POWERED BY CLEAN NATURAL GAS

Luxfer Gas Cylinders

LUXFER HOLDINGS PLC

REPORT & ACCOUNTS 2010

ENVIRONMENTAL · HEALTHCARE · PROTECTION · SPECIALITY

ABOUT THE COVER

Alternative Fuels – an important new market for Luxfer

The cover shows a Luxfer AF cylinder about to be fitted to a shuttle bus manufactured by Creative Bus.

Four large Luxfer full-wrap carbon composite alternative fuel (AF) cylinders are installed on this shuttle bus by Creative Bus at their facility in Chino, California. Creative Bus, which also operates a manufacturing facility in Elkhart, Indiana, offers a wide range of shuttle buses powered by clean-burning compressed natural gas (CNG) contained in Luxfer cylinders. This type of bus is widely used throughout the United States at airports and for public transportation. Creative Bus helped make 2010 Luxfer's best sales year yet for AF cylinders.

Luxfer full-wrap carbon composite cylinders have been specially developed for the AF market.

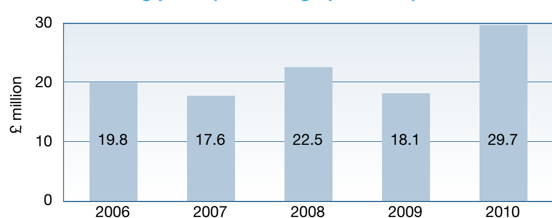
You can obtain an electronic copy of the Annual Report from our website **www.luxfer.com**

RECORD PROFITS DESPITE RECESSIONARY CONDITIONS

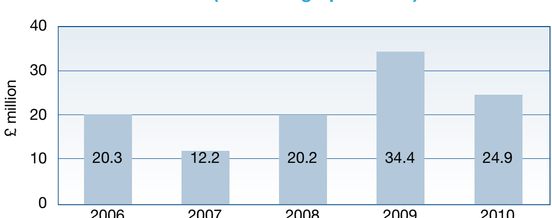
The Group delivered record profits in 2010 despite continuing weak economic conditions. This together with our successful drive to squeeze cash out of the balance sheet in 2009, has transformed our debt ratios and put the Group in a strong position to lower funding costs during the scheduled refinancing of our debt during 2011.

Revenue up 11%

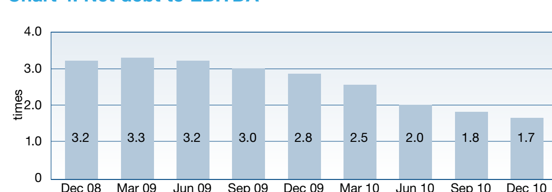
Trading profit up £11.6 million



Net cash flow of £25 million



Net Debt to EBITDA down to 1.7 times



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Company Details Inside Back Cover

The Directors of Luxfer Holdings PLC (the Company) present their annual report to members together with the audited financial statements of the Group and the Company for the year ended 31 December 2010.The purpose of the annual report is to provide information to members of the Company. The annual report contains certain forward looking statements and readers should refer to the section subtitled Forwarding Looking Statements below before reading further.

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

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

A review of the development and performance of the Group's business as a whole and that of the individual businesses comprising the Group together with trends and factors likely to affect the future development, performance and position of the business are outlined in our Chairman's Statement and our Chief Executive's Review.

In his review, the Group Finance Director comments on the consolidated results of the Group and provides an analysis of the position of the Group's business at the end of 2010. Among other matters he also explains exceptional items included in the Group financial statements, the key numbers explaining the Group's defined benefit pension arrangements and arrangements for the forthcoming refinancing of our banking facilities and senior notes.

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

Luxfer CNG cylinders installed in the roof of a Tedon C18 bus

Forward Looking Statements

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

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

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

(iii) statements of future economic performance and

(iv) statements of assumptions underlying such statements.

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

The Directors caution that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to:

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

(ii) changes in raw material and labour prices;

(iii) the effects of competition;

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

(v) the Group's leverage;

(vi) the disruption impact of rationalisation activities;

(vii) shifts in consumer and economic demand and

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

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

Our Business

The principal activity of the Company is the holding company for the Luxfer Group. Luxfer is a technology company with operations around the world that work closely with customers to find innovative solutions to their needs for advanced materials, components and gas containment.

The Group is international, employing approximately 1,425 people in over 25 countries. It operates 16 manufacturing plants in 6 countries, UK, US, France, Czech Republic, Canada and China, plus joint ventures in Japan and India.

Our Group manufactures:

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

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

Increasingly, our strategy has been to focus our business development on the growing markets for environmental controls, advanced healthcare technology and the protection of people and property.

Innovation in healthcare

Patient-focused Innovation: ergonomically designed with simple controls.

More useable Oxygen: Enabled by patented SmartFlow® technology.

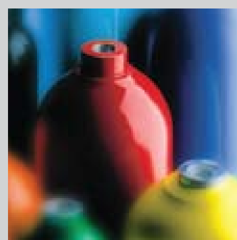
Contemporary design: aesthetically pleasing and easy to care for.

User friendly: provides greater patient confidence.

Improved portability: Ultra-lightweight carbon composite cylinder incorporating Luxfer's patented L7X® aluminium alloy.

During 2010 the Group was comprised of two divisions:

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



GAS CYLINDERS

Revenue: £129.3 million

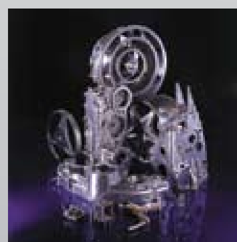
Luxfer Gas Cylinders is one of the world's largest manufacturers of portable aluminium and composite high pressure gas cylinders. From manufacturing facilities in the UK, France, US and China, Luxfer supplies high-performance products to customers in more than 50 countries.

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

ELEKTRON

Revenue: £132.2 million

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



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

Luxfer today

Luxfer is a technology company with operations around the world that work closely with customers to find innovative solutions to their needs for advanced materials, components and gas containment. We excel in the development of materials and products for demanding applications, drawing on our unrivalled understanding of the metallurgy and chemical properties of materials in which we specialise.

The Luxfer Group manufactures products and components in aluminium, magnesium, titanium and carbon composites; and chemically-derived compounds of zirconium.

Luxfer has pioneered the use of these materials in high-technology industries for more than 70 years, extending properties and enhancing performance of these materials in high-performance applications around the world.

Our focus is on demanding applications where our technical know-how and manufacturing expertise combine to deliver a superior product. Our strategy in recent years has been to focus our business development on the growing market sectors for environmental controls, advanced healthcare technology and the protection of people and property. We have successfully developed products and sales in these sectors. Applications for our products include:

- Improving fuel economy by lightweighting aircraft, trucks, buses, trains and cars;
- Controlling emissions from road vehicles, converting noxious gases into harmless ones;
- Removing toxic metals from drinking water and industrial effluent;
- Improving patient mobility and quality of life with lightweight, portable medical equipment; and
- Protecting people and equipment in conflict and emergency situations.

Environmental, healthcare and protection applications will remain a key focus of our new product development, with the aim of generating more new products alongside those produced for our more traditional specialist markets. On Pages 6 and 7 we discuss this further.

OUR BUSINESS PHILOSOPHY

Innovative solutions in material technology

Our aim is to develop close collaborative relationships with our customers so that we understand their needs. We make available to them our unrivalled knowledge of light metals and composite materials and our technical expertise in manufacturing to develop high-quality solutions to their material and product needs.

The expertise of our people, gained from our long history of extending properties and enhancing the performance of our key materials to meet specific requirements, is key to our success. Our aluminium, magnesium, zirconium and carbon products are very much in tune with the demands of today's world, particularly in healthcare, environmental and protection sectors.

Innovation

Luxfer has always recognised the importance of harnessing the creative ability of its employees. This ability to harness marketing insight and design skills to its research and development capability constantly generates new solutions to customer needs. Every year we make a major investment in product development across the Group.

Thanks to the ingenuity of our own people and close collaboration with the best research departments in universities around the world, Luxfer has developed a steady stream of new products, including carbon composite lightweight gas cylinders, L7X® aluminium gas cylinders, G4 zirconium oxides for automotive and chemical catalysis, Isolux® zirconium separation products and Elektron magnesium alloys for advanced aerospace and specialist automotive applications. This commitment to innovation is driving the growth of the Luxfer Group worldwide.

Manufacturing excellence

Over many years the Group has focused on achieving world-class levels of operational performance, supported by a major investment in ERP (Enterprise Resource Planning) systems. A fundamental part of Luxfer's approach is using external auditors to benchmark progress against a rigorous checklist of world-class standards.

Strong customer relationships

Luxfer's business philosophy places the customer at the centre of everything we do. We strive to establish lasting relationships, enabling us to work closely with customers as partner-of-choice to ensure that our products meet or exceed their operational goals. Many of our customers are blue chip companies that have worked with us in this way for decades.

Strong technical base

Expertise in material science and a commitment to extending the boundaries of our core materials, coupled with world-leading expertise in manufacturing and processing techniques, are at the core of Luxfer's business. Luxfer's proprietary technologies, technical know-how and global presence generate our competitive advantage over alternative suppliers.

High performance products into specialist markets

We specialise in advanced materials where our expertise in metallurgy and materials science enables us to develop products and materials with superior performance to satisfy the most demanding requirements in even the most extreme environments. Luxfer products can be found in operation from the depths of the ocean to the far reaches of space.

We design some products to operate at absolute zero and others to work with molten metal. We produce materials that operate in a complete vacuum and cylinders that safely contain gases at high pressures. Increasingly our technology is in demand because of the growing focus on protecting the environment, the requirement for better healthcare solutions and the need to protect people and equipment in the safest possible ways.

the Luxfer model

environment

The versatility of our core raw materials means that many of Luxfer's specialist products are very much in tune with today's need to protect and improve the environment. Care of the environment features strongly in current sales and applications and is an important consideration as we develop future business.

Cleaning up the environment:
Luxfer's zirconium products are non-hazardous to the ecosphere and provide safe substitutes for traditional materials more harmful to the environment.

Cleaning up exhaust emissions:
Luxfer has sold ceria-zirconia products into the car industry for many years for use in catalytic convertors in petrol engines. New products are under development for both mobile and static diesel engines.

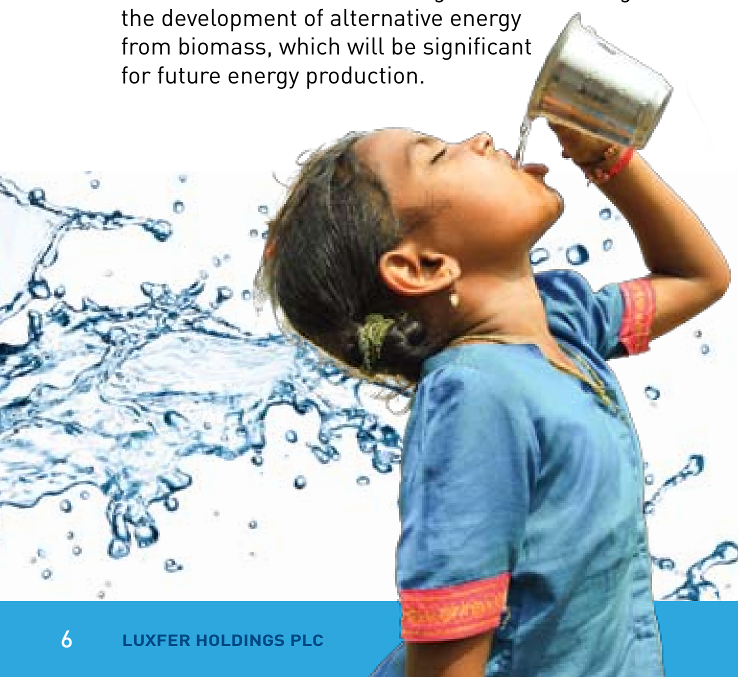
Water purification:
Luxfer's ISOLUX® range of water purification products is an environmentally safe system for the removal of heavy metals (including arsenic and lead) from drinking water.

Industrial clean-up:
The MELSorb® range of industrial waste-water treatments removes heavy metals for safe disposal from waste water streams.

Improving fuel efficiency:
Luxfer's Elektron® lightweight magnesium alloys and lightweight Superform® aluminium, magnesium and titanium panels are widely used for aircraft, rail transport, trucks, buses and cars to lower weight and improve fuel efficiency. Luxfer's composite gas cylinders and associated fuel control systems are being used for alternative fuel vehicles.

CO_2 capture:
Luxfer's MELSorb® technologies can also be used to capture CO_2, a key developing technology.

Alternative energy systems:
Luxfer is providing a new generation of stabilised zirconias for use in fuel cells that will have no noxious emissions. MELCat® technologies are also being used in the development of alternative energy from biomass, which will be significant for future energy production.



healthcare

The medical sector has long been an important market for Luxfer and we are strongly focussed on developing new products to benefit patients.

Containment of medical gases:
Luxfer offers the world's most comprehensive range of cylinders for medical gases. Our aluminium cylinders are 30% lighter in weight than comparable steel cylinders, and being non-magnetic are safe to use around MRI equipment. Recent innovations include the Lightweight IOS® (Intelligent Oxygen System) featuring Luxfer's patented L7X® higher-strength aluminium alloy and carbon composite cylinders integrated with Luxfer's patented SmartFlow® valve-regulator technology.

Emergency medical services:
Luxfer offers a growing range of carbon composite cylinders that are up to 75% lighter in weight than steel cylinders. These are increasingly popular in emergency medical services (EMS). Luxfer's Odyssey-L7X® cylinder is the world's lightest-weight, high-capacity medical composite cylinder and has already been adopted by BOC Medical for EMS use. These carbon wrapped cylinders use Luxfer's exclusive, patented L7X® higher-strength aluminium alloy.

Medical treatment:
Luxfer's MELSorb® technologies are being used in the development of portable dialysis equipment, "a wearable artificial kidney". Luxfer is working with partners to develop bio-absorbable materials, Synermag®, for use in the areas of vascular intervention, skeletal and tissue repair.

Medical equipment:
Luxfer developed the magnesium alloy used in the world's first portable, wireless, digital, radiographic imaging device, and Superform's non-magnetic, lightweight aluminium and magnesium panels are used in the manufacture of medical equipment.

protection

Protection of emergency service personnel:
Our latest super-lightweight LCX-SL® breathing-air cylinder, incorporating our latest carbon composite technology, offers significant weight saving to emergency service personnel operating in dangerous environments where every ounce counts.

Protection of military aircraft:
Luxfer's ultra-fine atomised magnesium powder is a principal ingredient in infra-red counter-measure flares used to protect aircraft from heat-seeking missile attack. Luxfer is the largest producer of atomised magnesium powder in the world.

Protection of military personnel:
Several of Luxfer's specialist Elektron® rolled magnesium alloys qualify as military armour material. Good ballistic performance combined with the unique characteristic of low density contributes to high-level troop protection and fuel conservation while not sacrificing the manoeuvrability critical to the success of armoured vehicles.

Fire protection:
Luxfer's has supplied one-piece aluminium cylinders for CO_2 fire extinguishers for decades.

Escape equipment:
The latest Luxfer carbon-wrapped cylinder technology has been developed to provide rapid-exhaust lightweight cylinders for inflation of aircraft emergency escape slides.

Luxfer has also developed miniature cylinders for use in personal escape sets. These provide sufficient air to allow individuals to safely exit from a smoke-filled environment e.g. burning building, ship or train.

speciality

Graphic arts
Photo engraving plate is used by printers and sign makers to produce high-quality finishes. Luxfer produces the industry standard in magnesium photo engraving plates.

Light-weight, fast-etching and environmentally-friendly, magnesium is used for a variety of high-quality applications.

Luxfer is the global leader in engraving metals and etching chemicals and with the increasing trend to quality packaging to differentiate consumer goods this market will remain an important growth sector for us.

Speciality gas containment
Luxfer has developed a range of cylinders for special applications, including:

- Speciality gas cylinders for rare gas and high-purity gas applications, including gases used in the manufacture of semiconductors and other electronic products.
- Welding and cutting gas cylinders.
- Carbon dioxide cylinders for beverage dispensing.
- Carbon dioxide cylinders for aquarium applications.
- Cylinders used in refrigeration applications.
- Compressed air cylinders used in paintball markers.
- Nitrous oxide cylinders used to boost engine performance in race cars and race boats.
- Sampling cylinders used in petroleum product production.
- Cylinders used for air enrichment in agricultural and hydroponic farming applications.

Key Performance Indicators

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

Table 1: Group Key Performance Indicators		2010	2009
Operating Performance			
Trading Profit	£m	**29.7**	18.1
EBITDA before exceptionals	£m	**38.7**	26.8
Gross profit percentage	%	**24.2**	20.4
Return on revenue (trading profit divided by revenue)	%	**11.4**	7.7
Revenue per average full time equivalent employee for ongoing operations	£000s	**183**	164
– prior year adjusted for translation exchange rates	£000s	**183**	165
Operating Performance in US dollars			
Revenue	$m	**402.7**	371.3
EBITDA before exceptionals	$m	**59.6**	42.2
Financial Performance			
Net cash flow from continuing operating activities	£m	**24.9**	34.4
Working capital turnover for continuing operations (annual revenue divided by average trading working capital)	times	**6.5**	5.4
Net debt to EBITDA	times	**1.7**	2.8
Non-Financial Performance			
Number of man days lost following accidents at work	Man Days	**945**	799
ISO14001 Environmental Management System Certification (percentage of Group revenue originating from ISO14001 certified businesses)	%	**60.1**	46.1
Economic Indicators			
Average aluminium price (three-month LME)	$ per Tonne	**2,198**	1,701
Average aluminium price (three-month LME, three month lag and net of hedging)	$ per Tonne	**2,078**	1,922
Average US dollar to pounds sterling exchange rate	$:£	**1.54**	1.57

Non-Financial KPIs

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

Firstly, we report on the number of productive days lost through accidents at work. Our operations involve the use of rotating machinery, molten metal, heat treatment, strong acids and alkalis, high pressures and flammable materials, so the safety of our workforce is a top priority. For every accident at work involving the loss of more than a part-shift, we record the number of days lost while the employee is recovering. For 2010 this figure is 945 man days, up from the 799 man days lost in 2009. While the deterioration is a disappointment, the total is a very small proportion of the total man-hours worked of 3.0 million, and has been adversely affected by one injury in early February, a lumbar strain, that has resulted in a recovery period that lasted the whole of the remainder of the year. This one accident accounted for 320 lost days in 2010.

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

At the end of 2010 nine of our major manufacturing plants were certified and these plants produced 60.1% of the Group's turnover in 2010. The corresponding figure in 2009 was 46.1%, when six manufacturing plants were so certificated. We expect further plants to achieve certification during 2011.

Principal Risks and Uncertainties Relating to the Group's Operations

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

Exposure to Economic Conditions – The Group's operations are exposed to general and local changes in economic conditions over which it has no control. The Group sells products in a variety of industries, including industries that are cyclical in nature, and 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.

Reliance on Major Customers – If the Group fails to maintain its relationships with its major customers, or fails to replace customers, or if there were reduced demand from such customers or for the products produced by such customers, it could reduce the Group's sales and have an adverse affect on the Group's financial position. Long-term relationships with customers are especially important and the Group's operations work closely with customers to ensure customer service is the best in the industry and aim to support our customers in their development of new products through our own product innovations and technical know-how. The Group's top ten customers accounted for, in aggregate, approximately 31% of Group revenue in 2010.

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

Reliance on Key Suppliers – The Group depends upon its larger suppliers for a significant portion of its input components and production is sensitive to suppliers, particularly for aluminium, 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 the businesses strategy, but loss of a key supplier could be disruptive and hinder profitability. The Group has also mitigated this risk through buying forward certain materials when potential shortages appear.

Risks Relating to the Group's Retirement Benefit Funds – The Group operates defined benefit arrangements in the United Kingdom, the United States and France. These are further explained in Note 26. Their funding requirements are subject to fluctuations in investment markets, along with changes in the life expectancy of their members and as a result these plans may have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with new taxes such as the UK's Pension Protection Fund Levy, which has added £1.8 million of additional costs to the UK plan during 2010. Regulatory burdens can also lead to restrictions in financing options for the Group and its ability to attract new investors.

