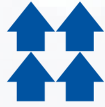

LUXFER HOLDINGS PLC

2012 Report & Accounts

Report and Financial Statements 2012

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Glossary of Terms

Unless the context in which we use the terms indicates otherwise the following terms used in this report have the following meanings:

ADR	American Depositary Receipt which evidences an ADS, being the uncertificated form in which the Company's ordinary shares are traded on the NYSE. One ordinary share is represented by two ADRs.
ADS	American Depositary Share, the uncertificated form in which the Company's ordinary shares are traded on the NYSE. One ordinary share is represented by two ADSs.
AGM	Annual General Meeting of the Company.
Ordinary shares	The Company's ordinary shares of £1 each.
NYSE	New York Stock Exchange.
IPO	The Initial Public Offering in the US completed by Luxfer Holdings PLC on 9 October 2012.
Group	Luxfer Holdings PLC and its subsidiaries.
Year	1 January 2012 to 31 December 2012.
Post IPO Articles	The Articles of Association of Luxfer Holdings PLC adopted by special resolution of the Company on 26 October 2011, effective from the date of the IPO.
SEC	Securities and Exchange Commission of the US.
FPI	Foreign Private Issuer under the SEC registration rules.

DIRECTORS' REPORT

The Directors of Luxfer Holdings PLC (the Company) present their annual report together with the audited financial statements of Luxfer Group and the Company for the year ended 31 December 2012.

Results

The profit for the year, after taxation, amounted to $42.4 million (2011: $43.4 million).

Dividends Per Share

In July 2012, our Board of Directors declared an interim dividend of £0.25 per ordinary share (equal to $0.39 per ordinary share at an exchange rate of $1.57:£1), totalling $3.8 million and paid on 10 August 2012. Our Board declared a further interim dividend in October 2012 of $0.20 per ordinary share, totalling $2.0 million and paid on 25 October 2012. Interim dividends totalling $5.8 million were paid in 2012 (2011: $nil).

The Directors do not recommend a final dividend for 2012, but a further interim dividend was paid in February 2013 of $0.20 per ordinary share.

Principal Activities and Review of the Business

The principal activity of the Company is the holding company for the companies that form the Luxfer Group.

Luxfer Group is an international materials technology company specialising in the design, manufacture and supply of high-performance materials, components and gas cylinders to customers in a broad range of growing environmental, healthcare, protection and speciality end-markets.

Our area of expertise covers the chemical and metallurgical properties of aluminium, magnesium, zirconium, carbon, titanium and rare earths, and we have pioneered the application of these materials in many high-technology industries. For example:

- We were the first to use rare earths to develop and patent a magnesium alloy (EZ33A) for use in high-temperature aerospace applications such as helicopter gearboxes.
- We were at the forefront of the commercial development of zirconia- rich mixed oxides for use in automotive catalysis.
- We were the first to manufacture a high-pressure gas cylinder out of a single piece of aluminium using cold-impact extrusion.
- We developed and patented the superforming process and the first superplastic aluminium alloy (AA2004) and were the first to offer superformed aluminium panel-work commercially.

We have a long history of innovation derived from our strong technical base, and we work closely with customers to apply innovative solutions to their most demanding product needs.

Luxfer Group is comprised of two divisions:

The **Elektron division** focuses on speciality materials based on magnesium, zirconium and rare earths. We sell our products through two brands. Under our ***Magnesium Elektron*** brand, we develop and manufacture specialist lightweight, corrosion-resistant and flame-resistant magnesium alloys, extruded magnesium products, magnesium powders, magnesium plates and rolled sheets and photo-engraving plates. Our lightweight magnesium alloys and components are used in the aerospace and automotive industries. Our magnesium powders are used in the defence industry for countermeasure flares to protect aircraft against missile attack. Our photo-engraving plates are used in the graphic arts industry. Under our ***MEL Chemicals*** brand, we develop and manufacture speciality zirconium compounds for use in automotive exhaust catalysts, industrial catalysts, ceramic sensors for electronics, structural ceramics, thermal barrier coatings for aerospace, filters for water purification and dental ceramic crowns and implants.

The **Gas Cylinders division** manufactures products made from aluminium, composites and other materials using technically advanced processes. We sell our products through two brands. Under our ***Luxfer Gas Cylinders*** brand, we develop and manufacture advanced high-pressure aluminium and carbon composite cylinders used to contain medical oxygen, breathing air for fire-fighters and other first-responders, clean-burning compressed natural gas for alternative fuel vehicles and power plants, speciality gases used in microchip and electronics manufacturing, carbon dioxide for fire extinguishers and beverage dispensing, inflation gases for aerospace, air

and gas mixtures for scuba diving, and gases used in a variety of general industrial applications. Under our ***Superform*** brand, we design and manufacture highly complex, lightweight products for a wide range of industries, including aerospace, specialist automotive, rail transport and healthcare

Group Key Performance Indicators (KPIs)

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		**2012**	2011	2010	2009	2008
Operating performance						
Revenue	$m	**511.6**	510.8	402.7	371.3	475.9
Trading profit	$m	**68.8**	66.0	45.7	28.4	41.9
Adjusted net income[1]	$m	**45.0**	43.4	26.1	10.5	15.1
Basic earnings per share	$	**3.95**	4.39	2.61	0.97	1.31
Adjusted net income basic earnings per share	$	**4.19**	4.39	2.65	1.07	1.54
Adjusted EBITDA[2]	$m	**83.5**	80.5	59.6	42.2	56.6
Revenue per employee	$'000s	**337**	353	283	258	300
Return on revenue[3]	%	**13.4**	12.9	11.3	7.6	8.8
Return on invested capital[4]	%	**28.3**	29.1	20.0	10.6	12.7
Financial performance						
Net cash flow from operating activities	$m	**69.0**	29.1	37.8	55.5	35.3
Net debt to adjusted EBITDA	times	**0.3**	1.4	1.8	2.9	2.5
Non-financial performance						
Number of days lost following accidents at work[5]	work-days	**929**	734	805	799	704
ISO14001 environmental management system certification[6]	%	**72.8**	68.8	60.1	46.1	39.7
Economic indicators						
Average aluminium price (three-month LME)	$/tonne	**2,049**	2,419	2,198	1,701	2,620
Average US dollar to pound sterling exchange rate	$:£	**1.59**	1.61	1.54	1.57	1.84
Average euro to pound sterling exchange rate	€:£	**1.23**	1.15	1.17	1.13	1.25

NOTES

1. A non-Group measure for net income after tax, excluding certain unusual items. Reconciliation to Group measure is disclosed in Note 10 to the financial statements.
2. A non-Group measure for earnings before interest, taxation, depreciation and amortisation. Reconciliation to Group measure is disclosed in Note 28 to the financial statements.
3. Return on revenue is measured as trading profit divided by revenue.
4. Return on invested capital is defined as the after-tax trading profit divided by shareholders' equity plus net debt.
5. The deterioration in days lost in 2012 relates mainly to a number of minor accidents at one particular magnesium plant, which is being targeted with improvement initiatives in 2013.
   Under regulations issued by the Occupational Safety & Health Administration of the United States Department of Labor, the number of days absent for each accident is capped at 180 days.
6. Percentage of Group revenue originating from ISO14001-certified businesses.

Business Review

Highlights

Set against the backdrop of a very challenging business environment, the Group delivered a strong trading performance in 2012. Underlying revenue, excluding the rare earth surcharge and adjusting for acquisitions, increased by 7% in 2012 from the previous year and trading profit in 2012 of $68.8 million represented a 4% increase over the reported $66.0 million in 2011. Net income for 2012 was $42.4 million and Adjusted Net Income was $45.0 million, compared to $43.4 million in 2011.

Cash generation was strong in 2012 as a result of excellent trading performance and reduction in working capital, mainly due to careful management of the fall in rare earth prices from the

previous year. We were able to utilise part of the cash generated to acquire Dynetek Industries Limited (Dynetek), a composite cylinder business specialising in containment of compressed natural gas (CNG) for alternative fuel vehicles, in the third quarter of 2012. In the same quarter we also commenced paying dividends to our shareholders.

In October 2012 Luxfer Group listed on the New York Stock Exchange through a successful initial public offering (IPO). Using part of the funds generated by the IPO, we re-paid our outstanding bank debt and improved the financial strength of our balance sheet, along with providing funding for our long-term growth strategy. The ratio of Net Debt to adjusted EBITDA at end of 2012 was 0.3x compared to 1.4x at the end of 2011.

Translation exchange rates

The financial analysis and statements in these accounts are presented in US dollars. The two principal currencies used to translate the results of non-US operations are pound sterling and the Euro. Both of these currencies in 2012 were on average weaker against the US dollar than in 2011, resulting in adverse movements when translating the operating results of non-US operations into US dollars.

Revenue

On an IFRS reported basis, 2012 revenue was $511.6 million compared to $510.8 million for the same period of 2011. Net revenue (excluding rare earth surcharges) was $471.1 million for 2012, $30.1 million ahead of 2011's $441.0 million. Adjusting for an adverse translation impact of $6.2 million, and a $5.4 million adjustment to reflect the Dynetek 2011 Q4 revenues acquired, underlying revenue grew by $30.9 million, or 7.0%, in 2012, when compared to 2011. In 2012, we levied a rare earth surcharge of $40.5 million compared to $69.8 million in 2011, a reduction of $29.3 million.

The Elektron division's revenue was $265.3 million in 2012, a reduction of $22.2 million from $287.5 million in 2011.Excluding the $3.3 million adverse translation exchange rate impact on revenue and excluding the decrease in revenue relating to the rare earth surcharge, the underlying increase in revenue at constant translation exchange rates was $10.4 million from 2011.This growth was achieved despite a weaker auto-catalysis market in Europe, with growth in industrial catalysis, zirconium ceramics and specialist coatings, magnesium aerospace alloys and powders as counter-measures. Much of the zirconium sales growth related to the trend toward environmentally friendly chemicals, with the magnesium alloy growth relating to greater demand for light-weighting materials and our new extrusion products using these lightweight alloys.

The Gas Cylinder division's revenue was $246.3 million in 2012, an increase of $23.0 million from $223.3 million in 2011. Excluding a $2.9 million adverse impact on revenue attributable to exchange rate translation, the underlying revenue, at constant translation exchange rates, was $25.9 million, or 11.8%, higher than 2011. 9.1% related to organic growth and 2.7% can be attributed to historical Dynetek acquired revenues, which were $5.4 million in Q4 2011. Gas Cylinders growth was primarily in its composite lightweight cylinders, with increased demand for portable oxygen medical cylinders used by patients, higher sales of SCBA cylinders used by firefighters for breathing apparatus and large composite cylinders used in CNG gas transportation and CNG-powered buses and trucks. This includes growth in Dynetek's own revenues during Luxfer Group's ownership (mainly in Q4 2012), when compared to 2011. The growth in Gas Cylinders was driven by demand for lightweight cylinders for medical and protection (firefighters), and environmental pressures to use cleaner fuels, such as CNG, which are cheaper and incur lower fuel taxes for end-users. We believe the reduced cost of natural gas, along with fracking activities in the US, has also increased the demand for gas-transportation equipment.

Cost of sales and gross profit

The gross profit margin for 2012 was 24.6% compared to 23.5% in 2011. Whilst overall profitability has improved, the margin percentage was aided by reduced rare earth surcharges levied of $40.5 million in 2012, compared to $69.8 million in 2011.

Against the backdrop of global economic uncertainties, 2012 raw material prices generally stabilised or decreased from previous peak prices. The largest single impact on our business in previous years was that of cerium carbonate. By the end of 2011 we had seen a softening of the price quoted on the Asian Metal Market to approximately $95 per kg (oxide contained) from the peak of $270 per kg. 2012 saw an increase in the supply of cerium carbonate and a return to more stable market conditions. As a result of this, the quoted Asian Metal Index price of cerium

carbonate declined progressively during the year, closing at approximately $28 per kg in December 2012.

The average LME price for aluminium was $2,049 per tonne in 2012, a reduction of $370 per tonne, or 15%, from the 2011 equivalent figure. Magnesium costs were almost identical in 2012 to the previous year with the average price of Chinese magnesium on a free-on-board basis being $3,114 per tonne, a $2 per tonne difference in 2012 compared to 2011.

Distribution costs, administrative expenses and other trading items

The net of these costs in 2012 was $57.1 million compared to $54.4 million in 2011. The increase was due to other income of $2.0 million in 2011 associated with insurance receipts and the increase in administration costs in 2012 related to Dynetek. Otherwise all other costs were tightly controlled and at a similar level in 2012 as 2011.

Trading profit

Trading profit for 2012 was $68.8 million compared to $66.0 million for 2011, up 4.2%.

The Elektron division's trading profit of $53.0 million in 2012 was a decrease of $1.1 million from $54.1 million in 2011. Changes in exchange rates used to translate segment trading profit into US dollars led to a $0.4 million decrease in 2012, and therefore profits at constant translation exchange rates decreased by $0.7 million, or 1.3%. There was a positive benefit of $1.5 million in 2012 when compared with 2011 as a result of obtaining better underlying selling prices, as well as achieving a more favourable mix of sales. We also benefited from a slight reduction in the cost of magnesium in 2012 through careful sourcing of material, while the cost of other zirconium raw materials, including zircon sand, increased during the year. For 2011, the foreign exchange-transaction rates on sales and purchases had a negative impact of $0.2 million, net of the benefit of utilising foreign currency exchange derivative contracts, compared to 2011. Accounting charges for the Elektron element of the defined benefit pension plans increased in 2012 and the impact on trading profit was a $1.5 million additional charge when compared to 2011. Other costs increased by a net $0.5 million in 2012 compared to 2011.

Gas Cylinders division’s trading profit of $15.8 million was an increase of $3.9 million, or 33%, from the $11.9 million in 2011.The exchange rates used to translate segment profit into US dollars in 2012 were broadly similar to those in the previous year without any impact on profit. The input costs of raw materials were similar in 2012 to 2011. Despite a reduction in the overall number of cylinders sold, the mix of products was favourable and sales prices achieved in 2012 were higher than in 2011. The net impact of these factors was to increase trading profit by $8.5 million. In 2012, the foreign exchange transaction rates on sales and purchases had a negative impact of $0.5 million, net of the benefit of utilising foreign currency exchange derivative contracts, compared to 2011. Accounting charges for the Gas Cylinders division’s element of the defined benefit pension plans increased in 2012 by $1.1 million compared to 2011. Other costs increased by a net $3.0 million in 2012 compared to 2011.

Adjusted EBITDA

Adjusted EBITDA, measured as trading profit before depreciation and amortisation, was $83.5 million in 2012, a margin on sales of 16.3%, compared to $80.5 million and 15.8% in 2011.

Operating profit

Operating profit after restructuring costs and other one-off items, such as IPO costs not charged to the share premium account, was $66.7 million in 2012, compared to $66.2 million in 2011. These unusual items were a charge of $2.1 million in 2012, compared to a net credit in 2011 of $0.2 million, due to a one-off gain resulting from a change made to our UK pension plan arrangements.

Net acquisition and disposal costs

We incurred a non-operating charge of $0.8 million in 2012 compared to $0.2 million in 2011. The Gas Cylinders division recognised a net acquisition cost of $0.6 million in 2012, related to the acquisition of Dynetek. The cost was comprised of acquisition costs of $0.8 million less a negative goodwill credit of $0.2 million. We also incurred $0.2 million in both 2012 and in 2011 because of a voluntary agreement with the Federal Trade Commission to sell and license a subset of our US photo-engraving business to a third party following the acquisition of Revere Graphics Worldwide in 2007. The sale was achieved in late 2012.

Finance costs

Net finance costs were $6.5 million in 2012 compared to $9.0 million in 2011. The lower costs in 2012 reflected the reduced level of indebtedness.

Profit before taxation

Our profit before taxation was $59.4 million in 2012, a 4.2% increase over the $57.0 million in 2011. Our margin on profit before tax was 11.6% in 2012 and 11.2% in 2011.

Taxation

Our 2012 tax expense was $17.0 million on profit before tax of $59.4 million. The effective tax rate was 28.6% on profit before tax. Of the charge of $17.0 million, $11.1 million (an 18.7% effective rate) related to current tax payable and $5.9 million (a 9.9% effective rate) was a deferred taxation charge. In 2011, our tax expense was $13.6 million on profit before tax of $57.0 million. The effective tax rate was 23.9% on profit before tax. Of the charge of $13.6 million, $11.8 million (an effective rate of 20.7%) related to current tax payable and $1.8 million (a 3.2% effective rate) was a deferred taxation charge.

The effective rate of current tax, which is the tax payable on the current year's profits, fell, with more profits being generated in lower tax jurisdictions, such as the UK, and the continued use of tax credits for research and development expenditure. The deferred tax rate is higher, with the utilisation of capital allowances and pension deficit payments, which are recognised as a deferred tax asset on the balance sheet and then charged to the income statement when utilised, to reduce current tax payable.

Net income for the period

Net income for the period was $42.4 million, compared to $43.4 million in 2011.The fall was due to several one-off costs related to the acquisition of Dynetek and some IPO related costs, rather than to lower trading profit. Adjusted net income, which excludes the after tax impact of these exceptional items, was $45.0 million, up on the adjusted net income for 2011 of $43.4 million.

Cash flow

Net cash flow from operating activities was an inflow of $69.0 million in 2012, compared to an inflow of $29.1 million in 2011, an improvement of $39.9 million. There was a net working capital inflow of $7.5 million in 2012 as compared to an outflow of $24.8 million in 2011, an improvement of $32.3 million. Working capital in 2011 had been significantly increased due to higher costs of rare earths and the need to buy forward material to cover agreed surcharge pricing. The improved availability of rare earths reduced the need for strategic holding of inventory, and the corresponding fall in prices has benefited the cash flow. Lower interest rates following the refinancing undertaken in June 2011, the reduction in the need to draw down the Revolving Credit Facility and the repayment of the senior term loan in October 2012 resulted in the net finance cost outflow of $6.5 million in 2012 being $2.5 million less than the outflow of $9.0 million in 2011. In 2012, there were some additional payments made in respect of pension plan deficit remediation funding in the US, while in 2011, as part of the June 2011 refinancing, we agreed to make advanced payments of $7.2 million into our retirement benefit pension plans covering the period to March 2012. Due to additional pension payments in the US and the effect of temporary timing differences, the income tax outflow in 2012 of $9.3 million was $4.4 million less than the outflow of $13.7 million in 2011.

Net cash outflows used in investing activities increased by $8.2 million, or 38.7%, to $29.4 million in 2012 from $21.2 million in 2011. The main reason for this increase was the net expenditure incurred of $11.0 million related to the acquisition of Dynetek in September 2012. We also incurred capital expenditures of $19.3 million in 2012, a reduction of $1.9 million from the $21.2 million expenditure in 2011. The net cash flows used in investing activities in 2012 were partially offset by $1.5 million in deferred consideration we received from final instalments due in respect of the sale of our Speciality Aluminium division.

Net cash flows from financing activities decreased by $28.4 million to an outflow of $23.0 million in 2012, from a $5.4 million inflow in 2011. Net cash flows from financing activities in 2012 were primarily attributable to the proceeds of $65.1 million from the IPO in October 2012 following the successful listing through an ADR arrangement on the New York Stock Exchange. The Company paid share-issuance costs in respect of the IPO process of $3.5 million. Part of the proceeds was used to repay a senior term loan, and we also repaid the amount outstanding on the revolving

credit facility in the year, for a combined total outflow of $72.8 million. In 2012 we also made two dividend payments to holders of our ordinary shares, resulting in an outflow of $5.8 million.

Shareholder equity and borrowings

Shareholder equity at 31 December 2012 was $148.8 million compared to $64.8 million at 31 December 2011, the increase reflecting the improved trading and the strengthening of the balance sheet following the IPO in October. The Group had total borrowings of $63.5 million and net debt of $23.3 million as at 31 December 2012. Invested capital, defined as total shareholder equity plus net debt was $172.1 million as at 31 December 2012; this compares to an equivalent figure of $175.1 million in 2011, the reduction in net debt being offset by the increase in shareholder equity. The ratio of the return on invested capital (defined as trading profit for the year, less notional tax, divided into invested capital) was 28.3% in 2012.

Modification of banking facilities for IPO and change from secured to unsecured

Near the end of 2012, the Group agreed to a number of legal modifications to its £70 million bank facilities to adjust reporting and financial covenants, taking into account the Company's US listing, including being able to report covenants and financial reporting information in US dollars and, thus reducing restrictions on dividends, capital investments and acquisitions, as well as enabling the switch to reporting in US GAAP, if ever required in the future. These changes also ensured that the repayment of debt with the IPO proceeds did not reduce the size of the available committed facilities and that the bank facilities would continue to be fully available until June 2015, on the same pricing and quantum as pre-IPO. Making these favourable modifications to the existing facilities was significantly cheaper and less complex than conducting a full refinancing and replacing the facilities with new arrangements. In the course of agreeing to these legal changes, the Group also negotiated the release of the security held by the banks and agreed that the full facility can operate as a more flexible revolving credit facility, rather than part term loan and part revolver. The facility can be used to fund both working capital and acquisitions. There were no drawings on this banking facility as at 31 December 2012. The security was also simultaneously released on Senior Notes due in 2018, which ranks pari-passu with the banking facilities. There were no changes in the fixed interest rate or maturity dates. Legal costs and amendment fees were in total $0.6 million and have been capitalised as additional amortising finance costs.

IAS 19 (Revised) - Retirement benefit accounting changes from 1 January 2013

As highlighted in the audited annual report and accounts for 2011, IFRS is changing for retirement benefit accounting. This mainly relates to the new standard for a pension plan in deficit, which requires a notional (non-cash) interest charge to be made to finance costs based on corporate bond yields, but does not recognise the benefit of pension assets yielding expected returns above bonds yields, even if invested in equities. These are not changes to actuarial funding calculations, nor do they reflect expected funding outcomes, but they reflect non-cash changes to the accounting presentation.

The impact for 2012 would be a $0.3 million reduction in operating profit (and EBITDA), a $3.9 million reduction in profit before tax and a $2.9 million reduction in net profit. The Group will report its adjusted net income and adjusted EPS key performance indicators, excluding the non-cash notional finance charge. These accounting changes will start from 1 January 2013 and prior year comparative results will be restated when reporting 2013 results. We have estimated that the impact on 2013 results will be similar to 2012 and that the additional IAS 19 finance charge for 2013 will be approximately $3.7 to $4.0 million before tax. Note 1 of the financial statements describes the impact of IAS 19 in further detail.

There is no change in the deficit calculations, and therefore the additional charges are cancelled. Note 30 sets out our current IAS 19 accounting disclosures, along with details of our employee pension plans.

Post-balance-sheet events

In January 2013, 306,200 Restricted Stock Units and Options over ADSs, equivalent to 153,100 ordinary shares, were granted under the Luxfer Holdings PLC Long Term Umbrella Incentive Plan. In March 2013, 1,924 ADSs Restricted Stock, equivalent to 962 ordinary shares, were granted under the Luxfer Holdings PLC Non-Executive Directors Equity Incentive Plan.

Essential contracts or arrangements

We do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively.

Treasury and the use of financial derivatives

Details of our financing and treasury policies, along with the management of treasury risks and use of financial derivatives can be found in Notes 28 and 29 of the Financial Statements.

Environmental matters and corporate social responsibility

Helping create a greener world

One of our three strategic growth markets is 'Environmental'. We produce materials used in automotive catalysts to neutralise noxious gases. Our Isolux® products remove arsenic and other harmful chemicals from drinking water or effluent. Many of our materials, such as magnesium alloys and superformed aluminium sheet are in demand because they are lighter in weight than alternatives, enabling users to improve fuel efficiency and reduce carbon emissions. One of our bigger growth areas is high-pressure containment of cleaner alternative fuels such as compressed natural gas and hydrogen.

Managing environmental impact

We, and our predecessor businesses, have been around for a long while, and a number of our sites have been manufacturing locations for several decades, including times when there was less awareness about protecting the environment. Today we are very focused on minimising any on-going environmental impact from our operations, and we are also proactively and progressively clearing those legacy issues that we acquired in 1996 with the businesses that now comprise Luxfer Group. We have budgeted to spend a further $1.8 million on these issues in 2013.

Other than for minor violations, the Group has neither created nor uncovered new environmental concerns in more than a decade, and we continue to strengthen our controls. All our major sites are expected to achieve ISO 14001 certification to ensure environmental awareness and compliance.

Twelve of our eighteen sites had achieved certification by the end of 2012. Another of our large plants achieved certification just after year-end, and another is scheduled to be audited during 2013. The Group has chosen the proportion of sales revenue generated from ISO 14001-compliant sites as a non-financial key performance indicator, and this figure has now reached 73%.

Our UK chemicals business is regulated by the European Union regulation concerning the Regulation, Evaluation, Authorisation and Restriction of Chemicals (REACH), which aims, among other things, to provide a high level of protection of human health and the environment from the use of chemicals, and to make manufacturers and importers responsible for understanding and managing the risks associated with their use. As a manufacturer and importer, our chemicals business participates in several REACH consortia (as member or lead member), under which manufacturers and importers of like substances register their substance and work together to collect and collate specified sets of information on those substances, which is then used to assess hazards and risks posed by those substances, and how those risks might be controlled.

Managing energy use

Energy is a major requirement for the Group's activities, which involve melting and forming metals, changing the state of chemicals, and running heavy machinery. For the past three years we have had an energy committee encouraging all business units to examine ways to minimise energy usage and looking at innovative ways to reduce our usage and cost.

