 in the USA was £50.5 million translated at an exchange rate of $1.6185. A $0.10 increase in exchange rates would reduce capital employed by approximately £2.9 million.

During 2009, the average exchange rate for the euro was €1.1261, being stronger than the 2008 average of €1.2525. This resulted in a favourable impact of £2.5 million on revenue, £0.3 million on trading profit and £0.4 million on EBITDA. Based on the 2009 level of sales and profits a €0.10 increase in the euro to pound sterling exchange rate would have a £2.0 million decrease in revenue, £0.2 million decrease in trading profit and £0.3 million decrease in EBITDA.

Foreign currency transaction risk

The Group is also exposed to exchange transaction risks, mainly because its UK operations sell goods priced in euros and US dollars, and purchase raw materials priced in US dollars.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The UK operations within the Group have around an estimated $20 million net sales risk after offsetting raw material purchases made in US dollars and a substantial euro sales risk, with approximately €30 million to €40 million of exports priced in euros each year. These risks are being partly hedged through the use of forward foreign currency exchange rate contracts, but we estimate that in 2009 our Elektron division has incurred a transaction gain of £3.2 million, and the transaction impact at our Gas Cylinders division was breakeven.

Based on a $20 million net exposure to the US dollar, a $0.10 increase in exchange rates would have a £0.7 million annual decrease in Group trading profit and based on a €35 million euro sales risk a €0.10 increase in exchange rates would have a £2.6 million annual decrease in Group trading profit.

Aluminium and other commodity risks
The Group is exposed to a number of commodity price risks, including primary aluminium, magnesium, rare earth chemicals, zircon sand and other zirconium basic compounds. All have been subject to substantial increases in recent years. The two largest exposures to the Group continue to be aluminium and magnesium prices and the Group will spend annually approximately £50 million to £55 million on these two raw materials.

Unlike the other major commodities purchased, aluminium is traded on the London Metal Exchange ("LME") and therefore the Group is able to use LME derivative contracts to hedge a portion of its price exposure. In 2009 the Group purchased approximately 11,000 tonnes of primary aluminium, it scrapped around 2,000 tonnes of processed waste and made finished goods equal to approximately 9,000 tonnes. The processed waste can be sold as scrap aluminium at prices linked to the LME price. The price risk on aluminium is mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. As at 31 December 2009, the Group had fixed priced purchase contracts covering up to approximately 20% of our main primary aluminium requirements for 2010 and has increased this coverage to approximately 30% in the early part of 2010. The Group expects to increase this coverage as we progress through the year. As at 31 December 2009, the Group had no LME hedges in place for 2010. Before hedging the risk, a $100 movement in the LME price of aluminium would increase our Gas Cylinders division's costs by £0.6 million.

In the long term the Group has sought to recover the cost of increased commodity costs through price increases and surcharges. Any hedging of aluminium risk is performed to protect the Group against short-term fluctuations in aluminium costs.

In 2008 the Group purchased approximately 10,000 tonnes of primary magnesium and in 2009 only 4,000 tonnes, being significantly less than 2008 due to both a fall in sales volumes and the consumption of higher stocks carried forward from the end of 2008. Magnesium is not traded on the LME so we are not able to maintain a hedge position of its price exposure.

25. FINANCIAL INSTRUMENTS

The following disclosures relating to financial instruments have been prepared on a basis which excludes short-term debtors and creditors which have resulted from the Group's operating activities.

(a) Financial instruments of the Group
The financial instruments of the Group other than short-term debtors and creditors were as follows:

Primary financial instruments:	Book value 2009 £M	Fair value 2009 £M	Book value 2008 £M	Fair value 2008 £M
Financial assets:				
Cash at bank and in hand	**1.8**	**1.8**	2.0	2.0
Financial liabilities:				
Bank loans – drawn under revolving credit facility	**7.2**	**7.2**	26.9	26.9
Cumulative preference shares	**0.1**	**0.1**	0.1	0.1
Senior Notes due 2012	**71.9**	**53.9**	71.9	48.5
	79.2	**61.2**	98.9	75.5

All financial assets mature within one year. The maturity of the financial liabilities are disclosed in Note 24.
As at 31 December 2009, the amount drawn in loans on the revolving credit facilities was £7.2 million and all of this was drawn by the US operations in US dollars. As at 31 December 2008, £14.7 million of the £26.9 million drawn down was denominated in US dollars.

25. FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments are as follows:	**Book value 2009 £M**	**Fair value 2009 £M**	Book value 2008 £M	Fair value 2008 £M
Held to hedge purchases and sales by trading businesses:				
Forward foreign currency contracts	**-**	**-**	(3.9)	(3.9)
Forward aluminium commodity contracts	**-**	**-**	(0.3)	(0.3)
Forward rate interest rate agreements	**(0.2)**	**(0.2)**	-	-

The fair value calculations were performed on the following basis:

Cash in hand, at bank

The carrying value approximates to the fair value as a result of the short-term maturity of the instruments.

Bank loans

At 31 December 2009 bank loans and overdrafts of £6.3 million (2008: £26.9 million) were outstanding. The Group extended its revolving credit facilities on 5 March 2009 until April 2011. Issue costs incurred associated with the renewal totalled £1.5 million and are being amortised from the date of renewal to April 2011. As at 31 December 2009, £0.6 million of issue costs had been amortised in the year. Therefore, as at 31 December 2009 bank loan and overdrafts are shown in the Group Balance Sheet net of issue costs of £0.9 million and the Group is exposed to variable interest rates on its bank loans and overdrafts of £7.2 million. This represented the utilisation of the Group's revolving credit facility. The fair value is calculated to be the same as the book value.

Cumulative preference shares

The 50,000 'B' preference shares of £1 each are entitled to a dividend and are entitled to be redeemed prior to any distribution or return of capital to ordinary shareholders. The fair value as at 31 December 2009 is £0.1 million.