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

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

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

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

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

Risks Relating to Interruption of Operations – The Group's production facilities are located worldwide. Any of its facilities could suffer an interruption in production, either at separate times or at the same time, because of various and unavoidable occurrences. Although the Group carries certain levels of business interruption insurance, the cover on certain catastrophic events or natural disasters, including earthquakes and certain other events is limited, and it is possible that the occurrence of such events may have a significant adverse impact on the cash flows of the Group. Health and Safety is therefore a major consideration in the operation of the Luxfer Group manufacturing facilities and carefully monitored, with any issues being reported to the Board for their assessment. The Group also has a number of financial risks which are summarised below. The management of these financial risks is explained further within the Finance Review and Notes 24 and 25 of the Group financial statements.

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

We have also experienced significant price fluctuations in other raw material costs such as primary magnesium, carbon fibre, zircon sand and rare earths. The Group's operations also buy and sell goods in regional markets which may be protected by tariff barriers. Changes in these tariffs could have an adverse impact on the profitability of the operations. In addition, the Group's energy costs, which constitute another major input cost of the Group's total expenses in 2010, may be subject to significant variations.

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

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

Peter Haslehurst

Chairman

"It is very pleasing to have the business deliver a record result so early out of recession."

2010 commenced with great doubts remaining about the sustainability of the economic recovery. We had just come through a period where volumes had dropped by up to 20%, but our very successful drive to squeeze cash out of the balance sheet, and our continuing focus on getting cost out of the business, meant that we were in rude health.

Although the Western economies remain fragile, our markets and our customers have, in the main, emerged from recession and we have now seen steady growth since the third quarter of 2009. Interest rates remain at their lowest ever level, and as we have floating rate debt, we are benefiting from the reduction. Sterling has been stable at levels that are attractive to UK-based exporters, which has also helped us: we generate only twelve percent of our revenues from the UK market. Sadly, even the mildest of recoveries has encouraged speculators back into the market, and the price of energy and raw materials has been rising rapidly, even in the face of global stockpiles that are, in many cases, at record levels. It is very frustrating to industrialists that the Financial Regulators have not yet taken action to restrict the speculative demand and manipulation that we see interfering with the normal interaction of supply and real demand, creating volatility and risking the economic recovery for the financial gain of a few. One potentially beneficial side effect of the problems of the financial sector, however, is the general realisation, long overdue, that it is critical for the UK to maintain a vibrant manufacturing sector. While we have heard encouraging words, it remains to be seen whether the UK Government will deliver any real assistance to a sector that it has long neglected, even penalised, to the shame of successive economic advisers and Ministers.

Our business has faced, at various times, some enormous challenges over the past five years and we have demonstrated a remarkable degree of robustness. Even we, however, were shocked by the impact of the slashing of the export quota for rare earths for the second half of 2010 by the Chinese authorities. Cerium carbonate, one of our key raw materials, has increased in price around fifteen-fold – an enormous impact. We are grateful to our customers for their understanding in accepting the necessary increase in our surcharges, and to the many industry bodies and Government agencies that have been protesting the Chinese action. There are now a number of projects under way to re-open Western mines, and also to start new ones, but the world must surely learn the lesson that it cannot risk becoming dependent in this way on a single source of supply.

The general business trend for us has been positive throughout 2010. While we remain wary of economic shocks, particularly precipitated by the resurgent oil price, we currently expect to see further steady growth in the markets that we serve. With the benefit of a fairer valuation of sterling and our continuing focus on cost control, the Group is in good shape to improve further in 2011, and I remain excited about the medium-term outlook, with a combination of new products coming to the market and, hopefully, a continuing improvement in the economic backdrop. I am particularly pleased with our 'Smartflow'® technology, which I believe has the capability to revolutionise the valve-regulator sector of the gas containment market.

In closing, I would like to thank all of my colleagues across the Group for their hard work and dedication and congratulate them on turning those efforts into concrete results. It is very pleasing to have the business deliver a record profit for this group of businesses so soon out of recession.

Peter Haslehurst
Chairman

Brian Purves

Chief Executive

"All of the Group's businesses have performed very strongly to allow us to deliver our best-ever profitability against the backdrop of still-weak economic recovery."

Review of 2010

We have now seen a more-or-less continuous recovery in the markets that we serve since the third quarter of 2009. The second quarter of 2010 was particularly strong, and we believe that some of this was the result of customer re-stocking. Group revenue rose by £24.9 million (11%) to £261.2 million in 2010, but the underlying recovery in volumes leaves us still down on pre-recessionary levels, so hopefully there is more to come.

The US dollar averaged $1.54 against the pound sterling in 2010, compared to $1.57 in 2009 and $1.84 in 2008. The movement from 2008 made a significant difference to the Group, with our dependence on exports from the UK and the translation of US dollar earnings, and it is good to see sterling stable at the current, more natural level.

We undertook significant actions to take cost out of the business during late 2008 and early 2009 in the face of recession. The effect of lower costs and improved exchange rates widened our trading margins, such that we were well positioned to gain from the recovering demand.

Trading profit for continuing operations rose to £29.7 million from £18.1 million in 2009, a very strong performance when measured against the partial recovery of volume. The Elektron division continued to grow, with the automotive sector recovering well, particularly in the US. The Gas Cylinders division also improved, with a partial recovery in the demand for speciality gas containment devices, and a substantial increase in demand for our superformed aluminium panels. There is undoubtedly a one-off element of 're-stocking' in the 2010 numbers, given how sharply everyone reduced their stocks during 2009, but we would estimate this to account for only around one quarter of the 64% rise in trading profit over the year.

The economic recovery, although weak, has precipitated a return to rising commodity prices.

The LME three-month price for primary aluminium averaged around $2,159 per tonne in the first half of the year, but $2,236 in the second half, ending the year at $2,467 despite global stocks of the metal being very high. In 2010, the charge to the income statement for pure aluminium and pure magnesium was approximately £20 million each.

We thought that we had seen it all in relation to cost volatility over the past five years, but nothing could have prepared us for what happened mid-year, when the Chinese authorities reduced their export quota on rare earths from 22,000 tonnes as it was in the first half, to only 8,000 tonnes in the second half. This precipitated a staggering price rise in what had previously been one of the cheaper rare earths, cerium, which rose in price (in carbonate form) from ca. $7 per kilo at the start of the year to as high as $120 per kilo at the end of the year. At this level, rare earths in aggregate are likely to be our largest material cost during 2011. We already had a rare earth surcharge mechanism in place, and this huge increase in costs has been passed through to our customers. Although an enormous effect on us, and a significant one for our customers, the eventual impact gets heavily diluted within the total cost of a passenger car.

I am confident that the Group's profitability will not be affected by the price hike in rare earths, but the higher material costs are causing the value of our working capital to rise. Around half of the impact was felt in the fourth quarter, with the balance to come (assuming prices stay at their current level) during the first quarter of 2011. Our financial ratios will also start to look quite strange during 2011, as the surcharge which passes through the cost to our customers will appear in sales revenue, but with no associated profit contribution.

All of the Group's businesses have performed very strongly to allow us to deliver our best-ever profitability (on a pro-forma basis) against the backdrop of still-weak economic recovery. It is very pleasing to see all areas of the Group's business deliver a strong profit performance, and doubly so that we achieved it while holding on to the cash that we generated during 2009.

Gas Cylinders

The Gas Cylinders division saw a rise in revenue of 9%, to £129.3 million in 2010 compared to £118.9 million in 2009.

The market for composite cylinders for breathing apparatus in the US remained depressed, but sales of industrial cylinders for speciality gases improved as our customers, mainly the major gas companies, released expenditure to restore their inventories of cylinders.

Although sales of medical composite cylinders were down, we saw a strong recovery in demand for all-aluminium cylinders in the US medical market. The near-term prospects for the medical market are uncertain due to the budget cuts imposed by various European Governments, but it is a key growth market for us. We continued to make progress in expanding our customer base for our range of Compressed Natural Gas cylinders.

Superform had a much better year, with the speciality automotive sector recovering, and as various infrastructure investment projects, particularly for the London Underground, created a rise in demand for rail transport rolling stock.

With improved demand and a healthier mix of sales, Gas Cylinders' trading profit of £7.9 million in 2010, was £4.6 million up on 2009.

Elektron

Revenue from the Elektron division rose by 12%, to £131.9 million in 2010 compared to £117.4 million in 2010. Superficially, this represents a complete recovery to 2008 sales levels, although volumes remain down in certain, mainly lower-value areas.

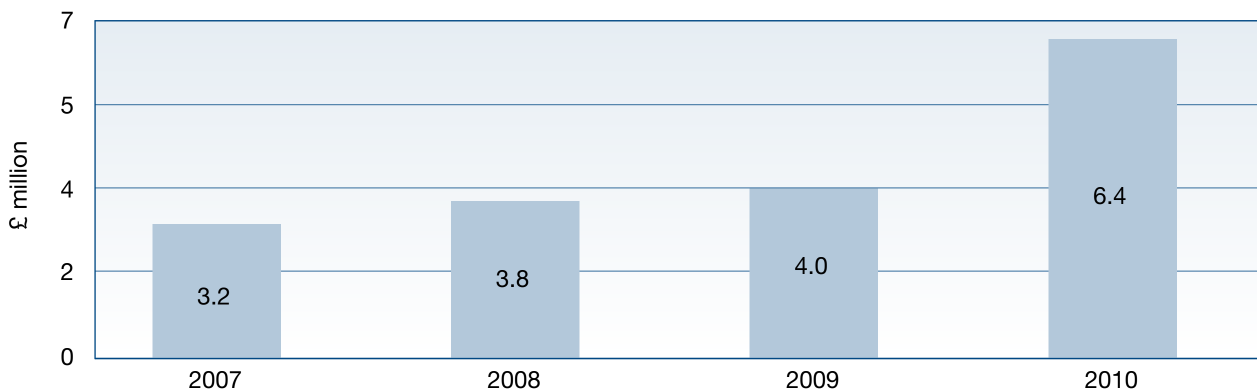
The pound sterling was fairly flat year-on-year, but using constant exchange rates the ongoing operations achieved an underlying sales growth in 2010 of £13.3 million or 11% compared to 2009.

Following the strong recovery in demand from the automotive sector, especially in North America, in the final part of 2009, sales of G4 auto-catalyst products increased by a further 5% during 2010. This increase is before taking account of the rare-earth surcharge, which started to have a material impact during the fourth quarter. We remain very focused on maintaining our environmental control technology at the cutting edge, and have on-test what we hope will be the next generation of zirconium-based catalyst material for petrol-engines.

The business continued to benefit from its strong position in the specialist aerospace and defence markets, with total sales to these sectors reasonably stable, with good performances from both our light-weighting materials and protection technologies. Sales of photo-engraving plate were very strong, with some evidence of re-stocking in the distribution chain in Western markets, which otherwise are stable, and growing demand from emerging markets.

Trading profit for Elektron was £21.8 million in 2010, well up on the £14.8 million achieved in 2009, as a result of increased sales of our high performance products across a range of speciality markets.

Chart 5: Group Research and Development Expenditure



In 2010, we charged a further £0.3 million in relation to costs associated with a review during 2009 by the US Federal Trade Commission ("FTC") concerning the impact of the Revere transaction on competition in the magnesium photo-engraving segment. In order to resolve expeditiously the FTC review in this matter, we are working on a voluntary basis to sell a license to use intellectual property ("IP") rights specifically in relation to the acquired business. Using external consultants, we undertook a marketing exercise during 2010, but very little interest was raised in entering this capital intensive and mature market. We are in negotiations with the one party currently expressing an interest and still expect that a sale of a license to use these IP rights will take place in 2011. The sale will not include our own Magnesium Elektron IP rights, but only rights in relation to the IP of the acquired business, nor does it include any of the manufacturing assets that we need to run our own business. We do not expect this development to materially affect the Group's profitability.

New Product and Market Developments

We have re-focused our strategic plans around four key development markets: Healthcare; Environmental; Protection Technologies; and Speciality Technologies. Today, our major products in these areas are, respectively: medical oxygen cylinders; automotive catalyst material and CNG cylinders; ultra-fine magnesium powders for countermeasures; and photo-engraving plate. Our major development projects are firmly targeted at increasing our presence in these key areas.

In September we revealed our new Intelligent Oxygen System with Smartflow® valve-regulator technology at a major European medical show. We expect to be selling units into the home oxygen therapy sector during 2011.

Luxfer's SmartFlow® module is at the heart of our new Intelligent Oxygen System. The SmartFlow® module is a patented, minaturised high-pressure valve-regulator, which provides excellent flow rate stability and dependable output at any supply pressure.

For the longer term, we are excited about the work that we are doing on light-weighting applications of magnesium in civil aircraft and military vehicles, and on zirconium-based adsorption technologies, particularly in the areas of healthcare and environmental remediation.

In support of our strategy we again increased our expenditure on research and development in 2010 to £6.4 million (2009: £4.0 million). Please see Chart 5 on the previous page.

Summary

The performance of the business during the year was very pleasing, all the more so because of the continuing weak economic conditions. Our main objective this year was to drive the profitability forward and we were very successful in that endeavour. It has helped that we have held on to many of the overhead savings that we made in response to the recession, and that exchange rates have remained stable. As volumes have picked up at our improved margins, much of the increased contribution has fallen straight to the bottom line. While demand generally remains below pre-recessionary levels, most of our key markets are now back to a semblance of normality, but with upside still to come once they get back to pre-2009 levels of activity.

Managing the business through the last three years has been tricky, but we have strong management teams in each of our businesses, and the skills of our workforce ensured that our focus on customer service remained constant, and that the technical superiority of our products was maintained.

While the improvement in profitability during 2010 was dramatic, coming as it did from a base in 2009 deeply affected by recession, the absolute level of profitability achieved in 2010 is in line with that forecast for the last year in our 2006 five-year strategic plan, and is the level that we need to maintain and improve upon in order to sustain a healthy, growing business.

The combined effect of squeezing cash out of the balance sheet during 2009, followed by driving up profit in 2010, has transformed our debt ratios and left the Group in a strong position to lower its funding costs during the scheduled refinancing of our debt facilities during 2011.

Brian Purves
Chief Executive

Stephen Williams

Group Finance Director

"EBITDA for the year at £38.7 million was £11.9 million ahead of last year."

Finance Review of 2010

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

Introduction

In 2009 with the global economy in recession, we had experienced a 20% drop in volumes, as customers cut back on orders and destocked in response to the severe economic conditions. Since the third quarter of 2009 we have experienced a gradual recovery in volumes and revenue for the full year 2010 was up by 11% and with the cost savings achieved in 2010 and in previous years, the Group has been able to achieve enhanced margins leading to a record level of profitability. EBITDA for the year at £38.7 million was £11.9 million ahead of last year. Cash flow in the year remained strong, despite having to contend with rising raw material costs and their impact on working capital. By the end of the year the Group was able to reduce net debt to £67.6 million and the ratio of net debt to EBITDA had fallen to 1.7 times.

With 52% of our revenue and 62% of our earnings arising in the US and with our high dependence on UK exports, the Group has continued to benefit from the more favourable US dollar to pound sterling exchange rate. In 2010 the average exchange rate for the US dollar against the pound sterling of $1.54 was beneficial compared to the average rate for 2009 of $1.57. The slight weakening of the euro against pound sterling in 2010, an average rate of €1.17 compared to an average rate of €1.13 in 2009, has had a marginal negative impact on the Group's performance.

With the recovery in world demand, has come an increase in commodity costs. In 2009, the three-month LME aluminium price bottomed out in the first quarter, at around $1,290 per tonne but since then, the cost has continued to rise. The cost at the end of December 2010 had risen to approximately $2,470 per tonne. Despite the increase, for 2010 our actual production cost of metal was lower than 2009 as we benefited for the first half of the year from metal purchased when commodity costs were lower. We estimate this benefit to be about £0.5 million.

An even bigger rise in our input costs has been in the cost of rare earths as a result of the Chinese authorities reducing their export quotas from 22,000 tonnes in the first half of 2010 to only 8,000 tonnes in the second half of the year. We have seen the price of cerium (in carbonate form), used within the zirconium operations of our Elektron division, rise from about $7 per kilo to about $120 per kilo at the end of the year. This huge increase has been passed onto our customers by way of a rare earth surcharge and accounted for £2.1 million of the increase in revenue in 2010.

Fortunately, magnesium costs have remained fairly stable over the last two years and the average price of Chinese magnesium on an F.O.B. basis in 2010 was $2,831 per tonne compared to an average in 2009 of $2,686 per tonne, an estimated additional cost to the Group of £0.1 million.

Income Statement

Revenue

Group sales revenue in 2010 at £261.2 million was £24.9 million or 11% above the £236.3 million reported in 2009. On a Group basis, there was a £1.2 million revenue improvement as a result of translating underlying revenue from overseas operations at more favourable exchange rates. The main benefit was from strengthening of the US dollar which added £1.8 million to revenues from our US operations, a translation loss of £0.8 million occurred when translating revenue from our continental European operations.

The underlying movement of £23.7 million was accounted for largely by increased sales volumes and the benefit of foreign exchange transaction gains on revenue of £2.1 million.

Within our Gas Cylinders division, revenue was £129.3 million for 2010 and the underlying revenue at constant exchange rates was up by 8.6%. The volume of aluminium cylinders was up by over 19% and the mix of sales was improved when compared to 2009. The volume of industrial cylinders increased by 15% and the market for medical aluminium cylinders held up well with volumes up 30% on 2009.

Overall composite cylinder volumes were down by 8%, the biggest reduction being within the medical market where we had experienced an exceptional level of sales in the previous two years. In the SCBA market, overall sales were actually up 2% despite reduced sales in the US, with sales to other countries more than compensating. Sales of alternative fuel cylinders increased by 46%, to over 4,000 cylinders in 2010, with this volume equating to nearly £5 million of revenue.

Within our Superform operations, forming sales were up by 38% as new projects moved from the design phase into full production. The major increase in demand arose from the recovery of the speciality automotive and rail transport markets.

Within our Elektron division, revenue was £132.2 million for 2010 and underlying revenue at constant exchange rates was up by 11.2% when compared to 2009. The increase in overall revenue includes £2.1 million for the rare earth surcharge.

Sales volumes for our zirconium operations were up by 24%. The largest increase was in the sale of ceramics and reactive compounds, up over 50% compared to 2009.

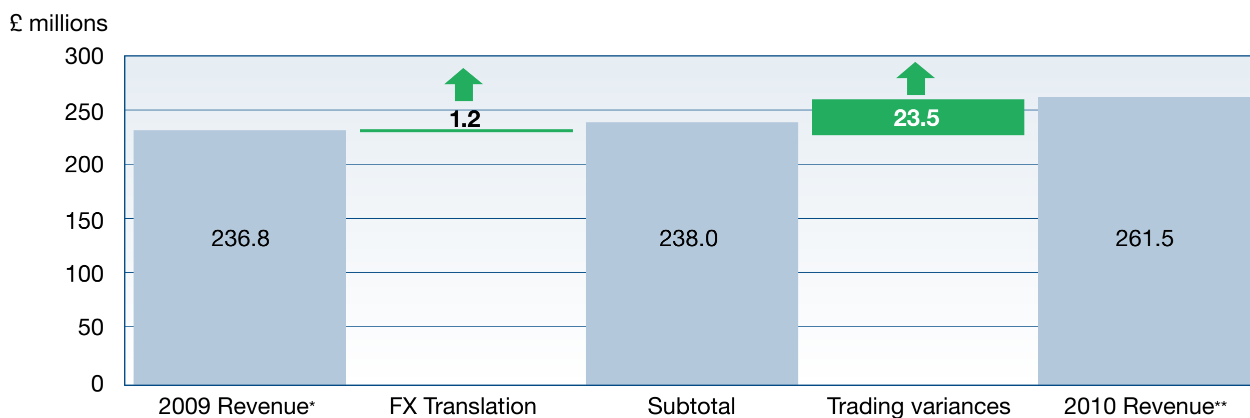
In the automotive catalysts market, we experienced a strong recovery from the recession commencing in the third quarter of 2009 and since then markets have stabilised and sales revenue for the year (excluding the rare earth surcharge) was up over 4% on 2009.

Total sales volumes for our magnesium operations in 2010 were up by 5% compared to 2009. Our high-performance aerospace alloy sales were exceptionally good in the year, driven by a major helicopter refurbishment programme at one of our customers, with volumes up by 18%, this more than compensated for a fall in lower value commercial alloy sales. Military powder volumes were down by 9% but commercial powder volumes increased by 39%. In the fourth quarter of 2010, one of our US military flare customers had to temporarily close several of their production lines due to an incident at their facility and this led to lower military powder sales. Our photo-engraving business continues to expand with high levels of demand from the Middle East and Asian markets. Sales volumes in the photo-engraving market were up 17% compared to last year.