Our UK operations are regulated under the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). The scheme is designed to target CO_2 emissions not already covered by Climate Change Levy Agreements and the European Union Trading Omissions Scheme. The legislation requires organisations to monitor and report on their energy usage and take action to reduce consumption. We are registered under the scheme. All of our UK operations participate in Climate Change Agreements, with the exception of our gas cylinders plant, due to the nature of its cold-extrusion process.

Industry engagement

Our divisions are active members of relevant industry associations and standards bodies, both in Europe and North America, where they have a positive influence variously as members and officers and technical advisors. They often participate in and chair committees within those associations on technical and other matters of interest or concern to their relevant industry, including standards, specifications and safety. These organisations include the International Magnesium Association, the Chemical Industry Association, the Zircon Industry Association, the Compressed Gas Association, the Metal Powder Producers Association, the British Standards Institute, the Canadian Standards Association, the American Society of Testing and Materials and many others..

Employee share schemes

Until our IPO last October, it was unfeasible to offer employee share schemes, but we are now working to provide them in 2013, offering as many employees as possible the opportunity to acquire a small holding in the Group's shares, where possible in a tax-efficient manner.

Our people

The knowledge and skills of our people are key competitive advantages, and we endeavour to involve our employees through regular local, divisional and Group communications and training. In 2012 we launched a corporate management development programme aimed at developing junior and middle managers into future leaders. As far as reasonably possible, bonus arrangements are made available to motivate employees towards business targets. Further information on employee polices and engagement can be found in Other Statutory Information on page 23.

Health and safety

We want our sites to be safe places to work, and so we closely monitor near-misses, injuries and lost-time accidents (LTAs). We have chosen days lost from LTAs as a key performance indicator; see Table 1 on page 2.

Customers and suppliers

While we have multiple sourcing options in almost every area of the Group, our key suppliers are important to us, and we have chosen them for their combination of quality, delivery performance and value for money. We aim to pay them to terms and resolve any issues amicably.

we recognise our customers as the source of our success and that of all of our stakeholders. Our aim is to build and sustain long-term relationships based on mutual cooperation on design and high standards of quality and service. We work closely in collaboration with our customers to find more innovative solutions to their needs for advanced materials and products. Our focus is on demanding applications where our technical know-how and manufacturing expertise combines to deliver a superior product.

Responsible business ethics

We expect our employees and associates to apply a high ethical standard in every aspect of business. We have recently introduced a corporate whistle-blowing policy to facilitate reporting of failures to maintain these standards.

Our systems are designed to ensure compliance with all laws and regulations wherever we operate and we have a number of Group and local policies to ensure compliance and best practice as appropriate. We actively participate on many regulatory bodies that oversee or regulate industries to which we sell our products. We have undertaken training on the UK Bribery Act, the US Foreign Corrupt Practices Act, both European and US Competition law and other areas related to compliance.

Corporate giving

Our business units are encouraged to support local causes, or business-related charities.

The Group made charitable donations in 2012 amounting to $46,000 (2011: $61,000), consisting of a number of small donations to various community, welfare, health, sport and educational charities local to the businesses that make up the Group both in the United Kingdom and elsewhere.

RISK

Internal Controls and Risk Management

The Group has in place a comprehensive risk management programme designed to ensure that significant and emerging risks are identified, assessed and managed effectively.

We operate to established procedures to identify key risks, evaluate their likelihood and size and manage and assess the effectiveness of controls to mitigate the impact and likelihood of these significant risks occurring. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss. Our procedures are reviewed on an on-going basis as considered appropriate and cover both financial and non-financial risks.

Below we describe the Group's principal internal procedures for identify, evaluating and mitigating risk generally and in certain specific areas. We also discuss our principle risks and uncertainties.

Risk Management - Over the years the Company has developed and implemented a Risk Management Process with the help of external advisors.

Our risk management framework

- On a self-certification and self-monitoring basis, with guidance from head office, local management create a written risk profile for their business by identifying and evaluating the likelihood and magnitude of their key operational, commercial and financial risks. At the same time action plans are developed to mitigate or where possible eliminate identified risks.
- Individual business and divisional risk factors are consolidated to form an overall risk profile for the Group.
- To enable it to review the effectiveness of the Group's risk management and internal controls the Board receives an annual report from the Finance Director on major identified risks, the processes involved in their identification and controls in place to manage those risks.
- Any major new risk to the Group, arising or perceived during the year between reports, is identified to and discussed with the Board at regular Board Meetings.
- Training is undertaken locally and on a Group-wide basis to eliminate or mitigate certain identified or perceived risks that may affect the Group or a business where relevant.
- A range of Group policies to manage specific identified risks.

Health and Safety - As an integral part of good business practice, the Group is committed to achieving and maintaining high standards of health and safety for all its employees, contractors, visitors and all those who may be affected by its operations.

The main elements in our approach to health and safety risk:

- A Group health and safety policy with which all operating units in the Group are required to comply.
- Health and safety is considered as an element in the Group's corporate risk assessment.
- A designated health and safety officer for each operating unit in the Group appropriately trained and responsible for health and safety matters and compliance with relevant legislation.
- A report on site and divisional health and safety by local management as a permanent agenda item at the regular business reviews undertaken by the Chief Executive Officer and the Finance Director.
- A designated member of the Executive Management Board to monitor, co-ordinate and report upon the health and safety aspects of specific regions of the Group's international operation.
- Quarterly reporting by the Chief Executive to the Board on health and safety in the quarter along with the reporting of any issue of which the Board should be aware between reports as appropriate.
- Periodic cross-audits between operating units and regional periodic meetings of health and safety officers from operating units across the Group to provide an opportunity for best practice to be shared. Recommendations resulting from audits are reported on and followed up at subsequent business reviews with the Chief Executive.
- Risks identified on a site basis and appropriate training of employees undertaken.
- External professional expertise is sourced as and when appropriate.
- Three Group health and safety awards made annually to the site with the 'Best Overall Safety Performance', the site with the 'Most Improved Safety Performance' and the 'Best Small Plant'. All employees at the award-winning site participate in a reward.

Environment - The Group remains committed to a high standard of environmental management to ensure legislative compliance across all operations.

The main elements in our approach to environmental risk:

- A designated member of the Executive Management Board 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.
- Each operating site has a designated manager responsible for environmental matters who has appropriate knowledge and expertise.
- All operating sites are required to comply with the Group Environmental Policy and their site-specific environmental management system.
- External expertise and advice is sought as necessary and appropriate.
- The Group is committed to achieve ISO14001 certification globally at larger manufacturing sites, and the majority of these sites have now attained the certification, as have some smaller sites.
- All UK manufacturing sites requiring IPPC permits have attained them.
- An appropriate environmental investigation and report for all new sites acquired by the Group.

Internal Financial Controls

The key controls consist of:

- The preparation of comprehensive monthly financial accounts, forecasts and reviews comparing performance to budget with a summary submitted to and discussed with the Directors at regular Board meetings.
- Hedging policies approved by the Board and operated by a hedging committee 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 incorporating clearly defined operating guidelines and procedures with authorisation limits set at appropriate levels requiring proper, consistent and legally compliant financial management at all levels.
- Regular performance reviews with divisional management carried out by the Chief Executive and the Group Finance Director at site.
- Periodic internal audits carried out by Head Office finance staff targeting pre-defined specific areas of financial reporting in any year on a rotational basis.
- Self-certification divisional management on adequacy and of compliance with financial controls.

Internal Audit - During the year the Company appointed a member of management to fulfil the internal audit function. Prior to this new appointment, periodic internal audits had been carried out by Head Office finance staff.

Now that our ADSs are listed on the NYSE, the SEC mandates that at the end of our first full financial year following the IPO, which is the 31 December 2013, we comply with the relevant section of the US Sarbanes-Oxley Act relating to internal controls over financial reporting. As at 31 December 2013, the two Executive Directors in their capacity as Chief Executive and Group Finance Director will be required to include in the Form 20-F they file at the SEC an internal control report containing statements as to the responsibility of management for establishing and maintaining adequate financial controls, identifying the framework used to evaluate the effectiveness of those controls and an assessment of the effectiveness of the financial controls. The internal audit function is tasked with overseeing implementation of compliant internal reporting over financial reporting, which will form the majority of the internal audit work to be carried out in 2013.

Treasury and Financial Risk - The Group operates a central treasury function that controls all borrowing facilities, investment of surplus funds and management of financial risks. The Group's financial risk management is described in detail in Note 28 of the Group financial statements.

Principal Risks and Uncertainties

We set out in the tables below our principal risks and uncertainties and how we seek mitigate or eliminate them.

Area of Risk	Mitigating Activity
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 to a variety of industries, including industries that are cyclical in nature, and in 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. We talk to our customers about their forecasts and work to maximise the flexibility of our manufacturing, acting quickly to reduce costs when necessary.
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. The Group's top ten customers accounted for, in aggregate, approximately 36% of Group revenue in 2012.	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
Competition - 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 and better products and aims to focus its resources in speciality markets that need high-performance products and a reliable partner.
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, magnesium 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 our business strategy. The Group has also mitigated this risk by buying forward certain materials when potential shortages appear. Management periodically undertake a review of alternative suppliers.
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 30. Their funding requirements are subject to fluctuations in investment markets and changes in the life expectancy of members and, as a result, these plans have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with taxes such as the UK's Pension Protection Fund Levy, which cost £1 million during 2012. Regulations in this area can also constrain the level of debt taken on and restrict the Company's ability to pay dividends.	The Group and the Trustees of the Schemes closely monitor the financial performance of the Schemes, taking actuarial and investment advice as appropriate. These are long-term liabilities, and we have a programme in place to contribute cash to our defined benefit plans over a number of years. This is based on affordability and is varied according to our net earnings. These plans are funded and the bulk of the assets are invested in 'growth' assets.
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 by 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.

Area of Risk	Mitigating Activity
Environmental costs and liabilities - The Group may be exposed to substantial environmental costs and liabilities, as its operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. An increase in environmental costs and liabilities could have a material adverse affect on the Group in any given year, which could negatively affect the Group's cash flows.	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 larger manufacturing sites. The bulk of the Group's known environmental issues are legacy problems that arose many years ago. Management have a programme in place to progressively improve and eliminate these historic issues.
Product liability and regulatory risks - The Group is exposed to possible claims for personal injury, death or property damage that 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 could 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 recalls, and litigation involving significant product recalls or product liability could have a material adverse effect on the Group's financial position.	The Group uses its operating and technical expertise to mitigate these risks, with a strong emphasis on high levels of product quality and rigorous testing, and by ensuring that products are designed to meet or exceed the regulatory design standards of the markets they serve. The Group has also obtained insurance coverage for most of these types of liabilities.
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.	The Group undertakes succession reviews for key management positions. The Group also has global remuneration procedures to ensure that rewards are in place to attract and retain staff.
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 including major equipment failure. Although the Group carries insurance, the cover on certain catastrophic events or natural disasters, including earthquakes and certain other events is limited.	The Group performs routine maintenance on its production equipment on all its operating sites. These maintenance programmes are carefully planned to keep all plant operating at a high level of efficiency, and to reduce the risk of breakdowns and failure of equipment. Health and Safety is also a major consideration in the operation of the Luxfer Group manufacturing facilities and carefully monitored. The Group carries comprehensive business interruption insurance.

The Group also has a number of financial risks that are summarised below. The management of these financial risks and mitigating actions are explained further in Notes 28 and 29 of the Group financial statements.

Area of Risk	Mitigating Activity
Exposure to fluctuations in raw material and utility prices - The Group is exposed to fluctuations in 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 that 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 2012, may be subject to significant variations.	In the long term the Group has sought to recover the cost of increased commodity and utility costs through price increases and surcharges. The Group has sought to provide its customers with a stable surcharge price on the increasing costs of rare earths by buying forward rare earths in bulk. Short term fluctuations in the price risk on aluminium are mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. Increasingly in recent years we have included in our sales agreements an ability to share cost increases with our customers.
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.	The Group regularly enters into forward currency contracts to manage currency risks and a Hedging Committee, overseen by the Group Finance Director, oversees the implementation of the Group's hedging policy.

The Board of Directors

Members of the Board of Directors 1 January 2012 to 31 December 2012:

Name	*Age*	*Position*
Peter Joseph Kinder Haslehurst	72	Non-Executive Chairman, chairman of Remuneration and Audit Committees
Brian Gordon Purves	58	Executive Director and Chief Executive Officer
Andrew Michael Beaden	45	Executive Director and Group Finance Director
Joseph Allison Bonn	69	Non-Executive Director, member of Remuneration and Audit Committees
Kevin Sean Flannery	68	Non-Executive Director, member of Remuneration and Audit Committees

Joined 1 March 2013:

David Farrington Landless	53	Non-Executive Director

Biographies:

Peter Haslehurst

Peter was appointed to the Board as a Non-Executive Director in June 2003. He became Non-Executive Chairman on March 31, 2006 when he was also appointed chair of the Audit and Remuneration Committees.

Experience: Peter has been a managing director, chief executive and/or chairman in international manufacturing industry for over 40 years, including most recently as chairman and chief executive of the Brunner Mond Group from 2000 to 2008, chairman of Imago at Loughborough Ltd from 2003 to 2009. He was appointed president emeritus of VAI Industries (UK), following chairmanship of VA Tech (UK) from 1999 to 2002. Prior to that he was chief executive of the EIS Group PLC from 1985 to 1999. He holds a number of appointments, including chairman of the Chartered Management Institute Manufacturing Review Panel, chairman of the audit committee of the Institute of Materials, Minerals and Mining where he was formerly treasurer and senior vice president, a member of the advisory board of Liverpool John Moores University and chairman of the Leonard Cheshire Hill House appeal fund. He was proud to be made an honorary chief of the Maasai following his services to their tribe as chairman of Magadi Soda Company in Kenya from 2001 to 2008.

Peter is a Chartered Engineer, a Companion of the Chartered Management Institute, a Fellow of the Institution of Mechanical Engineers, a Fellow of the Institution of Engineering and Technology, a Fellow of the Royal Society of the Arts and also a Fellow of the Institute of Materials, Minerals and Mining. He was made Eisenhower Fellow from Britain in 1980 and awarded an honorary Doctor of Science at Loughborough University in 2008. He is a Freeman of the City of London.

Brian Purves

Brian was a member of the management buy-in team in 1996, at which time he was appointed Group Finance Director and was appointed to the Board. He was appointed Chief Executive on January 2, 2002.

Experience: Before joining the Company, Brian held several senior positions in Land Rover and Rover Group covering financial, commercial and general management responsibilities.

Brian is qualified accountant, holds a degree in physics and a masters degree in business studies. He is also a Companion of the Chartered Management Institute.

Andrew Beaden

Andrew joined the Group in 1997 and became Group Financial Controller in 2002, becoming a member of the Executive Management Board in January 2006. He worked as Director of Planning and Finance from 2008 to 2011 and was appointed as an Executive Director on the Board and Group Finance Director on June 1, 2011.

Experience: Andrew has worked for KPMG, as well as several UK FTSE 100 companies in a variety of financial roles.

Andrew is a Chartered Accountant and holds a degree in economics and econometrics.

Joseph Bonn

Joseph was appointed as a Non-Executive Director on March 1, 2007, at which time he was also appointed to both the Audit and Remuneration Committees.

Experience: Joe has extensive experience in the aluminium and speciality chemical industry, having worked for Kaiser Aluminium and Chemical Corporation for over 35 years in various senior capacities. Among other appointments in the United States, he has served on the Board and Executive Committee of the Aluminium Association, the Board of the National Association of Purchasing Management and the International Primary Aluminium Institute Board. He is currently a consultant with Joseph Bonn RE&C Corp.

Joe holds a BS degree from Rensselaer Polytechnic Institute and an MBA degree in Finance from Cornell University.

Kevin Flannery

Kevin was appointed as a Non-Executive Director on June 1, 2007, at which time he was also appointed to both the Audit and Remuneration Committees.

Experience: Kevin has over 40 years of experience in both operational and financial management roles in a variety of industries and has also served in the capacities of director, chairman and chief executive officer of several companies in the United States. He is currently the president and chief executive officer of Whelan Financial Corporation, a company he founded in 1993 that specialises in financial management and consulting. He was formerly the chairman and chief executive officer of several companies, including RoweCom, Inc., Telespectrum Worldwide and Rehrig United Inc. He currently serves as a director of FPM Heat Treating LLC, a leading provider of heat-treatment processes and Energy XXI, a Bermuda-based oil and gas company. He also served as a director of a number of other corporations between 2005 and 2011. Kevin began his career at Goldman Sachs & Co and was a senior managing partner of Bear Sterns & Co.

David Landless

David was appointed as a Non-Executive Director on the March 1, 2013.

Experience: David started his career with Bowater and Carrington Viyella and joined Courtaulds Plc in 1984. He was appointed a Finance Director in UK and US divisions of Courtaulds Plc from 1989 to 1997 and Finance Director of Courtaulds Coatings (Holdings) Limited from 1997 to 1999. He is currently Group Finance Director of Bodycote Plc.

David is a Chartered Management Accountant. He graduated from the University of Manchester Institute of Science and Technology.

Executive Management Board

Members of the Executive Management Board 1 January 2012 to 31 December 2012

Name	*Age*	*Position*
Brian Gordon Purves	58	Executive Director and Chief Executive Officer
Andrew Michael Beaden	45	Executive Director and Group Finance Director
Christopher John Hilary Dagger	64	Divisional Managing Director of Magnesium Elektron
Edward John Haughey	57	Divisional Managing Director of MEL Chemicals
John Stephen Rhodes	63	President Luxfer Gas Cylinders
Linda Frances Seddon	62	Company Secretary and General Counsel

Biographies:

Brian Purves and Andrew Beaden

Please refer to the main Board biographies on page 15.

Christopher John Hilary Dagger
Managing Director of Magnesium Elektron

Christopher has been a member of the Executive Management Board since 2001. He joined 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 the course of 20 years in a number of fields, including smelting, gas cylinder manufacture, extrusions and stockholders.

Edward John Haughey
Managing Director of MEL Chemicals

Edward has been a member of the Executive Management Board since 2003. Prior to joining Luxfer Group, he was managing director of Croda Colloids Limited for Croda International Plc from 1994 to 2003, and has held a series of senior management positions in the Croda Group, BASF and Rhone Poulenc.

John Stephen Rhodes
President of Luxfer Gas Cylinders

John became a member of the Executive Management Board in 1996 upon the Management Buy-In. He has been President of the Luxfer Gas Cylinders business since 1998. He joined Alcan in 1974 following three years with The British Council. 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.

Linda Frances Seddon
Company Secretary and General Counsel

Linda has been a member of the Executive Management Board since 2001. She has been Secretary of the Group holding company and legal adviser to the Luxfer Group since 1997. After qualifying as a solicitor in England and Wales in 1976, she spent 14 years in private practice as a solicitor before becoming a legal adviser with Simon Engineering PLC and subsequently legal adviser and company secretary at British Fuels upon its privatisation, focusing on general commercial, property, intellectual property, mergers and acquisitions and general corporate matters.

Corporate Governance

The Directors support principles of corporate governance and have over the years adopted many principles from the corporate governance code in the UK in so far as they have considered it appropriate, relevant and practical for a company of Luxfer's status and size. As the Company now has ADSs listed on the NYSE as a result of successfully completing the IPO, we are now subject to the rules of NYSE as well as the US securities rules in so far as and to the extent they apply to a foreign private issuer. We explain below how we practise corporate governance.

Board Members

In 2012, the Board of Directors continued to consist of five members. This was the maximum number permitted under our pre-IPO Articles of Association. The Board comprised a Non-Executive Chairman, two Non-Executive Directors and two Executive Directors. The Chairman and the Executive Directors are shareholders. There were no changes in membership of the Board during 2012. Under the post-IPO Articles we are now permitted to have up to eight Directors. To comply with the requirements of the SEC and the NYSE to have an 'audit committee financial expert', we have recently appointed an additional Non-Executive Director who took up office in March 2013 and will fulfil the function of 'audit committee financial expert' from the date of this Report.

Brief biographical details of the Directors who served at the end of the year are shown on page 15, together with information on their other commitments. We have also included details of our new Non-Executive Director. Under the post-IPO Articles he is required to retire at the next AGM and seek re-election. Our post-IPO Articles also contain a provision requiring a third of the Directors to retire by rotation each year, as a result of which our Chairman, Peter Haslehurst, and our Chief Executive, Brian Purves, will also seek re-election at the next AGM.

Roles

The Board

The Board has responsibility for the overall leadership of the Company, its long-term success and helping to develop and approve its strategic aims. The Directors have determined a schedule of matters reserved to the Board. Reserved matters are comprehensive and reviewed as the Board considers appropriate.

These reserved matters include:

- approval of strategy and long-term objectives, annual operating budget, major capital expenditure, significant contracts and acquisitions and disposals;
- approval of financial statements, release of financial information and significant changes to accounting policies;
- approval of certain statutory and compliance matters and approval of the dividend and any dividend policy;
- Board and Committee membership and certain other senior appointments;
- changes in structure and capital of the Company;
- approval of treasury policies, borrowing facilities and funding;
- maintenance and monitoring through the Audit Committee of internal controls and risk management;
- approval of executive benefits such as pension plans, share options and share incentive plans.

Executive Management Board

The Executive Management Board meets ten or eleven times a year. It is chaired by the Chief Executive. This Board consists of the Group Finance Director and senior management at Group and divisional level. The members of the Executive Management Board during 2012 are listed on page 16. The Executive Management Board 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 an opportunity for senior management to update themselves with progress in other areas of the Group outside their remit.

Division of Responsibilities

As the number of Directors is small and with only two Non-Executive Directors in 2012 in addition to the Chairman, the Board considers it inappropriate to appoint a senior independent Director. The recent appointment of a third Non-Executive Director has not changed this view.

The division of responsibilities between the Chief Executive and the Chairman is clear and it has not been considered necessary to record it in writing:

- The Chief Executive is responsible to the Board for the management and performance of the business within the frame-work of the matters reserved to the Board and for developing strategy and then implementing the strategy he has agreed with the Board.
- The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. He ensures that Board discussions are conducted taking into account all views, promoting openness and debate by facilitating the effective contribution of the Non-Executive Directors and ensuring no individual or group dominates the Board.

The Chairman maintains a dialogue with the Non-Executive Directors in the absence of the Executive Directors, where appropriate canvassing their opinion on issues. The Company does not have a standing Nomination Committee. The Directors have determined that it is more appropriate with a Board of five members that appointments are considered and agreed by the Board as a whole with any necessary research delegated to an outside body through a designated individual Director. The most recent appointments in the last two years have been dealt with in this way. If the Company were not a foreign private issuer under the NYSE listing rules, it would be required to have such a Committee under those rules.

The Board reviews succession planning for senior appointments in the Group annually.

Meetings

There are six main scheduled meetings of the Board each year and normally three or four additional scheduled telephone meetings timed to approve the release of financial information. Additional meetings are called as appropriate. The Board will normally meet at least twice a year at one of the Group's operational plants, including overseas locations, as part of their monitoring role and to ensure a better understanding of the Group's operations. At these meetings the Board has an opportunity to meet local and divisional management on both a formal and informal basis and discuss the progress of their operations with them.

In 2012 the Board held six main scheduled meetings and six additional telephone meetings. Of the six meetings, one was held at one of its Riverside, California, manufacturing plants enabling the Board to also visit another of its manufacturing operations close by. A second meeting was held at the Group's manufacturing plant in Gerzat, France.

All meetings were attended by all Directors with no absentees.

Information and Support

The Company Secretary normally distributes Board and Committee agendas and materials to the Board and Committees seven days before a scheduled meeting.

There is a written procedure for decisions to be taken between scheduled Board and Committee Meetings that also deals with information distribution in such cases.

The Board receives both financial and operational information to assist it in discharging its duties. The Chief Executive and the Group Finance Director provide monthly reports to the Board which together cover all aspects of the business and which are then elaborated or commented upon at scheduled Board Meetings as appropriate. Additional topics for review and discussion are added in these reports from time to time at the request of the Directors. In addition specific items are scheduled into the Board agenda for report and review on a regular basis, such as health and safety and environmental matters and current topical issues.

There is a written procedure in place to cover circumstances when the Directors either individually or collectively determine that they require independent professional advice at the Company's expense.

The Company Secretary updates the Board on issues and changes of a legal and regulatory nature of which it and the individual Directors should be aware to refresh their skills and knowledge. There is a culture of information exchange on various matters of interest to the Group and its operations between Directors and senior managers to keep Directors abreast of relevant developments. In addition to meetings held at sites as described above, the Non-Executive Directors will independently visit operational sites to enlarge their knowledge of the individual businesses that make up the Group. The Executive Directors have regular business reviews at operational sites throughout the year and any appropriate information gathered on those visits will be reported to the Board.

We have put together an induction programme for our new Non-Executive Director David Landless appointed on 1 March 2013. The programme includes presentations on the Group businesses and Group finance, site visits and an opportunity to meet senior management.

During 2012 the Board evaluated its information and support procedures to ensure they were appropriate.

Accountability

The Directors are responsible for preparing the annual report and accounts to satisfy UK law, which responsibility is explained further in the Directors' Responsibilities Statement on page 35 and the Independent Auditor's Reports on pages 37 and 103.