Senior Notes due 2012

For the Senior Notes due 2012 the principal amount held by external parties was £71.9 million. The Senior Notes due 2012 are shown in the Group Balance Sheet as £71.7 million, being net of issue costs which were originally £0.5 million. These issue costs were capitalised and amortised over the five-year life of the Senior Notes due 2012. £0.3 million of the issue costs have been amortised to 31 December 2009 and £0.2 million have been offset against the par value of the notes.

The Senior Notes due 2012 are traded instruments listed on the Euro MTF Luxembourg Stock Exchange. The fair value at 31 December 2009 was estimated from a quoted price as at 31 December, however, market prices of corporate bonds are very volatile and there was very little trading in these notes, with a large spread in bid and offer prices, making a market priced based fair value of these notes difficult to estimate.

Forward foreign currency contracts

The fair value of these contracts was calculated by determining what the Group would be expected to receive or pay on termination of each individual contract by comparison to present market prices.

Aluminium commodity contracts

The fair value of these contracts has been calculated by valuing the contacts against the equivalent forward rates quoted on the LME. The Group did not hold any forward aluminium commodity contracts at 31 December 2009.

Forward rate interest rate agreements

The fair value of these contracts has been calculated by determining the forward six-month LIBOR interest rate curve from the present market prices. The Group did not hold any forward rate interest rate agreements at 31 December 2008.

Fair value hierarchy

At 31 December 2009, for those financial instruments of the Group recorded at fair value, the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

25. FINANCIAL INSTRUMENTS (continued)

	31 December 2009 £M	Level 1 £M	Level 2 £M	Level 3 £M
Derivative financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	**-**	-	-	-
Forward aluminium commodity contracts	**-**	-	-	-
Forward rate interest rate agreements	**(0.2)**	-	(0.2)	**-**

(b) Interest rate risks

Interest rate risk profile on financial assets

This table shows the Group's financial assets as at 31 December, which are cash at bank and in hand. These assets are all subject to floating interest rate risk.

Cash by currency:	2009 £M	2008 £M
US Dollar	**(1.1)**	(0.3)
GBP	**1.3**	0.4
Euro	**0.5**	0.6
Australian Dollar	**0.2**	0.1
Chinese Renminbi	**0.4**	0.5
Czech Koruna	**0.5**	0.7
	1.8	2.0

The Group earns interest on cash balances through either deposit accounts or placing funds on money markets at short-term fixed rates. In all cases, interest earned is at approximately LIBOR rates during the year.

The Group's Loan Note relating to the deferred consideration due from the sale of plant and equipment of the Speciality Aluminium division is subject to a fixed interest rate of 6.5% pa. This is further detailed in Note 21. At 31 December 2009, the fair value of the remaining deferred consideration was £2.0 million. The Group has no other fixed interest rate assets.

25. FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile on financial liabilities

The following table sets out the carrying amount, by original maturity, of the Group's financial instruments that were exposed to both fixed and variable interest rate risk:

	31 December 2009			31 December 2008		
	Within 12 months	**1-5 years**	**Total**	Within 12 months	1-5 years	Total
	£M	**£M**	**£M**	£M	£M	£M
Fixed interest rate risk:						
Cumulative preference shares	**-**	**0.1**	**0.1**	-	0.1	0.1
	-	**0.1**	**0.1**	-	0.1	0.1
Variable interest rate risk:						
Bank loans and overdrafts	**-**	**7.2**	**7.2**	-	26.9	26.9
Senior Notes due 2012	**-**	**71.9**	**71.9**	-	71.9	71.9
	-	**79.1**	**79.1**	-	98.8	98.8

The Group's floating rate liabilities related to bank loans and overdrafts under the Group's revolving credit facilities of £7.2 million (2008: £26.9 million) and the Senior Notes due 2012 issued as part of the capital reorganisation on 6 February 2007. Details of the Senior Notes due 2012 are disclosed in Note 18 – Interest Bearing Loans and Borrowings.

During 2009, the Group entered into a forward rate agreement for the six-month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. As disclosed in Note 18 the interest rate payable on 1 May 2010 is 6.3075%, based on six-month LIBOR plus 5.5%, therefore as at 31 December 2009 the Group is exposed to variable rate interest from the period 3 November 2010 to the maturity of the Senior Notes due 2012 in February 2012.

(c) Hedging activities

Forward foreign exchange contracts

The Group utilises forward foreign exchange contracts to hedge significant future transactions and cash flows to manage its exchange rate exposures. The contracts purchased are primarily denominated in Sterling, US dollars and Euros. The Group is also exposed to a number of other currencies like Australian dollars with hedges against these on a more adhoc basis, when exposures are more significant.

At 31 December 2009, the fair value of forward foreign exchange contracts deferred in equity was a gain of £0.1 million (2008: loss of £3.0 million). £0.9 million (2008: £1.0 million) has been transferred to the income statement in respect of contracts that have matured in the year.

25. FINANCIAL INSTRUMENTS (continued)

At 31 December 2009 and 2008 the Group held various foreign exchange contracts designated as hedges in respect of forward sales for US dollars, Euros and Australian dollars. The Group also held foreign exchange contracts designated as hedges in respect of forward purchases for US dollars and Euros. The contract totals, range of maturity dates and range of exchange rates are disclosed below:

2009

Sales hedges	US dollars	Euros	Australian dollars
Contract totals/£M	13.6	16.4	0.2
Maturity dates	01/10 to 12/10	01/10 to 12/10	01/10 to 03/10
Exchange rates	$1.4572 to $1.6628	€1.0785 to €1.1692	AUD1.8300 to AUD1.8407

Purchase hedges	US dollars	Euros	Australian dollars
Contract totals/£M	9.0	N/A	N/A
Maturity dates	01/10 to 12/10	N/A	N/A
Exchange rates	$1.4733 to $1.6763	N/A	N/A

2008

Sales hedges	US dollars	Euros	Australian dollars
Contract totals/£M	14.6	14.9	0.4
Maturity dates	01/09 to 09/09	01/09 to 10/09	02/09 to 04/09
Exchange rates	$1.5073 to $1.9748	€1.1161 to €1.2807	AUD2.2777 to AUD2.2877

Purchase hedges	US dollars	Euros	Australian dollars
Contract totals/£M	8.9	1.4	N/A
Maturity dates	01/09 to 09/09	01/09 to 05/09	N/A
Exchange rates	$1.4959 to $1.9755	€1.0593 to €1.2579	N/A

Aluminium commodity contracts

The Group did not hold any forward aluminium commodity contracts at 31 December 2009. At 31 December 2008, the fair value of forward aluminium commodity contracts deferred in equity was a loss of £0.3 million. In 2009 a loss of £0.3 million has been transferred to the income statement in respect of contracts that have matured in the year.