Gross profit

Reflecting the improvement in revenue and enhancements to margins, gross profit for the year at £63.3 million was £15.1 million above that in 2009, and the gross profit percentage increased from 20.4% to 24.2%. The improved margin arose from an improvement in the mix of products sold, the maintenance in most cases of price positions, the ongoing benefits of cost reductions and the continued benefit of the improved US dollar exchange rate.

Chart 6: Group Revenue Bridge 2009 to 2010



* 2009 Group Revenue of £236.8 million is before the elimination of £0.5 million inter-segment sales.
** 2010 Group Revenue of £261.5 million is before the elimination of £0.3 million inter-segment sales.

Included within costs of sales are the costs incurred of £0.8 million relating to a fire at our US magnesium rolling mill operation which destroyed two ovens and part of the building. The cost includes the write-off of equipment, the insurance excess and legal and professional fees relating to the claim.

Net operating expenses

In 2010 our net operating expenses increased by £3.5 million compared to 2009. These expenses were constrained in 2009, recognising the lower volume and our cost saving programmes. In 2010, our expenses increased as a result of the Group's higher level of trading, but we have also increased our discretionary expenditure for the benefit of future years. Another reason for the increase is that because of the record level of profits there has been an increase in the level of bonus provisions across the Group.

Trading profit

Trading profit for the year before exceptional items was £29.7 million compared to £18.1 million last year. Compared to 2009, there was an exchange translation benefit of £0.2 million and an underlying improvement in trading profit of £11.4 million. Within this movement there was an improvement in underlying trading performance of £12.1 million, foreign exchange transaction benefits of £1.3 million, lower retirement benefit charges (including movements in the PPF levy) of £1.1 million and a £0.1 million benefit from a bad debt expense incurred in the prior year. Partially offsetting these improvements were higher employment costs and other costs of £3.2 million.

Trading profit as a percentage of sales revenue was 11.4% compared to 7.7% last year.

Exceptional items

The operating exceptional items of £0.5 million include £0.1 million with regard to redundancies at a number of our operations and a further £0.4 million relating to our vacant Redditch property in the UK. The non-operating exceptional item of £0.3 million relates to the disposal costs of intellectual property.

In 2009, exceptional items provided in the year were £1.0 million, of which £0.7 million related to rationalisation and redundancy programmes across both divisions and £0.3 million related to costs in relation to the 2007 acquisition of Revere. The two largest redundancy programmes were at our US magnesium powders operation and our magnesium foundry operation in the UK and totalled £0.3 million and £0.2 million, respectively.

Profit on operations before interest and tax

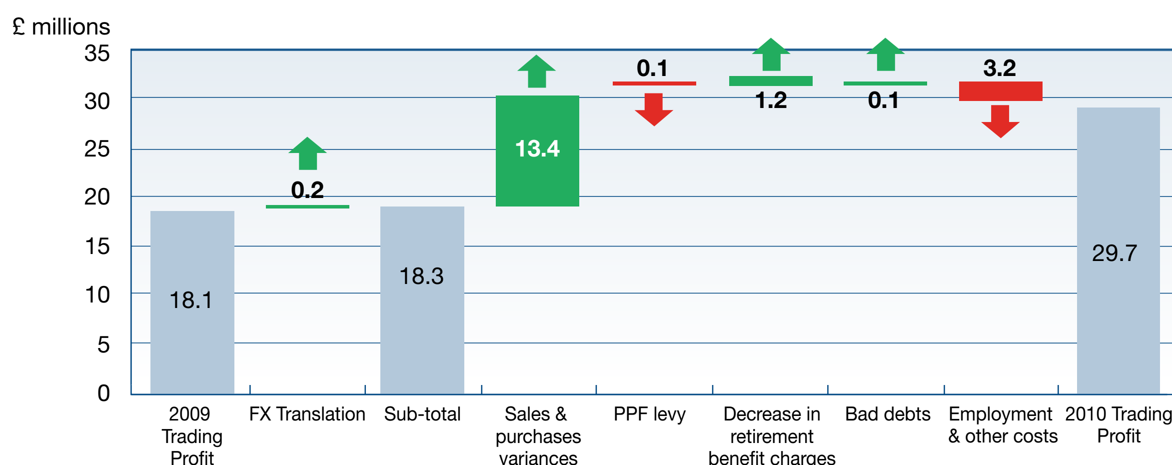
Profit on operations before interest and tax was £28.9 million for the year, compared to £17.1 million in 2009. EBITDA for our ongoing operations and before exceptional items was £38.7 million compared to £26.8 million last year.

Finance costs

Net interest costs payable during the year were £6.1 million, comprising £4.8 million relating to bond interest on the Senior Notes due 2012, £0.6 million to other bank borrowings, £0.8 million relating to the amortisation of issue costs, and £0.1 million relating to other interest received. In addition there was a finance gain of £0.4 million arising on the purchase of £3.7 million (nominal value) of our own Senior Notes due 2012. The amount paid for the Senior Notes due 2012 purchased was £3.3 million.

Net interest costs payable during 2009 were £7.5 million, comprising £6.1 million relating to bond interest on the Senior Notes due 2012, £0.8 million to other bank borrowings, £0.7 million relating to the amortisation of issue costs and £0.1 million relating to other interest received.

Chart 7: Group Trading Profit Bridge 2009 to 2010



Taxation

The tax expense of £6.4 million related to a profit before tax of £23.2 million. The tax expense was split between a corporation tax charge of £6.2 million and a deferred tax charge of £0.2 million. Profits in our overseas subsidiaries again led to a local corporation tax charge.

Retained Profit

The retained profit of the Group for the year was £16.8 million compared to a profit in 2009 of £5.9 million.

Cash Flow

The net cash flow from operating activities in 2010 was £24.8 million. Within the year the cash increase in inventories was £12.9 million reflecting the higher level of trading and higher raw material costs particularly rare earth costs which we estimate added almost £5 million to our inventory value.

The cash increase in receivables was £1.3 million and throughout the year we have maintained our receivables days position and at the end of December, the Group's receivables days calculation averaged 46 days, the same as achieved in December 2009.

The cash increase in trade and other payables in the year was £10.7 million reflecting the higher level and value of inventories.

The additional cash outflow for retirement benefits of £4.4 million reflected the further cash contributions to the various pension schemes over and above the cost incurred in the Group's income statement.

During 2010 we spent £0.7 million against our exceptional provisions, which included a £0.3 million spend against our rationalisation and redundancy provisions, a £0.3 million spend against our environmental remediation provisions and a £0.1 million spend against our provision for employee benefits.

Capital expenditure for the year totalled £10.3 million. Within the Gas Cylinders division the major expenditure related to the completion of a new production line at our UK Superform operation to enable the business to meet current sales demand. Within the Elektron division the major expenditure was on the installation of an extrusion press at our UK magnesium operation, again to extend the range of magnesium extrusions currently produced. Other significant expenditure included the completion of the second atomiser at our magnesium powders operation in the US and the installation of a further small pilot plant atomiser for research applications.

During 2010, we received the second annual instalment of £0.5 million relating to the deferred consideration payable from the sale of our Speciality Aluminium division. We also received the third annual instalment of £0.5 million in January 2011. During 2010, the lease on the Redditch site was also commuted and the proceeds received will be used to pay for the cost of demolition of the buildings on the site.

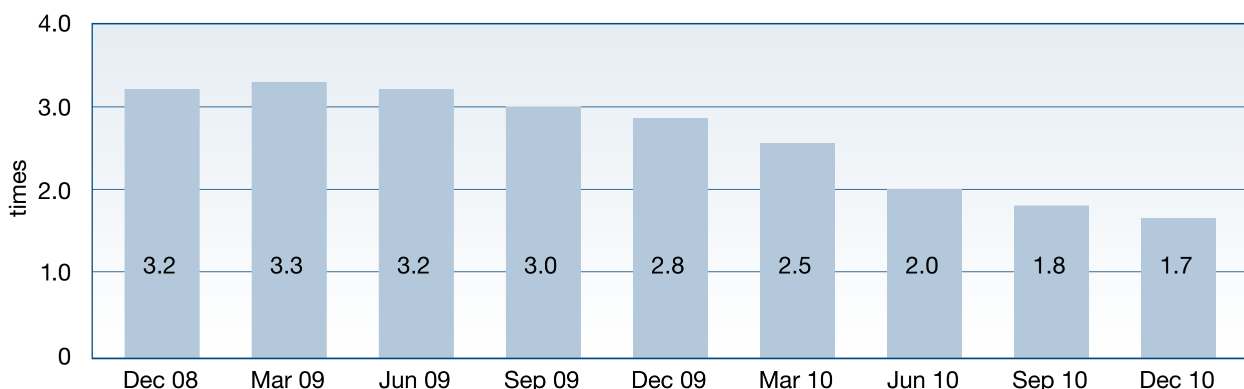
Net interest costs paid during the year totalled £5.4 million. These costs include £4.8 million paid on the Senior Notes due 2012, and £0.7 million in bank interest. The lower interest paid in 2010 compared to 2009, a saving of £2.0 million, reflected the lower utilisation of the revolver, the reduction in interest on the Senior Notes due 2012 following our purchase of £3.7 million (nominal value) of these notes and lower interest rates. In addition, costs paid during the year relating to the extension of the Group's revolver facility amounted to £0.1 million.

Shareholder Funds & Borrowings

Shareholder funds at the end of the year were £41.6 million compared to £22 million at the end of 2009. This has resulted in the Group's net assets per ordinary share at over £4 at the end of 2010 compared to over £2 per ordinary share at the end of 2009.

The total comprehensive income for the year was £19.5 million which included a £1.0 million exchange gain on the translation of foreign operations, a gain of £0.2 million on cash flow hedges, an actuarial gain of £2.2 million on our defined benefit retirement pension schemes and a deferred tax charge on the actuarial gain of £0.7 million.

Chart 8: Net Debt to EBITDA



Banking Facilities

At 31 December 2010, the Group had a £45.0 million banking facility, which provided for up to £10.0 million of ancillary financing for letters of credit, bank guarantees and foreign exchange hedging within the total £45.0 million facility. The facility is provided through asset-backed financing arrangements in the UK and the US and is secured over substantially all the operating assets of the Group in the UK and US.

In April 2011, the Group entered into agreements for new £110 million financing facilities comprising a seven year private placement of £40 million, a bank term loan of £30 million and a revolving credit facility of £40 million with a number of banks and an insurance company. The private placement loan has been locked in at a committed seven year fixed rate of interest of 6.19%, with the remaining facilities being variable rate debt, at lower margins over LIBOR than our current facilities. This will enable the Group to repay in full its current asset backed facilities and high yield Senior Notes due 2012 in 2011, ahead of their maturity dates.

Treasury and Financial Risk Management

The Group operates a central treasury function that controls all borrowing facilities, investment of surplus funds and the management of financial risks.

The Group's financial risk management is described in detail in Note 24 of the Group financial statements.

Pension Plans

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

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

At 31 December 2010 the Group's actuaries prepared a valuation of the pension schemes under IAS 19. This indicated that, based upon the current state of the equities market, there would be a point-in-time shortfall of £26.4 million (2009: £32.8 million), and £18.3 million (2009: £23.2 million) net of the related deferred tax asset. The schemes have benefited from good investment returns during 2010. For the year, the amount recognised in the Statement of Comprehensive Income for defined benefit schemes was a gain of £2.2 million and this includes a gain of £4.6 million arising from the UK Government's decision that any future statutory pension indexation will be based on the Consumer Price Index (CPI) measure of inflation, rather than the Retail Price Index (RPI).

A deficit remediation programme for the UK scheme has now been agreed with the scheme's Trustees which involves a £3 million payment for April 2010 to March 2011 and then annual payments ranging between £2.25 million and capped at £4 million in the next few years, depending on the net earnings being achieved by the Group. The cap can be raised to £5 million if payments are at the £4 million cap for two successive years. We expect that the payment will rise to the £4 million capped level in 2011-2012, based on the level of net profit for 2010. The deficit remediation plan has been submitted to the UK Pensions Regulator, and approval has now been received.

The last full actuarial valuation of the UK defined benefit scheme as at 5 April 2009 (probably the worst possible time with the global recession having a major distorting effect on both asset values and bond yields) identified a deficit of £55.2 million. The Pension actuary estimates that the deficit had reduced to approximately £30 million as at the end of December 2010, reflecting the improvement in asset values and bond yields.

Stephen Williams
Group Finance Director

Peter Joseph Kinder Haslehurst (70), Non-Executive Chairman

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

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

Brian Gordon Purves (56), Chief Executive

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

Brian served as Group Finance Director from 1996 to 2002. He was also a member of the management buy-in team in 1996. He is a Companion of the Chartered Management Institute and a Fellow of the Chartered Institute of Management Accountants. He holds an honours degree in Physics from the University of Glasgow and a Masters in Business Science from the University of Edinburgh. Prior to 1996, Brian worked 18 years in the UK Motor Industry latterly holding several senior positions in Land Rover and Rover Group covering financial, commercial and general management responsibilities, often with international aspects.

Stephen Norman Williams (59), Group Finance Director

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

Joseph Allison Bonn (67), Non-Executive Director

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

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

Kevin Flannery (66), Non-Executive Director

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

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

Brian Gordon Purves (56), Chief Executive

Please refer to the main Board biographies on page 20.

Stephen Norman Williams (59), Group Finance Director

Please refer to the main Board biographies on page 20.

Andrew Michael Beaden (43), Director of Planning and Finance

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

Christopher John Hilary Dagger (62), Managing Director of Magnesium Elektron

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

Edward John Haughey (55), Managing Director of MEL Chemicals

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

John Stephen Rhodes (61), President of Luxfer Gas Cylinders

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

Linda Frances Seddon (60), Company Secretary and Legal Adviser

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

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

Our Board of Directors

In 2010, our Board of Directors continued to consist of five members, the maximum number permitted under the articles of association of the Company. It comprised a Non-Executive Chairman, two Non-Executive Directors and two Executive Directors. The Chairman and the Executive Directors are shareholders. There were no changes in membership of the Board or of the Board Committees during the year. Brief biographical details of the Directors who served during the year are shown on page 20.

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

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

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

Our Executive Management Board

We also have an established Executive Management Board, chaired by the Chief Executive which is normally scheduled to meet monthly. This board consists of senior management at Group and divisional level and provides a forum where matters of interest or concern to the Group can be reviewed and discussed, policies agreed and appropriate measures implemented. It also provides an opportunity for senior management to update themselves with progress in other parts of the Group outside their remit. In 2010 the make-up of the Executive Board remained the same as in 2009 and consisted of seven members. Brief biographical details of the Executive Management Board members who served during the year appear on page 21.

Internal Controls and Risk Management

As a Group we operate to established procedures, which are designed to identify, evaluate and manage significant risks in the Group. Such a system can only provide reasonable and not absolute assurance against material mis-statement or loss. These procedures are reviewed on an on-going basis as considered appropriate and cover both financial and non-financial risks. Our Board receives periodic reports on internal controls, the management of identified risks and the processes involved in their identification.

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

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

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

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

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

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

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

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

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

- A Group Environmental Policy and site-specific Environmental Management System ("EMS") with which all operating sites are required to comply. The Group is committed to achieve ISO14001 certification at larger sites and several of our business units have already achieved this standard. Three additional Cylinder plants achieved ISO14001 during 2010. Many of the elements of the current EMS and work carried out for IPPC registration are consistent with ISO14001.
- All UK manufacturing sites that require IPPC permits have attained them.
- The environment is managed and reported on at various levels within the Group. Each operating site has a manager designated with responsibility for environmental matters who has appropriate knowledge and expertise.
- External expertise and advice is sought as necessary and appropriate.
- The Chief Executive reports to the Board annually on the main environmental issues affecting the Group and any significant individual issues are brought to the attention of the Board as appropriate and as they arise during the year.
- The environment is considered as an element of the Group's corporate risk assessment. No acquisition involving land or an operating site is undertaken without first obtaining an independent environmental report.

Internal Financial Controls – The key controls consist of

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

Directors' Remuneration

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

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

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

- **Base salary** which takes into account market rates, affordability, the responsibilities of the position held, the experience and contribution of the individual executive and the international scale of the Group's operations. Base salary is reviewed annually.
- **Annual bonus** based on achievement against financial targets. These financial targets are set in January of each year and for the Executive Directors are primarily based on Group trading profit and annual cash flow, measured against the approved annual budget. The specific combination of financial targets in any year are aligned, as appropriate, with the needs of the Group and the businesses for that year. The bonus scheme consists of a maximum annual bonus payable of a pre-defined percentage of annual salary related to the individual's position in the Group. The Executive Directors' maximum percentage bonus achievable is normally 60% of base salary a proportion of which is pensionable. Under the bonus scheme, maximum percentage bonus is payable only for achieving specified stretch targets beyond budget in the target areas. In addition, the Remuneration Committee has determined to consider each year offering to the Executive Directors as an incentive, an additional percentage bonus over and above the predefined maximum annual bonus payable only on achievement of specific additional targets set by them aligned with the requirements of the business. In 2010 the Executive Directors earned an additional percentage bonus of 10% of base salary for achieving certain pre-defined targets determined by the Remuneration Committee as a primary objective of the Group in 2010 and taking into account a freeze on their salaries in 2010 consistent with wage constraint applied widely within the Group during the year.
- **Benefits** consisting of membership of pension arrangements, car allowance, medical, dental and life insurance.
- **Salary** sacrifice arrangements where a proportion of salary and bonus can be sacrificed for additional payments into certain of the Group's registered and unregistered defined contribution pension arrangements.
- **Longer Term Incentives** related to share ownership consisting of the Management Incentive Plan described on page 26 and share option scheme, The Luxfer Holdings Executive Share Option Plan described in Note 27 on page 68 and Note 40 on page 80 to the financial statements.

Non-Executive Directors – The remuneration of the Chairman and the Non-Executive Directors consists of an annual fee for their services as members of the Board and Committees which is reviewed annually. Non-Executive Remuneration is determined by the Board and benchmarked against appropriate comparators on appointment and periodically thereafter. Table 2 details the remuneration for each Director in respect of the year ended 31 December 2010, together with comparative totals in respect of the year ended 31 December 2009.

Table 2: Directors' Remuneration for the year ended 31 December 2010 - Audited

	Salary/Fees £	Annual Bonus £	Benefits £	Total 2010 £	Total 2009 £
Executive Directors:					
Brian Purves*	**264,804**	**185,363**	**17,707**	**467,874**	405,509
Stephen Williams*	**147,504**	**103,253**	**13,282**	**264,039**	229,289
Non-Executive Directors:					
Peter Haslehurst**	**80,304**	**-**	**-**	**80,304**	80,304
Joseph Bonn***	**42,002**	**-**	**-**	**42,002**	41,137
Kevin Flannery***	**42,002**	**-**	**-**	**42,002**	41,137
Total	**576,616**	**288,616**	**30,989**	**896,221**	797,376

* Both Executive Directors elected to sacrifice a proportion of their salary and bonus set out above in return for additional employer contributions of equivalent value into the Group's registered and unregistered defined contribution pension arrangements described on page 25.

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

*** The fees of the two Non-Executive Directors were set at US$65,000 for 2009 and were not increased in 2010. The above figures represent the pound sterling equivalent cost incurred by the Company to make the US dollar payments.

Pensions

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

Pensions - defined benefit

Changes were made to the defined benefit pension arrangements from 6 October 2007, the result of which is that the defined benefit pension accrual rate for both Executive Directors reduced from 7/400ths (1.75%) to 6/400ths (1.5%) of pensionable earnings for each year of service from 6 October 2007, where pensionable earnings are restricted to a scheme specific earnings cap of £67,000 per annum (£67,000 for 2009-10), with defined contribution continuing to be made in addition. Member contributions for both Executive Directors were 9.8% of pensionable earnings in 2010. Provision is also made for payment of a spouse's pension on death and a lump sum payment on death in service.

Details of the pension benefits are set out in Table 3.