Audit Committee

The members of our Audit Committee during the Year did not change and were:

Peter Haslehurst, Non-Executive Director and Chairman (Chair)

Joseph Bonn, Non-Executive Director

Kevin Flannery, Non-Executive Director

The Company Secretary acts as secretary to the Committee. The Finance Director and the Chief Executive attend as required.

The responsibility and duties of the Audit Committee are set out in written terms of reference which appear on the Company's website. The terms of reference were reviewed during the year and new terms of reference adopted reflecting the changes in the oversight required as a result of the Company being subject to US securities rules and the rules of the NYSE. The Committee has the responsibility of overseeing our corporate accounting and financial reporting. Its duties include:

- **External Auditors:** Engagement and retention of our independent auditors, pre-approval of audit and non-audit services, approving fees paid, monitoring independence and performance, discussing audit findings with auditors;
- **Financial Reporting:** Monitoring the integrity of the financial information to be included in all financial statements and announcements, reviewing and challenging critical accounting policies, how major elements of judgement are reflected in the financial statements, disclosures, significant adjustments and compliance with standards.
- **Internal Controls and Risk Management System:** Reviewing systems of internal control and risk management and adequacy of disclosure controls and procedures. Maintaining a record of complaints regarding accounting and audit matters.

The Chairman, Peter Haslehurst also chairs the Audit Committee. The Board considers that all the members have appropriate financial experience to enable them to contribute to the Committee's work. The Board also consider that each of the members satisfies the independence, experience and expertise requirements of NYSE as an FPI.

The Committee has established a schedule of meetings to coincide with the key events in the Company's financial reporting and audit cycle. Agendas and appropriate papers are issued for each meeting. The Chairman speaks to the external auditors as he considers appropriate and necessary in preparation for meetings at which matters are discussed that have been audited by auditors or are relevant to them.

During the year a specific review of auditor's independence was undertaken by the auditors and the Company's management, which confirmed the independence of the auditors. A pre-approvals

policy for audit and non-audit work to be undertaken by the independent auditor was also established.

Relations with Shareholders

Members of the Board seek to develop an understanding of the views of shareholders of the Company in various ways, always taking into account the need to treat shareholders equally. Regular contact is also maintained with analysts, and their views and reports are circulated to the Board and discussed where appropriate. The Non-Executive Directors have also, on occasion, taken the opportunity to speak to major investors and make themselves available to do so if requested. The Chief Executive and the Group Finance Director hold quarterly investor conference calls as part of the Company's reporting cycle.

During 2012 as part of the IPO process there was increased engagement with current investors involving liaising with them and seeking their views over the IPO process. The Chief Executive and the Group Finance Director also undertook a road show in the US and Europe to introduce the Company to potential investors.

AGM documentation is normally sent out at least twenty working days before the meeting. Separate resolutions are proposed and proxy votes for the ordinary shares are recorded. Results for, against and withheld are posted to the Company's website. All Directors attend the AGM. ADS holders will be given the opportunity through procedures agreed with the depository, the Bank of New York, to vote the number of ordinary shares that represent their holding of ADSs at the AGM, provided they have submitted valid instructions to the depository by the date set by the depository for receiving such instructions.

Directors' Interests and Related Party Transactions

No Director had a material interest in, nor was any Director 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; and Brian Purves, Andrew Beaden and Peter Haslehurst were party to the Management Incentive Plan (MIP) described on page 30, which terminated on the IPO.

The interests of the Directors who held office at 31 December 2012, and those of their families, in the share capital of the Company are set out in Table 2 below. Details of share options held are shown in Table 4 on page 31. All of the interests were beneficial.

Table 2: Directors' Interests in Shareholdings in the Company – Audited

Directors	Ordinary shares of £1 each [1] No.	Deferred shares £0.0001 each No.	ADSs (2x ADS =£1 Ord) No.
Peter Haslehurst			
Held at 31 Dec 2012	**-**	**-**	**-**
Held at 1 Jan 2012	65,000	5,920,598,526	-
Brian Purves [2]			
Held at 31 Dec 2012	**-**	**-**	**-**
Held at 1 Jan 2012	324,999	29,602,995,623	-
Andrew Beaden			
Held at 31 Dec 2012	**-**	**-**	**-**
Held at 1 Jan 2012	45,500	4,144,419,390	-
Joseph Bonn			
Held at 31 Dec 2012	**-**	**-**	**-**
Held at 1 Jan 2012	-	-	-
Kevin Flannery			
Held at 31 Dec 2012	**-**	**-**	**10,000**
Held at 1 Jan 2012	-	-	-

Notes

1. 40,000 of the ordinary shares of Peter Haslehurst and 200,000 of the ordinary shares of Brian Purves and 28,000 of the ordinary shares of Andrew Beaden were held subject to certain continuing transfer restrictions under the MIP as described on page 30. The completion of the IPO triggered the release of these continuing restrictions. All ordinary shares are now free from any restrictions under the MIP.
2. Includes Brian Purves' beneficial holding through the BG Purves Retirement Trust.

Other Statutory Information

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company 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.

Research and Development

During the year the Group invested $8.9 million in research and development on new and improved products and processes. This compares with a total spend in 2011, boosted by grants from the US military, of $11.1 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.

Disabled Employees

Where an employee has developed a disability whilst employed in his or her business that impacts on his or her ability to carry out a certain 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 requirements of the particular job and the particular aptitude and abilities of the candidate.

Employee Involvement

Many employees are directly involved in the performance of the Group and divisions through the use of various incentive schemes. These include bonus schemes and, for senior management, share incentive 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 that 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.

The Group continues to offer training and development opportunities to employees at all levels and to 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.

For more senior management we hold an annual management conference at the beginning of the year where the Luxfer Group strategy for the ensuing year at Group and divisional level is presented and discussed and workshops undertaken on subjects that have been determined will be of topical interest during the year. Meetings of employees carrying out the same function within the Group companies are also held to convey Group policy, to exchange best practice and to undertake training.

In 2012 we launched the Luxfer Group Professional Management Development Programme, which will take place over a period of three years and is aimed at developing certain middle and junior management in 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.

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 among business units. As the Company is a parent company, it has no trade

creditors. However, at 31 December 2012 the Group had an average of 41 days (2011: 48 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 2012. During the Year the Group made charitable donations in the UK amounting to $8,000 (2011: $12,000).

Directors' Liabilities

The Company maintains liability insurance for Directors and officers that gives appropriate cover for any legal action brought against Directors. During the year the Company had in force provision in the Articles allowing the Company to indemnify the Directors against liability incurred in the proper conduct of the Company's business, subject to the conditions set out in the Companies Act 2006.

Directors' Statement as to Disclosure of Information to the Auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 15. 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.

The report was approved by the Board on the 28 March 2013 and signed on its behalf by

L F Seddon

Secretary

28 March 2013

Directors’ Remuneration Report

This Directors’ Remuneration Report has been compiled in accordance with *The Large and Medium Sized Companies and Groups (Accounts and Reports Regulations 2008).* As required by the Regulations, the report will be proposed at the forthcoming Annual General Meeting.

Information Not Subject to Audit

Members

The members of the Remuneration Committee during the Year did not change and were:

Peter Haslehurst, Non-Executive Director and Chairman (Chair)

Joseph Bonn, Non-Executive Director

Kevin Flannery, Non-Executive Director

The Company Secretary acts as secretary to the Committee and Brian Purves and Andrew Beaden attend all the meetings other than when their own remuneration is being discussed.

Responsibilities

The Remuneration Committee is responsible for determining and agreeing with the Board the framework of the Group on executive remuneration and its costs.

The Committee operates to written terms of reference under which its main duties are to:

- determine a remuneration policy taking into account such factors as it deems necessary;
- approve the design of and determine targets for any performance-related pay schemes for the Executive Directors, which in turn provide the framework for related pay schemes in the Group. They also determine whether or not such targets have been met;
- review the on-going appropriateness and relevance of the remuneration policy, having regard to market comparisons and practices, and ensure that the policy facilitates the employment of senior executives and managers. To the extent necessary, commission surveys and reports to establish market practices and positions;
- determine Executive Director pay and packages and on appointment only, specific remuneration packages for the divisional heads;
- determine fair compensation packages for Executive Directors on early termination of their contracts;
- review the design of and monitor any Company share schemes and determine grants of options and other issues under any Company share option plan and any related performance criteria.

Meetings are held at least twice a year to consider the remuneration packages for the year ahead and to consider remuneration reporting requirements as a minimum.

Advisors to the Committee

The Committee appointed Mercers Limited to provide comparative data on salaries and the variable elements of remuneration packages paid by a range of comparative US listed and FTSE 250 companies. This data was used by the Committee in both 2012 and 2013 to restructure and re-position the remuneration of executives as set out below.

Work Undertaken in 2012

During 2012, the Committee met on four occasions to consider:

- a review and amendment of the Executive Directors' bonus arrangements;
- approval of the Executive Directors' annual bonus targets for 2012;
- to what extent the 2011 bonus target had been met;
- an annual review of the Executive Directors' salaries and packages in January;
- grant of stand-alone IPO options;
- determination and calibration of 2013 awards under the new long-term incentive plan.

Remuneration Principles and Structure

The objective of the remuneration policy is to articulate the remuneration philosophy and underlying principles which determine remuneration packages. Remuneration packages for Executive Directors and other managers are structured to attract, retain and incentivise high-calibre individuals and reward performance. In setting remuneration, the Committee take into account remuneration levels elsewhere in the Group. On appointment and periodically thereafter the Committee benchmarks executive remuneration packages against appropriate comparators both inside and outside the Group. Remuneration packages are considered as a whole by the Committee, not just the competitiveness of the individual elements.

The Remuneration Committee has been working to review and restructure remuneration packages for the Executive Directors and senior management to reflect that following the IPO, it is deemed more appropriate to align them with the type and level of package paid to executives in comparable (by size and industry) companies in a listed environment. The Committee determined that to maintain top performance levels in the Company they should be targeting at or above median remuneration packages for key executives. However, the Committee recognised that it was unfeasible and undesirable to move to this position immediately. Adjustments to the remuneration packages will be considered over a number of years with the medium-term objective to position them at or above the median for the whole remuneration package.

The work commenced with the establishment by the Board of a flexible new Long Term Incentive Plan, the Luxfer Holdings PLC Long Term Umbrella Incentive Plan at the end of 2011 (LTIP), which became effective on the IPO, the purpose of which is to align the long term financial interests of the Executive Directors, senior and other management with those of the shareholders. A share incentive plan was also established for the Non-Executive Directors, further details of which can be found on page 31.

Following a review in January 2012, the following adjustments have been made:

- The base salary of the Chief Executive was adjusted by an above inflation increase to the top of the lower quartile and the Group Finance Directors' salary was also adjusted above inflation, but remaining in the lower quartile, recognising that his was a recent appointment. The Committee determined to leave any substantial increase towards their target positioning for base salary until after a successful completion of the IPO.
- The bonus potential for the Chief Executive was lifted from 60% to 100%. The bonus potential for the Group Finance Director was lifted from 60% to 75%. Although the potential was increased, the pensionable element for both Executive Directors was held at the previous 30%. The Committee, however, gave notice that no element of the Executive Directors' bonus would be pensionable after an IPO. A pensionable element remains for other management.
- The performance measures for the annual bonus continued to be profit and cash, but the upper-performance targets were made more challenging and provision was made for non-financial objectives to be added.

In October 2012, as part of the IPO the Committee addressed the issue of long-term incentives. The Executive Directors, along with other key management in the Group viewed critical to the success of the Group, were awarded a one-off grant of market value, time-vesting share option awards. The option awards are further described on page 29.

The IPO also triggered the successful conclusion of the long-term management incentive plan implemented in 2007, resulting in the removal of all remaining restrictions over management-owned shares.

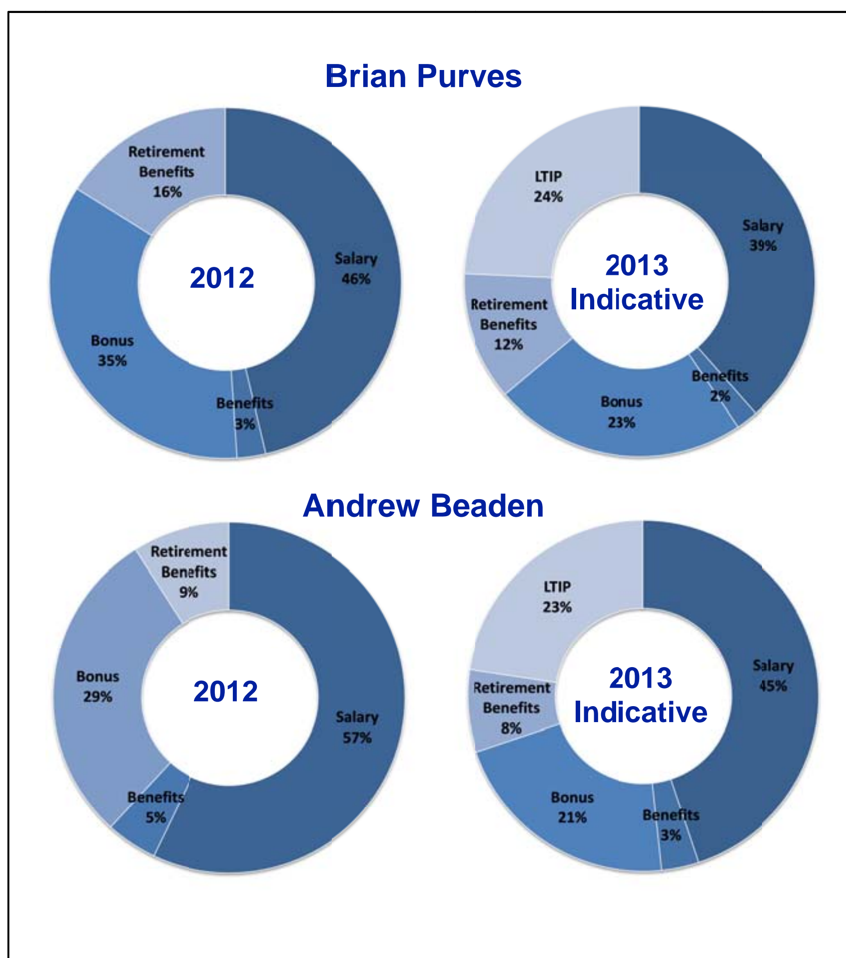
Changes for 2013

Following further advice from Mercers in January 2013, the Committee has continued to adjust the remuneration of the executives and other managers to bring it more into line with market practice for comparable listed companies. The additional tool of the LTIP is now also available to align executive remuneration with the experience of shareholders.

- Both of the Executive Directors have been awarded a substantial increase in their base salaries in recognition of their additional responsibilities in a listed environment.
- The Committee decided to continue with an annual bonus based on profit and annual cash flow measured against the approved budget for 2013 weighted in 2013 heavily towards achieving budget profit which will form two thirds of the bonus potential in the year. The Committee has also introduced an additional non-financial element to the bonus related to acquisition strategy. The Group Finance Director's maximum potential bonus was increased from 75% to 80%, to make it more competitive.
- The first awards were made under the LTIP. In order to provide more flexibility the Board amended the requirement in the LTIP that at least 50% of the awards would be performance based and at least 25% would be made in market value options to buy the Company's ADS, but the Committee concluded that in 2013 awards to the Executive Directors and the Executive Board would follow this principle. Half of the performance awards will vest on the achievement of defined earnings per share (EPS) targets and the remaining half on the attainment of defined total shareholder return (TSR) targets .Total awards for 2013 are valued at 63% of the Chief Executive's base salary and 50% of the Group Finance Director's base salary.
- The pensionable element of the bonus has been removed for the Executive Directors.

We describe below in more detail the reward structure for the Executive Directors and other senior executives in the Group comprising the following fixed and variable elements:

Composition of Annual Executive Directors' Remuneration



Fixed Element

Base salary, which takes into account:

- market rates;
- affordability;
- responsibilities of the position held;
- experience;
- contribution of the individual executive; and
- the international scale of the Group's operations.

Base salary is reviewed annually in January of each year. In 2012 base salary for the Executive Directors was repositioned partway towards median target and a substantial increase for 2013 recognises increased responsibility following the IPO. Base salary is still below the market-median target positioning.

Benefits consisting of car allowance, life insurance and eligibility for medical and dental insurance cover.

Pension arrangements for the Executive Directors are reviewed annually to ensure that the benefits are consistent with market practice. The Group's contributory pension arrangements consist of both defined benefit and defined contribution arrangements. The pensions for the Executive Directors who were Directors during the year were provided partly by the defined benefit and partly by registered defined contribution arrangements and, in the case of Brian Purves, an allocation to an unfunded, unregistered, unsecured, retirement benefit scheme (UURBS) accrued by the Company.

The main features of the defined benefit arrangements are currently:

- a normal retirement age of 65;
- accrual on a career average basis each year of 1.50% of pensionable earnings for a member contribution of 9.8% or 1.31% for a member contribution of 7.4%;
- pensionable earnings are limited to a scheme-specific earnings cap of £72,000 pa from 6 April 2012 (£69,000 pa for 2011/12);
- a spouse's pension on death and a lump sum payment on death in service.

Details of the accrued pension entitlements of the Executive Directors under the defined benefit arrangements and payments made to the defined contribution arrangement during 2012 are set out in Tables 5 and 6 on page 33.

By the end of March 2012 Brian Purves had ceased to be a member of any of the Group's registered pension arrangements. His entitlement to Company retirements benefits has since that date, along with those of certain other senior management, been provided for by an on-balance sheet accrual in the UURBS.

Variable Elements

Annual cash bonus is based on the achievement against certain financial and non-financial targets, set in January of each year including, for the Executive Directors, trading profit and annual cash flow of the Group measured against the approved annual budget. Divisional and other management are also targeted on trading profit and cash flow, but related to the business they manage. The weighting given to the specific financial targets in any year are aligned, as appropriate, with the needs of the Group and the businesses for that year. The maximum bonus payable is a pre-defined percentage of annual salary and is related to the individual's position in the Group. Payments are earned on a sliding scale with a target-level broadly based on the approved annual budget, and the maximum upon the achievement of stretch targets that considerably exceed the approved budget. Other than for the Executive Directors, the bonus is pensionable, but capped at a defined amount of bonus achievable. For 2013 a Group financial target has been added to the targets for divisional senior management to further align their interests with those of shareholders.

In 2012 and 2013 the annual bonus for the Executive Directors' was structured as shown in Table 3.

Table 3: Annual Bonus

Directors	Year	Maximum annual bonus (% of salary)	Group trading profit		Annual cash flow		Non-financial objectives	
			% weighting	% achieved	% weighting	% achieved	% weighting	% achieved
Brian Purves[1]	**2012**	**100%**	**75%**	**45.4%**	**25%**	**25%**	**-**	**-**
	2013	100%	66.7%		16.7%		16.6%	
Andrew Beaden[2, 3]	**2012**	**75%**	**56.25%**	**29.35%**	**18.75%**	**18.75%**	**-**	**-**
	2013	80%	53.3%		13.4%		13.3%	

Notes:

1. The maximum annual bonus of 100% of salary for Brian Purves (in 2012 and 2013) is a sliding scale with 60% for the achievement of budgeted performance and 100% for the achievement of the stretch target.
2. The maximum annual bonus of 75% of salary in 2012 for Andrew Beaden was a sliding scale with 40% for the achievement of budgeted performance and 75% for the achievement of the stretch target.
3. The maximum annual bonus of 80% of salary in 2013 for Andrew Beaden is a sliding scale with 48% for the achievement of budgeted performance and 80% for the achievement of the stretch target.

No Company pension contributions were paid on the bonus in 2012; instead for 2012 only, an additional sum was paid to the Executive Directors in their bonus payment of £16,282 for Brian Purves and £4,997 for Andrew Beaden, being the amount that would have been paid into their pension under the previous arrangement.

In addition, the Remuneration Committee has determined to consider each year offering as an incentive to the Executive Directors an additional percentage bonus over and above the predefined maximum annual bonus; this additional bonus will be payable only on achievement of specific additional targets set by the Committee and aligned with the requirements of the business. No such additional bonus was set for 2012 or 2013.

Long-term Incentives

As part of the IPO new long-term incentives were introduced as follows:

IPO Options - Stand-alone option grants were made over our ADSs to the Executive Directors, Non-Executive Directors and certain other key executives seen as critical to our future success on completion of the IPO.

Vesting: 40% vested immediately on grant and a further 20% vest on each of the first three anniversaries from the date of grant provided the executive is still acting as a Director or remains employed by the Company on each of the anniversary dates.

Value of options granted: The options were granted at the IPO price. To determine the number of IPO Options to be granted, the IPO Options were valued at one-third of the initial public offering price of the ADSs. The IPO Options granted were valued at (i) 120% of base salary to our Chief Executive, Brian Purves, (ii) an average 93% of base salary to members of the Executive Management Board (other than the Chief Executive, but including the Group Finance Director, Andrew Beaden), (iii) an average 93% of annual fee to our Non-Executive Directors and (iv) an average 41% of base salary with respect to the other selected management participants.

Luxfer Holdings Umbrella Incentive Plan (LTIP) - The purpose of the LTIP is to align rewards of employees with returns to shareholders and to reward the achievement of business targets and key strategic objectives.

The equity or equity-related awards under the LTIP can be over ordinary shares or ADSs. The LTIP is flexible and provides for the ability to incentivise management through a range of different types of awards that may be considered appropriate including, stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based or equity-related awards, and cash incentive awards (Awards). Awards can be time-based, market value and performance-based.

Value of awards: Unless otherwise determined by the Committee, the maximum value of the Awards granted under the LTIP in any calendar year shall not exceed in the aggregate (i) 150% of

base salary for our Chief Executive, (ii) 120% of base salary for our Group Finance Director and other members of our executive management board (other than the Chief Executive) and (iii) 100% of base salary for other participants.

Cessation of employment: Subject to the Committee's discretion, after a participant's termination of employment with the Company, for any reason, all unvested time-based awards will be forfeited and all vested unexercised options and stock appreciation rights (SARs) will lapse on the first anniversary of the date of termination. If employment of a participant is terminated for any reason, other than for Cause, performance-based awards will vest pro-rata based on the performance results to the date of termination and the elapsed portion of the Performance Period. In case of termination of employment for Cause, all unvested performance-based awards will lapse as of the date of termination.

Upon a Change in Control, all unvested time-based awards will fully vest and become exercisable, as applicable, and all performance-based awards will vest pro-rata based on the performance results to the date of change and the elapsed portion of the Performance Period.

2013 Awards Under the LTIP

The first awards under the LTIP were made in January 2013 to selected management. For the Executive Directors and divisional heads, the Committee has determined the awards will consist of a mixture of performance-based nominal-cost options, time-based nominal-cost options and market-value options. Fifty percent of performance awards vest on the achievement of defined earnings per share (EPS) targets and the remaining fifty percent on defined total shareholder return (TSR) targets. Time-based, nominal-cost options and market-value options vest or become excisable on each of the first three anniversaries after the date of grant.

The performance period for the EPS is four years with one-sixth of the performance-related shares awarded vesting on the achievement of each of three adjusted EPS targets for the first time of at least $1.64, $1.93 and $2.12 as measured at 31 December of each year.

The performance period for the TSR target is three years with the ability to extend to four, if unvested awards remain available after the third vesting date. One-sixth of the performance-related awards vest on 31 December in each performance year if the Company TSR over a 12-month period is at or above the median of the TSR of a defined comparator group, but using a base ADS price of $10 and a 15-month period for the 31 December 2013 measuring point.

Total awards for 2013 made to Brian Purves are valued at 63% of his base salary and to Andrew Beaden are valued at 50% of his base salary. The mixture of awards and value as a percentage of salary for other management vary depending on their seniority.

Management Incentive Plan: Implemented in 2007 as part of the re-organisation undertaken at that time. The IPO triggered the termination of the MIP as a result of which the leaver restrictions on the shares were lifted and all restricted management shares became unrestricted. Both Brian Purves and Andrew Beaden owned restricted shares and the portion of the shares owned by them which were restricted became as a result unrestricted. These are detailed in Table 2 on page 22.

Luxfer Holdings Executive Share Option Plan: The plan is described in Note 31 on page 100 and Note 42 on page 115 to the financial statements. Andrew Beaden holds options under this scheme that are vested and exercisable at any time. See Table 4 on page 31. The plan still holds some shares over which it is still possible to grant options. No awards were made under this plan in the year under review.

Employee Share Plans

We are in the process of establishing additional employee share incentive plans, to encourage wider equity participation among our employees and to take advantage of favourable tax treatment, where available.

Table 4: Directors' Interests in Share Options in the Company – Audited

Options Held Directors	Ordinary shares of £1 each exercise price £4 [1] Expiring: 3 August 2021 No.	Granted during Year ADSs (2xADS=£1 ord) [2, 3, 4] exercise price $10 Expiring: 1 October 2019 No.
Peter Haslehurst		
Held at 31 Dec 2012	**-**	**40,400**
Held at 1 Jan 2012	-	-
Brian Purves		
Held at 31 Dec 2012	**-**	**179,200**
Held at 1 Jan 2012	-	-
Andrew Beaden		
Held at 31 Dec 2012	**29,510**	**69,000**
Held at 1 Jan 2012	29,510	-
Joseph Bonn		
Held at 31 Dec 2012	**-**	**20,000**
Held at 1 Jan 2012	-	-
Kevin Flannery		
Held at 31 Dec 2012	**-**	**20,000**
Held at 1 Jan 2012	-	-

Notes:

1. 18,160 of the shares over which Andrew Beaden was granted and holds options, were subject to certain continuing transfer restrictions under the MIP as described on page 30, which are now released. Includes options held by his wife.
2. American Depositary Shares.
3. The options over ADSs for each of the Directors were granted under the stand-alone IPO grants described in the Directors' Remuneration Report on page 29. 40% of the options are vested and the remaining options vest evenly over three years on each anniversary of the grant.
4. The Company's share price at the end of the Year was $12.27 per ADS. The highest price was $12.74 per ADS on 27 December 2012 and the lowest was $10.05 per ADS on 17 October 2012.