Forward rate interest rate agreements

During 2009, the Group entered into a forward rate agreement for the six month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. As at 31 December 2009, the fair value of forward rate interest rate agreements deferred in equity was a loss of £0.2 million. The Group did not hold any forward rate interest rate agreements at 31 December 2008.

(d) Currency risk disclosures

Exchange gains and losses arising on the translation of the Group's overseas assets and liabilities are classified as equity and transferred to the Group's translation reserve. In 2009 a loss of £4.3 million (2008: gain of £16.2 million) was recognised in translation reserves.

(e) Un-drawn committed facilities

At 31 December 2009 the Group had committed banking facilities of £45.0 million (2008: £45.0 million) for providing short-term loans and overdrafts, with a sub-limit of £10.0 million (2008: £10.0 million) for letters of credit and bank guarantees. Of these committed facilities, £7.2 million (2008: £26.9 million) of short-term loans and £3.1 million (2008: £4.1 million) for letters of credit, forward foreign currency contracts and bank guarantees were drawn.

26. RETIREMENT BENEFITS

The Group operates defined benefit arrangements in the UK, the US and France. The levels of funding are determined by periodic actuarial valuations. Further, the Group also operates defined contribution schemes in the UK, US and Australia. The assets of the schemes are generally held in separate trustee administered funds.

Actuarial gains and losses are recognised in full in the period in which they occur. The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method.

The principal defined benefit pension scheme in the UK is the Luxfer Group Pension Plan, which closed to new members in 1998, new employees then being eligible for a defined contribution plan. With effect from April 2004 the Luxfer Group Pension Plan changed from a final salary to a career average revalued earnings benefit scale. In August 2005 a scheme specific earnings cap of £60,000 per annum subject to inflation increases was introduced, effectively replacing the statutory earnings cap. In October 2007 the rate of the future accrual for pension was reduced and a longevity adjustment was introduced to mitigate against the risk of further increases in life expectancies. The pension cost of the Plan is assessed in accordance with the advice of an independent firm of professionally qualified actuaries, Lane Clark & Peacock LLP.

The Group's other arrangements are less significant than the Luxfer Group Pension Plan, the largest being the BA Holdings Inc Pension Plan in the US. In December 2005 the plan was closed to further benefit accrual with members being offered contributions to the Company's 401(k) plan.

The total charge to the Group's income statement for 2009 for retirement benefits was a regular cost of £4.9 million (2008: £1.9 million).

The movement in the pension liability is shown below:

	2009	2008
	£M	£M
Balance at 1 January	**28.7**	1.6
Charged to the Income Statement	**4.9**	1.9
Contributions	**(5.4)**	(4.5)
Charged to the Statement of Comprehensive Income	**5.9**	29.3
Exchange adjustments	**(1.3)**	0.4
Balance at 31 December	**32.8**	28.7

The financial assumptions used in the calculations are:	**Projected Unit Valuation**			
	United Kingdom		**Non United Kingdom**	
	2009	2008	**2009**	2008
	%	%	**%**	%
Discount Rate	**5.80**	6.40	**6.00**	6.00
Salary Inflation	**4.60**	3.80	**-**	-
Price Inflation	**3.60**	2.80	**-**	-
Pension Increase - pre 6 April 1997	**2.70**	2.60	**-**	-
- 1997-2005	**3.50**	2.80	**-**	-
- post 5 April 2005	**2.30**	2.10	**-**	-

The assets in the scheme and expected rate of long-term return were:	**Long term rate of return expected**			
	United Kingdom		**Non United Kingdom**	
	2009	2008	**2009**	2008
	%	%	**%**	%
Equities and Growth Funds	**8.10**	7.70	**8.70**	8.60
Gilts	**4.40**	3.80	**-**	-
Other Bonds	**5.30**	5.00	**5.50**	5.80
Cash	**4.40**	3.80	**-**	-

26. RETIREMENT BENEFITS (continued)

Other principal actuarial assumptions:

	2009	2008
	Years	Years
Life expectancy of male in the UK aged 65 in 2009	**19.3**	19.2
Life expectancy of male in the UK aged 65 in 2029	**20.3**	20.3

The amounts recognised in income in respect of the pension schemes are as follows:

	Year ended 31 December 2009			Year ended 31 December 2008		
	UK	**Non UK**	**Total**	UK	Non UK	Total
	£M	**£M**	**£M**	£M	£M	£M
In respect of defined benefit schemes						
Current service cost	**0.2**	**0.1**	**0.3**	0.6	0.1	0.7
Interest cost	**8.9**	**1.9**	**10.8**	8.9	1.6	10.5
Expected return on scheme assets	**(6.4)**	**(1.4)**	**(7.8)**	(9.0)	(1.8)	(10.8)
Total charge/(credit) for defined benefit schemes	**2.7**	**0.6**	**3.3**	0.5	(0.1)	0.4
In respect of defined contribution schemes						
Total charge for defined contribution schemes	**0.8**	**0.8**	**1.6**	0.5	1.0	1.5
Total charge for pension schemes	**3.5**	**1.4**	**4.9**	1.0	0.9	1.9

Of the charge for the year, charges of £3.4 million and £1.5 million (2008: £1.4 million and £0.5 million) have been included in cost of sales and administrative costs respectively.