Table 3: Directors' Pension Benefits for the year ended 31 December 2010 – Audited

Pensions – defined benefit	Accumulated total accrued pension at 31 December 2010	Increase in accrued pension over year to 31 December 2010	Transfer value of Increase/(decrease)
Executive Directors:			
Brian Purves	£28,867 pa	£809 pa	£4,972
Stephen Williams	£36,369 pa	£827 pa	£5,065

Notes

1. The accumulated total pension is the total defined benefit pension, which would be paid annually on retirement based on service to and salary at the end of the year. It includes the longevity adjustment factor that applies to benefits earned from 6 October 2007.
2. The increase in accrued pension includes all defined benefit pension earned during the year, excluding any increase due to inflation.
3. Brian Purves previously brought a transfer value into the Group pension arrangements from the scheme of a previous employer, in exchange for added years of service credit. The pension resulting from this service credit is included in the accumulated total accrued pension figure.
4. The transfer value has been calculated on the basis set by the Trustees of the Luxfer Group Pension Plan under legislation, less contributions paid by the Directors themselves.
5. Brian Purves and Stephen Williams each contributed £6,074 over the year. This is based on 9.8% of the salary cap less State Pension Deduction.
6. Neither Additional Voluntary Contributions nor their resulting benefits are included in the above table.

Pensions - defined contribution

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

The defined contributions, including for 2010 pensionable bonus, made in respect of Brian Purves were divided between the Group's registered and unregistered defined contribution arrangements and a personal pension plan. The Company's contributions to the Group's registered and unregistered defined contribution arrangements in respect of Brian Purves for the year to 31 December 2010 were £63,261 (2009: £51,270) and to his personal arrangements were £46,606 (2009: £46,606). These contributions are subject to a cap.

For Stephen Williams, the Company paid £40,530 (2009: £38,956) into the Group's registered and unregistered defined contribution arrangements.

The above 2010 contributions do not include any additional amounts as a result of the actual sacrifice of salary or bonus shown in Table 2, but do include a share of certain savings that the Company makes as a consequence of those sacrifices.

Directors' Interests and Related Party Transactions

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

The interests of the Directors who held office at 31 December 2010, and those of their families, in the share capital of the Company are set out below in Table 4 *'Directors' Shareholdings in the Company' and* Table 5 *'Options held by Directors'.* All of the interests were beneficial.

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

Management Share Incentives

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

The MIP was established to promote the success of the Group and incentivise certain Directors and senior management by providing them the opportunity to share in any increase in the long term value of the Group. On establishment of the MIP in 2007, out of the 1.3 million ordinary shares of £1 each held by MIP members, which represented 13% of the Company's issued ordinary share capital, 800,000 shares (8% of the Company's issued ordinary share capital) were Restricted shares. Restricted shares are held subject to the provision of the MIP and subject to contractual restrictions whereby the management holders of the shares waive their economic rights, benefits and/or entitlement as holders of those shares (such as their rights to receive dividends or distributions from the Company) until certain specified EBITDA targets are attained. In addition, MIP members waive their entitlement to transfer any Restricted ordinary shares (other than in accordance with certain leaver provisions set out in the MIP). Unrestricted shares are subject to restrictions on transfer until certain events occur. All Restricted ordinary shares of £1 each held by management carry the same voting rights per share as any other ordinary share of £1 each, with very limited exceptions.

For the financial year 2008, the Company attained an EBITDA of £30.5 million, resulting under the rules of the MIP in 262,500 of the 800,000 Restricted shares becoming classified as Unrestricted shares. There were no releases of restrictions over Restricted shares in 2009. At the half year 2010 the Company attained an LTM of £34 million achieving the third EBITDA target of £33.2 million and part way towards the next target of £34.2 million. As a result a further 212,500 became classified as Unrestricted shares. At 31 December 2010, a total of 475,000 of the 800,000 restricted shares had been classified as Unrestricted shares. The division between Restricted shares and Unrestricted shares held by the Directors in Table 4 for the year 2010 reflects the lifting of these restrictions.

It has been determined in accordance with the rules of the MIP that the Company exceeded the final EBITDA target of £37.2 million as at 31 December 2010. As a result the remaining 325,000 Restricted shares are to be classified as Unrestricted shares.

The Company also has an employee share option plan. The Luxfer Holdings PLC Executive Share Option Plan under which options to purchase certain shares can be granted to eligible employees. Further particulars of this plan are set out in Notes 27 and 40 to the financial statements.

Table 4: Directors' Shareholdings in the Company – Audited

	Ordinary shares of £1 each			'B' Preference shares	Deferred shares
	Restricted	Unrestricted	Total	£1 each (25% paid)	£0.0001 each
Directors:	No.	No.	No.	No.	No.
Peter Haslehurst					
Held at 31 Dec 2010	**16,250**	**48,750**	**65,000**	**-**	**5,920,598,526**
Held at 1 Jan 2010	26,875	38,125	65,000	-	5,920,598,526
Brian Purves*					
Held at 31 Dec 2010	**81,250**	**243,749**	**324,999**	**25,000**	**29,602,992,629**
Held at 1 Jan 2010	134,375	190,624	324,999	25,000	29,602,992,629
Stephen Williams**					
Held at 31 Dec 2010	**24,375**	**73,125**	**97,500**	**-**	**7,341,542,172**
Held at 1 Jan 2010	34,938	54,562	89,500	-	7,341,542,172

* Includes Brian Purves' beneficial holding through the BG Purves Retirement Trust.
** Includes shares held in Stephen Williams' SIPP.
Restricted ordinary shares are held subject to the provisions of the MIP – see above.
118,760 Unrestricted shares of Brian Purves, 38,250 Unrestricted shares of Stephen Williams and 23,750 Unrestricted shares of Peter Halsehurst are held subject to certain transfer restrictions under the MIP.

Table 5: Options held by Directors – Audited				
Executive Directors:	**Options held No.**	**Options granted No.**	**Options exercised No.**	**Options lapsed No.**
Stephen Williams				
Ordinary share of £1 each* – Unrestricted				
at 31 December 2010	-	**-**	**2,625**	**-**
at 1 January 2010	**2,625**	-	-	-
Ordinary share of £1 each* – Restricted				
at 31 December 2010	-	**-**	**5,375**	**-**
at 1 January 2010	**5,375**	-	-	-

* Exercise price of 97p

OTHER STATUTORY INFORMATION

Dividend

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

Employee Involvement

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

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

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

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

Disabled Employees

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

Research and Development

During the year the Group invested £6.4 million in research and development on new and improved products and processes. This compares with a total spend in 2009 of £4 million. The Group continues to maintain links in fields of research with both leading universities in various countries and outside agencies to support and supplement its own in-house expertise. A further indication of the activities of the Group in the field of research and development can be found in the Strategy section on page 4 and in the Chief Executive's Review on page 12 of this report.

Payment of Creditors

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

Normally, suppliers will be advised as soon as is practicable of a dispute and payment will be made of that part of the invoice not in dispute unless good reason exists.

Smaller suppliers will usually be paid in accordance with their standard terms and conditions or those of the business unit concerned (of which they are made aware) as appropriate. Actual practice may vary between business units. As the Company is a parent company it has no trade creditors. However, at 31 December 2010 the Group had an average of 53 days purchases outstanding to trade creditors calculated in accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

Political and Charitable Donations

The Company and its subsidiaries made no political donations in the year. During the year the Group made charitable donations amounting to £14,000 (2009: £33,000) consisting of a number of small donations to various community, welfare, health and educational charities local to the businesses that make up the Group.

Going Concern

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

Directors' Liabilities

The Company maintains directors and officer liability insurance which gives appropriate cover for any legal action brought against directors. During the year the Company had in force an indemnity provision in favour of the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 20. 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.

Post balance sheet events

At the date of approval of these report and accounts, the Group is about to complete its previously announced refinancing for new £110 million financing facilities comprising a seven year private placement of $65 million (circa £40 million), a bank term loan of £30 million and a revolving credit facility of £40 million with a number of banks and an insurance company. It is expected these agreements will be signed in May. This will enable us to repay in full our current asset backed facilities and high yield Senior Notes due 2012 in 2011, ahead of their maturity dates.

By order of the Board

Linda F Seddon
Secretary
28 April 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

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

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

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

In preparing financial statements, the Directors are required to:

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

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

Luxfer Board 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUXFER HOLDINGS PLC

We have audited the group financial statements of Luxfer Holdings PLC for the year ended 31 December 2010, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the related notes 1 to 30 and tables 2 to 5 in the Directors' Report marked as audited. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors' are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The information given in the Directors' report includes that specific information presented in the Chief Executive's Review and Finance Review that is cross referred from the Business and Principal Activities section of the Directors' report.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only Corporate Information, the Chairman's Statement, the Chief Executive's Review and the Finance Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Scope of the audit on the financial statements

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

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 the financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Luxfer Holdings PLC for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
28 April 2011

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CONTINUING OPERATIONS	Notes	2010 £M	2009 £M
REVENUE	2	**261.2**	236.3
Cost of sales		**(197.9)**	(188.1)
Gross profit		**63.3**	48.2
Other income		**-**	0.1
Distribution costs		**(4.8)**	(4.3)
Administrative expenses		**(28.7)**	(25.8)
Share of start-up costs of joint venture	12	**(0.1)**	(0.1)
TRADING PROFIT		**29.7**	18.1
Operating exceptional items	4	**(0.5)**	(1.0)
OPERATING PROFIT	3	**29.2**	17.1
Disposal costs of intellectual property	4	**(0.3)**	-
PROFIT ON OPERATIONS BEFORE INTEREST AND TAX		**28.9**	17.1
Finance income:			
Interest received	6	**0.1**	0.1
Gain on purchase of own debt	4, 6	**0.4**	-
Finance costs:			
Interest costs	7	**(6.2)**	(7.6)
PROFIT ON OPERATIONS BEFORE TAXATION		**23.2**	9.6
Tax expense	8	**(6.4)**	(3.7)
PROFIT FOR THE YEAR		**16.8**	5.9
Attributable to:			
Equity shareholders		**16.8**	5.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £M	2009 £M
Profit for the year		**16.8**	5.9
Other comprehensive income movements:			
Exchange differences on translation of foreign operations		**1.0**	(4.3)
Fair value movements in cash flow hedges		**(0.1)**	2.0
Transfers to income statement on cash flow hedges		**0.3**	1.2
Hedge accounting income adjustments		**0.2**	3.2
Actuarial gains/(losses) on defined benefit retirement schemes	26	**2.2**	(5.9)
Deferred tax on items taken to other comprehensive income	20	**(0.7)**	0.8
Retirement benefit expenses		**1.5**	(5.1)
Total other comprehensive income movements for the year		**2.7**	(6.2)
Total comprehensive income for the year		**19.5**	(0.3)
Attributed to:			
Equity shareholders		**19.5**	(0.3)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2010

	Notes	**2010 £M**	2009 £M
ASSETS			
Non-current assets			
Property, plant and equipment	9	**69.5**	67.4
Intangible assets	10	**23.7**	23.9
Investments	12	**0.2**	0.2
Deferred tax assets	20	**6.2**	7.2
Other non-current assets	21	**0.9**	1.4
		100.5	100.1
Current assets			
Inventories	13	**49.3**	35.8
Trade and other receivables	14	**33.2**	31.6
Income tax receivable		**0.2**	-
Cash and short term deposits	15	**6.6**	1.8
		89.3	69.2
TOTAL ASSETS		**189.8**	169.3
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders			
Ordinary share capital	16	**10.0**	10.0
Deferred share capital	16	**76.9**	76.9
Retained earnings	17	**150.6**	132.3
Own shares held by ESOP	16	**(0.3)**	(0.4)
Hedging reserve	17	**0.1**	(0.1)
Translation reserve	17	**11.8**	10.8
Merger reserve	17	**(207.5)**	(207.5)
Equity attributable to the equity holders of the parent		**41.6**	22.0
Total equity		**41.6**	22.0
Non-current liabilities			
Bank loans and overdrafts	18	**-**	6.3
Senior loan Notes due 2012	18	**68.1**	71.7
Retirement benefits	26	**26.4**	32.8
Preference shares	16	**0.1**	0.1
Provisions	19	**1.8**	2.5
Deferred tax liabilities	20	**0.1**	0.1
		96.5	113.5
Current liabilities			
Bank loans and overdrafts	18	**6.1**	-
Trade and other payables	22	**43.2**	32.4
Current income tax liabilities		**0.8**	0.1
Provisions	19	**1.6**	1.3
		51.7	33.8
Total liabilities		**148.2**	147.3
TOTAL EQUITY AND LIABILITIES		**189.8**	169.3

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Stephen Williams**

28 April 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010 £M**	**2010 £M**	2009 £M	2009 £M
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit		**29.2**		17.1	
Adjustments for:					
Depreciation and amortisation		**9.0**		8.7	
Write-down of property prior to demolition	4	**0.4**		-	
Share of start-up costs of joint venture	12	**0.1**		0.1	
(Increase)/decrease in inventories		**(12.9)**		19.8	
(Increase)/decrease in receivables		**(1.3)**		2.7	
Increase/(decrease) in payables		**10.7**		(8.0)	
Movement in retirement benefit obligations	26	**(4.4)**		(0.5)	
Decrease in provisions	19	**(0.4)**		(1.7)	
Income tax paid		**(5.6)**		(3.6)	
NET CASH FLOWS FROM OPERATING ACTIVITIES			**24.8**		34.6
Net cash inflow from continuing operating activities			***24.9***		***34.4***
Net cash (outflow)/inflow from discontinued operating activities			***(0.1)***		***0.2***
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		**(10.3)**		(8.0)	
Proceeds on disposal of property, plant and equipment (net of costs)		**-**		0.2	
Investment in joint venture	12	**(0.1)**		(0.2)	
Proceeds from sale of business (net of costs)	21	**0.5**		0.5	
Disposal costs of intellectual property	4	**(0.3)**		-	
NET CASH USED IN INVESTING ACTIVITIES			**(10.2)**		(7.5)
NET CASH FLOW BEFORE FINANCING			**14.6**		27.1
FINANCING ACTIVITIES					
Interest paid on banking facilities		**(0.7)**		(0.8)	
Interest paid on Senior Notes due 2012		**(4.8)**		(6.7)	
Interest received on Loan Note		**0.1**		0.1	
Renewal of banking facility – financing costs	18	**(0.1)**		(1.5)	
Payments to acquire non-controlling interests	28	**-**		(0.9)	
Purchase of shares from ESOP	16	**0.1**		-	
Repayments of banking facilities		**(1.1)**		(17.5)	
Purchase of Senior Notes due 2012	18	**(3.3)**		-	
NET CASH FLOWS FROM FINANCING ACTIVITIES			**(9.8)**		(27.3)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			**4.8**		(0.2)
Net increase/(decrease) in cash and cash equivalents			**4.8**		(0.2)
Cash and cash equivalents at 1 January	15		**1.8**		2.0
Cash and cash equivalents at 31 December	15		**6.6**		1.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

		Equity attributable to the equity holders of the parent							
	Notes	Ordinary share capital £M	Deferred share capital £M	Retained earnings £M	Own shares held by ESOP £M	Other reserves[1] £M	Total £M	Non-controlling interests £M	Total equity £M
At 1 January 2009		**10.0**	**76.9**	**131.5**	**(0.4)**	**(195.7)**	**22.3**	**0.9**	**23.2**
Profit for the year		-	-	5.9	-	-	5.9	-	5.9
Currency translation differences		-	-	-	-	(4.3)	(4.3)	-	(4.3)
Increase in fair value of cash flow hedges		-	-	-	-	2.0	2.0	-	2.0
Transfer to income statement on cash flow hedges		-	-	-	-	1.2	1.2	-	1.2
Actuarial gains and losses on pension schemes		-	-	(5.9)	-	-	(5.9)	-	(5.9)
Deferred tax on items taken to other comprehensive income		-	-	0.8	-	-	0.8	-	0.8
Total comprehensive income for the year		**-**	**-**	**0.8**	**-**	**(1.1)**	**(0.3)**	**-**	**(0.3)**
Payments to acquire non-controlling interests	28	-	-	-	-	-	-	(0.9)	(0.9)
Other changes in equity in the year		**-**	**-**	**-**	**-**	**-**	**-**	**(0.9)**	**(0.9)**
At 31 December 2009		**10.0**	**76.9**	**132.3**	**(0.4)**	**(196.8)**	**22.0**	**-**	**22.0**
Profit for the year		-	-	16.8	-	-	16.8	-	16.8
Currency translation differences		-	-	-	-	1.0	1.0	-	1.0
Decrease in fair value of cash flow hedges		-	-	-	-	(0.1)	(0.1)	-	(0.1)
Transfer to income statement on cash flow hedges		-	-	-	-	0.3	0.3	-	0.3
Actuarial gains and losses on pension schemes		-	-	2.2	-	-	2.2	-	2.2
Deferred tax on items taken to other comprehensive income		-	-	(0.7)	-	-	(0.7)	-	(0.7)
Total comprehensive income for the year		**-**	**-**	**18.3**	**-**	**1.2**	**19.5**	**-**	**19.5**
Purchase of shares from ESOP	16(c)	-	-	-	0.1	-	0.1	-	0.1
Other changes in equity in the year		**-**	**-**	**-**	**0.1**	**-**	**0.1**	**-**	**0.1**
At 31 December 2010		**10.0**	**76.9**	**150.6**	**(0.3)**	**(195.6)**	**41.6**	**-**	**41.6**

[1] Other reserves include a hedging reserve of £0.1 million (2009: loss of £0.1 million), a translation reserve of £11.8 million (2009: £10.8 million) and a merger reserve of £207.5 million (£207.5 million).

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1. ACCOUNTING POLICIES

Authorisation of financial statements

The Group's financial statements for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 28 April 2011 and the balance sheet was signed on the Board's behalf by B G Purves and S N Williams. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

Basis of preparation and statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2010 and applied in accordance with the Companies Act 2006. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest £0.1 million except when otherwise indicated.

Going concern

Subsequent to the balance sheet date, the Group has agreed new £110 million financing facilities with a number of banks and an insurance company. It is expected that these agreements will be signed in May 2011.

Basis of consolidation

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

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

The accounting policies which follow set out those polices which apply in preparing the financial statements for the year ended 31 December 2010.

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 recognised 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.

Patents

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

Revenue

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

Property, plant and equipment

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

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

Freehold land is not depreciated.

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

1. ACCOUNTING POLICIES (continued)

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 recognised in the income statement as part of the profit or loss before tax and interest.

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

Inventories

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

Research and development

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

Foreign currencies

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

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

Income tax

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

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

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

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

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 capitalised as a fixed asset at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

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

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

Retirement benefit costs

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

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

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

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

Government grants

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

Provisions

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

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow the users of the financial statements to understand better the elements of the financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Discontinued operations and assets and liabilities held for sale

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

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

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

Interest in joint venture

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

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

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

1. ACCOUNTING POLICIES (continued)

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

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

Financial assets and liabilities

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

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

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

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

Hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows either attributable to a particular risk associated with a recognised asset or liability or a 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 recognised directly in equity and the ineffective portion is recognised in the income statement.

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

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

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

Critical accounting judgements and key sources of estimation of uncertainty

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

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

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

Pensions
Determining the present value of future obligations of pensions requires an estimation of future mortality rates, expected rates of return on assets, future salary increases, future pension increases and discount rates. These assumptions are determined in association with qualified actuaries. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The pension liability at 31 December 2010 is £26.4 million (2009: £32.8 million). Further details are given in Note 26.

1. ACCOUNTING POLICIES (continued)

Changes in accounting policies

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

- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements effective 1 January 2010
- IFRS 3 Business Combinations (Revised) effective 1 January 2010
- IAS 27 Consolidated and Separate Financial Statements (Amendment) effective 1 January 2010
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 January 2010
- IFRIC 12 Service Concession Arrangements effective 1 January 2010
- IFRIC 17 Distribution of Non-cash Assets to Owners effective 1 January 2010
- IFRIC 18 Transfers of Assets from Customers effective 1 January 2010

The principal effects of these changes are as follows:

IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements
The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the Group pays for those goods or services. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised)
IFRS 3 (revised) increases the number of transactions to which it must be applied including business combinations of mutual entities and combinations without consideration. IFRS (revised) introduces significant changes in the accounting for business combinations such as valuation of non-controlling interest, business combination achieved in stages, the initial recognition and subsequent measurement of a contingent consideration and the accounting for transaction costs. These changes will have a significant impact on profit or loss reported in the period of an acquisition, the amount of goodwill recognised in a business combination and profit or loss reported in future periods. During the year the Group did not carryout any acquisitions and so this revision did not have any impact on the financial position or performance of the Group.

IAS 27 Consolidated and Separate Financial Statements (Amendment)
The amended standard requires that at a change in ownership of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will no longer give rise to goodwill or gains or losses. The standard also specifies the accounting when control is lost and any retained interest is remeasured to fair value with gains or losses recognised in profit or loss. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment did not have any impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 12 Service Concession Arrangements
IFRIC 12 addresses how service concession operators should apply existing IFRS's to account for the obligations they undertake and the rights they receive in service concession arrangements. As the Group does not have any service concession arrangements, the interpretation has no impact.

