Registered No. 03690830

LUXFER HOLDINGS PLC

Annual Report and Financial Statements

31 December, 2017

LUXFER HOLDINGS PLC ¦ Lumns Lane ¦ Manchester ¦ M27 8LN

Contents

Glossary of Terms

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

ADR	American Depositary Receipt which evidences an ADS, being the uncertificated form in which the Company's ordinary shares were traded on the NYSE. One ordinary share was represented by one ADR.
ADS	American Depositary Share, the uncertificated form in which the Company's ordinary shares were traded on the NYSE. One ordinary share was represented by one ADS.
AGM	Annual General Meeting of the Company.
Articles	The Articles of Association of Luxfer Holdings PLC adopted by special resolution of the Company on 26 October 2011, effective from the date of the I.P.O.
Companies Act	U.K. Companies Act 2006.
FPI	Foreign Private Issuer under the SEC registration rules.
Group	Luxfer Holdings PLC and its subsidiaries.
I.P.O.	The Initial Public Offering in the U.S. completed by Luxfer Holdings PLC on 9 October, 2012.
NYSE	New York Stock Exchange.
£0.50 Ordinary shares	The Company's ordinary shares of £0.50 each.
SEC	Securities and Exchange Commission of the U.S.
Year	1 January, 2017, to 31 December, 2017.
LTiP	Long-Term Umbrella Incentive Plan.

STRATEGIC REPORT

Principal Activities and Review of the Business

The principal activity of Luxfer Holdings PLC is that of the holding company for the Luxfer Group.

Luxfer Group is an international materials technology company specialising in the design, manufacture and supply of high-performance materials, components and gas cylinders to customers in a broad range of growing transportation, defence and emergency response, healthcare and general industrial end-markets.

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

- We were the first to use rare earths to develop and patent a magnesium alloy (EZ33A) for use in high-temperature aerospace applications such as helicopter gearboxes;
- We were at the forefront of the commercial development of zirconia-rich mixed oxides for use in automotive catalysis;
- We were the first to manufacture a high-pressure gas cylinder out of a single piece of aluminium using cold-impact extrusion;
- We developed and patented the superforming process and the first superplastic aluminium alloy (AA2004) and were the first to offer preformed aluminium panel-work commercially;
- We have a long history of innovation derived from our strong technical base, and we work closely with customers to apply innovative solutions to their most demanding product needs.

Luxfer Group is comprised of two reporting divisions:

Our **Elektron Division** focuses on specialty materials based primarily on magnesium and zirconium. Our key product lines under the Elektron Division include:

- Advanced lightweight, corrosion-resistant and heat- and flame-resistant magnesium alloys including our new bioresorbable SynerMag® alloy and our dissolvable Solumag® alloys.
- Magnesium powders used in countermeasure flares that protect aircraft from heat-seeking missiles and also for heating pads for self-heating meals used by military and first responders.
- Magnesium, copper, and zinc photo-engraving plates for graphic arts used in the packaging industry.
- High performance zirconium-based materials and oxides used as catalysts and also used in the manufacture of advanced ceramics, fibre optic fuel cells, and many other performance products.

Our **Gas Cylinders Division** manufactures and markets specialized products using aluminum, titanium and carbon composites. Our key product lines under the Gas Cylinders Division include:

- Carbon composite cylinders for self-contained breathing apparatus (SCBA), used by firefighters and other emergency-responders. Our products are also used by SCUBA divers and personnel in potentially hazardous environments such as mines.
- Containment of medical oxygen and other medical gases used by patients, healthcare facilities and laboratories.
- Carbon composite cylinders for compressed natural gas (CNG) and hydrogen containment in alternative fuel (AF) vehicles.
- Light-weight aluminium-based products for a variety of industrial applications such as fire extinguishers and containment of high-purity specialty gases.
- Light-weight aluminium and titanium panels are superformed into highly complex shapes predominantly for the transportation industry.

Strategy and Business Model

Our business strategy is underpinned by the "Luxfer B.E.S.T. Model," which consists of the following key themes:

- A common set of values that drives accountability, innovation, customer first, personal development, teamwork and integrity.
- Disciplined capital allocation to maximize organic growth and also maximize the portfolio value through value enhancing acquisitions and divestitures.
- Balanced score-card used to continuously improve employee performance in an effort to help translate our vision into actionable individual goals and ensure that employee compensation is commensurate with individual performance.
- A published customer charter that enables us to retain and grow our customer base and capture additional market share.
- A lean enterprise philosophy that helps drive operational process excellence in all functions including, sales, marketing, innovation, human resources, supply, manufacturing, information technology and finance.