No Options were exercised during 2012 by any of the Directors.

Non-Executive Directors' Remuneration

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, including the Chairman's, is determined by the Board and benchmarked against appropriate comparators. No Board Member is permitted to participate in any discussion or decision on his or her own remuneration.

As part of the IPO, the Non-Executive Directors were awarded a one-off stand-alone option grant valued at 93% of their annual fees. The vesting and termination conditions are the same as for the Executive IPO grants described on page 29.

Reflecting US-listed company practice, we also established a non-discretionary equity incentive plan for our Non-Executive Directors which is administered by the Board.

Director Equity Incentive Plan (EIP) (Non-Executive Directors only)

The Director EIP provides for the ability to make non-discretionary grants of options, restricted stock awards and restricted stock units to our Non-Executive Directors.

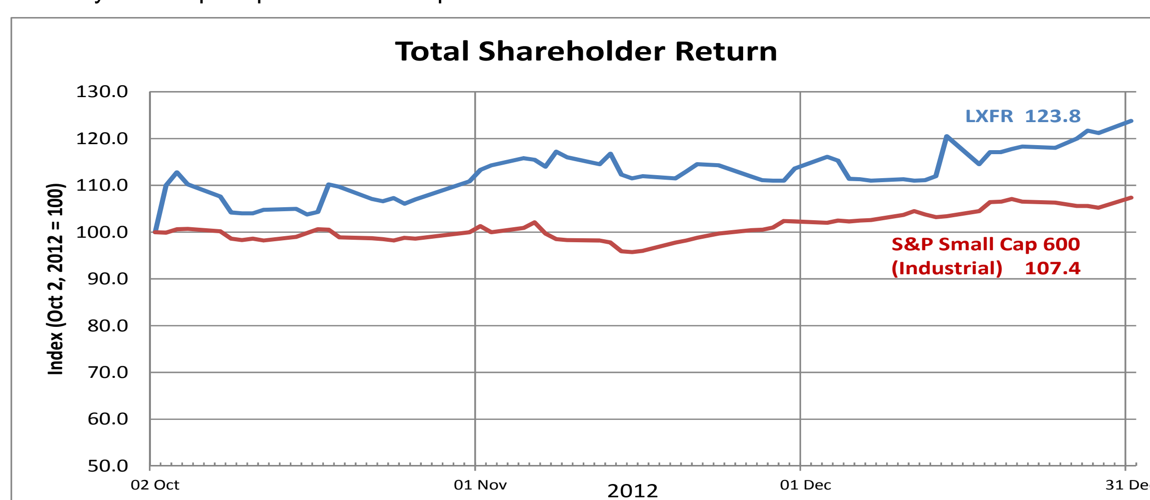
Value of awards: Each of our Non-Executive Directors will receive, upon appointment or election, a one-time award valued at $30,000 and on a specific date of each calendar year during the term of the Director EIP (to the extent a participant has served as a Director for at least six months after the initial appointment), an award valued at 50% of the Non-Executive Director's annual fee. Options, Restricted Stock Awards and Restricted Stock Units will be subject to the same terms and conditions as the respective awards under the LTIP. Annual awards will vest or become exercisable no later than sixteen months from the date of grant.

Cessation of directorship: If the grantee ceases to be a Director for any reason other than because of removal for Cause, unless otherwise determined by our Board of Directors, all unvested Restricted Stock Awards and Restricted Stock Units will be forfeited and all unvested

Options over Shares will lapse upon cessation of directorship.If the grantee ceases to be a Director for any reason other than because of removal for Cause, any vested but unexercised Options over Shares will lapse as of the first anniversary of the date when the grantee ceases to be a Director. If the grantee's directorship is terminated because of removal or vacation of office for Cause, all Options over Shares (whether or not vested or exercisable) will lapse as of such termination.

Total Shareholder Return (TSR)

The Regulations require the inclusion of a line graph showing TSR in respect of the Company's ordinary shares, plotted against TSR in respect of a hypothetical holding of shares of a similar kind and number by reference to which a broad equity market index is calculated. As the Company's ADSs were only listed on the NYSE at the beginning of October 2012, the 'relevant period' under the regulation is a very short three months. We have used the S&P Small Cap 600 (Industrial) index which we believe is the most appropriate index. The comparison, however, is distorted by the shortness of the period, and by a large proportion of our shares being subject to a 180-day Lock-Up as part of the IPO process. See the chart below.



Service Contracts

The Company has entered into service contracts with the Executive Directors that are not for a fixed term. All Executive Directors have service contracts that ordinarily are terminable by twelve-months notice from the Company, which notice can be given at any time. On the IPO, the notice period given to, and required from, the Executive Directors was temporarily extended through to 31 October 2014. The notice period reverts to twelve months from 1 November 2013. The contracts also provide for pay in lieu of notice. In the event that an acquiring company does not assume their employment agreements or offers them a materially different position they will be entitled to severance payments based on our standard severance policy, but calculated using two times their annual salary. Otherwise, the Executive Directors have the same employment rights as any other employee in the case of redundancy or if the termination of their employment was determined by a relevant tribunal to be unfair under English law.

Brian Purves' service contract is dated 9 April 1999. His service contract expressly states that he has continuity of employment from when he first joined the Group in 1996.

Andrew Beaden's service contract is dated 5 August 2011 and is effective from the date of his appointment as Group Finance Director on 1 June 2011. His service contract expressly states that he has continuity of employment from the date he first joined the Group in 1997.

The Company has entered into letters of appointment with the Non–Executive Directors that are not for a fixed term as it was inappropriate to engage them on a fixed term at the date of their appointment. The appointments are subject to three months' notice to be given at any time by the Company. Joseph Bonn's letter of appointment is dated 28 February 2007 and Kevin Flannery's is dated 11 May 2007. The Chairman's services as Chairman of the Board and the Committees he chairs were provided until 1 April 2012 by a letter of appointment via a third-party company. The Chairman is now engaged directly by the Company. The appointment is not for a fixed term.

The Company can terminate his appointment on three months written notice. Neither the Non–Executive Directors nor the Chairman have any employment rights.

Directors' Remuneration (Audited)

The presentation currency of the Group since the IPO is US dollars. All tables reporting sums paid to or in respect of the Directors are therefore translated into US dollars. However, Brian Purves, Andrew Beaden and Peter Haslehurst are paid in sterling.

Table 5: Directors' Remuneration and Benefits for the Year Ended 31 December 2012

$	Salary/Fee	Annual Bonus[6]	Benefits	Total 2012	Total 2011	Pension Defined Contributions 2012	Pension Defined Contributions 2011
Executive Directors:							
Brian Purves[1,5]	**501,701**	**379,129**	**28,444**	**909,274**	823,634	**141,280**	142,669
Andrew Beaden[2]	**258,820**	**132,451**	**21,140**	**412,411**	241,555	**35,342**	20,900
Total	**760,521**	**511,580**	**49,584**	**1,321,685**	1,065,189	**176,622**	163,569
Non-Executive Directors:							
Peter Haslehurst[3]	**143,343**	**-**	**-**	**143,343**	137,689	**-**	-
Joseph Bonn[4]	**72,818**	**-**	**-**	**72,818**	69,200	**-**	-
Kevin Flannery[4]	**72,818**	**-**	**-**	**72,818**	69,200	**-**	-
Total	**288,979**	**-**	**-**	**288,979**	276,089	**-**	-
Grand Total	**1,049,500**	**511,580**	**49,584**	**1,610,664**	1,341,278	**176,622**	163,569

Notes
1. In 2011, Brian Purves elected to sacrifice a proportion of his salary and bonus set out above in the 2011 total figure, in return for additional employer contributions of equivalent value into the Group's registered and unregistered defined contribution pension arrangements described on page 28.
2. Remuneration paid to Andrew Beaden in 2011 is from the date of his appointment on 1 June 2011 to the end of the year.
3. In 2011 and for part of 2012, £137,689 and £39,836 respectively were paid to a third party for services provided as a Director and Chairman.
4. The fees of the two Non-Executive Directors were $69,200 for 2011 and $72,528 for 2012. The above figures represent the pound sterling equivalent cost incurred by the Company to make the US dollar payments.
5. The contributions to the unregistered and registered defined contribution pension arrangements for Brian Purves for 2011 do not include any additional amounts as a result of the actual sacrifice of salary or bonus shown in the salary column, but do include a share of certain savings that the Company made as a consequence of that sacrifice. Of the 2011 and 2012 figures for Brian Purves, $23,768 for 2011 and $135,058 for 2012 represents an allocation to an unfunded unregistered unsecured retirement benefit arrangement (UURBS) accrued by the Company.
6. Includes additional payment in lieu of the pensionable part of bonus, see page 29.

Table 6: Pension – Defined Benefit for the Year Ended 31 December 2012

	Accrued benefit[1] at 31 Dec 2012	Increase in accrued benefits exc. inflation over year to 31 Dec 2012	Increase in accrued benefits inc. inflation over year to 31 Dec 2012	Transfer value[2] of increase exc. inflation less Directors' contributions	Transfer value[2] of accrued benefits at 31 Dec 2011	Transfer value[2] of accrued benefits at 31 Dec 2012	Increase/ (decrease) in transfer value[2] less Directors' contributions
Executive Directors:							
Brian Purves	$53,382 pa	$325 pa	$2,780 pa	$2,040	$724,238	$793,207	$31,628
Andrew Beaden	$30,890 pa	$1,233 pa	$2,617 pa	$2,520	$252,063	$277,249	$5,281

Notes
1. The accrued benefit 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. It includes the longevity adjustment factor that applies to benefits earned from 6 October 2007.
2. Brian Purves ceased to accrue benefits in the Luxfer Group Pension Plan on 5 April 2012. The transfer value shown at 31 December 2012 and the transfer value of the increase in benefits reflect this. 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.

Approval of Report

Peter Haslehurst, the Chairman of the Remuneration Committee, will attend the forthcoming annual general meeting and will be available to answer any questions shareholders may have concerning the Group's policy on Directors' remuneration. This Directors' Remuneration Report will be submitted for approval by the Company at the forthcoming annual general meeting.

The report was approved by the Board on the 28 March 2013 and signed on its behalf by

P J K Haslehurst

Chairman of the Remuneration Committee

28 March 2013

Directors' Responsibilities Statement

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 the Group financial statements, International Accounting Standard 1 requires that Directors:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide disclosures when compliance with the specific requirements in International Financial Reporting Standards as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with International Financial Reporting Standards.

In preparing the Company financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- 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 keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUXFER HOLDINGS PLC

We have audited the group financial statements of Luxfer Holdings PLC for the year ended 31st December 2012 which comprise the Consolidated Income Statement, Consolidate Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity and the related Notes 1 to 33. 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 35, 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 and express an opinion on 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 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 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 31st December 2012 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 31st December 2012.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
28 March 2013

CONSOLIDATED INCOME STATEMENT

All amounts in millions except share and per share amounts

CONTINUING OPERATIONS	Notes	**2012 $M**	2011 $M	2010 $M
REVENUE	2	**511.6**	510.8	402.7
Cost of sales		**(385.7)**	(390.4)	(305.1)
Gross profit		**125.9**	120.4	97.6
Other income		**-**	2.0	0.1
Distribution costs		**(6.9)**	(7.3)	(7.4)
Administrative expenses		**(50.1)**	(48.9)	(44.5)
Share of start-up costs of joint venture	15	**(0.1)**	(0.2)	(0.1)
TRADING PROFIT	2	**68.8**	66.0	45.7
Restructuring and other income (expense)	5	**(2.1)**	0.2	(0.8)
OPERATING PROFIT	3	**66.7**	66.2	44.9
Other income (expense):				
Acquisition and disposal costs	5	**(0.8)**	(0.2)	(0.4)
Finance income:				
Interest received	7	**0.2**	0.2	0.2
Gain on purchase of own debt	7	-	-	0.5
Finance costs				
Interest costs	8	**(6.7)**	(9.2)	(9.6)
PROFIT ON OPERATIONS BEFORE TAXATION		**59.4**	57.0	35.6
Tax expense	9	**(17.0)**	(13.6)	(9.9)
NET INCOME FOR THE YEAR		**42.4**	43.4	25.7
Attributable to:				
Equity shareholders		**42.4**	43.4	25.7
Earnings per share:				
Basic				
Unadjusted	10	**$3.95**	$4.39	$2.61
Diluted				
Unadjusted	10	**$3.88**	$4.35	$2.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in millions

	Notes	**2012 $M**	2011 $M	2010 $M
Net income for the year		**42.4**	43.4	25.7
Other comprehensive income movements:				
Exchange differences on translation of foreign operations		**2.9**	(5.4)	0.2
Fair value movements in cash flow hedges		**(0.1)**	0.9	(0.2)
Transfers to income statement on cash flow hedges		**(0.2)**	(0.2)	0.5
Exchange differences on translation of hedging reserve		**-**	(0.1)	-
Deferred tax on cash flow hedges		**-**	-	-
Hedge accounting income adjustments		**(0.3)**	0.6	0.3
Actuarial (losses)/gains on defined benefit retirement plan	30	**(21.3)**	(54.0)	4.4
Deferred tax on items taken to other comprehensive income	24	**3.9**	15.0	(1.3)
Retirement benefit expenses		**(17.4)**	(39.0)	3.1
Total other comprehensive income movements for the year		**(14.8)**	(43.8)	3.6
Total comprehensive income for the year		**27.6**	(0.4)	29.3
Attributed to:				
Equity shareholders		**27.6**	(0.4)	29.3

CONSOLIDATED BALANCE SHEET

All amounts in millions	Notes	December 31 2012 $M	2011 $M
ASSETS			
Non-current assets			
Property, plant and equipment	12	**129.6**	114.2
Intangible assets	13	**38.4**	37.0
Investments	15	**0.8**	0.5
Deferred tax assets	24	**21.6**	22.7
Other non-current assets	25	**-**	0.7
		190.4	175.1
Current assets			
Inventories	16	**83.8**	100.6
Trade and other receivables	17	**74.4**	65.2
Income tax receivable		**1.7**	1.2
Cash and short term deposits	18	**40.2**	22.2
		200.1	189.2
TOTAL ASSETS		**390.5**	364.3
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders			
Ordinary share capital	19	**25.3**	19.6
Deferred share capital	19	**150.9**	150.9
Share premium account	21	**55.6**	-
Retained earnings	21	**278.6**	259.4
Own shares held by ESOP	19	**(0.5)**	(0.6)
Other capital reserves	19	**0.8**	-
Hedging reserve	21	**0.4**	0.7
Translation reserve	21	**(28.5)**	(31.4)
Merger reserve	21	**(333.8)**	(333.8)
Equity attributable to the equity holders of the parent		**148.8**	64.8
Total equity		**148.8**	64.8
Non-current liabilities			
Bank and other loans	22	**63.5**	129.4
Retirement benefits	30	**96.7**	82.4
Provisions	23	**2.8**	3.1
		163.0	214.9
Current liabilities			
Bank and other loans	22	**-**	3.1
Trade and other payables	26	**73.7**	79.3
Current income tax liabilities		**3.1**	0.2
Provisions	23	**1.9**	2.0
		78.7	84.6
Total liabilities		**241.7**	299.5
TOTAL EQUITY AND LIABILITIES		**390.5**	364.3

Brian Purves **Andrew Beaden**

March 28, 2013 **Company Registration no. 3690830**

CONSOLIDATED CASH FLOW STATEMENT

All amounts in millions

	Notes	2012 $M	2011 $M	2010 $M
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year		**42.4**	43.4	25.7
Adjustments to reconcile net income for the year to net cash from operating activities:				
Income taxes	9	**11.1**	11.8	9.5
Deferred income taxes	9	**5.9**	1.8	0.4
Depreciation and amortis ation		**14.7**	14.5	13.8
Past service credit on retirement benefit obligations	5	**-**	(1.6)	-
I.P.O related share based compensation charge	5	**0.8**	-	-
Loss on disposal of property, plant and equipment	3	**-**	-	0.1
Income and costs relating to demolition of vacant property	5	**-**	-	0.6
Gain on purchase of own debt	7	**-**	-	(0.5)
Net finance costs		**6.5**	9.0	9.4
Acquisition and disposal costs	5	**-**	0.2	0.4
Share of start-up costs of joint venture	15	**0.1**	0.2	0.1
Changes in operating assets and liabilities:				
Increase in receivables		**(1.3)**	(13.1)	(1.9)
Decrease/(increase) in inventories		**24.1**	(24.8)	(20.2)
(Decrease)/increase in payables		**(15.3)**	13.1	16.5
Movement in retirement benefit obligations	30	**(10.1)**	(4.3)	(6.7)
Accelerated deficit contributions into retirement benefit obligations	30	**-**	(7.2)	-
Decrease in provisions	23	**(0.6)**	(0.2)	(0.7)
Income tax paid		**(9.3)**	(13.7)	(8.7)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**69.0**	29.1	37.8
Net cash inflow from continuing operating activities		***69.0***	*29.4*	*37.9*
Net cash outflow from discontinued operating activities		***-***	*(0.3)*	*(0.1)*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		**(19.3)**	(21.2)	(15.9)
Purchases of intangible assets		**-**	(0.3)	-
Investment in joint venture	15	**(0.4)**	(0.3)	(0.1)
Proceeds from sale of business	25	**1.5**	0.8	0.8
Net cash flow on purchase of business	11	**(11.0)**	-	-
Disposal of business	5	**(0.2)**	(0.2)	(0.4)
NET CASH USED IN INVESTING ACTIVITIES		**(29.4)**	(21.2)	(15.6)
NET CASH FLOW BEFORE FINANCING		**39.6**	7.9	22.2
FINANCING ACTIVITIES				
Interest paid on banking facilities		**(1.8)**	(1.9)	(1.3)
Interest paid on Loan Notes due 2018		**(3.9)**	(2.1)	-
Interest paid on Senior Notes due 2012		**-**	(4.5)	(7.1)
Interest received on Loan Note		**-**	0.1	0.2
Other interest received		**0.2**	0.1	-
Dividends paid	20	**(5.8)**	-	-
Draw down on previous banking facilities		**-**	27.7	-
Repayment of previous banking facilities		**-**	(38.5)	(1.4)
Draw down on banking facilities and other loans		**-**	139.5	-
Repayment of banking facilities and other loans		**(72.8)**	-	-
Repayment of Senior Notes due 2012		**-**	(109.8)	-
Redemption of preference shares	19	**-**	(0.1)	-
Purchase of Senior Notes due 2012		**-**	-	(5.0)
Renewal of banking facilities and other loans - financing costs	22	**-**	-	(0.2)
Payment of banking facilities and other loans - financing costs	22	**-**	(5.1)	-
Modification to banking facilities and other loans - financing costs	22	**(0.6)**	-	-
Proceeds from issue of shares		**65.1**	-	-
Share issue costs		**(3.5)**	-	-
Purchase of shares from ESOP	19	**0.1**	-	0.2
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(23.0)**	5.4	(14.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**16.6**	13.3	7.6
Net increase in cash and cash equivalents		**16.6**	13.3	7.6
Net foreign exchange differences		**1.4**	(1.4)	(0.2)
Cash and cash equivalents at January 1	18	**22.2**	10.3	2.9
Cash and cash equivalents at December 31	18	**40.2**	22.2	10.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in millions

	Notes	Ordinary share capital $M	Deferred share capital $M	Share premium amount $M	Retained earnings $M	Own shares held by ESOP $M	Other reserves[1] $M	Total equity $M
At January 1, 2010		**19.6**	**150.9**	**-**	**226.2**	**(0.8)**	**(360.2)**	**35.7**
Net income for the year		-	-	-	25.7	-	-	25.7
Currency translation differences		-	-	-	-	-	0.2	0.2
Decrease in fair value of cash flow hedges		-	-	-	-	-	(0.2)	(0.2)
Transfer to income statement on cash flow hedges		-	-	-	-	-	0.5	0.5
Actuarial gains and losses on pension plans		-	-	-	4.4	-	-	4.4
Deferred tax on items taken to other comprehensive income		-	-	-	(1.3)	-	-	(1.3)
Total comprehensive income for the year		**-**	**-**	**-**	**28.8**	**-**	**0.5**	**29.3**
Purchase of shares from ESOP	19	-	-	-	-	0.2	-	0.2
Other changes in equity in the year		**-**	**-**	**-**	**-**	**0.2**	**-**	**0.2**
At December 31, 2010		**19.6**	**150.9**	**-**	**255.0**	**(0.6)**	**(359.7)**	**65.2**
Net income for the year		-	-	-	43.4	-	-	43.4
Currency translation differences		-	-	-	-	-	(5.5)	(5.5)
Increase in fair value of cash flow hedges		-	-	-	-	-	0.9	0.9
Transfer to income statement on cash flow hedges		-	-	-	-	-	(0.2)	(0.2)
Actuarial gains and losses on pension plans		-	-	-	(54.0)	-	-	(54.0)
Deferred tax on items taken to other comprehensive income		-	-	-	15.0	-	-	15.0
Total comprehensive income for the year		**-**	**-**	**-**	**4.4**	**-**	**(4.8)**	**(0.4)**
At December 31, 2011		**19.6**	**150.9**	**-**	**259.4**	**(0.6)**	**(364.5)**	**64.8**
Net income for the year		-	-	-	42.4	-	-	42.4
Currency translation differences		-	-	-	-	-	2.9	2.9
Decrease in fair value of cash flow hedges		-	-	-	-	-	(0.1)	(0.1)
Transfer to income statement on cash flow hedges		-	-	-	-	-	(0.2)	(0.2)
Actuarial gains and losses on pension plans		-	-	-	(21.3)	-	-	(21.3)
Deferred tax on items taken to other comprehensive income		-	-	-	3.9	-	-	3.9
Total comprehensive income for the year		**-**	**-**	**-**	**25.0**	**-**	**2.6**	**27.6**
Equity dividends	21	-	-	-	(5.8)	-	-	(5.8)
Proceeds from shares issued	21	5.7	-	59.4	-	-	-	65.1
Share issue costs	21	-	-	(3.8)	-	-	-	(3.8)
I.P.O related share based compensation charge	19	-	-	-	-	-	0.8	0.8
Purchase of shares from ESOP	19	-	-	-	-	0.1	-	0.1
Other changes in equity in the year		5.7	-	55.6	(5.8)	0.1	0.8	56.4
At December 31, 2012		**25.3**	**150.9**	**55.6**	**278.6**	**(0.5)**	**(361.1)**	**148.8**

Note:

1 Other reserves include a hedging reserve of a gain of $0.4 million (2011: gain of $0.7 million and 2010: gain of $0.1 million), a translation reserve of $28.5 million (2011: $31.4 million and 2010: $26.0 million), a merger reserve of $333.8 million (2011 and 2010: $333.8 million) and other capital reserves of $0.8 million (2011 and 2010: $nil).

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1. Accounting policies

Basis of preparation and statement of compliance with IFRS

The consolidated 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 December 31, 2012. The consolidated financial statements have been prepared on a historical cost basis, except where IFRS requires or permits fair value measurement. The consolidated financial statements also comply fully with IFRSs as issued by the International Accounting Standards Board as they apply to the financial statements of the Group for the year ended December 31, 2012.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore the Directors continue to apply the going concern basis for accounting in the preparation of the financial statements.

For the purpose of the accompanying consolidated financial statements, subsequent events have been evaluated through to March 28, 2013, which is the date the financial statements were authorized by the board. The financial statements were issued on March 29, 2013.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Luxfer Holdings PLC and its subsidiaries (the "Group") as at December 31 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 unrealized 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 years ended December 31, 2010, December 31, 2011 and December 31, 2012.

Presentation currency

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest $0.1 million except when otherwise indicated. The books of the Group's non-US entities are converted to US dollars at each reporting period date in accordance with the accounting policy below.

The functional currency of the holding company Luxfer Holdings PLC and its UK subsidiaries remains pounds sterling, being the most appropriate currency for those particular operations.

1. Accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognized for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the combination. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

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.

Negative goodwill is measured at cost being the excess of the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination over the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognized for the non-controlling interest. Any amount of negative goodwill is recognised immediately as income.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized 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 recognized 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, which would normally be at the point of dispatch.

1. Accounting policies (continued)

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 particular asset. As a result of the complexity of our manufacturing process, there is a wide range of plant and equipment in operation. The rate of annual charge is summarized as follows:

Freehold buildings	3% - 10%
Leasehold land and buildings	The lesser of life of lease or freehold rate
Plant and equipment	4% - 30%
Including:	
Heavy production equipment (including casting, rolling, extrusion and press equipment)	4% – 6%
Chemical production plant and robotics	10% – 15%
Other production machinery	10% – 20%
Furniture, fittings, storage and equipment	10% – 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 individual asset the carrying value is 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 value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of the net selling price and the value in use. 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 recognized in the income statement as part of the profit or loss before tax.