IFRIC 17 Distribution of Non-cash Assets to Owners
The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The adoption of the interpretation did not have an impact on the Group's financial statements as the Group has not made any non-cash distributions to shareholders.

IFRIC 18 Transfers of Assets from Customers
The interpretation applies to entities that receive items of property, plant or equipment (or cash for the acquisition or construction of such items) from customers. These assets are then used to connect customers to a network or to provide ongoing access to a supply of goods or services. As the Group does not enter into such transactions this interpretation did not have any impact on the Group.

1. ACCOUNTING POLICIES (continued)

New standards and interpretations not applied

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

International Accounting Standards		**Effective date**
IAS 24	Related Party Disclosures (Amendment)	1 January 2011
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013

International Financial Reporting Interpretations Committee (IFRIC)		**Effective date**
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011

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.

2. REVENUE AND SEGMENTAL ANALYSIS

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

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

BUSINESS SEGMENTS:

Year ended 31 December 2010

Revenue	Gas Cylinders £M	Elektron £M	Unallocated £M	Total Continuing Activities £M
Segment revenue	129.3	132.2	-	**261.5**
Inter-segment sales	-	(0.3)	-	**(0.3)**
Sales to external customers	129.3	131.9	-	**261.2**
Result				
Trading profit	7.9	21.8	-	**29.7**
Operating exceptional items (Note 4):				
Rationalisation and redundancy	-	(0.1)	-	**(0.1)**
Lease commutation proceeds on vacant property	-	-	0.7	**0.7**
Demolition and environmental remediation of vacant property	-	-	(1.1)	**(1.1)**
Operating profit	7.9	21.7	(0.4)	**29.2**
Disposal costs of intellectual property (Note 4)	-	(0.3)	-	**(0.3)**
Profit before interest and tax	7.9	21.4	(0.4)	**28.9**
Net finance costs				**(5.7)**
Profit before tax				**23.2**
Tax expense				**(6.4)**
Net profit for the year				**16.8**
Other segment information				
Segment assets	81.7	92.4	15.7	**189.9**
Segment liabilities	(23.7)	(20.2)	(104.3)	**(148.2)**
Net assets/(liabilities)	58.0	72.2	(88.6)	**41.6**
Capital expenditure: Property, plant and equipment	4.0	6.4	-	**10.4**
Capital expenditure: Intangible assets	-	-	-	**-**
Depreciation and amortisation	4.1	4.9	-	**9.0**

Year ended 31 December 2009

Revenue	Gas Cylinders £M	Elektron £M	Unallocated £M	Total Continuing Activities £M
Segment revenue	118.9	117.9	-	**236.8**
Inter-segment sales	-	(0.5)	-	**(0.5)**
Sales to external customers	118.9	117.4	-	**236.3**
Result				
Trading profit	3.3	14.8	-	**18.1**
Operating exceptional items (Note 4):				
Rationalisation and redundancy	(0.1)	(0.6)	-	**(0.7)**
Acquisition costs	-	(0.3)	-	**(0.3)**
Operating profit	3.2	13.9	-	**17.1**
Net finance costs				**(7.5)**
Profit before tax				**9.6**
Tax expense				**(3.7)**
Net profit for the year				**5.9**
Other segment information				
Segment assets	77.8	78.8	12.7	**169.3**
Segment liabilities	(20.4)	(15.6)	(111.3)	**(147.3)**
Net assets/(liabilities)	57.4	63.2	(98.6)	**22.0**
Capital expenditure: Property, plant and equipment	4.2	4.1	-	**8.3**
Capital expenditure: Intangible assets	-	-	-	**-**
Depreciation and amortisation	3.8	4.9	-	**8.7**

2. REVENUE AND SEGMENTAL ANALYSIS (continued)

GEOGRAPHIC ORIGIN:

Year ended 31 December 2010

	United Kingdom £M	Rest of Europe £M	North America £M	Australasia £M	Asia £M	Total Continuing Activities £M
Revenue						
Segment revenue	110.1	31.6	152.2	-	3.8	**297.7**
Inter-segment sales	(19.0)	(1.1)	(16.4)	-	-	**(36.5)**
Sales to external customers	91.1	30.5	135.8	-	3.8	**261.2**
Result						
Trading profit	9.9	0.7	18.4	-	0.7	**29.7**
Operating exceptional items (Note 4):						
Rationalisation and redundancy	-	-	(0.1)	-	-	**(0.1)**
Lease commutation proceeds on vacant property	0.7	-	-	-	-	**0.7**
Demolition and environmental remediation on vacant property	(1.1)	-	-	-	-	**(1.1)**
Operating profit	9.5	0.7	18.3	-	0.7	**29.2**
Other geographical segment information						
Non-current assets [1]	32.1	13.2	47.9	-	0.2	**93.4**
Net assets/(liabilities) [2]	(35.5)	17.1	57.7	0.1	2.2	**41.6**
Capital expenditure: Property, plant and equipment	4.9	0.6	4.9	-	-	**10.4**
Capital expenditure: Intangible assets	-	-	-	-	-	**-**
Depreciation and amortisation	3.5	1.8	3.6	-	0.1	**9.0**

[1] The Group's non-current assets analysed 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 ORIGIN:

Year ended 31 December 2009

	United Kingdom £M	Rest of Europe £M	North America £M	Australasia £M	Asia £M	Total Continuing Activities £M
Revenue						
Segment revenue	92.9	33.6	137.6	0.1	2.8	**267.0**
Inter-segment sales	(16.1)	(1.5)	(13.1)	-	-	**(30.7)**
Sales to external customers	76.8	32.1	124.5	0.1	2.8	**236.3**
Result						
Trading profit	3.7	0.9	13.2	0.1	0.2	**18.1**
Operating exceptional items (Note 4):						
Rationalisation and redundancy	(0.3)	-	(0.4)	-	-	**(0.7)**
Acquisition costs	-	-	(0.3)	-	-	**(0.3)**
Operating profit	3.4	0.9	12.5	0.1	0.2	**17.1**
Other geographical segment information						
Non-current assets [1]	31.1	14.7	45.5	-	0.2	**91.5**
Net assets/(liabilities) [2]	(47.9)	18.6	49.7	0.2	1.4	**22.0**
Capital expenditure: Property, plant and equipment	2.4	0.8	5.1	-	-	**8.3**
Capital expenditure: Intangible assets	-	-	-	-	-	**-**
Depreciation and amortisation	3.5	1.8	3.3	-	0.1	**8.7**

[1] The Group's non-current assets analysed 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)

GEOGRAPHIC DESTINATION:

	United Kingdom £M	Rest of Europe £M	Africa £M	North America £M	South America £M	Asia Pacific £M	Total £M
Revenue - Continuing							
Year ended 31 December 2010	29.8	68.1	4.8	118.3	9.7	30.5	**261.2**
Year ended 31 December 2009	27.1	63.9	5.1	105.1	8.2	26.9	**236.3**

3. OPERATING PROFIT

Operating profit for continuing activities is stated after charging/(crediting):	**2010 £M**	2009 £M
Research and development expenditure charged to the income statement	**5.8**	4.0
Research and development capital expenditure included within property, plant and equipment	**0.6**	-
Total research and development expenditure	**6.4**	4.0
less external funding received – grants and recharges to third parties	**(2.0)**	(1.0)
less research and development expenditure capitalised within property, plant and equipment	**(0.6)**	-
Net research and development	**3.8**	(3.0)
Depreciation of property, plant and equipment (Note 9)	**8.8**	8.6
Amortisation of intangible assets (included in cost of sales) (Note 10)	**0.2**	0.1
Write-down of property prior to demolition (Note 4)	**0.4**	-
Net foreign exchange gains	**(0.8)**	(0.7)
Staff costs (Note 5)	**63.3**	60.6
Cost of inventories recognised as expense	**190.8**	185.3

Fees paid to auditors for the audit of the financial statements were £0.3 million (2009: £0.3 million). Other fees paid to auditors for non-audit services were £0.3 million (2009: £0.3 million) relating to taxation services. The audit fee for the Company financial statements of Luxfer Holdings PLC was £0.1 million (2009: £0.1 million).

Included in other fees to auditors is £0.2 million (2009: £0.2 million) relating to the Company and its UK subsidiaries.

4. EXCEPTIONAL ITEMS

	2010 £M	2009 £M
(Charged)/credited to Operating profit:		
Rationalisation of operations:		
- redundancy and restructuring costs	**(0.1)**	(0.7)
Acquisition costs	**-**	(0.3)
Lease commutation proceeds on vacant property	**0.7**	-
Demolition and environmental remediation of vacant property	**(1.1)**	-
Exceptional items included within operating profit	**(0.5)**	(1.0)
Charged to Non-operating profit:		
Disposal costs of intellectual property	**(0.3)**	-
Exceptional items included within Non-operating profit	**(0.3)**	-
Credit to Finance costs and income:		
Gain on purchase of own debt	**0.4**	-
Exceptional items included within profit before taxation	**(0.4)**	(1.0)

Rationalisation of operations

In 2010, the Elektron division incurred further costs of £0.1 million (2009: £0.6 million), relating to a series of rationalisation activities conducted at the manufacturing plants to improve operating efficiencies. £0.1 million (2009: £0.3 million) of these costs relate to US operations and in 2009 £0.3 million of these costs relate to UK operations. In addition, in 2009 £0.1 million of costs have been incurred in relation to rationalisation costs in the US Gas Cylinders division.

4. EXCEPTIONAL ITEMS (continued)

Acquisition costs

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

Demolition of vacant property and lease commutation

In 2010, a charge of £1.1 million has been made for the demolition of a vacant property gross of proceeds from a third party leasee of the building owned by the group undertaking Luxfer Group Services Limited. The building had been previously used by the Group's Speciality Aluminium division and subsequently a third party following the sale of the trade and assets of the division in December 2007. The Group did not sell the land and buildings at the Redditch, UK site and entered into a property lease agreement with the new owners of the business over a fifteen year period. The property was vacated in 2009 and since then there has been no industrial activity at the Redditch site. During 2010, an agreement was reached with the lessee's parent company to pay Luxfer Group Services Limited £0.7 million for a mutual release of obligations under the lease and a related agreement including a release of the lessee's parent company from their lease guarantee. The lease has been terminated and these funds are being utilised to fund the demolition of the buildings on the site. The cost of the buildings was £1.3 million and the accumulated depreciation charged up to the date of reaching this agreement totalled £0.9 million.

The £1.1 million costs include £0.4 million for the write-down of the buildings to £nil net book value, £0.2 million for the environmental remediation costs and £0.5 million demolition costs.

Marketing and potential sale of intellectual property relating to Revere Graphics

In 2010, £0.3 million of exceptional costs have been incurred by the Elektron division in relation to the sale process of intellectual property in the USA acquired as part of the 2007 acquisition of Revere Graphics.

Gain on purchase of Senior Notes due 2012

During 2010, the Group purchased £3.7 million of the Senior Notes due 2012 for £3.3 million through Luxfer Group Limited, a subsidiary of Luxfer Holdings PLC. The gain on the purchase of the Senior Notes due 2012 was £0.4 million and has been disclosed within finance income (Note 6) as an exceptional item included within profit on operations before taxation.

5. STAFF COSTS

	2010	2009
	£M	£M
Wages and salaries	**51.8**	47.7
Social security costs	**7.2**	7.3
Retirement benefits costs	**4.2**	4.9
Redundancy costs:		
- continuing activities (Note 4)	**0.1**	0.7
	63.3	60.6

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

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

	2010	2009
	No.	No.
Production and distribution	**1,210**	1,221
Sales and administration	**170**	177
Research and development	**45**	47
	1,425	1,440

Compensation of key management personnel (comprising the Executive Management Board as set out on page 21 of the Directors' Report) was £1.8 million (2009: £1.4 million) for short term employee benefits and £0.3 million (2009: £0.2 million) for post employment benefits.

6. FINANCE INCOME

	2010	2009
	£M	£M
Other interest received (Note 21)	**0.1**	0.1
Gain on purchase of own debt (Notes 4, 18)	**0.4**	-
Total finance income	**0.5**	0.1

7. FINANCE COSTS

	2010	2009
	£M	£M
Senior Notes due 2012	**4.8**	6.1
Bank loan, overdrafts and revolving credit facilities	**0.6**	0.8
Amortisation of issue costs	**0.8**	0.7
Total finance costs	**6.2**	7.6

8. INCOME TAX

	2010	2009
(a) Analysis of taxation charge for the year	**£M**	£M
Current tax:		
UK Corporation tax	**-**	3.2
Double tax relief	**-**	(3.2)
	-	-
Overseas tax	**6.1**	2.3
Adjustments in respect of previous years	**0.1**	0.3
Total current tax charge	**6.2**	2.6
Deferred tax:		
Origination and reversal of temporary differences	**0.3**	1.8
Adjustments in respect of previous years	**(0.1)**	(0.7)
Total deferred tax charge	**0.2**	1.1
Tax on profit on ordinary activities	**6.4**	3.7

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

(b) Factors affecting the taxation charge for the year

The tax assessed for the year differs from the standard rate of 28% (2009: 28%) for corporation tax in the UK.
The differences are explained below:

	2010	2009
	£M	£M
Profit on ordinary activities before taxation	**23.2**	9.6
Profit on ordinary activities at 2010 standard rate of corporation tax in the UK of 28% (2009: 28%)	**6.5**	2.7
Effects of:		
Income not taxable	**(0.6)**	-
Unprovided deferred tax	**(1.0)**	0.3
Foreign tax rate differences	**1.5**	1.1
Adjustment in respect of previous years	**-**	(0.4)
Tax expense	**6.4**	3.7

(c) Factors that may affect future taxation charge

As at 31 December 2010, the Group has carried forward tax losses of £47.0 million (UK: £43.8 million, Overseas: £3.2 million). Carried forward tax losses for 2009 were £46.0 million (UK: £42.2 million, Overseas: £3.8 million). To the extent that these losses are available to offset against future taxable profits, it is expected that the future effective tax rate would be below the standard rate in the country where the profits are offset.

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

8. INCOME TAX (continued)

In his budget of 23 March 2011, the Chancellor of the Exchequer announced certain tax changes which will have a significant effect on the Group's future tax position. The proposals included phased reductions in the corporation tax rate to 23% from 1 April 2014. The Finance Bill 2011 will contain proposals to reduce the corporation tax rate to 26% from 1 April 2011 and to 25% from 1 April 2012 with the further reductions to 23% expected to be reflected in future Finance Acts.

As at 31 December 2010, only the reduction in the rate to 27% (proposed in the previous budget of 22 June 2010) had been 'substantively enacted' and this has been reflected in the Group's financial statements as at 31 December 2010.

The effect of the reduction of the UK corporation tax rate to 23% on the Group's deferred tax asset (recognised and not recognised) would be to reduce the deferred tax asset by £2.8 million. This being a reduction of £0.7 million in the Group's recognised deferred tax asset and £2.1 million in the Group's unrecognised deferred tax asset as at 31 December 2010.

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.

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold £M	Long leasehold £M	Short leasehold £M	Plant and equipment £M	Total £M
Cost:					
At 1 January 2009	26.7	2.5	4.0	157.1	**190.3**
Additions	2.2	-	0.2	5.9	**8.3**
Disposals	-	-	-	(1.0)	**(1.0)**
Exchange adjustments	(1.8)	-	(0.3)	(6.5)	**(8.6)**
At 1 January 2010	27.1	2.5	3.9	155.5	**189.0**
Additions	0.3	-	0.2	9.9	**10.4**
Disposals	(1.4)	-	-	(0.4)	**(1.8)**
Exchange adjustments	0.6	-	(0.1)	1.6	**2.3**
At 31 December 2010	26.6	2.5	4.2	166.6	**199.9**
Depreciation:					
At 1 January 2009	9.2	2.0	1.4	105.5	**118.1**
Provided during the year	0.5	-	0.2	7.9	**8.6**
Disposals	-	-	-	(0.7)	**(0.7)**
Exchange adjustments	(0.6)	-	(0.1)	(3.7)	**(4.4)**
At 1 January 2010	9.1	2.0	1.5	109.0	**121.6**
Provided during the year	0.6	-	0.2	8.0	**8.8**
Disposals	(1.0)	-	-	(0.4)	**(1.4)**
Exchange adjustments	0.3	-	-	1.1	**1.4**
At 31 December 2010	9.0	2.0	1.7	117.7	**130.4**
Net book values:					
At 31 December 2010	17.6	0.5	2.5	48.9	**69.5**
At 31 December 2009	18.0	0.5	2.4	46.5	**67.4**
At 1 January 2009	17.5	0.5	2.6	51.6	**72.2**

Long and short leasehold

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

10. INTANGIBLE ASSETS

	Goodwill £M	Patents £M	Other £M	Total £M
Cost:				
At 1 January 2009	34.9	1.0	0.7	**36.6**
Additions	-	-	-	**-**
At 1 January 2010	34.9	1.0	0.7	**36.6**
Additions	-	-	-	**-**
At 31 December 2010	34.9	1.0	0.7	**36.6**
Amortisation:				
At 1 January 2009	12.0	0.3	0.3	**12.6**
Provided during the year	-	0.1	-	**0.1**
At 1 January 2010	12.0	0.4	0.3	**12.7**
Provided during the year	-	0.1	0.1	**0.2**
At 31 December 2010	12.0	0.5	0.4	**12.9**
Net book values:				
At 31 December 2010	22.9	0.5	0.3	**23.7**
At 31 December 2009	22.9	0.6	0.4	**23.9**
At 1 January 2009	22.9	0.7	0.4	**24.0**

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

11. IMPAIRMENT OF GOODWILL

Goodwill acquired 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 defined on page 3 of the Directors' Report and are aggregated to form the Group's two defined reportable business segments: Gas Cylinders division and Elektron division.

	Gas Cylinders division		Elektron division		Total	
	2010	2009	**2010**	2009	**2010**	2009
	£M	£M	**£M**	£M	**£M**	£M
Carrying amount of goodwill	**14.7**	14.7	**8.2**	8.2	**22.9**	22.9

The Gas Cylinders division goodwill of £14.7 million (2009: £14.7 million) included goodwill attributable to our Luxfer Gas Cylinders operations of £14.0 million (2009: £14.0 million) and goodwill attributable to our Superform operations of £0.7 million (2009: £0.7 million). The Elektron division goodwill of £8.2 million (2009: £8.2 million) included goodwill attributable to our MEL Chemicals operations of £3.2 million (2009: £3.2 million) and goodwill attributable to our Magnesium Elektron operations of £5.0 million (2009: £5.0 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 2014 and then a terminal value based on a growth rate of 2.5% (2009: 3%). 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 programmes, along with working capital requirements based on the projected level of sales. The before tax discount rate used was 10% (2009: 11%), which was considered a best estimate for the risk-adjusted cost of capital for the business units. The long term projections assumed product prices and costs were at current levels, but the exchange rates used were: US$: £ exchange rate of $1.60 and euro: £ exchange rate of €1.20. These exchange rates are higher than the actual exchange rates as at 31 December 2010. Lower exchange rates would be expected to result in higher valuations for each cash-generating unit. Based on the current business plans used in the impairment testing, it is believed no reasonable changes in the discount and growth rates are expected to result in an impairment of the carrying value of the goodwill.

12. INVESTMENTS

	Joint venture – India £M	Other £M	Total £M
At 1 January 2009	-	0.1	**0.1**
Increase in investments at cost	0.2	-	**0.2**
Share of start-up costs of joint venture	(0.1)	-	**(0.1)**
At 31 December 2009	0.1	0.1	**0.2**
Increase in investments at cost	0.1	-	**0.1**
Share of start-up costs of joint venture	(0.1)	-	**(0.1)**
At 31 December 2010	0.1	0.1	**0.2**

Investment in Indian joint venture

At 31 December 2010, the Group had the following joint venture undertaking which affects the profit of the Group. Unless otherwise stated, the Group's joint venture has share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

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

* In July 2009 the company changed its name to Luxfer Uttam India Private Limited.

During 2010, the joint venture increased its share capital and the cost paid by the Group to maintain the 51% investment in the equity in the joint venture was £0.1 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 2010 was £0.1 million (2009: loss of £0.1 million) as a result of start-up costs being incurred. The joint venture is due to start trading during early 2011 when it will manufacture and distribute gas cylinders from its operation in India as part of the Group's Gas Cylinders division. Related party transactions with the joint venture have been disclosed in Note 29 to the Group's financial statements.