Group Key Performance Indicators (“KPIs”)

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

Operating performance		**2017**	2016	2015	2014	2013
Revenue	$m	**441.3**	414.8	460.3	489.5	481.3
Trading profit[8]	$m	**40.5**	35.3	42.3	44.8	59.2
Adjusted net income[1]	$m	**27.6**	24.7	29.5	30.9	39.8
Basic earnings per share[7]	$	**0.47**	0.83	0.6	1.1	1.3
Adjusted net income basic earnings per share[1, 7]	$	**1.04**	0.93	1.1	1.2	1.5
Adjusted EBITDA[2]	$m	**61.8**	55.3	62.2	64.8	76.6
Revenue per employee	$'000s	**266**	246	270	290	300
Return on revenue[3]	%	**9.3**	8.5	9.2	9.2	12.3
Return on invested capital[4]	%	**15.3**	11.8	12.4	14.1	21.6
Financial performance						
Net cash flow from operating activities	$m	**44.8**	29.2	52.8	23.0	37.1
Net debt to EBITDA[9]	times	**1.6**	1.9	1.5	1.6	0.5
Non-financial performance						
Number of days lost following accidents at work[5]	work-days	**197**	215	285	261	973
ISO 14001 environmental management system certification[6]	%	**90.0**	91.8	87.6	88.0	90.8
Economic indicators						
Average aluminium price (three-month LME)	$/tonne	**1,819**	1,609	1,674	1,896	1,887
Average U.S. dollar to GBP sterling exchange rate	$:£	**1.30**	1.34	1.52	1.65	1.57
Average Euro to GBP sterling exchange rate	€:£	**1.14**	1.22	1.38	1.27	1.18

1. A non-GAAP measure for net income after tax, excluding certain non-trading items. Reconciliation to GAAP measure is disclosed in Note 10 of the consolidated financial statements.
2. A non-GAAP measure for earnings before income tax expense, finance income (which comprises interest received), finance costs (which comprises interest costs, IAS 19R retirement benefits finance charge, and the unwind of the discount on deferred contingent consideration from acquisitions), net gain / (loss) on acquisitions and disposals, profit on sale of redundant site, changes to defined benefit pension plans, restructuring and other expense, other share based compensation charges, depreciation and amortization and loss on disposal of property, plant and equipment. Reconciliation to GAAP measure is disclosed in Note 2 to the consolidated financial statements.
3. Return on revenue is measured as trading profit divided by revenue.
4. Return on invested capital is defined as the after-tax trading profit divided by shareholders’ equity plus net debt.
5. Under regulations issued by the Occupational Safety & Health Administration of the U.S. Department of Labor, the number of days absent for each accident is capped at 180 days.
6. Percentage of Group revenue originating from ISO14001-certified businesses.
7. Each American Depositary Share ("ADS") listed on the NYSE represents one ordinary share.
8. Trading profit (non-GAAP) is defined as operating profit or loss before profit on sale of redundant site, changes to defined benefit pension plans and restructuring and other expense. Reconciliation to GAAP measure is disclosed on face of consolidated income statement.
9. Net debt is defined as cash and cash equivalents less non-current bank and other loans.

Review of the Year Ended 31 December, 2017

2017 was an improved year for the Group, with trading performance up on Company and market expectations. The Group is looking to continue to improve revenue and profitability further whilst also focusing on the long-term position through LEAN manufacturing processes and stream-lining businesses. Group revenue, net of exchange rate translation, increased by $20.1 million from the previous year.

Trading profit in 2017 of $40.5 million represented an increase of 14.7% over the reported $35.3 million in 2016. Net income for 2017 was $11.5 million and adjusted earnings were $27.6 million, compared to $24.7 million in 2016. The increase in profitability was a result of stronger trading in our Elektron Division, primarily the magnesium business; however, our Gas Cylinders Division's performance declined when compared to 2016, predominantly as a result of decreased sales in the alternative fuel (AF) business. The decline in net income is a result of increased restructuring and other expenses in 2017.