An item of property, plant and equipment is derecognized 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 derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials are valued on a first-in, first-out basis. In the Elektron division rare earth chemicals inventories are valued on an average cost basis. Work in progress and finished goods costs comprise direct materials and, where applicable, direct labor 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 realizable 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 capitalized and amortized 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.

1. Accounting policies (continued)

Foreign currencies

Transactions in currencies other than an operation's functional currency are initially recorded in the functional currency at the rate of exchange prevailing on the dates of transactions. At each balance sheet date, the foreign currency monetary assets and liabilities are translated into the functional currency 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 recognized in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings 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 recognized in the income statement in the period in which the operation is disposed.

Income tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred 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 recognized for all taxable temporary differences. Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 recognized 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 realized based on tax rates and tax laws that have been enacted or substantively 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.

1. Accounting policies (continued)

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalized 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.

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. Capitalized 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 recognized 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 recognized in the income statement in the period in which the settlement or curtailment occurs.

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

Payments to defined contribution plans 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 recognized 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.

Share based compensation

The cost of equity-settled transactions is recognized, based upon the fair value at grant date, together with a corresponding increase in other capital reserves in equity, over the period in which the performance or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

1. Accounting policies (continued)

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 amortized or depreciated from the time they are classified as such.

Interest in joint ventures

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in its joint ventures using the equity method.

Under the equity method, the investment in a 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 ventures 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 recognize an additional impairment loss on the Group's investment in a joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of a joint venture and its carrying value and recognizes 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 recognizes 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 recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

1. Accounting policies (continued)

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.

Bank and other loans

Bank and other loans are recorded at the fair value of the proceeds received plus directly attributable transaction costs. 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 recognized asset or liability or a highly probable forecast transaction.

In relation to cash flow hedges to hedge the foreign currency risk of 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 recognized directly in equity and the ineffective portion is recognized 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 recognized directly in equity and the ineffective portion is recognized 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.

1. Accounting policies (continued)

Critical accounting judgments 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 judgments 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 14.

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 December 31, 2012 is $96.7 million (December 31, 2011: $82.4 million). Further details are given in Note 30.

Deferred tax

Deferred tax assets are recognized for unabsorbed tax losses and unutilized capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Note 24.

Inventories obsolescence and inventories write down

Inventories are stated at the lower of cost and net realizable value. Inventories are reviewed on a regular basis and the Group will make allowance for excess or obsolete inventories and write down to net realizable value based primarily on committed sales prices and management estimates of expected and future product demand and related pricing. Further details are given in Note 16.

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.

International Accounting Standards		Effective date
IAS 12	Income Taxes (Amendment)	January 1, 2012
IFRS 7	Financial Instruments: Disclosures (Amendment)	July 1, 2011

New standards and amendments to standards not applied

The IASB has issued the following standards and amendments to standards with an effective date after the date of these financial statements:

International Accounting Standards		Effective date
IAS 1	Presentation of Financial Statements (Amendments)	July 1, 2012
IAS 19	Employee Benefits (Revised)	January 1, 2013
IAS 27	Separate Financial Statements (Revised)	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures (Revised)	January 1, 2013
IAS 32	Financial Instruments: Presentation (Amendment)	January 1, 2014
IFRS 7	Financial Instruments: Disclosures (Amendment)	January 1, 2013
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

The Directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Group's financial statements in the period of initial application, with the exception of the following amendment:

IAS 19 Employee Benefits (Revised)

Under the revised standard, the charge to the income statement in relation to defined benefit costs will change, with only current year service costs and administrative expenses being charged to operating profit and an interest expense calculated on the outstanding accounting deficit being charged to finance costs. Currently a net actuarial charge is made to operating profit based on the aggregation of the service cost, plus an interest cost on the liabilities, net of an expected return (or gain) on assets. Whilst it is difficult to predict the full impact in future periods of the change to IAS 19 (revised), due to changing actuarial assumptions and fund valuations, whilst the Group defined benefit plans remain in deficit, it is expected there will be increased net finance costs. The revised standard is not expected to lead to changes on the balance sheet or the deficit, so movements in the income statement are expected to have equal and opposite movements in Other Comprehensive Income.

1. Accounting policies (continued)

The following tables summarize the impact of the revision to the standard to the income statement if it had been applied to the years ending December 31, 2012, 2011 and 2010.

	Summary income statement under existing IAS 19			Restated under IAS 19 (Revised)		
	2012	2011	2010	**2012**	2011	2010
	$M	$M	$M	**$M**	$M	$M
OPERATING PROFIT	**66.7**	66.2	44.9	**66.4**	63.9	43.9
Other income (expense):						
Acquisition and disposal costs	**(0.8)**	(0.2)	(0.4)	**(0.8)**	(0.2)	(0.4)
Finance income:						
Interest received	**0.2**	0.2	0.2	**0.2**	0.2	0.2
Gain on purchase of own debt	-	-	0.5	-	-	0.5
Finance costs						
IAS 19 charge	-	-	-	**(3.6)**	(1.9)	(2.6)
Interest costs	**(6.7)**	(9.2)	(9.6)	**(6.7)**	(9.2)	(9.6)
PROFIT ON OPERATIONS BEFORE TAXATION	**59.4**	57.0	35.6	**55.5**	52.8	32.0
Tax expense	**(17.0)**	(13.6)	(9.9)	**(16.0)**	(12.5)	(8.9)
NET INCOME FOR THE YEAR	**42.4**	43.4	25.7	**39.5**	40.3	23.1
Attributable to:						
Equity shareholders	**42.4**	43.4	25.7	**39.5**	40.3	23.1

Based on the above table, the IAS 19 (revised) impact can be summarized as follows:

	2012	2011	2010
	$M	$M	$M
Reduction in:			
Operating profit	**(0.3)**	(2.3)	(1.0)
Profit on operations before taxation	**(3.9)**	(4.2)	(3.6)
Net income	**(2.9)**	(3.1)	(2.6)

2. Revenue and segmental analysis

For management purposes, the Group is organized into two operational divisions, Gas Cylinders and Elektron. The tables below set out information on the results of these two reportable 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 trading profit or loss, defined as operating profit or loss before restructuring and other expense.

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

REPORTING SEGMENTS:

Year ended December 31, 2012	**Gas Cylinders $M**	**Elektron $M**	**Unallocated $M**	**Total Continuing Activities $M**
Revenue				
Segment Revenue	246.3	265.7	-	**512.0**
Inter-segment sales	-	(0.4)	-	**(0.4)**
Sales to external customers	246.3	265.3	-	**511.6**
Result				
Trading profit	15.8	53.0	-	**68.8**
Restructuring and other income (expense) (Note 5)	(1.1)	(0.2)	(0.8)	**(2.1)**
Operating profit/(loss)	14.7	52.8	(0.8)	**66.7**
Acquisition and disposal costs (Note 5)	(0.6)	(0.2)	-	**(0.8)**
Net finance costs				**(6.5)**
Profit before tax				**59.4**
Tax expense				**(17.0)**
Net income for the year				**42.4**
Other segment information				
Segment assets	165.7	152.1	72.7	**390.5**
Segment liabilities	(40.3)	(28.2)	(173.2)	**(241.7)**
Net assets/(liabilities)	125.4	123.9	(100.5)	**148.8**
Capital expenditure: Property, plant and equipment	8.2	11.3	-	**19.5**
Capital expenditure: Intangible assets	-	-	-	-
Depreciation and amortization	6.5	8.2	-	**14.7**

2. Revenue and segmental analysis (continued)

Year ended December 31, 2011	Gas Cylinders $M	Elektron $M	Unallocated $M	Total Continuing Activities $M
Revenue				
Segment Revenue	223.3	287.8	-	**511.1**
Inter-segment sales	-	(0.3)	-	**(0.3)**
Sales to external customers	223.3	287.5	-	**510.8**
Result				
Trading profit	11.9	54.1	-	**66.0**
Restructuring and other income (expense) (Note 5)	-	-	0.2	**0.2**
Operating profit	11.9	54.1	0.2	**66.2**
Acquisition and disposal costs (Note 5)	-	(0.2)	-	**(0.2)**
Net finance costs				**(9.0)**
Profit before tax				**57.0**
Tax expense				**(13.6)**
Net income for the year				**43.4**
Other segment information				
Segment assets	136.5	172.7	55.1	**364.3**
Segment liabilities	(39.8)	(40.0)	(219.7)	**(299.5)**
Net assets/(liabilities)	96.7	132.7	(164.6)	**64.8**
Capital expenditure: Property, plant and equipment	7.0	13.8	-	**20.8**
Capital expenditure: Intangible assets	0.2	0.1	-	**0.3**
Depreciation and amortization	6.4	8.1	-	**14.5**

Year ended December 31, 2010	Gas Cylinders $M	Elektron $M	Unallocated $M	Total Continuing Activities $M
Revenue				
Segment Revenue	199.2	204.0	-	**403.2**
Inter-segment sales	-	(0.5)	-	**(0.5)**
Sales to external customers	199.2	203.5	-	**402.7**
Result				
Trading profit	12.2	33.5	-	**45.7**
Restructuring and other expense (Note 5)	-	(0.2)	(0.6)	**(0.8)**
Operating profit/(loss)	12.2	33.3	(0.6)	**44.9**
Acquisition and disposal costs (Note 5)	-	(0.4)	-	**(0.4)**
Net finance costs				**(8.9)**
Profit before tax				**35.6**
Tax expense				**(9.9)**
Net income for the year				**25.7**
Other segment information				
Segment assets	126.3	144.3	26.0	**296.6**
Segment liabilities	(37.0)	(31.6)	(162.8)	**(231.4)**
Net assets/(liabilities)	89.3	112.7	(136.8)	**65.2**
Capital expenditure: Property, plant and equipment	6.2	9.9	-	**16.1**
Capital expenditure: Intangible assets	-	-	-	**-**
Depreciation and amortization	6.3	7.5	-	**13.8**

2. Revenue and segmental analysis (continued)

GEOGRAPHIC ORIGIN:

Year ended December 31, 2012	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	210.1	65.2	304.2	0.1	5.9	**585.5**
Inter-segment sales	(42.9)	(4.5)	(26.5)	-	-	**(73.9)**
Sales to external customers	167.2	60.7	277.7	0.1	5.9	**511.6**
Result						
Trading profit	25.0	3.2	39.6	0.1	0.9	**68.8**
Restructuring and other expense (Note 5)	(1.0)	(0.2)	(0.9)	-	-	**(2.1)**
Operating profit	24.0	3.0	38.7	0.1	0.9	**66.7**
Other geographical segment information						
Non-current assets [1]	56.7	20.9	90.8	-	0.4	**168.8**
Net assets/(liabilities) [2]	52.1	32.8	58.9	0.4	4.6	**148.8**
Capital expenditure: Property, plant and equipment	6.7	2.4	10.2	-	0.2	**19.5**
Capital expenditure: Intangible assets	-	-	-	-	-	-
Depreciation and amortization	5.5	2.7	6.5	-	-	**14.7**

[1] The Group's non-current assets analyzed by geographic origin include property, plant and equipment, intangible assets and investments.
[2] Represents net assets/(liabilities) employed – excluding inter-segment assets and liabilities.

Year ended December 31, 2011	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	221.8	54.9	290.3	0.1	6.5	**573.6**
Inter-segment sales	(35.4)	(2.5)	(24.9)	-	-	**(62.8)**
Sales to external customers	186.4	52.4	265.4	0.1	6.5	**510.8**
Result						
Trading profit/(loss)	26.1	(0.2)	39.5	0.1	0.5	**66.0**
Restructuring and other expense (Note 5)	0.2	-	-	-	-	**0.2**
Operating profit/(loss)	26.3	(0.2)	39.5	0.1	0.5	**66.2**
Other geographical segment information						
Non-current assets [1]	52.6	18.8	80.0	-	0.3	**151.7**
Net assets/(liabilities) [2]	14.0	26.8	19.7	0.3	4.0	**64.8**
Capital expenditure: Property, plant and equipment	7.8	1.7	11.3	-	-	**20.8**
Capital expenditure: Intangible assets	0.3	-	-	-	-	**0.3**
Depreciation and amortization	5.5	2.9	6.1	-	-	**14.5**

[1] The Group's non-current assets analyzed by geographic origin include property, plant and equipment, intangible assets and investments.
[2] Represents net assets/(liabilities) employed – excluding inter-segment assets and liabilities.

2. Revenue and segmental analysis (continued)

Year ended December 31, 2010	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	170.0	48.8	234.6	0.1	5.9	**459.4**
Inter-segment sales	(29.6)	(1.8)	(25.3)	-	-	**(56.7)**
Sales to external customers	140.4	47.0	209.3	0.1	5.9	**402.7**
Result						
Trading profit	15.3	1.0	28.2	0.1	1.1	**45.7**
Restructuring and other expense (Note 5)	(0.6)	-	(0.2)	-	-	**(0.8)**
Operating profit	14.7	1.0	28.0	0.1	1.1	**44.9**
Other geographical segment information						
Non-current assets [1]	50.1	20.7	75.0	-	0.3	**146.1**
Net assets/(liabilities) [2]	(55.9)	27.1	90.4	0.3	3.3	**65.2**
Capital expenditure: Property, plant and equipment	7.7	0.9	7.5	-	-	**16.1**
Capital expenditure: Intangible assets	-	-	-	-	-	-
Depreciation and amortization	5.4	2.9	5.4	-	0.1	**13.8**

[1] The Group's non-current assets analyzed by geographic origin include property, plant and equipment, intangible assets and investments.
[2] Represents net assets/(liabilities) employed – excluding inter-segment assets and liabilities.

GEOGRAPHIC DESTINATION:

	United Kingdom $M	Rest of Europe $M	Africa $M	North America $M	South America $M	Asia Pacific $M	Total $M
Revenue – Continuing activities							
Year ended December 31, 2012	58.8	126.6	7.6	226.6	19.4	72.6	**511.6**
Year ended December 31, 2011	61.5	128.3	20.3	210.3	25.1	65.3	**510.8**
Year ended December 31, 2010	46.0	104.9	7.3	182.3	15.1	47.1	**402.7**

3. Operating profit

Operating profit for continuing activities is stated after charging/(crediting):

	2012	2011	2010
	$M	$M	$M
Research and development expenditure charged to the income statement	**7.1**	8.5	8.9
Research and development capital expenditure included within property, plant and equipment	**1.8**	2.6	0.9
Total research and development expenditure	**8.9**	11.1	9.8
less external funding received – grants and recharges to third parties	**(0.7)**	(2.9)	(3.1)
less research and development expenditure capitalized within property, plant and equipment	**(1.8)**	(2.6)	(0.9)
Net research and development	**6.4**	5.6	5.8
Depreciation of property, plant and equipment (Note 12)	**14.4**	14.2	13.6
Amortization of intangible assets (included in cost of sales) (Note 13)	**0.3**	0.3	0.2
Loss on disposal of property, plant and equipment	-	-	0.1
Income and costs relating to demolition of vacant property (Note 5)	-	-	0.6
Net foreign exchange gains	**(0.7)**	(0.7)	(1.2)
Staff costs (Note 6)	**110.3**	104.3	97.9
Cost of inventories recognized as expense	**356.5**	355.9	294.4

4. Fees payable to auditors

	2012	2011	2010
	$M	$M	$M
Fees payable to auditors for the audit of the financial statements	**0.9**	0.8	0.5

The audit fee for the Company financial statements of Luxfer Holdings PLC was $0.1 million (2011 and 2010: $0.1 million).

Fees payable to auditors for non-audit services:			
Audit related assurance services	**0.4**	1.0	-
Tax compliance services	**0.5**	0.5	0.3
Tax advisory services	**0.3**	0.3	0.2
	1.2	1.8	0.5
Total fees payable	**2.1**	2.6	1.0

Included in fees payable to auditors for non-audit services was $1.3 million (2011: $1.4 million and 2010: $0.3 million) relating to the Company and its UK subsidiaries.

5. Other income (expense) items

(a) Restructuring and other income (expense)	**2012**	2011	2010
	$M	$M	$M
(Charged)/credited to Operating profit:			
Rationalization of operations	**(1.3)**	-	(0.2)
I.P.O related share based compensation charge	**(0.8)**	-	-
I.P.O related legal and professional costs	**-**	(1.4)	-
Past service credit on retirement benefit obligations	-	1.6	-
Income and costs relating to demolition of vacant property	-	-	(0.6)
	(2.1)	0.2	(0.8)

(b) Acquisition and disposal costs	**2012**	2011	2010
	$M	$M	$M
Charged to Non-operating profit:			
Net acquisition costs	**(0.6)**	-	-
Disposal costs of intellectual property	**(0.2)**	(0.2)	(0.4)
	(0.8)	(0.2)	(0.4)

Rationalization of operations

In 2012, $1.1 million of costs have been incurred in relation to rationalization costs in the Gas Cylinders division and $0.2 million of costs have been incurred in relation to rationalization costs in the Elektron division.

In 2010, the Elektron division incurred costs of $0.2 million (2009: $1.0 million), relating to a series of rationalization activities conducted at the manufacturing plants to improve operating efficiencies.

I.P.O related share based compensation charge

In 2012, a charge of $0.8 million was recognized in the income statement under IFRS 2 in relation to share options granted as part of the initial public offering. The share options are described in further detail in note 32.

I.P.O related non-trade legal and professional costs

In 2011, the Group incurred legal, audit and professional costs of $2.8 million in relation to the raising of equity funding. Of this, $1.4 million was expensed in the year mainly in relation to historical audit work and $1.4 million was deferred, which related to regulatory and legal documentation to support the transaction.

Past service credit on retirement benefit obligations

In 2011, retired members of the Luxfer Group Pension Plan, the principal defined benefit plan in the UK, were offered the option of altering the structure of their pension by receiving an uplift immediately in return for giving up rights to a portion of their future pension increases. This reduced the costs and risks of operating the pension plan and resulted in a gain of $1.6 million and a corresponding reduction in the present value of the defined benefit obligations of the pension plan.

5. Other income (expense) items (continued)

Income and costs relating to demolition of vacant property

In 2010, a charge of $0.6 million was made for the demolition of a vacant property net of proceeds from a third party lessee of the building owned by the Group undertaking Luxfer Group Services Limited.

Net acquisition costs

In 2012, net acquisition costs of $0.6 million were recognized by the Gas Cylinders division in relation to the acquisition of Dynetek Industries Limited. The cost was comprised of acquisition costs of $0.8 million less a negative goodwill credit of $0.2 million, as further explained in Note 11.

Disposal costs of intellectual property

In 2012, the Elektron division incurred costs of $0.2 million (2011: $0.2 million and 2010: $0.4 million) in relation to the sale process of intellectual property in the USA acquired as part of the 2007 acquisition of Revere Graphics.

6. Staff Costs

	2012	2011	2010
	$M	$M	$M
Wages and salaries	**89.6**	88.0	80.0
Social security costs	**12.3**	12.6	11.2
Retirement benefit costs	**6.4**	3.7	6.6
Redundancy costs:			
continuing activities (note 5)	**1.2**	-	0.2
I.P.O related share based compensation charge	**0.8**	-	-
	110.3	104.3	98.0

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

	2012	2011	2010
	No.	No.	No.
Production and distribution	**1,284**	1,209	1,210
Sales and administration	**183**	189	170
Research and development	**53**	51	45
	1,520	1,449	1,425

In 2012, compensation of key management personnel (including directors) was $2.8 million (2011: $2.7 million and 2010: $2.8 million) for short-term employee benefits and $0.4 million (2011: $0.5 million and 2010: $0.5 million) for post-employment benefits.

The details of Directors' remuneration, pension entitlements, shareholdings and share options are disclosed in the Directors' Report in Tables 2, 3, 4, 5 and 6 respectively.

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 parent company, Luxfer Holdings PLC (the "Company") or any of its subsidiaries 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; in the case of the executive directors and the chairman, the Management Incentive Plan (terminated October 2012). No share options were exercised by directors of the Company during the year.

7. Finance income

	2012	2011	2010
	$M	$M	$M
Bank interest received	**0.2**	0.1	0.1
Other interest received (Note 25)	-	0.1	0.1
Gain on purchase of own debt	-	-	0.5
Total finance income	**0.2**	0.2	0.7

8. Finance costs

	2012	2011	2010
	$M	$M	$M
Interest paid:			
Senior Notes due 2012	-	3.3	7.5
Bank and other loans	**5.7**	4.3	0.8
Amortization of issue costs	**1.0**	1.6	1.3
Total finance costs	**6.7**	9.2	9.6

9. Income tax

(a) Analysis of taxation charge for the year	**2012** **$M**	2011 $M	2010 $M
Current tax:			
UK Corporation tax	**3.3**	1.0	-
Adjustments in respect of previous years	**(0.4)**	-	-
	2.9	1.0	-
Non-UK tax	**9.9**	10.8	9.4
Adjustments in respect of previous years	**(1.7)**	-	0.1
Total current tax charge	**11.1**	11.8	9.5
Deferred tax:			
Origination and reversal of temporary differences	**4.5**	2.0	0.5
Adjustments in respect of previous years	**1.4**	(0.2)	(0.1)
Total deferred tax charge	**5.9**	1.8	0.4
Tax on profit on operations	**17.0**	13.6	9.9

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 24.5% (2011: 26.5% and 2010: 28%) for corporation tax in the UK.

The differences are explained below:

	2012 **$M**	2011 $M	2010 $M
Profit on operations before taxation	**59.4**	57.0	35.6
Profit on operations at 2012 standard rate of corporation tax in the UK of 24.5% (2011: 26.5% and 2010: 28%)	**14.6**	15.1	10.0
Effects of:			
Income not taxable	**(0.2)**	(0.3)	(0.9)
Unprovided deferred tax	**(1.3)**	(4.7)	(1.5)
Foreign tax rate differences	**4.6**	3.7	2.3
Adjustment in respect of previous years	**(0.7)**	(0.2)	-
Tax expense	**17.0**	13.6	9.9

9. Income tax (continued)

(c) Factors that may affect future taxation charge

As at December 31, 2012, the Group has carried forward tax losses of $85.4 million (UK: $71.9 million, non-UK: $13.5 million). Carried forward tax losses for 2011 were $74.2 million (UK: $69.2 million, non-UK: $5.0 million) and for 2010 were 73.4 million (UK: $68.4 million, non-UK: $5.0 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.

In his annual Budget announcement of March 20, 2013, the Chancellor of the Exchequer announced certain tax changes which will have a significant effect on the Group's future tax position. The proposals include phased reductions in the UK corporation tax rate to 20% from 1 April 2015.

As at December 31, 2012, only the previously announced reduction in the rate to 23% had been 'substantively enacted' and this has been reflected in the Group's financial statements as at December 31, 2012.

The effect of the reduction of the UK corporation tax rate to 20% on the Group's deferred tax asset (recognized and not recognized) would be to reduce the deferred tax asset by $4.5 million. This being a reduction of $2.7 million in the Group's recognized deferred tax asset and $1.8 million in the Group's unrecognized deferred tax asset as at December 31, 2012.

The rate change would also impact the amount of future cash tax payments to be made by the UK Group. The effect on the UK Group of the proposed changes to the UK tax system will be reflected in the financial statements of the UK Group companies in future years, as appropriate, once the proposals have been substantively enacted.

10. Earnings per share

The Group calculates earnings per share in accordance with IAS 33. Basic income per share is calculated based on the weighted average common shares outstanding for the period presented. The weighted average number of shares outstanding is calculated by time-apportioning the shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares outstanding during the financial year have been adjusted for the dilutive effects of all potential ordinary shares and share options granted to employees.

American Depositary Shares (ADSs) of Luxfer Holdings PLC are listed on the New York Stock Exchange following an initial public offering on October 3, 2012. The Company's £1 ordinary shares are not traded on any recognized stock exchange. The Depositary for the ADSs holds 1 £1 ordinary share for every 2 ADSs traded, through American Depositary Receipts.

The weighted average methodology used to calculate the ordinary shareholders for 2012 EPS on the £1 shares does not reflect a full-year economic impact of a 35% increase in the share capital of the Group from the IPO at 3rd October 2012. ADS and ordinary £1 shareholders should consider this impact when comparing the IFRS EPS to any ADS share price or comparator companies earnings multiples, for valuation purposes.

As a comparison, an adjusted EPS, using the IFRS reported net income for 2012, but dividing by the total number of shares outstanding at the end of 2012, is $3.16 per ordinary share (equivalent to an adjusted EP-ADS of $1.58 per ADS), whereas the IAS 33 weighted average basic EPS is $3.95 per share. Although it is a non-GAAP financial measure, management believes an adjusted EP-ADS more closely reflects the underlying earnings per ADS performance based on the post-IPO share structure, which led to a significant change in the capital structure.

It should be noted that all EPS measures for prior years will be restated in 2013 for the introduction of the IAS 19 revised and the impact that accounting standard has on the Group's net income, as further disclosed in note 1 of these financial statements.