For the year, the amount of losses recognised in the Statement of Comprehensive Income is £5.9 million (2008: loss of £29.3 million). The actual return of the scheme assets was a gain of £26.5 million (2008: loss of £33.7 million). The overall expected rate of return is determined on the basis of the market prices prevailing at the respective balance sheet date, applicable to the period over which the obligation is to be settled.

The value of the scheme assets were:

	Value at 31 December 2009			Value at 31 December 2008		
	UK	**Non UK**	**Total**	UK	Non UK	Total
	£M	**£M**	**£M**	£M	£M	£M
Equities and Growth Funds	**103.0**	**13.7**	**116.7**	89.0	9.4	98.4
Gilts	**7.5**	**-**	**7.5**	15.0	-	15.0
Other Bonds	**32.7**	**11.3**	**44.0**	22.1	13.1	35.2
Cash	**0.2**	**-**	**0.2**	0.1	-	0.1
Total market value of assets	**143.4**	**25.0**	**168.4**	126.2	22.5	148.7
Present value of scheme liabilities	**(168.4)**	**(32.8)**	**(201.2)**	(141.8)	(35.6)	(177.4)
Deficit in the scheme	**(25.0)**	**(7.8)**	**(32.8)**	(15.6)	(13.1)	(28.7)
Related deferred tax asset	**7.0**	**2.6**	**9.6**	4.4	5.0	9.4
Net pension liability	**(18.0)**	**(5.2)**	**(23.2)**	(11.2)	(8.1)	(19.3)

Analysis of movement in the present value of the defined benefit obligations:

	2009	**2009**	**2009**	2008	2008	2008
	UK	**Non UK**	**Group**	UK	Non UK	Group
	£M	**£M**	**£M**	£M	£M	£M
At 1 January	**141.8**	**35.6**	**177.4**	154.2	24.9	179.1
Service cost	**0.2**	**0.1**	**0.3**	0.6	0.1	0.7
Interest cost	**8.9**	**1.9**	**10.8**	8.9	1.6	10.5
Contributions from scheme members	**0.6**	**-**	**0.6**	0.7	-	0.7
Age related NI rebate	**0.2**	**-**	**0.2**	0.2	-	0.2
Actuarial (gains) and losses	**24.7**	**(0.1)**	**24.6**	(15.8)	1.1	(14.7)
Exchange difference	**-**	**(3.4)**	**(3.4)**	-	9.0	9.0
Benefits paid	**(8.0)**	**(1.3)**	**(9.3)**	(7.0)	(1.1)	(8.1)
At 31 December	**168.4**	**32.8**	**201.2**	141.8	35.6	177.4

The defined benefit obligation comprises £0.9 million (2008: £0.9 million) arising from unfunded plans and £200.3 million (2008: £176.5 million) from plans that are funded.

26. RETIREMENT BENEFITS (continued)

Analysis of movement in the present value of the fair value of scheme assets:

	2009 UK £M	**2009 Non UK £M**	**2009 Group £M**	2008 UK £M	2008 Non UK £M	2008 Group £M
At 1 January	**126.2**	**22.5**	**148.7**	154.2	23.3	177.5
Expected return on scheme assets	**6.4**	**1.4**	**7.8**	9.0	1.8	10.8
Actuarial gains and (losses)	**14.4**	**4.3**	**18.7**	(33.7)	(10.3)	(44.0)
Exchange difference	**-**	**(2.1)**	**(2.1)**	-	8.6	8.6
Contributions from employer	**3.6**	**0.2**	**3.8**	2.8	0.2	3.0
Contributions from scheme members	**0.6**	**-**	**0.6**	0.7	-	0.7
Age related NI rebate	**0.2**	**-**	**0.2**	0.2	-	0.2
Benefits paid	**(8.0)**	**(1.3)**	**(9.3)**	(7.0)	(1.1)	(8.1)
At 31 December	**143.4**	**25.0**	**168.4**	126.2	22.5	148.7

Amounts for the current and previous four years are as follows:

	2009 UK	**2009 Non UK**	**2009 Group**
Total market value of scheme assets £M	**143.4**	**25.0**	**168.4**
Present value of scheme liabilities £M	**(168.4)**	**(32.8)**	**(201.2)**
Deficit in the scheme £M	**(25.0)**	**(7.8)**	**(32.8)**
Difference between the expected and actual return on scheme assets:			
Amount £M	**14.4**	**4.3**	**18.7**
Percentage of scheme assets	**10%**	**17%**	**11%**
Experience gains and losses on scheme liabilities:			
Amount £M	**0.6**	**(0.1)**	**0.5**
Percentage of present value of scheme liabilities	**0%**	**(0)%**	**0%**
Total cumulative amount recognised in Statement of Comprehensive Income:			
Amount £M	**12.9**	**5.3**	**18.2**
Percentage of present value of scheme liabilities	**8%**	**16%**	**9%**

	2008 UK	2008 Non UK	2008 Group	2007 UK	2007 Non UK	2007 Group
Total market value of scheme assets £M	126.2	22.5	148.7	154.2	23.3	177.5
Present value of scheme liabilities £M	(141.8)	(35.6)	(177.4)	(154.2)	(24.9)	(179.1)
Deficit in the scheme £M	(15.6)	(13.1)	(28.7)	-	(1.6)	(1.6)
Difference between the expected and actual return on scheme assets:						
Amount £M	(33.7)	(10.3)	(44.0)	(0.8)	0.5	(0.3)
Percentage of scheme assets	(27)%	(46)%	(30)%	(1)%	2%	-
Experience gains and losses on scheme liabilities:						
Amount £M	-	-	-	-	-	-
Percentage of present value of scheme liabilities	-	-	-	-	-	-
Total cumulative amount recognised in Statement of Comprehensive Income:						
Amount £M	2.6	9.7	12.3	(15.3)	(1.7)	(17.0)
Percentage of present value of scheme liabilities	2%	27%	7%	10%	7%	10%