Cash generated from operating activities was $45.2 million in 2017, up from $29.2 million in 2016, due to movements in working capital and provisions alongside an increase in EBITDA, partially offset by restructuring cash payments. The Group has continued to return funds to its shareholders in the form of regular dividends each quarter throughout 2017.

The ratio of Net Debt to adjusted EBITDA at the end of 2017 was 1.6x compared to 1.9x at the end of 2016, mainly as a result of the increase in adjusted EBITDA compared to 2016.

Translation Exchange Rates

The consolidated financial statements are presented in U.S. dollars. The two principal currencies used to translate the results of non-U.S. operations are GBP sterling and the euro. In 2017, GBP sterling was, on average, weaker against the U.S. dollar than in 2016, resulting in unfavourable movements when translating the operating results of U.K. operations into U.S. dollars. The euro was also on average weaker against the U.S. dollar than in 2016, resulting in unfavourable movements when translating the operating results of European operations into U.S. dollars. The net effect was a loss of $1.6 million on revenue and a loss of $1.1 million on operating profit when translating the operating results of non-U.S. operations into U.S. dollars.

Revenue

On an IFRS reported basis, Group revenue for the 12-month period from operations was $441.3 million, an increase of $26.5 million from $414.8 million in 2016. Compared to 2016, revenue reflected a $6.4 million gain from favourable average exchange rates ($8.0 million transaction gain offset by $1.6 million translation loss). Thus, underlying revenue, net of exchange, grew by $20.1 million. Reasons for the revenue change are discussed in detail by division, but in general, there were higher sales of Luxfer Magtech products, as well as of our SoluMag® alloy in the Elektron Division, partially offset by reduced sales of composite AF and SCBA cylinders as well as a delay in Superform automotive tooling projects in the Gas Cylinders Division.

Elektron Division revenue in 2017 was $221.1 million compared to $189.0 million in 2016. Exchange differences were favourable by $4.9 million, and underlying revenue was $27.2 million, or 14.0%, higher than 2016. Revenue was higher in the Division primarily due to increased sales for Flameless Ration Heaters (FRH), used in Meals, Ready-to-Eat™, (MRE), which reflected increased disaster-relief shipments to hurricane affected areas in the United States and Caribbean during the second half of the year. Sales of our proprietary SoluMag® alloy continued to grow as we gained traction in the oil and gas market, reflecting success in broadening the product line. The military powders business has experienced moderate growth as the budgetary pressure on U.S. defense spending loosened and the business recovered from an outage suffered by a key customer in 2016. Graphic Arts and zirconium products have also benefited from year-on-year increases in revenue.

Gas Cylinders Division revenue was lower at $220.2 million compared to $225.8 million in 2016. Exchange differences were favourable by $1.5 million, and underlying revenue was $7.1 million, or 3.1% lower than 2016. Revenue was lower in the Division largely due to depressed sales of our AF cylinders following the loss of a major customer, and lower sales of SCBA cylinders, partially offset by an increase in European medical composite cylinders, as well as shipments of aluminum cylinders. Superform sales were also down in the year following unusually high tooling sales in 2016. Sales of formed parts remained relatively flat from 2016 as we continued to deliver our products pursuant to our existing contracts.

Cost of Sales and Gross Profit

The gross profit margin for 2017 of 24.6% was up on 2016 at 22.5%.

The average LME price for aluminium was $1,819 per metric ton in 2017, an increase of $210 per metric ton, or 13.1%, from the 2016 equivalent figure. Magnesium costs increased in 2017 compared to the previous year with the average price of Chinese magnesium on a free on-board basis being $2,245 per metric ton, a $48 per metric ton increase in 2017 compared to 2016.

Distribution Costs, Administrative Expenses and Other Trading Items

The total of these costs in 2017 was $68.1 million, compared to $58.1 million in 2016. Administrative expenses increased by $8.1 million mainly due to the increased staff costs as well as a small underlying increase due to inflation. Distribution costs also increased by $1.5 million, reflecting increased levels of exports from the U.K. to the U.S. In 2017, there was a profit of $0.1 million attributable to the joint ventures and associates, compared to a profit of $0.5 million in 2016.

Trading Profit

Trading profit for 2017 was $40.5 million compared to $35.3 million for 2016, an increase of 14.7%.

Trading profit in the Elektron Division was $31.8 million in 2017, an increase of $7.9 million, or 33.1% from $23.9 million in 2016. Translating our non-U.S. operations into U.S. dollars resulted in an exchange rate gain of $3.1 million in the Elektron Division's trading profit in 2017. Trading variances in the Elektron Division were favourable by $4.8 million, or 17.8% compared to 2016.