Other investments

A list of the significant subsidiaries and other investments, including the name, country of incorporation and proportion of voting rights is given in Note 32 to the company's separate financial statements.

13. INVENTORIES

	2010 £M	2009 £M
Raw materials and consumables	**20.1**	12.4
Work in progress	**14.0**	12.0
Finished goods and goods for resale	**15.2**	11.4
	49.3	35.8

The provision against obsolete and excess stocks at 31 December 2010 was £3.6 million (2009: £2.7 million). The cost of inventories recognised as an expense during the year has been disclosed in Note 3.

14. TRADE AND OTHER RECEIVABLES

	2010 £M	2009 £M
Trade receivables	**28.2**	25.6
Amounts owed by joint ventures and associates	**0.3**	-
Other receivables	**1.6**	1.9
Prepayments and accrued income	**3.0**	4.1
Derivative financial instruments	**0.1**	-
	33.2	31.6

The Directors consider that the carrying value of trade and other receivables approximates to their fair value.
Trade receivables are non-interest bearing and are generally on 30-90 days' terms.
Trade receivables above are disclosed net of any provisions for doubtful receivables.
As at 31 December 2010, trade receivables at nominal value £0.9 million (2009: £0.9 million) were impaired and fully provided for.

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

	2010 £M	2009 £M
At 1 January	**0.9**	0.9
Charge in the year	**0.1**	0.2
Utilised in the year	**(0.1)**	(0.3)
Other movements	**-**	0.1
At 31 December	**0.9**	0.9

15. CASH AND SHORT TERM DEPOSITS

	2010 £M	2009 £M
Cash at bank and in hand	**6.6**	1.8

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

16. SHARE CAPITAL

(a) Ordinary share capital	2010 No.	2009 No.	2010 £M	2009 £M
Authorised:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,433,688,000	769,433,688,000	**86.9**	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,413,688,000**	769,413,688,000	**76.9**	76.9
	769,423,688,000	769,423,688,000	**86.9**	86.9

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) Preference share capital

	2010 No.	2009 No.	2010 £M	2009 £M
Authorised:				
'B' preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1
Allotted, called up and 25% paid:				
'B' preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1

The 50,000 'B' preference shares are entitled to a fixed cumulative dividend of 5% per annum payable on redemption of the preference shares. Interest will accrue on unpaid preference dividends at the rate of 5% per annum of the nominal amount of the preference shares compounding on 31 December each year. The preference shares are entitled to be redeemed prior to any distribution or return of capital to shareholders.

(c) Own shares held by ESOP

	2010 £M	2009 £M
At beginning of year	**0.4**	0.4
Purchase of shares from ESOP	**(0.1)**	-
At end of year	**0.3**	0.4

As at 31 December 2010 115,974 ordinary shares (31 December 2009: 175,674 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 59,700 ordinary shares represents the exercise of options to purchase shares from the The Luxfer Group Employee Share Ownership Plan by senior management for £0.1 million. For further information refer to Note 27.

17. RESERVES

	Hedging reserve £M	Translation reserve £M	Merger reserve £M	Retained earnings £M
At 1 January 2009	(3.3)	15.1	(207.5)	131.5
Profit for the year	-	-	-	5.9
Currency translation differences	-	(4.3)	-	-
Decrease in fair value of cash flow hedges	2.0	-	-	-
Transfer to income statement on cash flow hedges	1.2	-	-	-
Actuarial gains and losses on pension schemes	-	-	-	(5.9)
Deferred tax on items taken to other comprehensive income	-	-	-	0.8
At 31 December 2009	(0.1)	10.8	(207.5)	132.3
Profit for the year	-	-	-	16.8
Currency translation differences	-	1.0	-	-
Increase in fair value of cash flow hedges	(0.1)	-	-	-
Transfer to income statement on cash flow hedges	0.3	-	-	-
Actuarial gains and losses on pension schemes	-	-	-	2.2
Deferred tax on items taken to other comprehensive income	-	-	-	(0.7)
At 31 December 2010	**0.1**	**11.8**	**(207.5)**	**150.6**

Nature and purpose of reserves

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group at the reporting date. The movement in the year of £0.2 million includes a decrease in the fair value of cash flow hedges of £0.1 million and £0.3 million of cash flow hedges being transferred to the income statement. For further information regarding the Group's forward foreign currency contracts, forward aluminium commodity contracts and forward rate interest rate agreements refer to Note 25 section (a) - Financial Instruments: Financial Instruments of the Group.

Translation reserve

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

Merger reserve

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

18. INTEREST BEARING LOANS AND BORROWINGS

Current	2010 £M	2009 £M
Bank loans and overdrafts	**6.1**	-

Non-current	2010 £M	2009 £M
Bank loans and overdrafts	**-**	6.3
Senior Notes due 2012	**68.1**	71.7
	68.1	78.0

Bank loans and overdrafts

The bank loan and overdrafts relate to loan drawings on the Group's £45 million revolving credit facilities and were secured against the Group's UK and US operating assets. They bear interest at a rate connected to LIBOR and the Group is exposed to variable interest rates on its drawn amount. The amount drawn in loans was £6.5 million (2009: £7.2 million) and £0.4 million (2009: £0.9 million) of unamortised finance costs have been netted against this. The Group's revolving credit facilities were initially schedule to mature in April 2011 following their extension on 5 March 2009. On 17 September 2010 the Group further extended its revolving credit facilities until 31 October 2011. Issue costs incurred with the renewal on 17 September 2010 totalled £0.1 million. During 2010, a further £0.7 million of issues costs relating to the initial extension of the revolving credit facilities had been amortised in the year. Therefore, as at 31 December 2010 bank loans and overdrafts are shown net of issue costs of £0.4 million and these issue costs are to be amortised during 2011 to the expected maturity of the current facility. The Group's revolving credit facilities are further detailed in Note 25 section (e) - Financial Instruments: Un-drawn committed facilities.

Senior Notes due 2012

The Senior Notes due 2012 were issued as part of the 6 February 2007 capital reorganisation. At this date, the principal amount held by external parties was £71.9 million. The notes are listed on the Euro MTF Luxembourg Stock Exchange and interest is payable bi-annually. At 31 December 2010, the Senior Notes due 2012 are shown net of deferred transaction costs of £0.1 million (2009: £0.2 million). On issue, £0.5 million of costs were capitalised and are being amortised over the five-year life of the notes, with £0.4 million of these issue costs being amortised up to 31 December 2010. A variable interest rate is payable on 1 May and 1 November, each year, based on six-month LIBOR plus 5.5% to 6%, depending on the credit rating of the notes. The total rate payable at the end of 31 December 2010 was 6.53%, being 5.5% above the relevant LIBOR rate, which is fixed at the start of each six-month interest period. At the Company's discretion, 1% (1.5% if the interest rate is LIBOR plus 6%) may be paid in kind through the issue of new notes, though this option has not been taken up and the interest has been paid in full. The Senior Notes were not allowed to be repaid until one year after issue, with a 3% early redemption premium for repayment in the second year after issue, 2% in the third and 1% in the fourth year. There is no redemption premium for repayment after four years from issue. The final maturity then being February 2012. During 2009, the Group entered into a forward rate agreement for the six month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. No forward rate agreements have been entered into during 2010. During the year ended 31 December 2010 the Group purchased £3.7 million of the Senior Notes due 2012 for £3.3 million through Luxfer Group Limited, a subsidiary of Luxfer Holdings PLC. The gain on the purchase of the Senior Notes due 2012 was £0.4 million. As at 31 December 2010, the principal amount held by external parties outside of the Group was £68.2 million.

New financing arrangements

The Group entered into new debt financing facilities in 2011, which would be used to repay the facilities existing at 31 December 2010, as further explained in the Post Balance Sheet Events note of the Group financial statements – Note 30.

19. PROVISIONS

	Rationalisation & redundancy	Employee benefits	Environmental provisions	Total
	£M	£M	£M	£M
At 1 January 2010	0.5	0.6	2.7	**3.8**
Charge to income statement	0.1	-	0.2	**0.3**
Cash payments	(0.3)	(0.1)	(0.3)	**(0.7)**
At 31 December 2010	**0.3**	**0.5**	**2.6**	**3.4**
Included in current liabilities	0.3	-	1.3	**1.6**
Included in non-current liabilities	-	0.5	1.3	**1.8**
	0.3	**0.5**	**2.6**	**3.4**

Rationalisation and redundancy

At 31 December 2010 the Group had £0.3 million of provisions relating to redundancy and the rationalisation of its operations. £0.1 million of this provision relates to restructuring of the production facilities at Riverside, California, USA within the Gas Cylinders division. A further £0.1 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 rationalisation and redundancy within the Elektron division to improve operating efficiencies. These costs are expected to be spent in 2011.

Employee benefits

At 31 December 2010 the Group had £0.5 million of employee benefit liabilities (in addition to retirement benefits), as calculated on an actuarial basis, relating to a provision for workers' compensation at the Gas Cylinders division in the USA.

Environmental provisions

As at 31 December 2010, the Group had environmental provisions of £2.6 million relating to environmental clean up costs. £0.7 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 one to two years. A further £1.7 million of environmental provisions relate to work required at the UK Elektron division site. This expenditure is expected to take place over the next two to three years. In addition, environmental remediation costs of £0.2 million have been incurred in relation to the demolition of the building at Redditch, UK, as further explained in Note 4.

20. DEFERRED TAX

	Accelerated tax depreciation £M	Other temporary differences £M	Tax losses £M	Retirement benefit obligations £M	Total £M
At 1 January 2009	4.8	(3.0)	(0.1)	(9.4)	**(7.7)**
(Credited)/charged to income statement	(0.2)	1.1	-	0.2	**1.1**
Credited to other comprehensive income	-	-	-	(0.8)	**(0.8)**
Exchange adjustment	(0.1)	-	-	0.4	**0.3**
At 31 December 2009	4.5	(1.9)	(0.1)	(9.6)	**(7.1)**
Charged/(credited) to income statement	0.4	(1.0)	0.1	0.7	**0.2**
Charged to other comprehensive income	-	-	-	0.7	**0.7**
Exchange adjustment	-	-	-	0.1	**0.1**
At 31 December 2010	**4.9**	**(2.9)**	**-**	**(8.1)**	**(6.1)**

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

	2010 £M	2009 £M
Deferred tax liabilities	**0.1**	0.1
Deferred tax assets	**(6.2)**	(7.2)
Net deferred tax asset	**(6.1)**	(7.1)

At the balance sheet date, the Group has unrecognised deferred tax assets relating to certain trading and capital losses and other temporary differences of £14.4 million (2009: £16.5 million) potentially available for offset against future profits. No deferred tax asset has been recognised in respect of this amount because of the unpredictability of future qualifying profit streams. Of the total unrecognised deferred tax asset of £14.4 million (2009: £16.5 million), £12.2 million (2009: £12.2 million) relates to losses that can be carried forward indefinitely under current legislation.

21. OTHER LONG TERM ASSETS AND LIABILITIES

Other long term assets

	2010 £M	2009 £M
Loan Note – deferred consideration	**0.9**	1.4

The Loan Note receivable relates to the deferred consideration due from the sale of plant and equipment of the Speciality Aluminium division which was completed in January 2008. The total amount of the deferred consideration was £2.4 million, payable in annual instalments over the next five years, commencing on the first anniversary of the sale date. The Loan Note earns interest at 6.5% pa from the sale date, and the interest is payable annually in arrears. The interest accrued to 31 December 2010 was £0.1 million, as disclosed in Note 6.

The first three annual repayment instalments of the Loan Note of £0.5 million, plus interest accrued, were received in January 2009, January 2010 and January 2011.

As at 31 December 2010, the fair value of the remaining deferred consideration was £1.5 million, which included £0.1 million of interest accrued. Of the £1.5 million, £0.6 million has been included within other receivables, as disclosed in Note 14, and £0.9 million has been included within other non-current assets, as shown above.

22. TRADE AND OTHER PAYABLES

	2010	2009
	£M	£M
Trade payables	**22.6**	15.4
Other taxation and social security	**2.5**	2.6
Accruals	**17.4**	13.4
Interest payable	**0.7**	0.8
Derivative financial instruments	**-**	0.2
	43.2	32.4

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

23. COMMITMENTS AND CONTINGENCIES

	2010	2009
	£M	£M
Operating lease commitments – Group as a lessee		
Minimum lease payments under operating leases recognised in the income statement	**2.5**	2.4

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:

	2010	2009
	£M	£M
Within one year	**2.2**	2.2
In two to five years	**6.1**	6.2
In over five years	**11.2**	10.7
	19.5	19.1

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

Capital commitments

At 31 December 2010, the Group had capital expenditure commitments of £0.7 million (2009: £1.8 million) for the acquisition of new plant and equipment.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

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

A Hedging Committee, chaired by the Group Finance Director, oversees the implementation of the Group's hedging policies, including the risk management of currency and aluminium risks and the use of derivative financial instruments.

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

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency translation and transaction risk, aluminium price risk and credit risk on trade receivables and a £45 million variable interest rate revolving credit facility, of which £6.5 million was drawn down as at 31 December 2010, see Note 18.

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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

At 31 December 2010, the Group had significant exposure to variable interest due to its £71.9 million floating rate Senior Notes due 2012 and revolving credit facilities and £70 million of its future £110 million new financing arrangements are also based on variable interest rate debt (as further explained in Note 30). As a result of this exposure, the Group may decide to hedge variable interest payable through a combination of forward rate agreements, interest rate caps and swaps.

During 2009, the Group entered into a forward rate agreement for the six-month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. At 31 December 2010, the Senior Notes due 2012 are shown net of transaction costs of £0.1 million (2009: £0.2 million) which have been capitalised and amortised over the life of the Senior Notes due 2012. The remaining transaction costs are to be amortised during 2011 to the date of the Senior Notes due 2012 being repaid in full as disclosed in the Post Balance Sheet Events note of the Group's financial statements – Note 30.

The Group's revolving credit facilities were scheduled to mature in April 2011 and on 17 September 2010 the Group extended its revolving credit facilities until 31 October 2011. Issue costs incurred with the renewal on 17 September 2010 totalled £0.1 million. These issue costs are to be amortised from the date of renewal to the end of the revolving credit facilities as disclosed in the Post Balance Sheet Events note of the Group's financial statements – Note 30. During 2010, a further £0.7 million of issues costs relating to the initial extension of the revolving credit facilities had been amortised in the year. Therefore, as at 31 December 2010 bank loans and overdrafts are shown net of issue costs of £0.4 million and these issue costs are to be amortised during 2011 to the expected maturity of the current facility and the Group at 31 December 2010 was exposed to variable interest rates on its bank loans and overdrafts of £6.5 million.

Total debt, before netting off issue costs as at 31 December 2010, subject to variable interest rates was therefore £74.7 million and based on this level a 1% increase in rates would increase the Group's annual interest cost by £0.7 million.

Liquidity risk

To understand and monitor cash flows, the Group uses a combination of a short-term rolling six week cash forecast, based on expected daily liquidity requirements and longer term monthly rolling forecasts, covering forecast periods of between six and eighteen months forward. The Group also prepares, at least annually, longer-term strategic cash forecasts. Together this system of control is used to ensure the Group can fund its ongoing operations, including working capital, capital expenditure and interest payments. Short and medium term changes in liquidity needs have been funded from the Group's £45 million revolving bank facility and will in future be provided by a new £40 million facility arranged in 2011 (as disclosed in Note 30), which provides the ability to draw down and repay funds on a daily basis. In monitoring liquidity requirements and planning its working capital and capital expenditure programmes, the Group aims to maintain a sufficiently prudent level of headroom against its banking facilities as protection against any unexpected or sudden market shocks.

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

	31 December 2010			31 December 2009		
	Within 12 months	**1-5 years**	**Total**	Within 12 months	1-5 years	Total
	£M	**£M**	**£M**	£M	£M	£M
Senior Notes due 2012	**-**	**68.2**	**68.2**	-	71.9	71.9
Cumulative preference shares	**-**	**0.1**	**0.1**	-	0.1	0.1
Bank loans and overdrafts	**6.5**	**-**	**6.5**	-	7.2	7.2
Trade payables	**22.6**	**-**	**22.6**	15.4	-	15.4
Other taxation and social security	**2.5**	**-**	**2.5**	2.6	-	2.6
Accruals	**17.4**	**-**	**17.4**	13.4	-	13.4
Interest payable	**0.7**	**-**	**0.7**	0.8	-	0.8
Derivative financial instruments	**-**	**-**	**-**	0.2	-	0.2
	49.7	**68.3**	**118.0**	32.4	79.2	111.6

Capital risk management

In recent years the Group has sought to reduce its indebtedness and increase the level of equity funding and has organised its capital structure to fund medium and long-term investment programmes aimed at the development of new products and production facilities. At 31 December 2010, the debt managed by the Group included the Senior Notes due 2012 and bank loans and overdrafts which related to drawings on the Group's revolving credit facilities.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group monitors its EBITDA for continuing activities before exceptional items to net debt ratio and has sought to reduce this over time from 6x to below 3x. The table below sets out the calculations for 2010 and 2009:

	2010	2009
	£M	£M
For continuing operations:		
Trading profit	**29.7**	18.1
Depreciation and amortisation	**9.0**	8.7
EBITDA – before exceptionals	**38.7**	26.8
Bank loans and overdrafts	**6.1**	6.3
Senior Notes due 2012	**68.1**	71.7
Total debt	**74.2**	78.0
Less cash	**(6.6)**	(1.8)
Net debt	**67.6**	76.2
Net debt: EBITDA ratio	**1.7x**	2.8x

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 31 December 2010, the Group has a provision for bad and doubtful debtors of £0.9 million (2009: £0.9 million) and £0.1 million (2009: £0.2 million) has been charged to the Income Statement in relation to bad debts incurred in 2010.

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

		Neither past due	Past due but not impaired				
	Total	nor impaired	< 31 days	31-61 days	61-91 days	91-121 days	> 121 days
	£M	£M	£M	£M	£M	£M	£M
2010	**28.2**	**23.7**	**3.3**	**0.7**	**0.5**	**-**	**-**
2009	25.6	20.8	4.3	0.5	-	-	-

The Group also monitors the spread of its customer base with the objective of trying to minimise exposure at a Group and divisional level to any one customer. The top ten customers in 2010 represented 30.8% (2009: 31.2%) of total revenue.

Foreign currency translation risk

With substantial operations in the USA and Europe, the Group is exposed to translation risk on both its Income Statement, based on average exchange rates, and it’s 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 2010 the Group had revenue of £152.2 million derived from US operations, a trading profit of £18.4 million and when adding back depreciation and amortisation an EBITDA of £22.0 million. During 2010, the average exchange rate for the US dollar was $1.5428, being stronger than the 2009 average of $1.5713. This resulted in a favourable impact of £1.8 million on revenue, £0.2 million on trading profit and £0.3 million on EBITDA. Based on the 2010 level of sales and profits a $0.10 increase in the US dollar to GBP sterling exchange rate would result in a £9.3 million decrease in revenue, £1.1 million decrease in trading profit and £1.3 million decrease in EBITDA.

The capital employed as at 31 December 2010 in the USA was £57.9 million translated at an exchange rate of $1.5659. A $0.10 increase in exchange rates would reduce capital employed by approximately £3.5 million.

During 2010, the average exchange rate for the Euro was €1.1687, being weaker than the 2009 average of €1.1261. This resulted in an adverse impact of £0.8 million on revenue, £nil million on trading profit and £0.1 million on EBITDA. Based on the 2010 level of sales and profits a €0.10 increase in the Euro to GBP sterling exchange rate would result in a £2.5 million decrease in revenue, £0.1 million decrease in trading profit and £0.2 million decrease in EBITDA.

Foreign currency transaction risk

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The UK operations within the Group have around an estimated $10 million net sales risk after offsetting raw material purchases made in US dollars and a substantial euro sales risk, with approximately €35 million to €45 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 2010 our Elektron division has incurred a transaction loss of £0.3 million, and the transaction impact at our Gas Cylinders division was a gain of £1.6 million.

Based on a $10 million net exposure to the US dollar, a $0.10 increase in exchange rates would have a £0.4 million annual decrease in Group trading profit and based on a €40 million euro sales risk a €0.10 increase in exchange rates would have a £2.7 million annual decrease in Group trading profit.