26. RETIREMENT BENEFITS (continued)

	2006 UK	2006 Non UK	2006 Group	2005 UK	2005 Non UK	2005 Group
Total market value of scheme assets £M	151.4	22.1	173.5	137.9	23.0	160.9
Present value of scheme liabilities £M	(167.1)	(24.7)	(191.8)	(153.9)	(28.9)	(182.8)
Deficit in the scheme £M	(15.7)	(2.6)	(18.3)	(16.0)	(5.9)	(21.9)
Difference between the expected and actual return on scheme assets:						
Amount £M	7.8	0.5	8.3	13.9	(0.1)	13.8
Percentage of scheme assets	5%	2%	5%	10%	(1)%	9%
Experience gains and losses on scheme liabilities:						
Amount £M	2.1	0.1	2.2	-	0.5	0.5
Percentage of present value of scheme liabilities	1%	-	1%	-	2%	-
Total cumulative amount recognised in Statement of Comprehensive Income:						
Amount £M	(0.9)	(1.2)	(2.1)	(1.8)	(0.3)	(2.1)
Percentage of present value of scheme liabilities	1%	4%	1%	1%	1%	1%

The estimated amount of contributions expected to be paid to the pension schemes for the year ending 31 December 2010 is £8.4 million.

27. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN

The trust

In 1997, the Group established an employee benefit trust (“the ESOP”) with independent trustees, to purchase and hold shares in the Company in trust to be used to satisfy options granted to eligible senior employees under the Company’s share schemes established from time to time.

The ESOP was established with the benefit of a gift equivalent to the set up and running costs. Purchase monies and costs required by the ESOP trustees to purchase shares for and under the provisions of the trust are provided by way of an interest free loan from a Group subsidiary. The loan is repayable, in normal circumstances, out of monies received from senior employees when they exercise options granted to them over shares. Surplus shares are held by the ESOP trustees to satisfy future option awards. The ESOP trustees have waived their right to receive dividends on shares held in trust. The Remuneration Committee is charged with determining which senior employees are to be granted options and in what number subject to the relevant scheme rules.

The current scheme

The current share option scheme, implemented by the Company in February 2007 is The Luxfer Holdings Executive Share Option Plan (“the Plan”), which consists of two parts. Part A of the Plan is approved by HM Revenue & Customs and Part B is unapproved. Options can be exercised at any time up to the tenth anniversary of their grant subject to the rules of the relevant part of the Plan. It is a condition of exercise of options granted under Part B that immediately on exercise the ordinary shares over which the option is exercised become restricted shares and subject to rules of the Management Incentive Plan, brief details of which can be found in the Directors’ Report. There is no other performance criteria attached to the options.

Movements in the year

There have been no movements in the year. At 31 December 2009 the loan outstanding from the ESOP was £2.3 million (31 December 2008: £2.3 million). No options have been exercised over the ordinary shares of £1 each during the year and at 31 December 2009 the ESOP held 175,674 (31 December 2008: 175,674) £1 ordinary shares and 15,977,968,688 (31 December 2008: 15,977,968,688) £0.0001 deferred shares. At 31 December 2009 senior employees held 70,400 (31 December 2008: 70,400) options over the £1 ordinary shares held by the ESOP trustees.

28. NON-CONTROLLING INTERESTS

	2009	2008
	£M	£M
At beginning of year	**0.9**	0.8
Payments to acquire non-controlling interests	**(0.9)**	-
Profit for the year	**-**	0.1
At end of year	**-**	0.9

During the year the Group made a final distribution of the retained proceeds from the 2000 sale of Baco Consumer Products to the non-controlling interest (minority shareholder) by buying back this equity stake in Biggleswick Limited at the fair value of £0.9 million.

29. RELATED PARTY TRANSACTIONS

Joint venture in which the Group is a venturer

During 2009, the Group acquired 51% of the equity in the joint venture Luxfer Uttam India Private Limited, as disclosed in Note 12. The joint venture is due to start trading during 2010. During 2009, plant and equipment with a net book value of £0.2 million was disposed of by the Group to the joint venture for its net book value. The proceeds on disposal of the plant and equipment were received by the Group during 2009.

Transactions with other related parties

Before the capital reorganisation on 6 February 2007, management and ex-management, including the Company's Directors owned 15% of the ordinary and preference share capital of the Company. As part of the capital reorganisation, ongoing management agreed for this shareholding to be diluted to 13% or 1.3 million £1 ordinary shares. They also agreed for 800,000 £1 ordinary shares to be contractually restricted under a Management Incentive Plan ("MIP") pursuant to which they agreed to waive their economic rights in these restricted shares, unless certain Group EBITDA targets are achieved. Further details on the MIP are set out in the Directors' Report on page 23.

As at 31 December 2009 the Chairman and key management comprising the members of the Executive Management Board, as set out on page 17 of the Directors' Report, owned 803,875 £1 ordinary shares (2008: 803,875 £1 ordinary shares) and had options over a further 41,800 £1 ordinary shares (2008: 41,800 £1 ordinary shares). 349,656 of these shares were subject to the contractual restrictions of the MIP.

The details of the Directors' shareholdings are shown in Table 4 of the Directors' Report. Tables 2, 3 and 5 of the Directors' Report set out the details of the Directors' remuneration, pension benefits and share options, respectively.

Other than the transactions with the joint venture Luxfer Uttam India Private Limited disclosed above and key management personnel disclosed above and in Note 5, no other related party transactions have been identified.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUXFER HOLDINGS PLC

We have audited the parent company financial statements of Luxfer Holdings PLC for the year ended 31 December 2009, which comprise the Company Balance Sheet, the related notes 30 to 40 and tables 2 to 5 in the Directors' Report marked as audited. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 26 the Directors' are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors'; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 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.