The increase in the Elektron Division's trading profit can be attributed, partially, to the increased sales in the Division, in particular, sales of FRHs relating to disaster-relief shipments and SoluMag®, as explained above.

There was a positive variance of $11.2 million from 2016 due to changes in sales volumes and mix across the division. These were partially offset by a $1.2 million adverse variance from price changes and a $5.2 million adverse variance in total costs included within cost of sales and administrative expenses.

Trading profit in the Gas Cylinders Division was $8.7 million in 2017, a decrease of $2.7 million, or 23.7% from $11.4 million in 2016. Translating our non-U.S. operations into U.S. dollars resulted in an exchange rate gain of $1.2 million in the Gas Cylinders Division's trading profit in 2017. Gas Cylinders Division's trading variances were unfavourable by $3.9 million, or 31.0%.

Sales of AF cylinders decreased significantly in the year, following the loss of a major customer, compared to 2016, and Superform tooling revenue was also down compared to 2016 when we recognized unusually high tooling revenue. Volume and sales mix variances had a total negative impact of $0.6 million compared to 2016 and depreciation, employment and other fixed costs expenses increased by $3.0 million. These were partially offset by pricing increases, resulting in a $0.3 million favorable effect on trading profit.

Further adverse variances arose for $0.4 million as a result of production inefficiencies noted within our Superform division.

Adjusted EBITDA

Adjusted EBITDA, as defined in footnote 2 of page 4, was $61.8 million in 2017, resulting in a margin on sales of 14.0%, compared to $55.3 million and 13.3%, respectively, in 2016.

Operating Profit

During 2017, there was a release of a provision in relation to the sale in 2016 of the redundant site at Redditch, resulting in a credit of $0.4 million.

The restructuring and other expense charge increased from $2.2 million in 2016 to $21.6 million in 2017. The charge in 2017 relates to the rationalization of our operations, $12.1 million and fixed asset impairments, $3.7 million. We also incurred a charge of $3.5 million relating to a litigation claim against a competitor and professional fees in connection with converting our ADR listing to a direct listing.

After these items, operating profit was $19.3 million, down from $35.8 million in 2016.

Net Gain / Loss on Acquisitions and Disposals

In 2017, we incurred a non-operating credit of $1.3 million compared to a $0.2 million credit in 2016. Included in the $1.3 million is a gain on bargain purchase of $1.2 million offset by acquisition costs of $0.5 million in relation to the Group's acquisition of the trade and assets of the Specialty Metals business of ESM Group Inc. As part of the acquisition an environmental provision of $0.4 million has been established, with funds placed in escrow, to clean up low level chemical contamination on the land acquired, with any remaining funds remitted to the seller.

There was also a $1.0 million credit related to the remeasurement of deferred contingent consideration arising from the Elektron Division’s acquisition of Luxfer Magtech where an element of deferred contingent consideration was no longer payable due to the acquired business failing to achieve a profit trigger as at December 31, 2017.

Finance Costs

Net interest costs were $6.7 million in 2017 compared to $5.6 million in 2016. The increase in costs can be attributable to the exchange loss of $0.3 million, (2016: $0.7 million exchange gain), on the loan to Luxfer-GTM Technologies. The IAS 19R retirement benefits finance charge was $1.8 million compared to $2.1 million in 2016, as a result of the deficit being lower for the majority of 2017 than it was for 2016. In 2017, there was a $0.2 million charge in relation to the unwind of discount on the deferred contingent consideration that arose from the acquisitions of Luxfer Utah and Luxfer Magtech in 2014, ($0.4 million in 2016).

Profit before Taxation

Our profit before taxation was $11.9 million in 2017, a decrease of 57.3% compared to the $27.9 million in 2016. Our margin on profit before tax was 2.7% in 2017 and 6.7% in 2016.

Taxation

In 2017, our tax expense was $0.4 million on profit before tax of $11.9 million with a statutory effective tax rate was 3.4%. Of the charge of $0.4 million, $5.2 million related to current tax payable and a credit of $4.8 million was related to deferred income tax. In 2016, our tax expense was $6.0 million on profit before tax of $27.9 million equating to a statutory effective tax rate of 21.5%. Of the charge of $6.0 million, $3.7 million related to current tax payable and $2.3 million was a deferred income tax charge. In recent years our statutory effective tax rate has been affected by various non-trading items, the largest of which in 2017 related to the increase in the deferred tax asset of $6.0 million as a result of U.S. tax reform.