Aluminium and other commodity risks

The Group is exposed to a number of commodity price risks, including primary aluminium, magnesium, rare earth chemicals, zircon sand and other zirconium basic compounds. All have been subject to substantial increases in recent years. Historically the two largest exposures to the Group have been aluminium and magnesium prices and the Group will spend annually approximately £40 million to £45 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, aluminium is traded on the London Metal Exchange (“LME”) and therefore the Group is able to use LME derivative contracts to hedge a portion of its price exposure. In 2010 the Group purchased approximately 13,000 tonnes of primary aluminium, it scrapped around 3,000 tonnes of processed waste and made finished goods equal to approximately 10,000 tonnes. The processed waste can be sold as scrap aluminium at prices linked to the LME price. The price risk on aluminium is mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. As at 31 December 2010, the Group had fixed priced purchase contracts covering up to approximately 25% of our main primary aluminium requirements for 2011. As at 31 December 2010, the Group had no LME hedges in place for 2011. Before hedging the risk, a $100 movement in the LME price of aluminium would increase our Gas Cylinders division’s costs by £0.6 million.

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

In 2009 the Group purchased approximately 4,000 tonnes of primary magnesium and in 2010 this increased to approximately 7,000 tonnes, being significantly higher than 2009 due to both an increase in sales volumes and during 2009 the consumption of higher stocks carried forward from the end of 2008. Magnesium is not traded on the LME so we are not able to maintain a hedge position of its price exposure.

The Group purchases annually approximately 800 tonnes of various rare earth chemicals which it uses in the production of various materials produced by its Elektron division and has sought to provide its customers with a stable surcharge price on these increasing costs by buying forward rare earths in bulk.

25. FINANCIAL INSTRUMENTS

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

(a) Financial instruments of the Group

The financial instruments of the Group other than short-term debtors and creditors were as follows

Primary financial instruments:	Book value 2010 £M	Fair value 2010 £M	Book value 2009 £M	Fair value 2009 £M
Financial assets:				
Cash at bank and in hand	**6.6**	**6.6**	1.8	1.8
Financial liabilities:				
Bank loans – drawn under revolving credit facility	**6.5**	**6.5**	7.2	7.2
Cumulative preference shares	**0.1**	**0.1**	0.1	0.1
Senior Notes due 2012	**68.2**	**66.8**	71.9	53.9
	74.8	**73.4**	79.2	61.2

All financial assets mature within one year. The maturity of the financial liabilities are disclosed in Note 24. As at 31 December 2010, the amount drawn in loans on the revolving credit facilities was £6.5 million and all of this was drawn by the US operations in US dollars. As at 31 December 2009, the entire amount drawn in loans on the revolving credit facility of £7.2 million was denominated in US dollars.

25. FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments are as follows:	**Book value 2010 £M**	**Fair value 2010 £M**	Book value 2009 £M	Fair value 2009 £M
Held to hedge purchases and sales by trading businesses:				
Forward foreign currency contracts	**0.1**	**0.1**	-	-
Forward rate interest rate agreements	**-**	**-**	(0.2)	(0.2)

The fair value calculations were performed on the following basis:

Cash in hand, at bank
The carrying value approximates to the fair value as a result of the short-term maturity of the instruments.

Bank loans
At 31 December 2010 bank loans and overdrafts of £6.1 million (2009: £6.3 million) were outstanding. The Group's revolving credit facilities were scheduled to mature in April 2011 and on 17 September 2010 the Group extended its revolving credit facilities until 31 October 2011. Issue costs incurred with the renewal on 17 September 2010 totalled £0.1 million. During 2010, a further £0.7 million of issues costs relating to the initial extension of the revolving credit facilities had been amortised in the year. Therefore, as at 31 December 2010 bank loans and overdrafts are shown net of issue costs of £0.4 million and these issue costs are to be amortised during 2011 to the expected maturity of the current facility and the Group at 31 December 2010 was exposed to variable interest rates on its bank loans and overdrafts of £6.5 million. This represented the utilisation of the Group's revolving credit facility. The fair value is calculated to be the same as the book value.

Cumulative preference shares
The 50,000 'B' preference shares of £1 each are entitled to a dividend and are entitled to be redeemed prior to any distribution or return of capital to ordinary shareholders. The fair value as at 31 December 2010 is £0.1 million.

Senior Notes due 2012
For the Senior Notes due 2012 the principal amount held by external parties was £68.2 million (31 December 2009: £71.9 million). During the year ended 31 December 2010 the Group purchased £3.7 million of the Senior Notes due 2012 for £3.3 million through Luxfer Group Limited, a subsidiary of Luxfer Holdings PLC. The gain on the purchase of the Senior Notes due 2012 was £0.4 million. The Senior Notes due 2012 are shown in the Group Balance Sheet as £68.1 million, being net of issue costs which were originally £0.5 million. These issue costs were capitalised and amortised over the five-year life of the Senior Notes due 2012. £0.4 million of the issue costs have been amortised to 31 December 2010 and £0.1 million have been offset against the par value of the notes.

The Senior Notes due 2012 are traded instruments listed on the Euro MTF Luxembourg Stock Exchange. The fair value at 31 December 2010 was estimated from a quoted price as at 31 December, however market prices of corporate bonds are very volatile and there was very little trading in these notes, with a large spread in bid and offer prices, making a market priced based fair value of these notes difficult to estimate.

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

Aluminium commodity contracts
The Group did not hold any forward aluminium commodity contracts at 31 December 2010.

Forward rate interest rate agreements
The fair value of these contracts has been calculated by determining the forward six-month LIBOR interest rate curve from the present market prices. The Group did not hold any forward rate interest rate agreements at 31 December 2010.

Fair value hierarchy
At 31 December 2010, for those financial instruments of the Group recorded at fair value, the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

25. FINANCIAL INSTRUMENTS (continued)

	31 December 2010 £M	Level 1 £M	Level 2 £M	Level 3 £M
Derivative financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	**0.1**	-	0.1	-

During the year ended 31 December 2010, 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 31 December, which are cash at bank and in hand. These assets are all subject to floating interest rate risk.

Cash by currency:	**2010 £M**	2009 £M
US Dollar	**(0.7)**	(1.1)
GBP	**4.1**	1.3
Euro	**1.0**	0.5
Australian Dollar	**0.1**	0.2
Chinese Renminbi	**1.2**	0.4
Czech Koruna	**0.9**	0.5
	6.6	1.8

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

The Group's Loan Note relating to the deferred consideration due from the sale of plant and equipment of the Speciality Aluminium division is subject to a fixed interest rate of 6.5% pa. This is further detailed in Note 21. At 31 December 2010, the fair value of the remaining deferred consideration was £1.5 million. The Group has no other fixed interest rate assets.

25. FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile on financial liabilities

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

	31 December 2010			31 December 2009		
	Within 12 months	**1-5 years**	**Total**	Within 12 months	1-5 years	Total
	£M	**£M**	**£M**	£M	£M	£M
Fixed interest rate risk:						
Cumulative preference shares	**-**	**0.1**	**0.1**	-	0.1	0.1
	-	**0.1**	**0.1**	-	0.1	0.1
Variable interest rate risk:						
Bank loans and overdrafts	**6.5**	**-**	**6.5**	-	7.2	7.2
Senior Notes due 2012	**-**	**68.2**	**68.2**	-	71.9	71.9
	6.5	**68.2**	**74.7**	-	79.1	79.1

The Group's floating rate liabilities related to bank loans and overdrafts under the Group's revolving credit facilities of £6.5 million (2009: £7.2 million) and the Senior Notes due 2012 issued as part of the capital reorganisation on 6 February 2007. Details of the Senior Notes due 2012 are disclosed in Note 18 – Interest Bearing Loans and Borrowings.

During 2009, the Group entered into a forward rate agreement for the six-month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. No forward rate agreements were entered into during 2010. As disclosed in Note 18 the interest rate payable on 3 May 2011 is 6.53%, based on six-month LIBOR plus 5.5%, therefore as at 31 December 2010 the Group was exposed to variable rate interest to the maturity of the Senior Notes due 2012 in February 2012.

(c) Hedging activities

Forward foreign exchange contracts

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

At 31 December 2010, the fair value of forward foreign exchange contracts deferred in equity was a gain of £0.1 million (2009: gain of £0.1 million). During 2010 a loss of £0.1 million (2009: loss of £0.9 million) has been transferred to the income statement in respect of contracts that have matured in the year.

25. FINANCIAL INSTRUMENTS (continued)

At 31 December 2010 and 2009 the Group held various foreign exchange contracts designated as hedges in respect of forward sales for US dollars, Euros, Australian dollars and Japanese yen. The Group also held foreign exchange contracts designated as hedges in respect of forward purchases for US dollars and Euros. The contract totals, range of maturity dates and range of exchange rates are disclosed below:

2010

Sales hedges	US dollars	Euros	Australian dollars	Japanese yen
Contract totals/£M	15.8	18.8	N/A	0.1
Maturity dates	01/11 to 10/11	01/11 to 10/11	N/A	01/11
Exchange rates	$1.4591 to $1.6139	€1.0958 to €1.2165	N/A	JPY126.7500

Purchase hedges	US dollars	Euros	Australian dollars	Japanese yen
Contract totals/£M	19.0	N/A	N/A	N/A
Maturity dates	01/11 to 10/11	N/A	N/A	N/A
Exchange rates	$1.4950 to $1.6151	N/A	N/A	N/A

2009

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

Purchase hedges	US dollars	Euros	Australian dollars	Japanese yen
Contract totals/£M	19.0	N/A	N/A	N/A
Maturity dates	01/10 to 12/10	N/A	N/A	N/A
Exchange rates	$1.4733 to $1.6763	N/A	N/A	N/A

Aluminium commodity contracts

The Group did not hold any forward aluminium commodity contracts at 31 December 2010 or 31 December 2009. In 2009 a loss of £0.3 million has been transferred to the income statement in respect of contracts that had matured during that year.

Forward rate interest rate agreements

The Group did not hold any forward rate interest rate agreements at 31 December 2010. During 2009, the Group entered into a forward rate agreement for the six month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. In 2010 a loss of £0.2 million has been transferred to the income statement in respect of the forward rate agreement that matured during the year.

(d) Foreign currency translation risk disclosures

Exchange gains and losses arising on the translation of the Group's overseas assets and liabilities are classified as equity and transferred to the Group's translation reserve. In 2010 a gain of £1.0 million (2009: loss of £4.3 million) was recognised in translation reserves.

(e) Un-drawn committed facilities

At 31 December 2010 the Group had committed banking facilities of £45.0 million (2009: £45.0 million) for providing short-term loans and overdrafts, with a sub-limit of £10.0 million (2009: £10.0 million) for letters of credit and bank guarantees. Of these committed facilities, £6.5 million (2009: £7.2 million) of short-term loans and £3.4 million (2009: £3.1 million) for letters of credit, forward foreign currency contracts and bank guarantees were drawn.

26. RETIREMENT BENEFITS

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

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

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

The Group's other arrangements are less significant than the Luxfer Group Pension Plan, the largest being the BA Holdings Inc Pension Plan in the US. In December 2005 the plan was closed to further benefit accrual with members being offered contributions to the Company's 401(k) plan. The total charge to the Group's income statement for 2010 for retirement benefits was a regular cost of £4.2 million (2009: £4.9 million).

The movement in the pension liability is shown below:

	2010	2009
	£M	£M
Balance at 1 January	**32.8**	28.7
Charged to the Income Statement	**4.2**	4.9
Contributions	**(8.6)**	(5.4)
(Credited)/charged to the Statement of Comprehensive Income	**(2.2)**	5.9
Exchange adjustments	**0.2**	(1.3)
Balance at 31 December	**26.4**	32.8

The financial assumptions used in the calculations are:

	Projected Unit Valuation			
	United Kingdom		**Non United Kingdom**	
	2010	2009	**2010**	2009
	%	%	**%**	%
Discount Rate	**5.50**	5.80	**5.50**	6.00
Salary Inflation	**4.50**	4.60	**-**	-
Retail Price Inflation	**3.50**	3.60	**-**	-
Consumer Price Inflation	**2.80**	n/a	**-**	-
Pension Increase - pre 6 April 1997	**2.60**	2.70	**-**	-
- 1997-2005	**3.40**	3.50	**-**	-
- post 5 April 2005	**2.20**	2.30	**-**	-

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

	Long term rate of return expected			
	United Kingdom		**Non United Kingdom**	
	2010	2009	**2010**	2009
	%	%	**%**	%
Equities and Growth Funds	**7.60**	8.10	**8.10**	8.70
Gilts	**4.20**	4.40	**-**	-
Other Bonds	**5.20**	5.30	**5.10**	5.50
Cash	**4.20**	4.40	**-**	-

26. RETIREMENT BENEFITS (continued)

Other principal actuarial assumptions:

	2010 Years	2009 Years
Life expectancy of male in the UK aged 65 in 2010	**20.3**	19.3
Life expectancy of male in the UK aged 65 in 2030	**21.5**	20.3

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

	Year ended 31 December 2010			Year ended 31 December 2009		
	UK	Non UK	Total	UK	Non UK	Total
	£M	£M	£M	£M	£M	£M
In respect of defined benefit schemes						
Current service cost	**0.5**	**0.0**	**0.5**	0.2	0.1	0.3
Interest cost	**9.6**	**2.0**	**11.6**	8.9	1.9	10.8
Expected return on scheme assets	**(8.3)**	**(1.8)**	**(10.1)**	(6.4)	(1.4)	(7.8)
Total charge for defined benefit schemes	**1.8**	**0.2**	**2.0**	2.7	0.6	3.3
In respect of defined contribution schemes						
Total charge for defined contribution schemes	**1.2**	**1.0**	**2.2**	0.8	0.8	1.6
Total charge for pension schemes	**3.0**	**1.2**	**4.2**	3.5	1.4	4.9

Of the charge for the year, charges of £2.8 million and £1.4 million (2009: £3.4 million and £1.5 million) have been included in cost of sales and administrative costs respectively. For the year, the amount of gains recognised in the Statement of Comprehensive Income is £2.2 million (2009: loss of £5.9 million). This includes a gain of £4.6 million arising from the UK Government's announcement that any future statutory pension indexation will be based on the Consumer Price Index (CPI) measure of inflation, rather than the Retail Price Index (RPI).

The actual return of the scheme assets was a gain of £19.5 million (2009: gain of £26.5 million). The overall expected rate of return is determined on the basis of the market prices prevailing at the respective balance sheet date, applicable to the period over which the obligation is to be settled.

The value of the scheme assets were:

	Value at 31 December 2010			Value at 31 December 2009		
	UK	Non UK	Total	UK	Non UK	Total
	£M	£M	£M	£M	£M	£M
Equities and Growth Funds	**117.4**	**16.1**	**133.5**	103.0	13.7	116.7
Gilts	**8.2**	**-**	**8.2**	7.5	-	7.5
Other Bonds	**32.0**	**12.8**	**44.8**	32.7	11.3	44.0
Cash	**-**	**-**	**-**	0.2	-	0.2
Total market value of assets	**157.6**	**28.9**	**186.5**	143.4	25.0	168.4
Present value of scheme liabilities	**(176.0)**	**(36.9)**	**(212.9)**	(168.4)	(32.8)	(201.2)
Deficit in the scheme	**(18.4)**	**(8.0)**	**(26.4)**	(25.0)	(7.8)	(32.8)
Related deferred tax asset	**5.0**	**3.1**	**8.1**	7.0	2.6	9.6
Net pension liability	**(13.4)**	**(4.9)**	**(18.3)**	(18.0)	(5.2)	(23.2)

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

	2010	2010	2010	2009	2009	2009
	UK	Non UK	Group	UK	Non UK	Group
	£M	£M	£M	£M	£M	£M
At 1 January	**168.4**	**32.8**	**201.2**	141.8	35.6	177.4
Service cost	**0.5**	**0.0**	**0.5**	0.2	0.1	0.3
Interest cost	**9.6**	**2.0**	**11.6**	8.9	1.9	10.8
Contributions from scheme members	**0.5**	**-**	**0.5**	0.6	-	0.6
Age related NI rebate	**0.2**	**-**	**0.2**	0.2	-	0.2
Actuarial losses and (gains)	**4.6**	**2.6**	**7.2**	24.7	(0.1)	24.6
Exchange difference	**-**	**1.1**	**1.1**	-	(3.4)	(3.4)
Benefits paid	**(7.8)**	**(1.6)**	**(9.4)**	(8.0)	(1.3)	(9.3)
At 31 December	**176.0**	**36.9**	**212.9**	168.4	32.8	201.2

The defined benefit obligation comprises £0.9 million (2009: £0.9 million) arising from unfunded plans and £211.6 million (2009: £200.3 million) from plans that are funded.

26. RETIREMENT BENEFITS (continued)

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

	2010 UK £M	2010 Non UK £M	2010 Group £M	2009 UK £M	2009 Non UK £M	2009 Group £M
At 1 January	**143.4**	**25.0**	**168.4**	126.2	22.5	148.7
Expected return on scheme assets	**8.3**	**1.8**	**10.1**	6.4	1.4	7.8
Actuarial gains	**8.0**	**1.4**	**9.4**	14.4	4.3	18.7
Exchange difference	**-**	**0.9**	**0.9**	-	(2.1)	(2.1)
Contributions from employer	**5.0**	**1.4**	**6.4**	3.6	0.2	3.8
Contributions from scheme members	**0.5**	**-**	**0.5**	0.6	-	0.6
Age related NI rebate	**0.2**	**-**	**0.2**	0.2	-	0.2
Benefits paid	**(7.8)**	**(1.6)**	**(9.4)**	(8.0)	(1.3)	(9.3)
At 31 December	**157.6**	**28.9**	**186.5**	143.4	25.0	168.4

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

	2010 UK	2010 Non UK	2010 Group
Total market value of scheme assets £M	**157.6**	**28.9**	**186.5**
Present value of scheme liabilities £M	**(176.0)**	**(36.9)**	**(212.9)**
Deficit in the scheme £M	**(18.4)**	**(8.0)**	**(26.4)**
Difference between the expected and actual return on scheme assets:			
Amount £M	**8.0**	**1.4**	**9.4**
Percentage of scheme assets	**5%**	**5%**	**5%**
Experience gains and losses on scheme liabilities:			
Amount £M	**1.1**	**0.0**	**1.1**
Percentage of present value of scheme liabilities	**1%**	**0%**	**1%**
Total cumulative amount recognised in Statement of Comprehensive Income:			
Amount £M	**9.5**	**6.5**	**16.0**
Percentage of present value of scheme liabilities	**5%**	**18%**	**8%**

26. RETIREMENT BENEFITS (continued)

	2009 UK	2009 Non UK	2009 Group	2008 UK	2008 Non UK	2008 Group
Total market value of scheme assets £M	143.4	25.0	168.4	126.2	22.5	148.7
Present value of scheme liabilities £M	(168.4)	(32.8)	(201.2)	(141.8)	(35.6)	(177.4)
Deficit in the scheme £M	(25.0)	(7.8)	(32.8)	(15.6)	(13.1)	(28.7)
Difference between the expected and actual return on scheme assets:						
Amount £M	14.4	4.3	18.7	(33.7)	(10.3)	(44.0)
Percentage of scheme assets	10%	17%	11%	(27)%	(46)%	(30)%
Experience gains and losses on scheme liabilities:						
Amount £M	0.6	(0.1)	0.5	-	-	-
Percentage of present value of scheme liabilities	0%	(0)%	0%	-	-	-
Total cumulative amount recognised in Statement of Comprehensive Income:						
Amount £M	12.9	5.3	18.2	2.6	9.7	12.3
Percentage of present value of scheme liabilities	8%	16%	9%	2%	27%	7%

	2007 UK	2007 Non UK	2007 Group	2006 UK	2006 Non UK	2006 Group
Total market value of scheme assets £M	154.2	23.3	177.5	151.4	22.1	173.5
Present value of scheme liabilities £M	(154.2)	(24.9)	(179.1)	(167.1)	(24.7)	(191.8)
Deficit in the scheme £M	-	(1.6)	(1.6)	(15.7)	(2.6)	(18.3)
Difference between the expected and actual return on scheme assets:						
Amount £M	(0.8)	0.5	(0.3)	7.8	0.5	8.3
Percentage of scheme assets	(1)%	2%	-	5%	2%	5%
Experience gains and losses on scheme liabilities:						
Amount £M	-	-	-	2.1	0.1	2.2
Percentage of present value of scheme liabilities	-	-	-	1%	-	1%
Total cumulative amount recognised in Statement of Comprehensive Income:						
Amount £M	(15.3)	(1.7)	(17.0)	(0.9)	(1.2)	(2.1)
Percentage of present value of scheme liabilities	10%	7%	10%	1%	4%	1%

The estimated amount of employer contributions expected to be paid to the defined benefit pension schemes for the year ending 31 December 2011 is £5.6 million (2010: £6.4 million actual employer contributions).

27. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN

The trust

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

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

The current scheme

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

Movements in the year

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 overleaf:

27. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN (continued)

	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**	**Total options held**
At 1 January 2010	15,977,968,688	175,674	70,400	-	-	**70,400**
Options granted during the year	-	-	-	15,600	54,600	**70,200**
Options exercised during the year	-	(59,700)	(53,700)	(6,000)	-	**(59,700)**
Options lapsed during the year	-	-	-	-	(13,000)	**(13,000)**
At 31 December 2010	15,977,968,688	115,974	16,700	9,600	41,600	**67,900**

The Group received proceeds of £0.1 million following the exercise of the 59,700 share options during the year. These proceeds were used to repay £0.1 million of the loan outstanding from the ESOP and at 31 December 2010 the loan outstanding from the ESOP was £2.2 million (31 December 2009: £2.3 million). The share options vested immediately on their grant date and could have been exercised at any time from this grant date. During 2010 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.

28. NON-CONTROLLING INTERESTS

The non-controlling interests of the Group at 31 December 2010 were £nil (31 December 2009: £nil). The payment made during 2009 to acquire non-controlling interests related to the final distribution of the retained proceeds from the 2000 sale of Baco Consumer Products to the non-controlling interest (minority shareholder) by buying back this equity stake in Biggleswick Limited at the fair value of £0.9 million.

29. RELATED PARTY TRANSACTIONS

Joint venture in which the Group is a venturer

During 2010, the Group maintained its 51% investment in the equity in the joint venture Luxfer Uttam India Private Limited, as disclosed in Note 12. The joint venture is due to start trading during early 2011. During 2010, the Gas Cylinders division made £0.5 million of sales to the joint venture. At 31 December 2010, the amounts receivable from the joint venture in relation to these sales amounted to £0.3 million and this amount is separately disclosed within Note 14 - Trade and Other Receivables.

In 2009, plant and equipment with a net book value of £0.2 million was disposed of by the Group to the joint venture for its net book value. The proceeds on disposal of the plant and equipment were received by the Group in the year.

Transactions with other related parties

Before the capital reorganisation on 6 February 2007, management and ex-management, including the Company's Directors owned 15% of the ordinary and preference share capital of the Company. As part of the capital reorganisation, ongoing management agreed for this shareholding to be diluted to 13% or 1.3 million £1 ordinary shares. They also agreed for 800,000 £1 ordinary shares to be contractually restricted under a Management Incentive Plan ("MIP") pursuant to which they agreed to waive their economic rights in these restricted shares, unless certain Group EBITDA targets are achieved. Further details on the MIP are set out in the Directors' Report on page 26.

As at 31 December 2010 the Chairman and key management comprising the members of the Executive Management Board, as set out on page 21 of the Directors' Report, owned 845,575 £1 ordinary shares (2009: 803,875 £1 ordinary shares) and held no options over the £1 ordinary shares (2009: Options held over a further 41,800 £1 ordinary shares). 211,419 of these shares were subject to the full contractual restrictions of the MIP.

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

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

30. POST BALANCE SHEET EVENTS

At the date of approval of these report and accounts, the Group is about to complete its previously announced new financing arrangements which will enable it to repay in full before their final maturity date the Senior Notes due 2012 and their accrued interest together with the amount drawn in loans on the Group's £45 million asset backed revolving credit facilities.

Immediately prior to the new financing facilities being agreed the principal amount of Senior Notes due 2012 held by third parties had a nominal value of £68.2 million. Deferred issue costs in relation to the Notes were £0.1 million. The amount drawn in loans on revolving credit facility at 31 December 2010 was £6.5 million and unamortised issue costs were £0.4 million.

The Senior Notes due 2012 and £45 million asset backed lending (ABL) revolving credit facility will be replaced with new £110 million facilities comprising a seven year private placement of $65 million (£40 million), a bank term loan of £30 million and a revolving credit facility of £40 million with a number of banks and an insurance company.

Transaction costs of approximately £3 million are expected to be incurred by the Group including arrangement fees and legal and advisory costs and this amount will be amortised over the period of the new financing facilities.

The new $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 new revolving credit facility can be drawn down until 2015 and together with the £30 million bank term loan bear interest at a variable rate, at slightly lower margins over LIBOR compared to our current facilities. It is expected that a proportion of the interest on the term loan will be hedged into a fixed rate in 2011.

The term loan carries amortisation of £2 million per annum commencing in 2012. In terms of security, the private placement notes rank pari passu with the term loan and revolving credit facility and all the new facilities are secured over the Group's UK and US assets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUXFER HOLDINGS PLC

We have audited the parent company financial statements of Luxfer Holdings PLC for the year ended 31 December 2010, which comprise the Company Balance Sheet, the related notes 31 to 42 and tables 2 to 5 in the Directors' Report marked as audited. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29 the Directors' are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The information given in the Directors' report includes that specific information presented in the Chief Executive's Review and Finance Review that is cross referred from the Business and Principal Activities section of the Directors' report

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only Corporate Information, the Chairman's Statement, the Chief Executive's Review and the Finance Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

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 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 the financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010;
- 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Luxfer Holdings PLC for the year ended 31 December 2010.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
28 April 2011

	Notes	2010 £M	2009 £M
FIXED ASSETS			
Investments	32	**234.6**	234.6
		234.6	234.6
CURRENT ASSETS			
Debtors	33	**2.1**	2.5
Cash at bank		**0.1**	-
		2.2	2.5
CREDITORS: amounts falling due within one year	34	**(5.9)**	(5.9)
NET CURRENT LIABILITIES		**(3.7)**	(3.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		**230.9**	231.2
CREDITORS: amounts falling due in more than one year			
Senior loan Notes due 2012	35	**(71.8)**	(71.7)
Loan Note to subsidiary undertaking	35	**(28.6)**	(28.6)
Preference shares	35	**(0.1)**	(0.1)
PENSION COMMITMENTS	39	**(13.4)**	(18.0)
NET ASSETS		**117.0**	112.8
CAPITAL AND RESERVES			
Ordinary share capital	37	**10.0**	10.0
Deferred share capital	37	**76.9**	76.9
Own shares held by ESOP	37	**(0.3)**	(0.4)
Profit and loss account	38	**30.4**	26.3
Equity shareholders' funds	38	**117.0**	112.8

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Stephen Williams**

28 April 2011

Company Registration no. 3690830

31. SIGNIFICANT ACCOUNTING POLICIES

Authorisation of financial statements
The Company's financial statements for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 28 April 2011 and the balance sheet was signed on the Board's behalf by BG Purves and SN Williams. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

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

No profit and loss account has been presented as permitted by section 408 of the Companies Act 2006. The profit after taxation of the Company was £1.8 million (2009: profit of £1.1 million).

The audit fee for the Company financial statements was £0.1 million (2009: £0.1 million).

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

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

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

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

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

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

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

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

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

32. INVESTMENTS

	Subsidiary undertakings £M
Cost:	
At 1 January 2010 and 31 December 2010	**234.6**

Details of the investments in which the Group or the Company holds more than 20% of the nominal value of any class of share capital as at 31 December 2010 are as follows:

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

Subsidiary undertakings are all held by the Company unless indicated.

* Held by a subsidiary undertaking.

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

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

[3] In July 2009 the name of the company was changed from Uttam Cylinders Private Limited.

33. DEBTORS

	2010 £M	2009 £M
Amounts due from subsidiary undertakings	**2.1**	2.5

34. CREDITORS: amounts falling due within one year

	2010 £M	2009 £M
Amounts owed to subsidiary undertakings	**5.1**	5.2
Accruals and deferred income	**0.8**	0.7
	5.9	5.9

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

	2010 £M	2009 £M
Senior Notes due 2012	**71.8**	71.7
Loan Note to subsidiary undertaking	**28.6**	28.6
Preference shares	**0.1**	0.1
	100.5	100.4

Senior Notes due 2012

The Senior Notes due 2012 were issued as part of the 6 February 2007 capital reorganisation. At this date, the principal amount held by external parties was £71.9 million. The notes are listed on the Euro MTF Luxembourg Stock Exchange and interest is payable bi-annually. At 31 December 2010, the Senior Notes due 2012 are shown net of deferred transaction costs of £0.1 million (2009: £0.2 million). On issue, £0.5 million of costs were capitalised and are being amortised over the five-year life of the notes, with £0.4 million of these issue costs being amortised up to 31 December 2010. A variable interest rate is payable on 1 May and 1 November, each year, based on six-month LIBOR plus 5.5% to 6%, depending on the credit rating of the notes. The total rate payable at the end of 31 December 2010 was 6.53%, being 5.5% above the relevant LIBOR rate, which is fixed at the start of each six-month interest period. At the Company's discretion, 1% (1.5% if the interest rate is LIBOR plus 6%) may be paid in kind through the issue of new notes, though this option has not been taken up and the interest has been paid in full. The Senior Notes were not allowed to be repaid until one year after issue, with a 3% early redemption premium for repayment in the second year after issue, 2% in the third and 1% in the fourth year. There is no redemption premium for repayment after four years from issue. The final maturity then being February 2012. During 2009, the Company entered into a forward rate agreement for the six month period 4 May to 2 November 2010 with the six-month LIBOR portion of the interest on the Senior Notes due 2012 being fixed at 1.69%. No forward rate agreements have been entered into during 2010. During the year ended 31 December 2010 the Group purchased £3.7 million of the Senior Notes due 2012 for £3.3 million through Luxfer Group Limited, a subsidiary of Luxfer Holdings PLC. The gain on the purchase of the Senior Notes due 2012 was £0.4 million. As at 31 December 2010, the principal amount held by external parties outside of the Group was £68.2 million. The Company entered into new debt financing facilities in 2011, which will enable the Company to repay in full before their final maturing date the Senior Notes due 2012 and their accrued interest, as further explained in the Post Balance Sheet Events note of the Company's financial statements – Note 42.

Preference share liability

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

36. DEFERRED TAX

	£M
At 1 January 2010	**(7.0)**
Charged to profit and loss account	**0.9**
Charged to statement of total recognised gains and losses	**1.1**
At 31 December 2010	**(5.0)**

No provision has been made for deferred tax on losses carried forward of £34.8 million (2009: £34.8 million). These losses will only be available for offset if the holding company makes taxable profits. Given that the holding company incurs the interest payable on the Senior Notes, it is assumed the losses will not be recoverable in the foreseeable future. Assets are recognised in subsidiary companies where there is sufficient evidence to indicate that there will be future taxable profits. There is no other unprovided deferred tax.

37. SHARE CAPITAL

(a) Ordinary share capital

	2010 No.	2009 No.	**2010 £M**	2009 £M
Authorised:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,433,688,000	769,433,688,000	**86.9**	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,413,688,000**	769,413,688,000	**76.9**	76.9
	769,423,688,000	769,423,688,000	**86.9**	86.9

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) Preference share capital

	2010 No.	2009 No.	**2010 £M**	2009 £M
Authorised:				
'B' preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1
Allotted, called up and 25% paid:				
'B' preference shares of £1 each	**50,000**	50,000	**0.1**	0.1
	50,000	50,000	**0.1**	0.1

The 50,000 'B' preference shares are entitled to a fixed cumulative dividend of 5% per annum payable on redemption of the preference shares. Interest will accrue on unpaid preference dividends at the rate of 5% per annum of the nominal amount of the preference shares compounding on 31 December each year. The preference shares are entitled to be redeemed prior to any distribution or return of capital to shareholders.

(c) Own shares held by ESOP

	2010 £M	2009 £M
At beginning of year	**0.4**	0.4
Purchase of shares from ESOP	**(0.1)**	-
At end of year	**0.3**	0.4

As at 31 December 2010 115,974 ordinary shares (31 December 2009: 175,674 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 59,700 ordinary shares represents the exercise of options to purchase shares from the The Luxfer Group Employee Share Ownership Plan by senior management for £0.1 million. For further information refer to Note 40.

38. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Share Capital £M	Deferred Share Capital £M	Own shares held by ESOP £M	Profit and loss account £M	Shareholders' funds £M
At 1 January 2009	10.0	76.9	(0.4)	32.9	119.4
Profit for the year	-	-	-	1.1	1.1
Actuarial gains and losses on pension schemes	-	-	-	(10.3)	(10.3)
Deferred tax on items taken to equity	-	-	-	2.6	2.6
At 31 December 2009	10.0	76.9	(0.4)	26.3	112.8
Profit for the year	-	-	-	1.8	1.8
Purchase of shares from ESOP	-	-	0.1	-	0.1
Actuarial gains and losses on pension schemes	-	-	-	3.4	3.4
Deferred tax on items taken to equity	-	-	-	(1.1)	(1.1)
At 31 December 2010	**10.0**	**76.9**	**(0.3)**	**30.4**	**117.0**

The Company had a surplus on its profit and loss account of £30.4 million as at 31 December 2010 (31 December 2009: £26.3 million).

The profit after taxation dealt with in the financial statements of the parent company was £1.8 million (2009: £1.1 million).

39. 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 £1.8 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 £3.2 million.

The financial assumptions used in the calculations are:		**Projected Unit Valuation**	
	2010 %	2009 %	2008 %
Discount Rate	**5.50**	5.80	6.40
Salary Inflation	**4.50**	4.60	3.80
Retail Price Inflation	**3.50**	3.60	2.80
Consumer Price Inflation	**2.80**	n/a	n/a
Pension Increases – pre 6 April 1997	**2.60**	2.70	2.60
Pension Increases – 1997-2005	**3.40**	3.50	2.80
Pension Increases – post 5 April 2005	**2.20**	2.30	2.10

39. RETIREMENT BENEFITS (continued)

The assets in the scheme and expected rate of long-term return were:	**Long term rate of return expected**		
	2010	2009	2008
	%	%	%
Equities and Growth Funds	**7.60**	8.10	7.70
Gilts	**4.20**	4.40	3.80
Other Bonds	**5.20**	5.30	5.00
Cash	**4.20**	4.40	3.80

Other principal actuarial assumptions:	**2010**	2009
	£M	£M
Life expectancy of male in the UK aged 65 in 2010	**20.3**	19.3
Life expectancy of male in the UK aged 65 in 2030	**21.5**	20.3

At 31 December 2010 the cumulative amount of gains recognised in the Statement of Total Gains and Losses amounted to a loss of £9.4 million (31 December 2009: loss of £12.8 million).
The actual return of the scheme assets was a gain of £16.3 million (2009: gain of £20.8 million). The overall expected rate of return is determined on the basis of the market prices prevailing at the respective balance sheet date, applicable to the period over which the obligation is to be settled.

The value of the scheme assets were:	**Value at 31 Dec 2010**	Value at 31 Dec 2009	Value at 31 Dec 2008
	£M	£M	£M
Equities and Growth Funds	**117.4**	103.0	89.0
Gilts	**8.2**	7.5	15.0
Other Bonds	**32.0**	32.7	22.1
Cash	**-**	0.2	0.1
Total market value of assets	**157.6**	143.4	126.2
Present value of scheme liabilities	**(176.0)**	(168.4)	(141.8)
Deficit in the scheme	**(18.4)**	(25.0)	(15.6)
Related deferred tax asset	**5.0**	7.0	4.4
Net pension liability	**(13.4)**	(18.0)	(11.2)

Analysis of amount charged to operating profit:	**2010**	2009
	£M	£M
In respect of defined benefit schemes:		
Current service cost (employer's)	**(0.5)**	0.2
Total operating charge for defined benefit schemes	**(0.5)**	0.2

Analysis of amount credited/(charged) to other finance income:	**2010**	2009
	£M	£M
Expected return on pension scheme assets	**8.3**	6.4
Interest on pension scheme liabilities	**(9.6)**	(8.9)
Net charge to other finance income	**(1.3)**	2.5

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:	**2010**	2009
	£M	£M
Actual return less expected return on pension scheme assets:	**8.0**	14.4
Changes in assumptions underlying the present value of scheme liabilities	**(4.6)**	(24.7)
Actuarial gain/(loss) recognised in Statement of Total Recognised Gains and Losses	**3.4**	(10.3)

39. RETIREMENT BENEFITS (continued)

Analysis of movement in deficit in the scheme during the year:	**2010**	2009
	£M	£M
Deficit in defined benefit schemes at beginning of year	**(25.0)**	(15.6)
Current service cost	**(1.0)**	(0.8)
Aggregate contributions (employers' and employees')	**5.5**	4.2
Other finance costs	**(1.3)**	(2.5)
Actuarial gain/(loss) recognised in Statement of Total Recognised Gains and Losses	**3.4**	(10.3)
Deficit in defined benefit schemes at end of year	**(18.4)**	(25.0)

Analysis of movement in present value of scheme assets:	**2010**	2009
	£M	£M
At 1 January	**143.4**	126.2
Expected return on scheme assets	**8.3**	6.4
Actuarial gains and (losses)	**8.0**	14.4
Contributions from employer	**5.0**	3.6
Contributions from scheme members	**0.5**	0.6
Age related NI	**0.2**	0.2
Benefits paid	**(7.8)**	(8.0
	157.6	143.4

Analysis of movement in present value of the defined benefit obligation:	**2010**	2009
	£M	£M
At 1 January	168.4	141.8
Service cost	0.5	0.2
Interest cost	9.6	8.9
Contributions from scheme members	0.5	0.6
Age related NI	0.2	0.2
Actuarial (gains) and losses	4.6	24.7
Benefits paid	(7.8)	(8.0)
	176.0	168.4

History of experience in gains and losses:	**2010**	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets:					
Amount £M	**8.0**	14.4	(33.7)	(0.8)	7.8
Percentage of scheme assets	5%	10%	(27)%	(1)%	5%
Experience gains and losses on scheme liabilities:					
Amount £M	**1.1**	0.6	-	-	2.1
Percentage of present value of scheme liabilities	1%	0%	-	-	1%
Total amount recognised in Statement of Total Recognised Gains and Losses:					
Amount £M	**3.4**	(10.3)	(17.9)	(19.1)	(0.8)
Percentage of present value of scheme liabilities	(2)%	6%	13%	(12)%	1%

The estimated amount of employer contributions expected to be paid to the UK defined benefit pension scheme for the year ending 31 December 2011 is £5.5 million (2010: £5.0 million actual employer contributions).

40. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN

The trust

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

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

The current scheme

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

Movements in the year

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	Total options held
At 1 January 2010	15,977,968,688	175,674	70,400	-	-	**70,400**
Options granted during the year	-	-	-	15,600	54,600	**70,200**
Options exercised during the year	-	(59,700)	(53,700)	(6,000)	-	**(59,700)**
Options lapsed during the year	-	-	-	-	(13,000)	**(13,000)**
At 31 December 2010	15,977,968,688	115,974	16,700	9,600	41,600	**67,900**

The Group received proceeds of £0.1 million following the exercise of the 59,700 share options during the year. These proceeds were used to repay £0.1 million of the loan outstanding from the ESOP and at 31 December 2010 the loan outstanding from the ESOP was £2.2 million (31 December 2009: £2.3 million). The share options vested immediately on their grant date and could have been exercised at any time from this grant date. During 2010 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.

41. RELATED PARTY TRANSACTIONS

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

42. POST BALANCE SHEET EVENTS

At the date of approval of these report and accounts, the Group is about to complete its previously announced refinancing for new £110 million financing facilities comprising a seven year private placement of $65 million (circa £40 million), a bank term loan of £30 million and a revolving credit facility of £40 million with a number of banks and an insurance company. It is expected these agreements will be signed in May. This will enable us to repay in full our current asset backed facilities and high yield Senior Notes due 2012 in 2011, ahead of their maturity dates.

Immediately prior to the new financing facilities being agreed the principal amount of Senior Notes due 2012 held by third parties had a nominal value of £68.2 million. Deferred issue costs in relation to the Notes were £0.1 million. The Senior Notes due 2012 held by Luxfer Group Limited will be released and cancelled in return for a payment of £3.7 million from the Company. Interest of £0.1 million outstanding on the Senior Notes due 2012 held by Luxfer Group Limited will also be paid.

The new financing arrangement for the Group is detailed in the Post Balance Sheet Events Note to the Group Financial Statements (Note 30).

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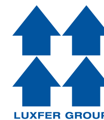

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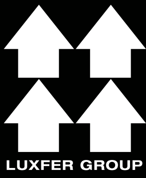

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