10. Earnings per share (continued)

	2012	2011	2010
	$M	$M	$M
Basic earnings:			
Basic earnings attributable to ordinary shareholders	**42.4**	43.4	25.7
Adjusted earnings:			
Restructuring and other (income) expense (Note 5)	**2.1**	(0.2)	0.8
Acquisition and disposal costs (Note 5)	**0.8**	0.2	0.4
Finance income (Note 7):			
Gain on purchase of own debt	-	-	(0.5)
Tax thereon	**(0.3)**	**-**	(0.3)
Adjusted earnings	**45.0**	43.4	26.1
Weighted average number of £1 ordinary shares:			
For basic earnings per share	**10,741,677**	9,884,145	9,851,204
Exercise of share options	**185,769**	95,910	67,900
For diluted earnings per share	**10,927,446**	9,980,055	9,919,104
Earnings per share using weighted average number of ordinary shares outstanding:			
Basic			
Adjusted	**$4.19**	$4.39	$2.65
Unadjusted	**$3.95**	$4.39	$2.61
Diluted			
Adjusted	**$4.12**	$4.35	$2.63
Unadjusted	**$3.88**	$4.35	$2.59

	December 31,	December 31,	December 31,
At the balance sheet date, the number of £1 ordinary shares outstanding were:	**2012**	2011	2010
For basic earnings per share	**13,406,326**	9,885,526	9,884,026
Exercise of share options	**473,710**	95,910	67,900
For diluted earnings per share	**13,880,036**	9,981,436	9,951,926

Each £1 ordinary share is equal to 2 American Depositary Shares, as listed and quoted on the New York Stock Exchange.

11. Acquisition of business

In September 2012, the Group acquired Dynetek Industries Limited ("Dynetek"), a Canadian business that designs and manufactures high-pressure aluminum and carbon fiber gas cylinders and systems for compressed natural gas and low-emission vehicles. The primary reason for the acquisition was to increase the Group's manufacturing capacity in these areas. The gross consideration for 100% of the equity of the business was $11.7 million, where under the plan of arrangement $6.6 million was paid to the debt holders and $5.1 million was paid to the shareholders. $0.7 million of cash was acquired in the transaction. An additional $0.8 million of acquisition costs were incurred and paid in the fourth quarter of 2012. The initial assessment of the fair value of the net assets of the business acquired amounts to $11.9 million, resulting in a negative goodwill credit on acquisition of $0.2 million and net of the acquisition costs resulted in a charge to the income statement of $0.6 million.

	Book value prior to acquisition 2012 $M	Revaluation of fixed assets $M	Adjustment to net realizable value $M	**Fair value 2012 $M**
Property, plant and equipment	**2.6**	5.6	-	**8.2**
Intangible assets	**0.1**	(0.1)	-	**-**
Cash and short term deposits	**0.7**	-	-	**0.7**
Inventories	**6.3**	-	(1.3)	**5.0**
Trade and other receivables	**6.5**	-	(0.2)	**6.3**
Total assets	**16.2**	5.5	(1.5)	**20.2**
Trade and other payables	**8.0**	-	0.3	**8.3**
Total liabilities	**8.0**	-	0.3	**8.3**
Net assets acquired	**8.2**	5.5	(1.8)	**11.9**

	2012 $M
Net acquisition costs:	
Net assets acquired	**11.9**
Consideration paid	**(11.7)**
Negative goodwill credit	**0.2**
Acquisition costs	**(0.8)**
Net charge to the income statement	**(0.6)**

	2012 $M
Net cashflow on purchase of business	
Included in net cash flows from investing activities:	
Amounts paid	**11.7**
Cash acquired	**(0.7)**
	11.0
Included in net cash flows from operating activities	
Acquisition costs	**0.8**
Net cash flow movement	**11.8**

11. Acquisition of business (continued)

The results of Dynetek, from the date of acquisition to the period ended 31 December 2012, which have been included in the consolidated income statement, are shown below. Following the acquisition, Dynetek was turned into two separate businesses in Germany and Canada.

	2012 $M
Revenue	11.4
Expenses	(11.6)
Trading loss	(0.2)
Restructuring and other income (expense)	(0.7)
Loss before tax	(0.9)
Tax expense	-
Net loss attributable to Dynetek	(0.9)

Revenue of $11.4 million includes $9.1 million relating to the sale of gas cylinders and $2.3 million relating to the sale of other services and accessories.

Due to the distressed financial position of Dynetek, its net assets had been subject to impairment in its own interim report for June 30, 2012, and our own initial fair value exercise re-assessed those asset values, based on the business being a going concern and applying the Group's accounting policies. The Group has not found it practicable to disclose the revenue and profit or loss of the combined entity as though the acquisition date had been at the beginning of the reporting period because of the unavailability of reliable information.

12. Property, plant and equipment

	Freehold	Long leasehold	Short leasehold	Plant and equipment	Total
	$M	$M	$M	$M	$M
Cost:					
At January 1, 2011	41.5	3.9	6.6	260.1	**312.1**
Additions	2.9	-	1.3	16.6	**20.8**
Disposals	-	-	(0.2)	(1.4)	**(1.6)**
Transfers	1.1	-	(1.1)	-	-
Exchange adjustments	(0.4)	-	-	(2.2)	**(2.6)**
At December 31, 2011	45.1	3.9	6.6	273.1	**328.7**
Additions	3.0	0.1	1.1	15.3	**19.5**
Business additions	0.6	-	-	7.6	**8.2**
Disposals	-	-	(0.2)	(6.5)	**(6.7)**
Exchange adjustments	0.6	0.2	0.1	7.3	**8.2**
At December 31, 2012	49.3	4.2	7.6	296.8	**357.9**
Depreciation:					
At January 1, 2011	14.0	3.1	2.7	183.8	**203.6**
Provided during the year	1.0	-	0.4	12.8	**14.2**
Disposals	-	-	(0.2)	(1.4)	**(1.6)**
Transfers	0.5	-	(0.5)	-	-
Exchange adjustments	(0.1)	-	-	(1.6)	**(1.7)**
At December 31, 2011	15.4	3.1	2.4	193.6	**214.5**
Provided during the year	1.2	0.1	0.5	12.6	**14.4**
Disposals	-	-	(0.2)	(6.5)	**(6.7)**
Exchange adjustments	0.2	0.1	-	5.8	**6.1**
At December 31, 2012	16.8	3.3	2.7	205.5	**228.3**
Net book values:					
At December 31, 2012	32.5	0.9	4.9	91.3	**129.6**
At December 31, 2011	29.7	0.8	4.2	79.5	**114.2**
At January 1, 2011	27.5	0.8	3.9	76.3	**108.5**

Long and short leasehold

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

13. Intangible assets

	Goodwill $M	Patents $M	Other $M	Total $M
Cost:				
At January 1, 2011	54.5	1.7	1.2	**57.4**
Additions	-	-	0.3	**0.3**
Exchange adjustments	(0.3)	-	(0.1)	**(0.4)**
At December 31, 2011	54.2	1.7	1.4	**57.3**
Exchange adjustments	2.0	-	-	**2.0**
At December 31, 2012	56.2	1.7	1.4	**59.3**
Amortization:				
At January 1, 2011	18.6	0.8	0.8	**20.2**
Provided during the year	-	0.1	0.2	**0.3**
Exchange adjustments	(0.1)	-	(0.1)	**(0.2)**
At December 31, 2011	18.5	0.9	0.9	**20.3**
Provided during the year	-	0.1	0.1	**0.2**
Exchange adjustments	0.4	-	-	**0.4**
At December 31, 2012	18.9	1.0	1.0	**20.9**
Net book values:				
At December 31, 2012	37.3	0.7	0.4	**38.4**
At December 31, 2011	35.7	0.8	0.5	**37.0**
At January 1, 2011	35.9	0.9	0.4	**37.2**

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

14. Impairment of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The four CGUs represent the lowest level within the Group at which goodwill is monitored for internal reporting management purposes. The four CGUs are aggregated to form the Group's two defined reportable segments: Gas Cylinders division and Elektron division. The table below summarizes the carrying amount of goodwill by division:

	Gas Cylinders division $M	Elektron division $M	Total $M
At January 1, 2011	23.1	12.8	**35.9**
Exchange adjustments	(0.1)	(0.1)	**(0.2)**
At December 31, 2011	23.0	12.7	**35.7**
Exchange adjustments	1.0	0.6	**1.6**
At December 31, 2012	24.0	13.3	**37.3**

The Gas Cylinders division goodwill of $24.0 million (December 31, 2011: $23.0 million) included goodwill attributable to our Luxfer Gas Cylinders operations of $22.7 million (December 31, 2011: $21.8 million) and goodwill attributable to our Superform operations of $1.3 million (December 31, 2011: $1.2 million). The Elektron division goodwill of $13.3 million (December 31, 2011: $12.7 million) included goodwill attributable to our MEL Chemicals operations of $5.1 million (December 31, 2011: $4.9 million) and goodwill attributable to our Magnesium Elektron operations of $8.2 million (December 31, 2011: $7.8 million).

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

The recoverable amount of each of the 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 CGU. The results of these plans were then extrapolated to give cash flow projections to 2015 and then a terminal value based on a growth rate of 2.5% (2011: 2.5% and 2010: 2.5%). The rate is estimated to be below the average long-term growth rate for the relevant markets. 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 programs, along with working capital requirements based on the projected level of sales. The before tax discount rate used was 10% (2011: 9% and 2010: 10%), 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 a range from $1.57 - $1.60 and euro: $ exchange a range from €1.31 - €1.28. Based on the current business plans used in the impairment testing, it is believed no reasonable changes in the discount and growth rates or forecast future cash flows are expected to result in an impairment of the carrying value of the goodwill.

15. Investments

	Joint ventures $M	Other $M	Total $M
At January 1, 2011	0.2	0.2	**0.4**
Increase in investments at cost	0.3	-	**0.3**
Share of start-up costs of joint ventures	(0.2)	-	**(0.2)**
At December 31, 2011	0.3	0.2	**0.5**
Increase in investments at cost	0.4	-	**0.4**
Share of start-up costs of joint ventures	(0.1)	-	**(0.1)**
At December 31, 2012	0.6	0.2	**0.8**

Investment in joint ventures

At December 31, 2012, the Group had the following joint ventures undertakings which affect the profit of the Group. Unless otherwise stated, the Group's joint ventures have share capital which consists solely of ordinary shares and 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
Dynetek Cylinders India Private Limited	India	Ordinary shares	49%	Engineering
Dynetek Korea Co. Limited	South Korea	Ordinary shares	49%	Engineering
Luxfer Holdings NA, LLC	United States	N/A	49%	Engineering
Luxfer Uttam India Private Limited	India	Ordinary shares	51%	Engineering
Nikkei-MEL Co Limited	Japan	Ordinary shares	50%	Distribution

During 2012, the joint venture Luxfer Uttam Private Limited increased its share capital and the cost paid by the Group to maintain the 51% investment in the equity in the joint venture was $0.4 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 2012 was $0.1 million (2011: loss of $0.2 million) as a result of start-up costs being incurred.

During 2012, the Group acquired two Joint Ventures in India and South Korea through its acquisition of Dynetek Industries and at the end of the year established a third in North America. The objective of these joint ventures is to promote and support the use of large composite cylinders for use by end customers in CNG and Hydrogen gas transportation applications. None of these new joint ventures had any significant trading activities whilst being associate members of the Group in 2012. The Group also committed from 1 January 2013, up to $12.5 million of future funding to aid expansion in this area in the coming years, via $2.5 million of equity into Luxfer Holdings NA, LLC and an undrawn $10 million secured credit line for working capital and supplier finance.

Related party transactions with joint ventures have been disclosed in Note 33 to the Group's financial statements.

16. Inventories

	December 31, 2012 $M	December 31, 2011 $M
Raw materials and consumables	**35.6**	35.0
Work in progress	**25.2**	28.8
Finished goods and goods for resale	**23.0**	36.8
	83.8	100.6

The provision against obsolete and excess inventories at December 31, 2012 was $6.8 million (December 31, 2011: $14.3 million). The movement represents the utilization of the provision. The cost of inventories recognized as an expense during the year has been disclosed in Note 3.

17. Trade and other receivables

	December 31, 2012 $M	December 31, 2011 $M
Trade receivables	**60.3**	55.1
Amounts owed by joint ventures and associates	**0.7**	0.7
Other receivables	**7.6**	2.3
Prepayments and accrued income	**5.3**	5.5
Derivative financial instruments	**0.5**	1.6
	74.4	65.2

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 December 31, 2012, trade receivables at nominal value $2.2 million (December 31, 2011: $1.9 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2012 $M	2011 $M
At January 1	**1.9**	1.4
Charge in the year	**0.1**	0.5
Other movements	**0.2**	-
At December 31	**2.2**	1.9

18. Cash and short term deposits

	December 31, 2012 $M	December 31, 2011 $M
Cash at bank and in hand	**40.2**	22.2

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.

19. Share capital

(a) Ordinary share capital

	December 31, 2012 No.	December 31, 2011 No.	**December 31, 2012 $M**	December 31, 2011 $M
Authorized:				
Ordinary shares of £1 each	**20,000,000**	10,000,000	**35.7** [1]	19.6 [1]
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**150.9** [1]	150.9 [1]
	769,443,688,000	769,433,688,000	**186.6** [1]	170.5 [1]
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**13,500,000**	10,000,000	**25.3** [1]	19.6 [1]
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**150.9** [1]	150.9 [1]
	769,427,208,000	769,423,708,000	**176.2** [1]	170.5 [1]

[1] The Group's ordinary and deferred share capital are shown in US dollars at the exchange rate prevailing at the month end spot rate at the time of the share capital being issued. This rate at the end of February 2007 was $1.9613: £1 when the first 10,000,000 shares were issued, and the rate at the end of October 2012 was $1.6129:£1 when the remaining 3,500,000 shares were issued.

The rights of the shares are as follows:

Ordinary shares of £1 each

The ordinary shares carry no entitlement to an automatic dividend but rank pari passu in respect of any dividend declared and paid other than preference dividend (see below).

Deferred ordinary shares of £0.0001 each

The deferred shares have no entitlement to dividends or to vote. On a winding up (but not otherwise) the holders of the deferred shares shall be entitled to the repayment of the paid up nominal amount of the deferred shares, but only after any payment to the holders of ordinary shares of an amount equal to 100 times the amount paid up on such ordinary shares.

(b) American Depositary Shares

9,200,000 American Depositary Shares (ADSs) of Luxfer Holdings PLC are listed on the New York Stock Exchange following an initial public offering on October 3, 2012. The Depositary for the ADSs holds 1 £1 ordinary share for every 2 ADSs traded, through American Depositary Receipts.

ADS holders are entitled to instruct their Depositary to vote and to receive a dividend as per the ordinary shareholders, after deducting the fees and expenses of the Depositary.

(c) Preference share capital

During the year ended December 31, 2011 the Company called up the remaining unpaid sums on its 50,000 'B' preference shares of £1 each. As fully paid shares, the preference shares were fully redeemed at their nominal value and accrued interest was paid.

19. Share capital (continued)

(d) Own shares held by ESOP

	$M
At January 1, 2010	**0.8**
Purchases of shares from ESOP	**(0.2)**
At December 31, 2010	**0.6**
Purchases of shares from ESOP	**-**
At December 31, 2011	**0.6**
Purchases of shares from ESOP	**(0.1)**
At December 31, 2012	**0.5**

As at December 31, 2012, 93,674 ordinary shares (December 31, 2011: 114,474) of £1 each were held by The Luxfer Group Employee Share Ownership Plan. The decrease in the number of ordinary shares held by The Luxfer Group Employee Share Ownership Plan of 20,800 ordinary shares represents the exercise of options to purchase shares from The Luxfer Group Employee Share Ownership Plan by senior management. For further information refer to Note 31.

(e) Other capital reserves

	Share based compensation $M
At January 1, 2010, December 31, 2010 and December 31, 2011	**-**
I.P.O related share based compensation charge	**0.8**
At December 31, 2012	**0.8**

The share based compensation reserve is used to recognise the fair value of options and performance shares granted under IFRS 2. For further information refer to Note 32. The charge in 2012 related to options over ADSs and not directly in ordinary shares.

20. Dividends paid and proposed

	2012	2011	2010
	$M	$M	$M
Dividends declared and paid during the year:			
Interim dividend paid August 10, 2012 ($0.39 per ordinary share)	**3.8**	-	-
Interim dividend paid October 25, 2012 ($0.20 per ordinary share)	**2.0**	-	-
	5.8	-	-

	2012	2011	2010
	$M	$M	$M
Dividends proposed and paid after December 31 (not recognized as a liability as at December 31):			
Interim dividend paid February 6, 2012: ($0.20 per ordinary share)	**2.7**	-	-
	2.7	-	-

21. Reserves

	Share premium account $M	Hedging reserve $M	Translation reserve $M	Merger reserve $M	Retained earnings $M
At January 1, 2010	-	(0.2)	(26.2)	(333.8)	226.2
Net income for the year	-	-	-	-	25.7
Currency translation differences	-	-	0.2	-	-
Decrease in fair value of cash flow hedges	-	(0.2)	-	-	-
Transfer to income statement on cash flow hedges	-	0.5	-	-	-
Actuarial gains and losses on pension plans	-	-	-	-	4.4
Deferred tax on items taken to other comprehensive income	-	-	-	-	(1.3)
At December 31, 2010	-	**0.1**	**(26.0)**	**(333.8)**	**255.0**
Net income for the year	-	-	-	-	43.4
Currency translation differences	-	(0.1)	(5.4)	-	-
Increase in fair value of cash flow hedges	-	0.9	-	-	-
Transfer to income statement on cash flow hedges	-	(0.2)	-	-	-
Actuarial gains and losses on pension plans	-	-	-	-	(54.0)
Deferred tax on items taken to other comprehensive income	-	-	-	-	15.0
At December 31, 2011	-	**0.7**	**(31.4)**	**(333.8)**	**259.4**
Net income for the year	-	-	-	-	42.4
Currency translation differences	-	-	2.9	-	-
Decrease in fair value of cash flow hedges	-	(0.1)	-	-	-
Transfer to income statement on cash flow hedges	-	(0.2)	-	-	-
Actuarial gains and losses on pension plans	-	-	-	-	(21.3)
Deferred tax on items taken to other comprehensive income	-	-	-	-	3.9
Equity dividends	-	-	-	-	(5.8)
Arising from issue of share capital	59.4	-	-	-	-
Share issue costs	(3.8)	-	-	-	-
At December 31, 2012	**55.6**	**0.4**	**(28.5)**	**(333.8)**	**278.6**

Nature and purpose of reserves

Share premium account

The share premium account is used to record the excess of proceeds over nominal value on the issue of shares. Share issue costs directly related to the issue of shares are deducted from share premium.

21. Reserves (continued)

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 to December 31, 2012 of $0.3 million includes a decrease in the fair value of cash flow hedges of $0.1 million and $0.2 million of cash flow hedges being transferred to the income statement. For further information regarding the Group's forward foreign currency contracts, forward aluminum commodity contracts and forward rate interest rate agreements refer to Note 29 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 operations who do not have U.S. dollars as their functional currency. It would also be used to record the effect of hedging net investments in such operations.

Merger reserve

The merger reserve relates to the recapitalization of Luxfer Group Limited during the year ended December 31, 1999. Pursuant to the recapitalization 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 December 31, 1999 was subsequently renamed LGL 1996 Limited and remains dormant. The recapitalization was accounted for using merger accounting principles.

The accounting treatment reflected the fact that ownership and control of Luxfer Group Limited, after the recapitalization, remained with the same institutional and management shareholders as before the recapitalization. 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.

22. Bank and other loans

Current	**December 31, 2012 $M**	December 31, 2011 $M
Revolving credit facility	-	-
Term loan	-	3.1
	-	3.1

Non-current	**December 31, 2012 $M**	December 31, 2011 $M
Revolving credit facility	-	23.0
Term loan	-	43.0
Loan Notes due 2018	**63.5**	63.4
	63.5	129.4

22. Bank and other loans (continued)

During the year the term loan which was part of the Group's banking facilities was repaid using part of the proceeds from the initial public offering. Following the repayment of the term loan, the facility was modified and the repaid debt now forms part of the revolving credit facility with a total available draw down of £70 million (approximately $114 million).

The Group has £110 million facilities (approximately $177 million) comprising a seven year private placement denominated in US dollars of $65 million (approximately £40 million) with a US insurance company and banking facilities that include a revolving credit facility of £70 million ($114 million) with a number of banks.

As at December 31, 2012 the outstanding debt was made up of the private placement of $65 million (December 31, 2011: $65 million), with no draw down on loans under the bank facility (December 31, 2011: $71.6 million).

The $65 million (£40 million) seven year private placement will be repayable in full in 2018 and bears interest at a fixed rate of 6.19%. The Group has arranged the seven year debt to be denominated in US dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings of its US operations and this dollar-denominated debt and related interest expense.

The revolving credit facility can be drawn down until June 2015 and bears interest at a variable rate, at a margin over LIBOR.

The revolving credit facility carries amortization of $1.0 million (£0.6 million) per annum. The private placement notes are secured over the Group's assets, and the revolving credit facility is unsecured. As at December 31, 2012, the total drawn down on the revolving credit facility was $nil. Unamortized finance costs of $2.3 million are included in trade and other receivables. As at December 31, 2012, the total amounts outstanding on the Loan Notes due 2018 were $65.0 million, which are shown in non-current bank and other loans net of unamortized finance costs of $1.5 million. The maturity profile of the Group's undiscounted contractual payments are disclosed in Note 27.

23. Provisions

	Rationalization & redundancy	Employee benefits	Environmental provisions	Total
	$M	$M	$M	$M
At January 1, 2011	0.5	0.8	4.0	5.3
Charged to income statement	-	0.8	-	0.8
Cash payments	(0.1)	(0.4)	(0.5)	(1.0)
At December 31, 2011	**0.4**	**1.2**	**3.5**	**5.1**
Charged to income statement	1.3	0.3	0.1	**1.7**
Cash payments	(1.3)	(0.2)	(0.8)	**(2.3)**
Exchange adjustments	-	-	0.2	**0.2**
At December 31, 2012	**0.4**	**1.3**	**3.0**	**4.7**

23. Provisions (continued)

	Rationalization & redundancy $M	Employee benefits $M	Environmental provisions $M	Total $M
At December 31, 2012				
Included in current liabilities	0.4	-	1.5	1.9
Included in non-current liabilities	-	1.3	1.5	2.8
	0.4	**1.3**	**3.0**	**4.7**
At December 31, 2011				
Included in current liabilities	0.4	-	1.6	2.0
Included in non-current liabilities	-	1.2	1.9	3.1
	0.4	**1.2**	**3.5**	**5.1**

Rationalization and redundancy

At December 31, 2012 the Group had $0.4 million of provisions relating to redundancy and the rationalization of its operations (December 31, 2011: $0.4 million). $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 $0.1 million of the provision relates to rationalization and redundancy within the Elektron division to improve operating efficiencies. These costs are expected to be spent in 2013.

Employee benefits

At December 31, 2012 the Group had $1.3 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 (December 31, 2011: $1.2 million).

Environmental provisions

As at December 31, 2012, the Group had environmental provisions of $3.0 million relating to environmental clean up costs (December 31, 2011: $3.5 million). $1.0 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 two to three years. A further $2.0 million of environmental provisions relate to work required at the UK Elektron division site. This expenditure is expected to take place over the next one to three years.

24. Deferred tax

	Accelerated tax depreciation	Other temporary differences	Tax losses	Retirement benefit obligations	Total
	$M	$M	$M	$M	$M
At January 1, 2011	7.6	(4.5)	-	(12.6)	**(9.5)**
Charged/(credited) to income statement	1.2	(3.4)	-	4.0	**1.8**
Credited to other comprehensive income	-	-	-	(15.0)	**(15.0)**
At December 31, 2011	8.8	(7.9)	-	(23.6)	**(22.7)**
Charged/(credited) to income statement	1.1	3.0	(1.5)	3.3	**5.9**
Credited to other comprehensive income	-	-	-	(3.9)	**(3.9)**
Exchange adjustment	0.5	(0.2)	-	(1.2)	**(0.9)**
At December 31, 2012	**10.4**	**(5.1)**	**(1.5)**	**(25.4)**	**(21.6)**

The amount of deferred taxation accounted for in the Group balance sheet, after the offset of balances within countries for financial reporting purposes, comprised the following deferred tax assets and liabilities:

	December 31, 2012	December 31, 2011
	$M	$M
Deferred tax liabilities	-	-
Deferred tax assets	**21.6**	22.7
Net deferred tax asset	**21.6**	22.7

At the balance sheet date, the Group has unrecognized deferred tax assets relating to certain trading and capital losses and other temporary differences of $23.6 million (December 31, 2011: $17.9 million) potentially available for offset against future profits. No deferred tax asset has been recognized in respect of this amount because of the unpredictability of future qualifying profit streams in the relevant entities. Of the total unrecognized deferred tax asset of $23.6 million (December 31, 2011: $17.9 million), $18.5 million (December 31, 2011: $17.4 million) relates to losses that can be carried forward indefinitely under current legislation.

At the balance sheet date there were unremitted earnings of subsidiaries and joint ventures of $56.7 million (December 31, 2011: $48.3 million), for which there are no deferred tax liabilities recognized or unrecognized (December 31, 2011: $nil).

25. Other long term assets and liabilities

Other long term assets

	December 31, 2012 $M	December 31, 2011 $M
Loan Note - deferred consideration	-	0.7

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 $4.8 million (£2.4 million), payable in annual installments over five years, commencing on the first anniversary of the sale date. The final installment was received in November 2012, therefore there was £nil interest accrued as at December 31, 2012 (2011: $0.1 million and 2010: $0.1 million), as disclosed in Note 7.