Net Income for the Period

Net income for the period was $11.5 million, compared to $21.9 million in 2016. The reduction can be attributed to higher restructuring and other expenses, partially offset by a higher trading profit figure as a result of increased sales activity in 2017. Adjusted net income, which excludes the after-tax impact of non-trading items, was $27.6 million, up on the adjusted net income for 2016 of $24.7 million.

Cash Flow

In 2017, net cash flows from operating activities increased by $16.0 million to $45.2 million from $29.2 million in 2016. The $16.0m increase in operating cash flow was largely due to the $5.6m inflow from improvement in working capital compared to a $7.6m outflow in 2016, combined with a $6.5m improvement in adjusted EBITDA, offset by restructuring cash payments of $7.0m.

Net cash used in investing activities increased by $3.0 million, or 19.9%, to $18.1 million in 2017 from $15.1 million in 2016. Capital expenditure in 2017 was $9.6 million, a decrease of $6.9 million from the $16.5 million expenditure in 2016. In addition, we incurred $1.7 million of intangible capital expenditure in 2017, compared to $2.4 million in 2016. We had an inflow of $0.1 million in 2017 in relation to sales of property, plant and equipment, compared to $0.4 million in 2016. Investment in joint ventures and associates was a $1.0 million outflow, compared with a $0.2 million inflow in 2016. Interest income from joint ventures decreased to $0.1 million compared with $0.3 million in 2016. We had a net cash outflow of $6.0 million (including acquisition costs) in relation to purchase of businesses compared to $0.3 million in 2016. In 2016, we received $3.0 million in relation to the sale of a redundant site.

Net cash outflows from financing activities decreased by $1.9 million to a $33.6 million outflow in 2017 from a $35.5 million outflow in 2016. Cash outflows in respect of dividend payments to holders of our ordinary shares were $13.3 million, in line with 2016 payments. Total interest paid on borrowings was $6.2 million, down $0.2 million on the $6.4 million paid in 2016. Repayments of $13.4 million were made to the banking facilities, compared to $8.5 million of repayments in 2016, a movement of $4.9 million. There was also $1.2 million of financing costs in relation to the extension of our long-term debt. In 2016, there was a $7.3 million outflow in respect of share purchases.

Non-current assets

Non-current assets have decreased from an opening position of $235.4 million to $231.3 million. This decrease of $4.1 million is due to a decrease in property, plant and equipment due to impairments and a decline in investments following the impairment of an associate.

Working Capital

Trading working capital (defined as current trade and other receivables plus inventories less current trade and other payables) have increased to $93.5 million at the 31 December 2017 from $89.0 million at the end of 2016. The reason for the increase has resulted from an increase in trade and other receivables from $57.6 million to $72.6 million, offset by an increase in trade and other payables from $51.1 million to $61.3 million.

Retirement benefits

The retirement liability has decrease from $66.5 million at the end of 2016 to $55.3 million at 31 December 2017. The main reason for the decreased deficit is a decrease in long-term UK inflation expectations, coupled with asset returns being higher than assumed. This is partially offset by decreases in corporate bond yields and a strengthening of the GBP sterling against the U.S. dollar.

Shareholder Equity and Borrowings

Shareholder equity as at 31 December 2017 has increased from an opening position of $141.9 million to $162.3 million, an increase of $20.4 million. Net income contributed $11.5 million, whilst $11.6 million relates to FX translation gains on net assets. The reduction in the net pension deficit contributed $4.3 million after tax (when taking into account the impact of U.S. tax reform on the reduction in associated actuarial deferred tax assets) with $3.1 million resulting from cash flow hedges. Partly offsetting these gains is the payment of dividends of $13.3 million which reduces both net assets and equity.

The Group had gross debt of $108.8 million and net debt of $100.3 million as at 31 December 2017. Invested capital, defined as total shareholder equity plus net debt, was $262.7 million as at 31 December 2017; this compares to an equivalent figure of $249.3 million in 2016. The ratio of the return on invested capital (defined as trading profit for the year, less notional tax, divided into invested capital) was 15.3% in 2017.