Other matter

We have reported separately on the group financial statements of Luxfer Holdings PLC for the year ended 31 December 2009.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
25 March 2010

	Notes	2009 £M	2008 £M
FIXED ASSETS			
Investments	31	**234.6**	234.6
		234.6	234.6
CURRENT ASSETS			
Debtors	32	**2.5**	2.9
CREDITORS: amounts falling due within one year	33	**(5.9)**	(6.6)
NET CURRENT LIABILITIES		**(3.4)**	(3.7)
TOTAL ASSETS LESS CURRENT LIABILITIES		**231.2**	230.9
CREDITORS: amounts falling due in more than one year			
Senior loan Notes due 2012	34	**(71.7)**	(71.6)
Loan Note to subsidiary undertaking	34	**(28.6)**	(28.6)
Preference shares	34	**(0.1)**	(0.1)
PENSION COMMITMENTS	38	**(18.0)**	(11.2)
NET ASSETS		**112.8**	119.4
CAPITAL AND RESERVES			
Ordinary share capital	36	**10.0**	10.0
Deferred share capital	36	**76.9**	76.9
Own shares held by ESOP	37	**(0.4)**	(0.4)
Profit and loss account	37	**26.3**	32.9
Equity shareholders' funds	37	**112.8**	119.4

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Stephen Williams**

25 March 2010

Company Registration no. 3690830

30. SIGNIFICANT ACCOUNTING POLICIES

Authorisation of financial statements
The Company's financial statements for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 25 March 2010 and the balance sheet was signed on the Board's behalf by BG Purves and SN Williams. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and Sections 475 and 495 of the Companies Act 2006.

No profit and loss account has been presented as permitted by section 408 of the Companies Act 2006. The profit after taxation of the Company was £1.1 million (2008: £0.2 million).

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 Financial Instruments: Disclosures and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provides equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

Investments
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Retirement benefit costs
In respect of defined benefit plans, obligations are measured at discounted present value whilst scheme assets are recorded at fair value. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. The charge to the profit and loss account is based on an actuarial calculation of the Company's portion of the annual expected costs of the benefit plans, based on a series of actuarial assumptions which include an assumption of the regular service costs, the liability discount rate and the expected return on the assets.

When a settlement or curtailment occurs the obligation and the related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account in the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Financial assets and liabilities
Interest bearing loans and borrowings
All loans and borrowings are initially recorded at fair value net of issue costs associated with the borrowing.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis and charged to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities and equity instruments are all instruments that are issued by the Company as a means of raising finance, including shares, debentures, debt instruments and options and warrants that give the holder the right to subscribe for or obtain financial liabilities and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. All equity instruments are included in shareholders' funds. Other instruments are classified as financial liabilities if they contain a contractual obligation to transfer economic benefits. The finance costs incurred in respect of an equity instrument are charged directly to the profit and loss account.

31. INVESTMENTS

	Subsidiary undertakings £M
Cost:	
At 1 January 2009 and 31 December 2009	**234.6**

Details of the investments in which the Group or the Company holds more than 20% of the nominal value of any class of share capital as at 31 December 2009 are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
BA Holdings, Inc.*	United States	Common stock	100%	Holding company
Biggleswick Limited *	England and Wales	Ordinary shares	100%	Non trading
Luxfer Group Services Limited *	England and Wales	Ordinary shares	100%	Property Services
		Preference shares	100%	
LGL 1996 Limited *	England and Wales	Ordinary shares	100%	Dormant
BAL 1996 Limited *	England and Wales	Ordinary shares	100%	Dormant
Hart Metals, Inc. *	United States	Common stock	100%	Manufacturing
Lumina Trustee Limited [2]	England and Wales	Ordinary shares	100%	Trustee company
Luxfer Australia Pty Limited *	Australia	Ordinary shares	100%	Distribution
Luxfer Gas Cylinders Limited *	England and Wales	Ordinary shares	100%	Engineering
Luxfer Gas Cylinders China Holdings Limited *	England and Wales	Ordinary shares	100%	Holding company
Luxfer Gas Cylinders (Shanghai) Co., Limited *	England and Wales	Ordinary shares	100%	Manufacturing
Luxfer Group Limited	England and Wales	Ordinary shares	100%	Holding company
Luxfer Group 2000 Limited	England and Wales	Ordinary shares	100%	Holding company
Luxfer, Inc.*	United States	Common stock	100%	Engineering
Luxfer Overseas Holdings Limited *	England and Wales	Ordinary shares	100%	Holding company
Magnesium Elektron Limited *	England and Wales	Ordinary shares	100%	Manufacturing
		Preference shares	100%	
MEL Chemicals, Inc.* [1]	United States	Common stock	100%	Manufacturing
Magnesium Elektron North America, Inc. *	United States	Common stock	100%	Manufacturing
Magnesium Elektron CZ s.r.o. *	Czech Republic	Basic capital	100%	Manufacturing
MEL Chemicals China Limited *	England and Wales	Ordinary shares	100%	Dormant
Niagara Metallurgical Products Limited *	Canada	Common stock	100%	Manufacturing
Reade Manufacturing, Inc.*	United States	Common stock	100%	Manufacturing
Luxfer Gas Cylinders S.A.S. *	France	Ordinary shares	100%	Engineering
Other Investments				
Nikkei-MEL Co Limited *	Japan	Ordinary shares	50%	Distribution
Luxfer Uttam India Private Limited * [3]	India	Ordinary shares	51%	Engineering

Subsidiary undertakings are all held by the Company unless indicated.

* Held by a subsidiary undertaking.

[1] In November 2008 the name of the company was changed from Magnesium Elektron, Inc.

[2] Acts as bare trustee in connection with the 2007 share capital reorganisation.

[3] Uttam Cylinders Private Limited was incorporated in November 2008. In July 2009 the company changed its name to Luxfer Uttam India Private Limited.