26. Trade and other payables

	December 31, 2012 $M	December 31, 2011 $M
Trade payables	**35.7**	40.5
Other taxation and social security	**5.2**	3.8
Accruals	**32.6**	34.3
Interest payable	**0.2**	0.2
Derivative financial instruments	**-**	0.5
	73.7	79.3

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

27. Commitments and contingencies

	December 31, 2012 $M	December 31, 2011 $M	January 1, 2011 $M
Operating lease commitments – Group as a lessee			
Minimum lease payments under operating leases recognized in the income statement	**3.7**	4.0	3.9

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:

	December 31, 2012 $M	December 31, 2011 $M	January 1, 2011 $M
Within one year	**4.4**	3.3	3.4
In two to five years	**12.3**	9.4	9.5
In over five years	**15.9**	13.9	17.7
	32.6	26.6	30.6

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 December 31, 2012, the Group had capital expenditure commitments of $0.9 million (December 31, 2011: $1.3 million and January 1, 2011: $1.0 million) for the acquisition of new plant and equipment.

28. Financial risk management objectives and policies

Financial risk management objectives and policies

The Group's financial instruments comprise bank and other loans, 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.

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 aluminum 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, aluminum price risk and credit risk on trade receivables and the Group's £70 million ($114 million) revolving credit facilities, of which $nil was drawn down as at December 31, 2012, see Note 22.

The Group regularly enters into forward currency contracts to manage currency risks and when considered suitable will use other financial derivatives to manage commodity and interest rate risks.

Interest rate risk

The Group has exposure to variable interest rates if or when it may drawdown on the revolving credit facilities. As a result of this exposure, the Group may decide to hedge interest payable based on a combination of forward rate agreements, interest rate caps and swaps. It has also used an element of fixed rate debt within its financing structure to mitigate volatility in interest rate movements as disclosed in Note 22.

Total debt, as at December 31, 2012, all related to fixed interest rate debt and so there was no interest rate risk at that date.

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 and to ensure that bank covenant targets will be met. Short and medium term changes in liquidity needs are funded from the Group's £70 million ($114 million) revolving bank facility (as disclosed in Note 22), 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 programs, the Group aims to maintain a sufficiently prudent level of headroom against its banking facilities and forecast covenant position as protection against any unexpected or sudden market shocks.

The Group also uses forecasts to manage the compliance with any associated covenant tests in relation to the Group's financing arrangements. The Group is subject to maintaining net debt to EBITDA levels of below three times, EBITDA to net interest above four times, and a number of other debt service tests which include EBITDA, taxation, capital expenditure and pension payments.

28. Financial risk management objectives and policies (continued)

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 summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual payments.

	December 31, 2012				December 31, 2011			
	Within 12 months	**1-5 years**	**> 5 years**	**Total**	Within 12 months	1-5 years	> 5 years	Total
	$M	**$M**	**$M**	**$M**	$M	$M	$M	$M
Revolving credit facility	-	-	-	-	-	23.7	-	23.7
Term loan	-	-	-	-	3.1	44.8	-	47.9
Loan Notes due 2018	**-**	**-**	**65.0**	**65.0**	-	-	65.0	65.0
Trade payables	**35.7**	**-**	**-**	**35.7**	40.5	-	-	40.5
Accruals	**32.6**	**-**	**-**	**32.6**	34.3	-	-	34.3
Interest payable	**0.2**	**-**	**-**	**0.2**	0.2	-	-	0.2
Derivative financial instruments	-	-	-	-	0.5	-	-	0.5
	68.5	**-**	**65.0**	**133.5**	78.6	68.5	65.0	212.1

The table below summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments. Interest rates on the Group's debt have been based on a forward curve.

	December 31, 2012	December 31, 2011
	$M	$M
Undiscounted contractual maturity of financial liabilities:		
Amounts payable:		
Within 12 months	**72.5**	84.1
1-5 years	**16.1**	87.7
> 5 years	**66.8**	70.9
	155.4	242.7
Less: future finance charges	**(21.9)**	(30.6)
	133.5	212.1

Capital risk management

In recent years the Group has sought to reduce its indebtedness and increase the level of equity funding and has organized its capital structure to fund medium and long-term investment programs aimed at the development of new products and production facilities. As at December 31, 2012, the debt drawn by the Group was only its Loan Notes due 2018.

28. Financial risk management objectives and policies (continued)

The Group monitors its adjusted EBITDA for continuing activities to net debt ratio and has sought to reduce this over time from 6x to below 2x. The table below sets out the calculations for 2012, 2011 and 2010:

	2012	2011	2010
	$M	$M	$M
For continuing operations:			
Operating profit	**66.7**	66.2	44.9
Add back: Restructuring and other (income) expense (Note 5)	**2.1**	(0.2)	0.8
Loss on disposal of property, plant and equipment	-	-	0.1
Depreciation and amortization	**14.7**	14.5	13.8
Adjusted EBITDA	**83.5**	80.5	59.6
Bank and other loans	**63.5**	132.5	9.6
Senior Notes due 2012	-	-	106.3
Total debt	**63.5**	132.5	115.9
Less:			
Cash and short term deposits	**(40.2)**	(22.2)	(10.3)
Net debt	**23.3**	110.3	105.6
Net debt: EBITDA ratio	**0.3x**	1.4x	1.8x

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 December 31, 2012, the Group has a provision for bad and doubtful debtors of $2.2 million (December 31, 2011: $1.9 million) and a charge of $0.1 million (2011: charge of $0.5 million) has gone to the Income Statement in relation to bad debts incurred in 2012.

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**
At December 31, 2012	**60.3**	**48.2**	**10.2**	**1.9**	**-**	**-**	**-**
At December 31, 2011	55.1	48.3	6.0	0.8	-	-	-

The Group also monitors the spread of its customer base with the objective of trying to minimize exposure at a Group and divisional level to any one customer. The top ten customers in 2012 represented 36.0% (2011: 38.9% and 2010: 30.8%) of total revenue. In 2011 the Elektron Division had revenue of $52.8 million from a single customer, which represented 10.3% of total revenue. There were no customers in 2012 or 2010 that represented over 10% of total revenue.

28. Financial risk management objectives and policies (continued)

Foreign currency translation risk

With substantial operations in the UK and Rest of 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 and net assets are reported by geographic region in Note 2. This analysis shows in 2012 the Group had revenue of $167.2 million derived from UK operations, operating profit of $24.0 million and when adding back restructuring and other income (expense) and depreciation and amortization, an adjusted EBITDA of $30.5 million. During 2012, the average exchange rate for GBP sterling was £0.6279 being weaker than the 2011 average of £0.6210. This resulted in an adverse impact of $2.2 million on revenue, $0.5 million on operating profit and $0.5 million on adjusted EBITDA. Based on the 2012 level of sales and profits a £0.05 increase in the GBP sterling to US dollar exchange rate would result in a $15.9 million decrease in revenue, $3.6 million decrease in operating profit and $3.6 million decrease in adjusted EBITDA.

The capital employed as at December 31, 2012 in the UK was $68.4 million translated at an exchange rate of £0.6151. A £0.05 increase in exchange rates would reduce capital employed by approximately $5.1 million.

During 2012, the average exchange rate for the Euro was €0.7747, being weaker than the 2011 average of €0.7148. This resulted in an adverse impact of $4.4 million on revenue, no impact on operating profit and an adverse impact of $0.3 million on adjusted EBITDA. Based on the 2012 level of sales and profits a €0.05 increase in the Euro to US dollar exchange rate would result in a $3.7 million decrease in revenue, a $0.2 million decrease in operating profit and a $0.4 million decrease in adjusted EBITDA.

Foreign currency transaction risk

In addition to currency translation risk, the Group incurs currency transaction risk whenever one of the Group's operating subsidiaries enters into either a purchase or sales transaction in a currency other than its functional currency. Currency transaction risk is reduced by matching sales revenues and costs in the same currency. The Group's US operations have little currency exposure as most purchases, costs and revenues are conducted in US dollars. The Group's UK operations are exposed to exchange transaction risks, mainly because these operations sell goods priced in euros and US dollars, and purchase raw materials priced in US dollars.

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 €50 million to €60 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 2012 our Elektron division has incurred a transaction loss of $0.2 million, and the transaction impact at our Gas Cylinders division was a loss of $0.5 million.

Based on a $20 million net exposure to the US dollar, a $0.10 increase in exchange rates would have a $1.2 million annual decrease in Group operating profit and based on a €60 million euro sales risk a €0.10 increase in exchange rates would have a $4.5 million annual decrease in Group operating profit.

28. Financial risk management objectives and policies (continued)

Commodity price risks

The Group is exposed to a number of commodity price risks, including primary aluminum, magnesium, rare earth chemicals, zircon sand and other zirconium basic compounds. All have been subject to substantial increases in recent years. Historically the two largest exposures to the Group have been aluminum and magnesium prices and the Group will spend annually approximately $60 million to $85 million on these two raw materials. Recently the costs of rare earth chemicals have also been subject to significant commodity inflation.

Unlike the other major commodities purchased, aluminum 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 2012 the Group purchased approximately 14,000 metric tons of primary aluminum, it scrapped around 3,000 metric tons of processed waste and made finished goods equal to approximately 11,000 metric tons. The processed waste can be sold as scrap aluminum at prices linked to the LME price. The price risk on aluminum is mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. As at December 31, 2012, the Group had fixed priced purchase contracts covering up to approximately 15% of our main primary aluminum requirements for 2013, and hedged approximately a further 50%. Before hedging the risk, a $100 increase in the LME price of aluminum would increase our Gas Cylinders division’s costs by $1.1 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 aluminum risk is performed to protect the Group against short-term fluctuations in aluminum costs.

In 2012 the Group purchased approximately 8,000 metric tons of primary magnesium. Magnesium is not traded on the LME so we are not able to maintain a hedge position of its price exposure.

The Group purchases annually approximately 500 metric tons of various rare earth chemicals which it uses in the production of various materials produced by its Elektron division and when these chemicals became subject to significant price volatility it used surcharges on its products to maintain its product margins. To provide its customers with a stable surcharge price the Group’s operations would also buy forward rare earths in bulk.

29. 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 December 31, 2012 $M	Fair value December 31, 2012 $M	Book value December 31, 2011 $M	Fair value December 31, 2011 $M
Financial assets:				
Cash at bank and in hand	**40.2**	**40.2**	22.2	22.2
Financial liabilities:				
Bank and other loans	**65.0**	**65.0**	136.6	136.6

All financial assets mature within one year. The maturity of the financial liabilities are disclosed in Note 28.

As at December 31, 2012, the amount drawn in bank and other loans was $65.0 million, which was all denominated in US dollars. As at December 31, 2011, the amount drawn in bank and other loans was $136.6 million, of which $45.5 million was denominated in Sterling and $91.1 million denominated in US dollars.

Derivative financial instruments are as follows:	Book value December 31, 2012 $M	Fair value December 31, 2012 $M	Book value December 31, 2011 $M	Fair value December 31, 2011 $M
Held to hedge purchases and sales by trading businesses:				
Forward foreign currency contracts	**0.2**	**0.2**	1.6	1.6
LME derivative contracts	**0.3**	**0.3**	(0.5)	(0.5)

The fair value calculations were performed on the following basis:

Cash at bank and in hand

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

Bank loans

At December 31, 2012 bank and other loans of $65.0 million (December 31, 2011: $132.5 million) were outstanding. As at December 31, 2012 bank and other loans are shown net of issue costs of $1.5 million and these issue costs are to be amortized to the expected maturity of the facilities. There are $2.3 million of deferred finance costs relating to the revolving credit facility shown in trade and other receivables. The Group at December 31, 2012 was not exposed to variable interest rates on its bank and other loans because all drawn debt was at fixed interest rates. The fair value is calculated to be the same as the book value.

29. Financial instruments (continued)

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.

LME derivative contracts

The fair value of these contracts has been calculated by valuing the contracts against the equivalent forward rates quoted on the LME.

29. Financial instruments (continued)

Fair value hierarchy

At December 31, 2012, 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.

	December 31, 2012	Level 1	Level 2	Level 3
	$M	$M	$M	$M
Derivative financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	**0.2**	-	0.2	-
LME derivative contracts	**0.3**	-	0.3	-

During the year ended December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(b) Interest rate risks

Interest rate risk profile on financial assets

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

	December 31, 2012	December 31, 2011
Cash by currency:	**$M**	$M
US Dollar	**14.5**	(2.2)
GBP	**16.9**	18.2
Euro	**2.7**	1.4
Australian Dollar	**0.6**	0.5
Chinese Renminbi	**2.9**	2.3
Czech Koruna	**2.0**	2.0
Canadian Dollar	**0.6**	-
	40.2	22.2

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.

29. 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:

	December 31, 2012				December 31, 2011			
	Within 12 months	**1-5 years**	**> 5 years**	**Total**	Within 12 months	1-5 years	> 5 years	Total
	$M	**$M**	**$M**	**$M**	$M	$M	$M	$M
Fixed interest rate risk:								
Loan Notes due 2018	-	-	**65.0**	**65.0**	**-**	**-**	65.0	65.0
	-	-	**65.0**	**65.0**	-	-	65.0	65.0
Variable interest rate risk:								
Revolving credit facility	-	-	-	-	-	23.7	-	23.7
Term loan	-	-	-	-	3.1	44.8	-	47.9
	-	-	-	-	3.1	68.5	-	71.6

At December 31, 2012 the Group had no floating rate liabilities outstanding. At December 31, 2011 the Group's floating rate liabilities related to the term loan of $47.9 and the revolving credit facilities of $23.7 million.

(c) Hedging activities

Forward foreign exchange contracts

The Group utilizes 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 ad hoc basis, when exposures are more significant.

At December 31, 2012, the fair value of forward foreign exchange contracts deferred in equity was a gain of $0.7 million (2011: gain of $1.2 million and 2010: gain of $0.1 million). During 2012 a loss of $0.2 million (2011: loss of $0.2 million and 2010: loss of $0.2 million) has been transferred to the income statement in respect of contracts that have matured in the year.

29. Financial instruments (continued)

At December 31, 2012 and 2011 the Group held various foreign exchange contracts designated as hedges in respect of forward sales for US dollars, Euros, Canadian dollars and Japanese yen for the receipt of GBP sterling. The Group also held foreign exchange contracts designated as hedges in respect of forward purchases for US dollars and Euros by the sale of GBP sterling. The contract totals in GBP sterling, range of maturity dates and range of exchange rates are disclosed below:

December 31, 2012

Sales hedges

	US dollars	Euros	Canadian dollars
Contract totals/£M	42.8	30.3	2.5
Maturity dates	01/13 to 03/14	01/13 to 05/14	01/13 to 01/13
Exchange rates	$1.5433 to $1.6213	€1.1880 to €1.2719	$1.608 to $1.608

Purchase hedges

	US dollars	Euros	Canadian dollars
Contract totals/£M	29.4	0.6	N/A
Maturity dates	01/13 to 03/14	01/13 to 01/13	N/A
Exchange rates	$1.5450 to $1.6234	€1.2297 to €1.2297	N/A

December 31, 2011

Sales hedges

	US dollars	Euros	Canadian dollars
Contract totals/£M	40.6	26.8	N/A
Maturity dates	01/12 to 03/13	01/12 to 12/12	N/A
Exchange rates	$1.5434 to $1.6450	€1.1120 to €1.1945	N/A

Purchase hedges

	US dollars	Euros	Canadian dollars
Contract totals/£M	24.6	N/A	N/A
Maturity dates	01/12 to 01/13	N/A	N/A
Exchange rates	$1.5425 to $1.6438	N/A	N/A

29. Financial instruments (continued)

Aluminum commodity contracts

The Group did not hold any forward aluminum commodity contracts at December 31, 2012 or December 31, 2011.

Forward rate interest rate agreements

The Group did not hold any forward rate interest rate agreements at December 31, 2012 or December 31, 2011.

LME derivative contracts

As at 31 December 2012, the Group has hedged 6,000 metric tons of aluminum for supply in 2013 using its new ancillary banking facilities. The fair value of LME derivative contracts deferred in equity was a loss of $0.3 million (2011: loss of $0.5 million and 2010: $nil).

(d) Foreign currency translation risk disclosures

Exchange gains and losses arising on the translation of the Group's non-US assets and liabilities are classified as equity and transferred to the Group's translation reserve. In 2012 a gain of $2.9 million (2011: loss of $5.4 million and 2010: gain of $0.2 million) was recognized in translation reserves.

(e) Un-drawn committed facilities

At December 31, 2012 the Group had committed banking facilities denominated in GBP sterling of £70.0 million ($114 million). At December 31, 2011 these committed banking facilities were £40.0 million ($62.1 million). The facilities were for providing short-term loans and overdrafts, with a sub-limit for letters of credit which at December 31, 2012 was £8.0 million ($13.0 million). At December 31, 2011 the sub-limit was £7.0 million ($10.9 million). Of these committed facilities, $nil (December 31, 2011: $23.7 million) of short-term loans and $nil million (December 31, 2011: $0.6 million) for letters of credit were drawn. The Group has a separate bonding facility for bank guarantees denominated in GBP sterling of £3.0 million ($4.6 million), of which £1.2 million ($2.0 million) was drawn at December 31, 2012. At December 31, 2011 the amount drawn on the bonding facility was £2.7 million ($4.2 million).

30. 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 plans in the UK, US and Australia. The assets of the plans are generally held in separate trustee administered funds.

Actuarial gains and losses are recognized in full in the period in which they occur. The liability recognized 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 plan 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 plan 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 2012 for retirement benefits was a cost of $6.5 million (2011: $2.1 million and 2010: $6.6 million).

The movement in the pension liability is shown below:

	2012	2011
	$M	$M
Balance at January 1	**82.4**	41.2
Charged to the Income Statement	**6.4**	3.7
Past service cost/(credit)	**0.1**	(1.6)
Contributions	**(16.6)**	(15.2)
Charged to the Statement of Comprehensive Income	**21.3**	54.0
Exchange adjustments	**3.1**	0.3
Balance at December 31	**96.7**	82.4

The financial assumptions used in the calculations are:

	Projected Unit Valuation					
	United Kingdom			**Non United Kingdom**		
	2012	2011	2010	**2012**	2011	2010
	%	%	%	**%**	%	%
Discount Rate	**4.40**	4.90	5.50	**4.20**	4.70	5.50
Salary Inflation	**4.00**	4.10	4.50	-	-	-
Retail Price Inflation	**3.00**	3.10	3.50	-	-	-
Consumer Price Inflation	**2.30**	2.10	2.80	-	-	-
Pension increases – pre 6 April 1997	**2.40**	2.40	2.60	-	-	-
- 1997-2005	**2.90**	3.00	3.40	-	-	-
- post 5 April 2005	**2.10**	1.90	2.20	-	-	-

30. Retirement benefits (continued)

The assets in the plan and expected rate of long-term return were:

	Long-term rate of return expected			
	United Kingdom		Non United Kingdom	
	2011	2010	2011	2010
	%	%	%	%
Equities and Growth Funds	7.40	7.60	7.80	8.10
Gilts	2.80	4.20	-	-
Other Bonds	4.60	5.20	4.40	5.10
Cash	2.80	4.20	-	-

Under the new IAS19, which applies for accounting periods beginning on or after January 1, 2013, there is no longer a need to set an assumption for the expected return on assets, hence the 2012 long-term expected rate of return is not disclosed.

Other principal actuarial assumptions:	**2012**	2011	2010
	Years	Years	Years
Life expectancy of male in the UK aged 65 in 2012	**20.3**	20.4	20.3
Life expectancy of male in the UK aged 65 in 2032	**22.1**	21.5	21.5

The amounts recognized in income in respect of the pension plans are as follows:

	2012	**2012**	**2012**	2011	2011	2011	2010	2010	2010
	UK	**Non UK**	**Total**	UK	Non UK	Total	UK	Non UK	Total
	$M	**$M**	**$M**	$M	$M	$M	$M	$M	$M
In respect of defined benefit plans									
Current service cost	**1.2**	**-**	**1.2**	0.8	-	0.8	0.8	0.0	0.8
Interest cost	**14.7**	**3.0**	**17.7**	15.5	3.1	18.6	14.8	3.1	17.9
Expected return on plan assets	**(13.2)**	**(2.5)**	**(15.7)**	(15.8)	(2.9)	(18.7)	(12.8)	(2.8)	(15.6)
Past service cost/(credit)	**0.1**	**-**	**0.1**	(1.6)	-	(1.6)	-	-	-
Total charge/(credit) for defined benefit plans	**2.8**	**0.5**	**3.3**	(1.1)	0.2	(0.9)	2.8	0.3	3.1
In respect of defined contribution plans									
Total charge for defined contribution plans	**1.3**	**1.9**	**3.2**	1.3	1.7	3.0	1.8	1.7	3.5
Total charge for pension plans	**4.1**	**2.4**	**6.5**	0.2	1.9	2.1	4.6	2.0	6.6

Of the charge for the year, charges of $4.4 million and $2.1 million (2011: $2.5 million and $1.2 million; 2010 $4.4 million and $2.2 million) have been included in cost of sales and administrative costs respectively, with a credit of $nil million (2011: $1.6 million and 2010: $nil) being included in restructuring and other income (expense).

For the year, the amount of loss recognized in the Statement of Comprehensive Income is $21.3 million (2011: loss of $54.0 million and 2010: gain of $4.4 million).

The actual return of the plan assets was a gain of $29.0 million (2011: loss of $9.9 million and 2010: gain of $30.1 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.

30. Retirement benefits (continued)

The value of the plan assets were:

	2012 UK $M	2012 Non UK $M	2012 Total $M	2011 UK $M	2011 Non UK $M	2011 Total $M
Equities and Growth Funds	**187.1**	**29.8**	**216.9**	170.3	23.9	194.2
Gilts	**15.8**	**-**	**15.8**	14.0	-	14.0
Other Bonds	**63.4**	**23.1**	**86.5**	52.0	18.9	70.9
Cash	**0.6**	**-**	**0.6**	0.3	-	0.3
Total market value of assets	**266.9**	**52.9**	**319.8**	236.6	42.8	279.4
Present value of plan liabilities	**(343.7)**	**(72.8)**	**(416.5)**	(295.1)	(66.7)	(361.8)
Deficit in the plan	**(76.8)**	**(19.9)**	**(96.7)**	(58.5)	(23.9)	(82.4)
Related deferred tax asset	**17.7**	**7.7**	**25.4**	14.6	9.0	23.6
Net pension liability	**(59.1)**	**(12.2)**	**(71.3)**	(43.9)	(14.9)	(58.8)

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

	2012 UK $M	2012 Non UK $M	2012 Group $M	2011 UK $M	2011 Non UK $M	2011 Group $M
At January 1	**295.1**	**66.7**	**361.8**	274.8	57.6	332.4
Service cost	**1.2**	**-**	**1.2**	0.8	-	0.8
Interest cost	**14.7**	**3.0**	**17.7**	15.5	3.1	18.6
Contributions from plan members	**0.8**	**-**	**0.8**	0.8	-	0.8
Age related NI rebate	**0.2**	**-**	**0.2**	0.3	-	0.3
Actuarial losses and (gains)	**29.1**	**5.5**	**34.6**	17.1	8.3	25.4
Exchange difference	**14.6**	**-**	**14.6**	(1.8)	0.1	(1.7)
Benefits paid	**(12.1)**	**(2.4)**	**(14.5)**	(10.8)	(2.4)	(13.2)
Past service cost/(credit)	**0.1**	**-**	**0.1**	(1.6)	-	(1.6)
At December 31	**343.7**	**72.8**	**416.5**	295.1	66.7	361.8

The defined benefit obligation comprises $1.4 million (December 31, 2011: $1.2 million) arising from unfunded plans and $415.1 million (December 31, 2011: $360.6 million) from plans that are funded.