Future Developments

We had a relatively encouraging 2017, especially our results for the second half of 2017 which were significantly better than 2016. In the Gas Cylinders Division, a pick-up in demand for oxygen cylinders has resulted in higher European cylinder shipments. North American SCBA demand finished strongly with a positive momentum that is expected to continue in 2018.

In the Elektron division, the performance of our zirconium chemicals units was slightly improved as we continued the turn-around plan. Sales of high-performance magnesium alloys, which had fallen in the prior two years recovered. We remain optimistic about the growth potential of our proprietary SoluMag® alloy for oil and gas and our SynerMag® alloy for medical applications.

We remain optimistic that exchange rates and our currency hedges, which have been unhelpful since 2016, will be a benefit in 2018 and beyond.

We have seen some continued momentum in order rate for both military flares that use our atomised magnesium powders and military meals that use our flameless heaters, with new awards or contracts covering 2018 requirements for these products having been placed by U.S. government agencies in Q4 2017. We have also received improved forecasts from European customers for medical cylinders.

Given a healthy order book and positive impact from ongoing productivity initiatives, management expects full-year 2018 adjusted earnings per share to increase by 10% -15% from 2017, including operational performance and the favorable impact from the U.S. Tax Cuts and Jobs Act of 2017.

Based on the tax enacted during 2017 and our anticipated mix of profits across the globe, we expect our effective tax rate to be approximately 18% in 2018.

We expect 2018 capital expenditure to be in the range of $20 million to $25 million.

Essential Contracts or Arrangements

Apart from our financing agreements, we do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively.

Environmental Matters and Corporate Social Responsibility

Many of our corporate values are reflected in the Strategy and Business Model described on page 4 of this Strategic Report.

Helping Create a Greener World

We supply a range of environmental product solutions. We produce materials used in automotive catalysts to neutralise noxious gases. Our Isolux®, MELsorb® and Innotech products remove or neutralise harmful chemicals from drinking water, effluent, body fluids or surfaces. Many of our materials, such as magnesium alloys and superformed aluminium sheet, are in demand because they are lighter in weight than alternatives, enabling users to improve fuel efficiency and reduce carbon emissions. In recent years we have introduced a range of large high-pressure cylinders for the containment of cleaner alternative fuels such as compressed natural gas and hydrogen.

Managing Environmental Impact

We, and our predecessor businesses, have been around for a long while, and a number of our sites have been manufacturing at their locations for several decades, including during times when there was less awareness about protecting the environment. Today we are very focused on minimising any on-going environmental impact from our operations and we are also proactively and progressively clearing those legacy issues that we acquired in 1996 with the businesses that now comprise the Luxfer Group. We estimate that our expenditures on environmental matters could be approximately $0.7 million in 2018.

Other than for minor violations, the Group has neither created nor uncovered new environmental concerns in more than a decade and we continue to strengthen our controls. All our major sites are expected to achieve ISO 14001 certification to ensure environmental awareness and compliance. 15 of our 23 sites had achieved certification by the end of 2017. The Group has chosen the proportion of sales revenue generated from ISO 14001-compliant sites as a non-financial key performance indicator, and this figure is 90%.

Our U.K. MEL Technologies business comes under the European Union Regulation, Evaluation, Authorisation and Restriction of Chemicals (“REACH”) controls, which aim, among other things, to provide a high level of protection of human health and the environment from the use of chemicals, and to make manufacturers and importers responsible for understanding and managing the risks associated with their use. As a manufacturer and importer, our MEL Technologies business participates in several REACH consortia (as member or lead member), under which manufacturers and importers of like substances register them and work together to collect and collate specified information about those chemicals, which is then used to assess any potential hazards or risks posed, and how those risks are best controlled.

Managing Energy Use

Energy is a major requirement for the Group’s activities, which involve melting and forming metals, changing the state of chemicals, and running heavy machinery. Our U.K. plants have signed up for the European-wide ESOS programme aimed at minimising energy usage and we undertook baseline audits during 2017.

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

Greenhouse Gas Emissions

Each business unit monitors its usage of the following:

- Electricity (usually in KWh from utility bills);
- Natural gas (usually in MMBTU from utility bills);
- Propane (for fork-lift trucks from number of bottles used multiplied by capacity);
- Cover gases (to prevent molten metal from oxidising from number of cylinders used multiplied by capacity);
- Any other greenhouse gases used in the manufacturing process (from amount invoiced, delivered either in bulk or in cylinders).