32. DEBTORS

	2009 £M	2008 £M
Amounts due from subsidiary undertakings	**2.5**	2.9

33. CREDITORS: amounts falling due within one year

	2009 £M	2008 £M
Amounts owed to subsidiary undertakings	**5.2**	5.3
Accruals and deferred income	**0.7**	1.3
	5.9	6.6

34. CREDITORS: amounts falling due after more than one year

	2009 £M	2008 £M
Senior Notes due 2012	**71.7**	71.6
Loan Note to subsidiary undertaking	**28.6**	28.6
Preference shares	**0.1**	0.1
	100.4	100.3

Senior Notes due 2012

The Senior Notes due 2012 were issued as part of the 6 February 2007 capital reorganisation. The principal amount held by external parties was £71.9 million. The notes are listed on the Euro MTF Luxembourg Stock Exchange and interest is payable bi-annually. At 31 December 2009, the Senior Notes due 2012 are shown net of deferred transaction costs of £0.2 million (2008: £0.3 million). On issue, £0.5 million of costs were capitalised and are being amortised over the five-year life of the notes, with £0.3 million of these issue costs being amortised up to 31 December 2009. A variable interest rate is payable on 1 May and 1 November, each year, based on six-month LIBOR plus 5.5% to 6%, depending on the credit rating of the notes. The rate payable at the end of 31 December 2009 was 6.3075%, being 5.5% above the relevant LIBOR rate, which is fixed at the start of each six-month interest period. At the Company's discretion, 1% (1.5% if the interest rate is LIBOR plus 6%) may be paid in kind through the issue of new notes. The Senior Notes were not allowed to be repaid until one year after issue, with a 3% early redemption premium for repayment in the second year after issue, 2% in the third and 1% in the fourth year. There is no redemption premium for repayment after four years from issue. The maturity then being February 2012. During 2009, the Company entered into a forward rate agreement for the six-month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%.

Preference share liability

The preference liability of £0.1 million represents the 50,000 'B' preference shares of £1 each.

35. DEFERRED TAX

	£M
At 1 January 2009	**(4.4)**
Credited to statement of total recognised gains and losses	**(2.6)**
Charged to income	**-**
At 31 December 2009	**(7.0)**

No provision has been made for deferred tax on losses carried forward of £34.8 million (2008: £34.9 million). These losses will only be available for offset if the holding company makes taxable profits. Given that the holding company incurs the interest payable on the Senior Notes, it is assumed the losses will not be recoverable in the foreseeable future. Assets are recognised in subsidiary companies where there is sufficient evidence to indicate that there will be future taxable profits. There is no other unprovided deferred tax.

36. SHARE CAPITAL

(a) Ordinary share capital

	2009 No.	2008 No.	2009 £M	2008 £M
Authorised:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,433,688,000	769,433,688,000	**86.9**	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,413,688,000**	769,413,688,000	**76.9**	76.9
	769,423,688,000	769,423,688,000	**86.9**	86.9

(b) Preference share capital

	2009 No.	2008 No.	2009 £M	2008 £M
Authorised:				
‘B’ preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1
Allotted, called up and 25% paid:				
‘B’ preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1

The 50,000 ‘B’ preference shares are entitled to a dividend and are entitled to be redeemed prior to any distribution or return of capital to shareholders.

37. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Share Capital £M	Deferred Share Capital £M	Own shares held by ESOP £M	Profit and loss account £M	Shareholders' funds £M
At 1 January 2008	10.0	76.9	(0.4)	46.2	132.7
Profit for the year	-	-	-	0.2	0.2
Actuarial gains and losses on pension schemes	-	-	-	(13.5)	(13.5)
At 31 December 2008	10.0	76.9	(0.4)	32.9	119.4
Profit for the year	-	-	-	1.1	1.1
Actuarial gains and losses on pension schemes	-	-	-	(7.7)	(7.7)
At 31 December 2009	**10.0**	**76.9**	**(0.4)**	**26.3**	**112.8**

The Company had a surplus on its profit and loss account of £26.3 million as at 31 December 2009 (31 December 2008: £32.9 million).

The profit after taxation dealt with in the financial statements of the parent company was £1.1 million (2008: £0.2 million).

38. RETIREMENT BENEFITS

The Company is a member of the Luxfer Group Pension Plan, a defined benefit scheme in the United Kingdom. The levels of funding are determined by periodic actuarial valuations.

Actuarial gains and losses are recognised in full in the period in which they occur. Actuarial gains and losses are recognised outside the profit and loss account and presented in the Statement of Total Recognised Gains and Losses. The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method.

The Luxfer Group Pension Plan was closed to new members in 1998, new employees then being eligible for an alternative defined contribution plan. With effect from April 2004 the Luxfer Group Pension Plan changed from a final salary to a career average revalued earnings benefit scale. In August 2005 a scheme specific earnings cap of £60,000 per annum subject to inflation increases was introduced, effectively replacing the statutory earnings cap. In October 2007 the rate of the future accrual for pension was reduced and a longevity adjustment was introduced to mitigate against the risk of further increases in life expectancies. The pension cost of the Plan is assessed in accordance with the advice of an independent firm of professionally qualified actuaries, Lane Clark & Peacock LLP.

The full deficit relating to the pension scheme has been included in the parent company balance sheet. This is because it is not possible to allocate the deficit between the various subsidiary companies and the Directors consider that it is most appropriate to allocate it to the ultimate parent company in the Group, rather than leave it as an unallocated consolidation adjustment as allowed by FRS 17.

The total charge to the profit and loss account for this scheme in the UK was £2.7 million. The Company's subsidiaries have charged £3.6 million, this being their cash contributions to the scheme and the Company has recognised a credit of £0.9 million.