The sensitivities regarding the principal assumptions used to measure the present value of the defined benefit obligations are set out below:

Assumption	**Change in assumption**	**Impact on total defined benefit obligations**
Discount rate	Increase/decrease by 1.0%	Decrease/increase by 17%
Inflation	Increase/decrease by 1.0%	Increase/decrease by 9%
Post retirement mortality	Increase by 1 year	Increase by 3%

30. Retirement benefits (continued)

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

	2012 UK $M	**2012 Non UK $M**	**2012 Group $M**	2011 UK $M	2011 Non UK $M	2011 Group $M
At January 1	**236.6**	**42.8**	**279.4**	246.1	45.1	291.2
Expected return on plan assets	**13.2**	**2.5**	**15.7**	15.8	2.9	18.7
Actuarial gains	**8.7**	**4.6**	**13.3**	(24.1)	(4.5)	(28.6)
Exchange difference	**11.5**	**-**	**11.5**	(1.9)	(0.1)	(2.0)
Contributions from employer	**8.0**	**5.4**	**13.4**	10.4	1.8	12.2
Contributions from plan members	**0.8**	**-**	**0.8**	0.8	-	0.8
Age related NI rebate	**0.2**	**-**	**0.2**	0.3	-	0.3
Benefits paid	**(12.1)**	**(2.4)**	**(14.5)**	(10.8)	(2.4)	(13.2)
At December 31	**266.9**	**52.9**	**319.8**	236.6	42.8	279.4

30. Retirement benefits (continued)

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

	2012 UK	2012 Non UK	2012 Group
Total market value of plan assets $M	**266.9**	**52.9**	**319.8**
Present value of plan liabilities $M	**(343.7)**	**(72.8)**	**(416.5)**
Deficit in the plan $M	**(76.8)**	**(19.9)**	**(96.7)**
Difference between the expected and actual return on plan assets:			
Amount $M	**8.7**	**4.6**	**13.3**
Percentage of plan assets	**3%**	**9%**	**4%**
Experience gains and losses on plan liabilities:			
Amount $M	**0.2**	**-**	**0.2**
Percentage of present value of plan liabilities	**0%**	**0%**	**0%**
Total cumulative amount recognized in Statement of Comprehensive Income:			
Amount $M	**78.3**	**24.7**	**103.0**
Percentage of present value of plan liabilities	**23%**	**34%**	**25%**

	2011 UK	2011 Non UK	2011 Group	2010 UK	2010 Non UK	2010 Group
Total market value of plan assets $M	236.6	42.8	279.4	246.1	45.1	291.2
Present value of plan liabilities $M	(295.1)	(66.7)	(361.8)	(274.8)	(57.6)	(332.4)
Deficit in the plan $M	(58.5)	(23.9)	(82.4)	(28.7)	(12.5)	(41.2)
Difference between the expected and actual return on plan assets:						
Amount $M	(24.1)	(4.5)	(28.6)	12.3	2.1	14.5
Percentage of plan assets	(10)%	(11)%	(10)%	5%	5%	5%
Experience gains and losses on plan liabilities:						
Amount $M	3.5	0.5	4.0	1.7	-	1.7
Percentage of present value of plan liabilities	1%	1%	1%	1%	0%	1%
Total cumulative amount recognized in Statement of Comprehensive Income:						
Amount $M	58.0	23.7	81.7	14.7	10.0	24.7
Percentage of present value of plan liabilities	20%	36%	23%	5%	17%	7%

	2009 UK	2009 Non UK	2009 Group	2008 UK	2008 Non UK	2008 Group
Total market value of plan assets $M	231.7	40.4	272.1	184.8	33.0	217.8
Present value of plan liabilities $M	(272.2)	(53.0)	(325.2)	(207.7)	(52.1)	(259.8)
Deficit in the plan $M	(40.5)	(12.6)	(53.1)	(22.9)	(19.1)	(42.0)
Difference between the expected and actual return on plan assets:						
Amount $M	22.6	6.8	29.3	(62.1)	(19.0)	(81.1)
Percentage of plan assets	10%	17%	11%	(34)%	(58)%	(37)%
Experience gains and losses on plan liabilities:						
Amount $M	0.9	(0.2)	0.7	-	-	-
Percentage of present value of plan liabilities	0%	(0)%	0%	-	-	-
Total cumulative amount recognized in Statement of Comprehensive Income:						
Amount $M	20.3	8.3	28.6	4.8	17.9	22.7
Percentage of present value of plan liabilities	7%	16%	9%	2%	34%	9%

The estimated amount of employer contributions expected to be paid to the defined benefit pension plans for the year ending December 31, 2013 is $15.4 million (2012: $13.4 million actual employer contributions).

31. 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 plans 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 plan rules.

The current plan

The current share option plan, 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. As a result of the IPO all leaver restrictions over the shares were released. There are no other performance criteria attached to the options.

Movements in the year

The movement in the number of shares held by the trustees of the ESOP and the number of share options held over those shares are shown below:

	Number of shares held by ESOP Trustees		Number of options held over £1 ordinary shares				
	£0.0001 deferred shares	£1 ordinary shares	£0.97 options held	£1.40 options held	£3 options held	£4 options held	Total options held
At January 1, 2012	15,977,968,688	114,474	15,200	9,600	41,600	29,510	95,910
Options granted during the year	-	-	-	-	-	-	-
Options exercised during the year	-	(20,800)	-	-	(20,800)	-	(20,800)
Options lapsed during the year	-	-	-	(9,600)	-	-	(9,600)
At December 31, 2012	15,977,968,688	93,674	15,200	-	20,800	29,510	65,510

As at December 31, 2012 the loan outstanding from the ESOP was $3.5 million (December 31, 2011: $3.4 million). The share options vested immediately on their grant date and could have been exercised at any time from this grant date. During 2011 the price of the share options granted was estimated to be the fair value of the share options and therefore there was no charge under IFRS 2.

During the year ended December 31, 2012, 20,800 options were exercised over £1 ordinary shares held by the Trustees of the ESOP and 9,600 options lapsed.

The market value of each £1 ordinary shares held by the ESOP as at December 13, 2012 was $24.54.

32. Share based compensation

Luxfer Holdings PLC Long-Term Umbrella Incentive Plan and Luxfer Holdings PLC Non-Executive Directors Equity Incentive Plan

As an important retention tool and to align the long-term financial interests of our management with those of our shareholders, the Group adopted the Luxfer Holdings PLC Long-Term Umbrella Incentive Plan (the "LTIP") for the Group's senior employees, and the Luxfer Holdings PLC Non-Executive Directors Equity Incentive Plan (the "Director EIP") for the Non-Executive Directors.

The equity or equity-related awards under the LTIP and the Director EIP will be based on the ordinary shares or ADSs of the Group. The Remuneration Committee will administer the LTIP and will have the power to determine to whom the awards will be granted, the amount, type and other terms. Awards under the EIP are non-discretionary and purely time-based.

In January 2013, 306,200 Restricted Stock Units and Options over ADSs, equivalent to 153,100 ordinary shares, were granted under the LTIP. In March 2013, 1,924 ADS Restricted Stock, equivalent to 962 ordinary shares, was granted under the Director EIP.

I.P.O Option Awards

As a tool to retain key people and align their interests with those of shareholders, a one-off award of market-value options was made to a small number of executives and the non-executive directors immediately prior to the I.P.O.

40% of the options granted vested immediately and 20% of the options will vest upon each of the first, second and third anniversaries of the I.P.O.

	2012	2011	2010
	$M	$M	$M
I.P.O related share based compensation charge	**0.8**	-	-

There were no cancellations or modifications to the awards in 2012.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year, with each option relating to 1 American Depositary Share:

	2012	**2012**	**2011**	**2011**	**2010**	**2010**
	Number	**WAEP**	**Number**	**WAEP**	**Number**	**WAEP**
At January 1	-	-	-	-	-	-
Granted during the year	816,400	$10.00	-	-	-	-
At December 31	**816,400**	**$10.00**	-	-	-	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2012 was 7 years.

The weighted average fair value of options granted during the year was $2.45.

The exercise price for options outstanding at the end of the year was $10.00.

The following tables list the inputs to the models used for the plans for the year ended 31 December 2012:

	2012
Dividend yield (%)	**3.0**
Expected volatility range (%)	**40.7 – 42.7**
Risk-free interest rate (%)	**0.16 – 0.61**
Expected life of share options range (years)	**1 - 5**
Weighted average exercise price ($)	**$10.00**
Model used	**Black-Scholes**

The expected life of the share options is based on historical data and current expectations and is not necessary indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

33. Related party transactions

Joint venture in which the Group is a venturer

During 2012, the Group maintained its 51% investment in the equity of the joint venture Luxfer Uttam India Private Limited, as disclosed in Note 15. During 2012, the Gas Cylinders division made $0.7 million of sales to the joint venture. At December 31, 2012, the amounts receivable from the joint venture in relation to these sales amounted to $0.7 million and this amount is separately disclosed within Note 17 - Trade and Other Receivables.

Transactions with other related parties

As at December 31, 2012 the Directors and key management comprising the members of the Executive Management Board, owned 734,645 £1 ordinary shares (2011: 748,175 £1 ordinary shares) and held options over a further 334,810 £1 ordinary shares (2011: 29,510 £1 ordinary shares).

During the years ended December 31, 2012 and December 31, 2011, no share options held by members of the Executive Management board were exercised.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 31st December 2012 which comprise of the Company Balance Sheet, the related notes 34 to 44 and tables 1 to 6 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 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 35, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 31st December 2012;
- 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 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 31st December 2012.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
28 March 2013

LUXFER HOLDINGS PLC

COMPANY BALANCE SHEET
(Sterling in millions)

	Notes	2012 £M	2011 £M
FIXED ASSETS			
Investments	35	**259.2**	223.0
		259.2	223.0
CURRENT ASSETS			
Debtors	36	**0.5**	1.8
Cash at bank		**8.2**	0.7
		8.7	2.5
CREDITORS: amounts falling due within one year	37	**(2.8)**	(4.0)
NET CURRENT ASSETS/(LIABILITIES)		**5.9**	(1.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		**265.1**	221.5
CREDITORS: amounts falling due in more than one year			
PROVISIONS FOR LIABILITIES	38	**1.0**	**-**
PENSION COMMITMENTS	41	**(36.3)**	(28.3)
NET ASSETS		**229.8**	193.2
CAPITAL AND RESERVES			
Ordinary share capital	39	**13.5**	10.0
Deferred share capital	39	**76.9**	76.9
Share premium account	40	**34.8**	-
Other capital reserves	39	**0.5**	-
Own shares held by ESOP	39	**(0.2)**	(0.3)
Profit and loss account	40	**104.3**	106.6
Equity shareholders' funds	40	**229.8**	193.2

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Andrew Beaden**

March 28, 2013

Company Registration no. 3690830

34. Significant accounting policies

Authorisation of financial statements

The Company's financial statements for the year ended December 31, 2012 were authorised for issue by the Board of Directors on March 28, 2013 and the balance sheet was signed on the Board's behalf by BG Purves and AM Beaden. 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 £12.2 million (2011: profit of £96.5 million).
The audit fee for the Company financial statements was £0.1 million (2011: £0.1 million). Fees paid to auditors and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Luxfer Holdings Plc on the basis that Group financial statements are prepared which are required to disclose such fees on a consolidated basis.
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

Bank and other loans

Bank and other loans 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.

34. Significant accounting policies (continued)

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.

35. Investments

	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£M	£M	£M
Cost and net book value:			
At January 1, 2012	218.0	5.0	223.0
Additions	-	36.3	36.3
Exchange adjustment	-	(0.1)	(0.1)
At December 31, 2012	**218.0**	**41.2**	**259.2**

35. Investments (continued)

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 December 31, 2012 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 [1]	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 *	Republic of China	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.*	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 Company*	United States	Common stock	100%	Manufacturing
Luxfer Gas Cylinders S.A.S. *	France	Ordinary shares	100%	Engineering
Luxfer Canada Limited *	Canada	Common stock	100%	Engineering
Dynetek Europe GmbH *	Germany	Ordinary shares	100%	Engineering
Other Investments				
Nikkei-MEL Co Limited *	Japan	Ordinary shares	50%	Distribution
Luxfer Uttam India Private Limited *	India	Ordinary shares	51%	Engineering
Dynetek Cylinders India Private Limited *	India	Ordinary shares	49%	Engineering
Dynetek Korea Co. Limited *	South Korea	Ordinary shares	49%	Engineering
Luxfer Holdings NA, LLC *	United States	N/A	49%	Engineering

Subsidiary undertakings are all held by the Company unless indicated.
* Held by a subsidiary undertaking.
1 Acts as bare trustee in connection with the 2007 share capital reorganisation.

36. Debtors

	2012	2011
	£M	£M
Amounts due from subsidiary undertakings	**0.2**	0.9
Prepayments and accrued income	**0.2**	0.9
Group relief receivable	**0.1**	-
	0.5	1.8

37. Creditors: amounts falling due within one year

	2012	2011
	£M	£M
Amounts owed to subsidiary undertakings	**2.2**	3.1
Accruals and deferred income	**0.6**	0.9
	2.8	4.0

38. Provisions for liabilities

	Deferred tax assets
	£M
At January 1, 2012	**-**
Credited to profit and loss account	**(1.0)**
At December 31, 2012	**(1.0)**

The Company has recognized a partial deferred tax asset for losses. The Company has not provided deferred tax on losses carried forward of £30.6 million (2011: £34.8 million). A deferred tax asset of £1.0 million (2011: £nil) has been recognized, to the extent that it is deemed probable that sufficient taxable profit will be available against which the losses may be utilised. Assets are recognised in subsidiary companies where there is sufficient evidence to indicate that there will be future taxable profits.

39. Share capital

(a) Ordinary share capital	2012 No.	2011 No.	2012 £M	2011 £M
Authorised:				
Ordinary shares of £1 each	**20,000,000**	10,000,000	**20.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,443,688,000	769,433,688,000	**96.9**	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**13,500,000**	10,000,000	**13.5**	10.0
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**76.9**	76.9
	769,427,208,000	769,423,708,000	**90.4**	86.9

The rights of the shares are as follows:

Ordinary shares of £1 each

The ordinary shares carry no entitlement to an automatic dividend but rank pari passu in respect of any dividend declared and paid other than preference dividend (see below).

Deferred ordinary shares of £0.0001 each

The deferred shares have no entitlement to dividends or to vote. On a winding up (but not otherwise) the holders of the deferred shares shall be entitled to the repayment of the paid up nominal amount of the deferred shares, but only after any payment to the holders of ordinary shares of an amount equal to 100 times the amount paid up on such ordinary shares.

American Depositary Share holders (2 per ordinary share)

ADS holders are entitled to instruct their Depositary to vote and to receive a dividend as per the ordinary shareholders, after deducting the fees and expenses of the Depositary.

(b) American Depositary Shares

9,200,000 American Depositary Shares (ADSs) of Luxfer Holdings PLC are listed on the New York Stock Exchange following an initial public offering on October 3, 2012. The Depositary for the ADSs holds 1 £1 ordinary share for every 2 ADSs traded, through American Depositary Receipts.

ADS holders are entitled to instruct their Depositary to vote and to receive a dividend as per the ordinary shareholders, after deducting the fees and expenses of the Depositary.

(c) Preference share capital

During the year ended December 31, 2011 the Company called up the remaining unpaid sums on its 50,000 ‘B’ preference shares of £1 each. As fully paid shares, the preference shares were fully redeemed at their nominal value and accrued interest was paid.

39. Share capital (continued)

(d) Own shares held by ESOP

	2012	2011
	£M	£M
At beginning of year	**0.3**	0.3
Purchase of shares from ESOP	**(0.1)**	-
At end of year	**0.2**	0.3

As at December 31, 2012 93,674 ordinary shares (December 31, 2011: 114,474 ordinary shares) of £1 each were held by The Luxfer Group Employee Share Ownership Plan. The decrease in the number of ordinary shares held by The Luxfer Group Employee Share Ownership Plan of 20,800 ordinary shares represents the exercise of options to purchase shares from The Luxfer Group Employee Share Ownership Plan by senior management. For further information refer to Note 42.

(e) Other capital reserves

	Share based compensation
	£M
At January 1, 2010, December 31, 2010 and December 31, 2011	**-**
I.P.O related share based compensation charge	**0.5**
At December 31, 2012	**0.5**

The share based compensation reserve is used to recognise the fair value of options and performance shares granted under FRS 20. For further information refer to Note 43.

40. Reconciliation of shareholder's funds and movements in reserves

	Share Capital	**Deferred Share Capital**	**Share Premium account**	**Other capital reserves**	**Own shares held by ESOP**	**Profit and loss account**	**Shareholders' funds**
	£M	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
At January 1, 2011	10.0	76.9	-	-	(0.3)	30.4	117.0
Profit for the year	-	-	-	-	-	96.5	96.5
Actuarial gains and losses on pension schemes	-	-	-	-	-	(26.5)	(26.5)
Deferred tax on items taken to equity	-	-	-	-	-	6.2	6.2
At December 31, 2011	10.0	76.9	-	-	(0.3)	106.6	193.2
Profit for the year	-	-	-	-	-	12.2	12.2
Purchase of shares from ESOP	-	-	-	-	0.1	-	0.1
Equity dividends	-	-	-	-	-	(3.7)	(3.7)
Proceeds from shares issued	3.5	-	37.2	-	-	-	40.7
Share issue costs	-	-	(2.4)	-	-	-	(2.4)
I.P.O related share based compensation charge	-	-	-	0.5	-	-	0.5
Actuarial gains and losses on pension schemes	-	-	-	-	-	(12.8)	(12.8)
Deferred tax on items taken to equity						2.0	2.0
At December 31, 2012	**13.5**	**76.9**	**34.8**	**0.5**	**(0.2)**	**104.3**	**229.8**

The Company had a surplus on its profit and loss account of £104.3 million as at December 31, 2012 (December 31, 2011: £106.6 million).

The profit after taxation dealt with in the financial statements of the parent company was £12.2 million (2011: £96.5 million).

41. 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 £1.7 million. The Company’s subsidiaries have recognised a charge of £5.0 million, this being their contributions to the scheme and the Company has recognised a credit of £3.3 million.

The financial assumptions used in the calculations are:

	Projected Unit Valuation		
	2012	2011	2010
	%	%	%
Discount Rate	**4.40**	4.90	5.50
Salary Inflation	**4.00**	4.10	4.50
Retail Price Inflation	**3.00**	3.10	3.50
Consumer Price Inflation	**2.30**	2.10	2.80
Pension Increases – pre 6 April 1997	**2.40**	2.40	2.60
Pension Increases – 1997-2005	**2.90**	3.00	3.40
Pension Increases – post 5 April 2005	**2.10**	1.90	2.20

41. Retirement benefits (continued)

The assets in the scheme and expected rate of long-term return were:

	Long term rate of return expected		
	2012	2011	2010
	%	%	%
Equities and Growth Funds	**7.40**	7.40	7.60
Gilts	**2.80**	2.80	4.20
Other Bonds	**4.20**	4.60	5.20
Cash	**2.80**	2.80	4.20

Other principal actuarial assumptions:	**2012**	2011
	Years	Years
Life expectancy of male in the UK aged 65 in 2012	**20.3**	20.4
Life expectancy of male in the UK aged 65 in 2032	**22.1**	21.5

At December 31, 2012 the cumulative amount of gains recognised in the Statement of Total Recognised Gains and Losses amounted to a loss of £48.8 million (December 31, 2011: loss of £36.0 million).

The actual return of the scheme assets was a gain of £13.8 million (2011: loss of £5.7 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 Dec 31, 2012	Value at Dec 31, 2011	Value at Dec 31, 2010
	£M	£M	£M
Equities and Growth Funds	**115.1**	109.7	117.4
Gilts	**9.7**	9.0	8.2
Other Bonds	**39.0**	33.5	32.0
Cash	**0.4**	0.2	-
Total market value of assets	**164.2**	152.4	157.6
Present value of scheme liabilities	**(211.4)**	(190.1)	(176.0)
Deficit in the scheme	**(47.2)**	(37.7)	(18.4)
Related deferred tax asset	**10.9**	9.4	5.0
Net pension liability	**(36.3)**	(28.3)	(13.4)

41. Retirement benefits (continued)

Analysis of amount credited/(charged) to operating profit:

	2012	2011
	£M	£M
In respect of defined benefit schemes:		
Current service cost (employer's)	**(0.7)**	(0.5)
Past service (cost)/credit	**(0.1)**	1.0
Total operating charge/(credit) for defined benefit schemes	**(0.8)**	0.5

Analysis of amount credited/(charged) to other finance income:

	2012	2011
	£M	£M
Expected return on pension scheme assets	**8.3**	9.8
Interest on pension scheme liabilities	**(9.2)**	(9.6)
Net credit/(charge) to other finance income	**(0.9)**	0.2

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:

	2012	2011
	£M	£M
Actual return less expected return on pension scheme assets	**5.5**	(15.5)
Changes in assumptions underlying the present value of scheme liabilities	**(18.3)**	(11.0)
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses	**(12.8)**	(26.5)

Analysis of movement in deficit in the scheme during the year:

	2012	2011
	£M	£M
Deficit in defined benefit schemes at beginning of year	**(37.7)**	(18.4)
Current service cost	**(1.2)**	(1.0)
Aggregate contributions (employer's and employees')	**5.5**	7.0
Other finance costs	**(0.9)**	0.2
Past service (cost)/credit	**(0.1)**	1.0
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses	**(12.8)**	(26.5)
Deficit in defined benefit schemes at end of year	**(47.2)**	(37.7)

Analysis of movement in present value of scheme assets:

	2012	2011
	£M	£M
At January 1	**152.4**	157.6
Expected return on scheme assets	**8.3**	9.8
Actuarial gains and (losses)	**5.5**	(15.5)
Contributions from employer	**5.0**	6.5
Contributions from scheme members	**0.5**	0.5
Age related NI	**0.1**	0.2
Benefits paid	**(7.6)**	(6.7)
	164.2	152.4

41. Retirement benefits (continued)

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

	2012 £M	2011 £M
At January 1	**190.1**	176.0
Service cost	**0.7**	0.5
Interest cost	**9.2**	9.6
Contributions from scheme members	**0.5**	0.5
Age related NI	**0.1**	0.2
Actuarial (gains) and losses	**18.3**	11.0
Benefits paid	**(7.6)**	(6.7)
Past service cost/(credit)	**0.1**	(1.0)
	211.4	190.1

The sensitivities regarding the principal assumptions used to measure the present value of the defined benefit obligations are set out below:

Assumption	Change in assumption	Impact on total defined benefit obligations
Discount rate	Increase/decrease by 1.0%	Decrease/increase by 17%
Inflation	Increase/decrease by 1.0%	Increase/decrease by 9%
Post retirement mortality	Increase by 1 year	Increase by 3%

History of experience in gains and losses:	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets:					
Amount £M	**5.5**	(15.5)	8.0	14.4	(33.7)
Percentage of scheme assets	**3%**	(10)%	5%	10%	(27)%
Experience gains and losses on scheme liabilities:					
Amount £M	**0.1**	2.2	1.1	0.6	-
Percentage of present value of scheme liabilities	**0%**	1%	1%	0%	-
Total amount recognised in Statement of Total Recognised Gains and Losses:					
Amount £M	**(12.8)**	(26.5)	3.4	(10.3)	(17.9)
Percentage of present value of scheme liabilities	**(6)%**	14%	(2)%	6%	13%

The estimated amount of employer contributions expected to be paid to the UK defined benefit pension scheme for the year ending December 31, 2013 is £6.5 million (2012: £5.0 million actual employer contributions).

42. 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. As a result of the IPO all leaver restrictions over the shares were released. There are no other performance criteria attached to the options.

Movements in the year

The movement in the number of shares held by the trustees of the ESOP and the number of share options held over those shares are shown below:

	Number of shares held by ESOP Trustees		Number of options held over £1 ordinary shares				
	£0.0001 deferred shares	£1 ordinary shares	£0.97 options held	£1.40 options held	£3 options held	£4 options held	Total options held
At January 1, 2012	15,977,968,688	114,474	15,200	9,600	41,600	29,510	95,910
Options granted during the year	-	-	-	-	-	-	-
Options exercised during the year	-	(20,800)	-	-	(20,800)	-	(20,800)
Options lapsed during the year	-	-	-	(9,600)	-	-	(9,600)
At December 31, 2012	15,977,968,688	93,674	15,200	-	20,800	29,510	65,510

As at 2012 the loan outstanding from the ESOP was £2.2 million (December 31, 2011: £2.2 million). The share options vested immediately on their grant date and could have been exercised at any time from this grant date. During 2011 the price of the share options granted was estimated to be the fair value of the share options and therefore there was no charge under FRS 20.

During the year ended December 31, 2012, 20,800 options were exercised over £1 ordinary shares held by the Trustees of the ESOP and 9,600 options lapsed.

The market value of each £1 ordinary shares held by the ESOP as at December 13, 2012 was $24.54.

43. Share based compensation

Luxfer Holdings PLC Long-Term Umbrella Incentive Plan and Luxfer Holdings PLC Non-Executive Directors Equity Incentive Plan

As an important retention tool and to align the long-term financial interests of our management with those of our shareholders, the Group adopted the Luxfer Holdings PLC Long-Term Umbrella Incentive Plan (the "LTIP") for the Group's senior employees, and the Luxfer Holdings PLC Non-Executive Directors Equity Incentive Plan (the "Director EIP") for the Non-Executive Directors.

The equity or equity-related awards under the LTIP and the Director EIP will be based on the ordinary shares or ADSs of the Group. The Remuneration Committee will administer the LTIP and will have the power to determine to whom the awards will be granted, the amount, type and other terms. Awards under the EIP are non-discretionary and purely time-based.

In January 2013, 306,200 Restricted Stock Units and Options over ADSs, equivalent to 153,100 ordinary shares, were granted under the LTIP. In March 2013, 1,924 ADS Restricted Stock, equivalent to 962 ordinary shares, was granted under the Director EIP.

I.P.O Option Awards

As a tool to retain key people and align their interests with those of shareholders, a one-off award of market-value options was made to a small number of executives and the non-executive directors immediately prior to the I.P.O.

40% of the options granted vested immediately and 20% of the options will vest upon each of the first, second and third anniversaries of the I.P.O.

	2012	2011	2010
	£M	£M	£M
I.P.O related share based compensation	**0.5**	-	-

There were no cancellations or modifications to the awards in 2012.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year, with each option relating to 1 American Depositary Share:

	2012	**2012**	**2011**	**2011**	**2010**	**2010**
	Number	**WAEP**	**Number**	**WAEP**	**Number**	**WAEP**
At January 1	-	-	-	-	-	-
Granted during the year	816,400	$10.00	-	-	-	-
At December 31	**816,400**	**$10.00**	-	-	-	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2012 was 7 years.

The weighted average fair value of options granted during the year was $2.45.

The exercise price for options outstanding at the end of the year was $10.00.

The following tables list the inputs to the models used for the plans for the year ended 31 December 2012:

	2012
Dividend yield (%)	**3.0**
Expected volatility range (%)	**40.7 – 42.7**
Risk-free interest rate (%)	**0.16 – 0.61**
Expected life of share options range (years)	**1 - 5**
Model used	**Black-Scholes**

The expected life of the share options is based on historical data and current expectations and is not necessary indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

44. Related party transactions

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

Company Details

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Group Finance Director:
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