The financial assumptions used in the calculations are:	**Projected Unit Valuation**		
	2009 %	2008 %	2007 %
Discount Rate	**5.80**	6.40	5.90
Salary Inflation	**4.60**	3.80	4.20
Price Inflation	**3.60**	2.80	3.20
Pension Increases	**3.50**	2.80	3.10

38. RETIREMENT BENEFITS (continued)

The assets in the scheme and expected rate of long-term return were:	Long term rate of return expected		
	2009	2008	2007
	%	%	%
Equities	**8.10**	7.70	7.60
Gilts	**4.40**	3.80	4.40
Other Bonds	**5.30**	5.00	5.00
Cash	**4.40**	3.80	4.40

The value of the scheme assets were:	Value at 31 Dec 2009	Value at 31 Dec 2008	Value at 31 Dec 2007
	£M	£M	£M
Equities	**103.0**	89.0	108.5
Gilts	**7.5**	15.0	32.7
Other Bonds	**32.7**	22.1	13.8
Cash	**0.2**	0.1	(0.8)
Total market value of assets	**143.4**	126.2	154.2
Present value of scheme liabilities	**(168.4)**	(141.8)	(154.2)
Deficit in the scheme	**(25.0)**	(15.6)	-
Related deferred tax asset	**7.0**	4.4	-
Net pension liability	**(18.0)**	(11.2)	-

Analysis of amount charged to operating profit:	2009	2008
	£M	£M
In respect of defined benefit schemes:		
Current service cost (employer's)	**(0.2)**	(0.6)
Total operating charge for defined benefit schemes	**(0.2)**	(0.6)

Analysis of amount credited/(charged) to other finance income:	2009	2008
	£M	£M
Expected return on pension scheme assets	**6.4**	9.0
Interest on pension scheme liabilities	**(8.9)**	(8.9)
Net (charge)/credit to other finance income	**(2.5)**	0.1

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:	2009	2008
	£M	£M
Actual return less expected return on pension scheme assets	**14.4**	(33.7)
Changes in assumptions underlying the present value of scheme liabilities	**(24.7)**	15.8
Actuarial loss recognised in Statement of Total Recognised Gains and Losses	**(10.3)**	(17.9)

Analysis of movement in deficit in the scheme during the year:	2009	2008
	£M	£M
Deficit in defined benefit schemes at beginning of year	**(15.6)**	-
Current service cost	**(0.8)**	(1.3)
Aggregate contributions (employers' and employees')	**4.2**	3.5
Other finance (costs)/income	**(2.5)**	0.1
Actuarial loss recognised in Statement of Total Recognised Gains and Losses	**(10.3)**	(17.9)
Deficit in defined benefit schemes at end of year	**(25.0)**	(15.6)

38. RETIREMENT BENEFITS (continued)

Analysis of movement in present value of scheme assets:	**2009**	2008
	£M	£M
At 1 January	**126.2**	154.2
Expected return on scheme assets	**6.4**	9.0
Actuarial gains and (losses)	**14.4**	(33.7)
Contributions from employer	**3.6**	2.8
Contributions from scheme members	**0.6**	0.7
Age related NI	**0.2**	0.2
Benefits paid	**(8.0)**	(7.0)
	143.4	126.2

Analysis of movement in present value of the defined benefit obligation:	**2009**	2008
	£M	£M
At 1 January	**141.8**	154.2
Service cost	**0.2**	0.6
Interest cost	**8.9**	8.9
Contributions from scheme members	**0.6**	0.7
Age related NI	**0.2**	0.2
Actuarial (gains) and losses	**24.7**	(15.8)
Benefits paid	**(8.0)**	(7.0)
	168.4	141.8

History of experience in gains and losses:	**2009**	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets:					
Amount £M	**14.4**	(33.7)	(0.8)	7.8	13.9
Percentage of scheme assets	**10%**	(27)%	(1)%	5%	10%
Experience gains and losses on scheme liabilities:					
Amount £M	**0.6**	-	-	2.1	-
Percentage of present value of scheme liabilities	**0%**	-	-	1%	-
Total amount recognised in Statement of Total Recognised Gains and Losses:					
Amount £M	**(10.3)**	(17.9)	19.1	(0.8)	2.1
Percentage of present value of scheme liabilities	**6%**	13%	(12)%	1%	-

The estimated amount of contributions expected to be paid to the UK pension schemes for the year ending 31 December 2010 is £6.3 million.

39. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN

The trust

In 1997, the Group established an employee benefit trust ("the ESOP") with independent trustees, to purchase and hold shares in the Company in trust to be used to satisfy options granted to eligible senior employees under the Company's share schemes established from time to time.

The ESOP was established with the benefit of a gift equivalent to the set up and running costs. Purchase monies and costs required by the ESOP trustees to purchase shares for and under the provisions of the trust are provided by way of an interest free loan from a Group subsidiary. The loan is repayable, in normal circumstances, out of monies received from senior employees when they exercise options granted to them over shares. Surplus shares are held by the ESOP trustees to satisfy future option awards. The ESOP trustees have waived their right to receive dividends on shares held in trust. The Remuneration Committee is charged with determining which senior employees are to be granted options and in what number subject to the relevant scheme rules.

The current scheme

The current share option scheme, implemented by the Company in February 2007 is The Luxfer Holdings Executive Share Option Plan ("the Plan"), which consists of two parts. Part A of the Plan is approved by HM Revenue & Customs and Part B is unapproved. Options can be exercised at any time up to the tenth anniversary of their grant subject to the rules of the relevant part of the Plan. It is a condition of exercise of options granted under Part B that immediately on exercise the ordinary shares over which the option is exercised become restricted shares and subject to rules of the Management Incentive Plan, brief details of which can be found in the Directors' Report. There is no other performance criteria attached to the options.

Movements in the year

There have been no movements in the year. At 31 December 2009 the loan outstanding from the ESOP was £2.3 million (31 December 2008: £2.3 million). No options have been exercised over the ordinary shares of £1 each during the year and at 31 December 2009 the ESOP held 175,674 (31 December 2008: 175,674) £1 ordinary shares and 15,977,968,688 (31 December 2008: 15,977,968,688) £0.0001 deferred shares. At 31 December 2009 senior employees held 70,400 (31 December 2008: 70,400) options over the £1 ordinary shares held by the ESOP trustees.

40. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of Luxfer Holdings PLC.

Company Details

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Registration no. 3690830

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Group Finance Director
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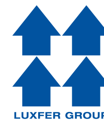

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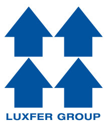

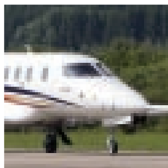
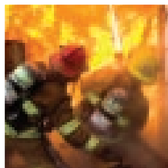

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