Other than for electricity, the conversion into equivalent CO_2 tonnes is done using standard conversion factors readily available from websites of, for example, DEFRA in the U.K. Broadly speaking, natural gas (and other, pure gases) has a very similar CO_2 equivalency no matter from where it is sourced.

For electricity, the CO_2 equivalency depends on the power stations being used to generate it. Accordingly, each business unit uses the ‘local’ equivalency factor published on official sites. For our U.S. businesses this is available individually for each State on the U.S. Environmental Protection Agency website, and is updated each year according to the mix of power-generation facilities in use. The CO_2 equivalency factor for our French business unit, for example, is much lower than that for those in the U.K., as France has a high proportion of nuclear (‘zero-emission’ power plants), whereas the U.K. has a heavier mix of gas-powered and coal-powered electricity generation.

Each business unit has a manager responsible for the collation of this data, which is collected centrally along with other accounting information at year-end. The submissions from each business unit are aggregated, with electricity usage being classified as ‘scope 2’, while natural gas and all other gases are classified as ‘scope 1’.

Year-on-year figures by business unit are used to identify any anomalies, while similar business units are also compared to ensure consistency and understanding of the information.

The Greenhouse Gas (“GHG”) emissions statement below provides a summary of the Group GHG (carbon) emissions for the year ended 31 December, 2017, compared to 2016.

We report on both Scope 1 and Scope 2 emission sources:

Scope 1 emissions: Direct emissions from sources owned or operated by the Group such as combustion of gas;

Scope 2 emissions: Indirect emissions attributable to the Group due to its consumption of electricity.

We do not collect details of emissions from travel.

Greenhouse Gas Emission Statement

Baseline year	Full year 2017
Consolidation Approach	Operational control.
Boundary	Consolidated factories operated by us to manufacture Group products.
	U.K. sites: Conversion factors published by the Carbon Trust. U.S. sites: Conversion factors published by the U.S. Environmental Protection Agency for the individual State in which the site is situated.
Emission factor data source	Sites in other countries have used their relevant countries conversion factor.
Intensity ratio	CO_2 equivalent tonnes per $1 million of sales value ($1mSV).
Group Metric - Sales value	**$441.0 million in 2017** (2016: $414.8 million)

Greenhouse Gas Emission Source

	2017		2016	
	(tCO_2e)[1]	(tCO_2e/$1mSV)	(tCO_2e)[1]	(tCO_2e/$1mSV)
Scope 1 Fuel combustion (natural gas and propane) and operation of facilities	103,590	234.7	62,707	153.2
Scope 2 Purchased electricity	41,401	93.8	43,011	105.1
Statutory total (Scope 1 & 2)[2]	**144,991**	**328.5**	**105,718**	**258.3**

Notes:

1. Tonnes of CO_2 equivalent.

2. Statutory carbon reporting disclosure required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Overall our total CO_2 emissions increased by 37.1%, although our CO_2 sales per $million of sales only rose by 27.2% as some of the increase in emissions is a result of the increased revenue generated by our sites. Whilst purchased electricity fell by 3.7%, there was a significant increase in scope 1 fuel of 65%.

Industry Engagement

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

Our People

Employee Participation and Alignment of Employees' Interests with the Interests of Shareholders

All Employee Share Schemes

Since the end of 2013 we have offered an all-employee share investment plan ("SIP") to our U.K. employees, and a substantial number of employees have taken up the opportunity to make contributions out of their pay to purchase shares on a six-monthly basis under the plan. In 2014, we also established an employee stock purchase plan ("ESPP") under which our U.S. employees can accumulate contributions from pay over a six monthly period to purchase shares. Both plans are set up under the relevant legislation in their country to take advantage of any tax efficiencies offered by that legislation for the employees. We are investigating ways in which we might, where cost-effective, offer the opportunity to purchase shares on a regular basis in jurisdictions where we have smaller numbers of employees.

As far as reasonably possible, bonus arrangements are made available to motivate employees towards financial, business and personal targets.

We also have a long-term incentive plan under which selected managers receive a grant of awards over shares to encourage their retention in the Group and/or performance awards over shares where the targets are designed to align the remuneration of managers with returns to shareholders and reward the achievement of business targets and key strategic objectives.

Training and Development

The knowledge and skills of our people are key competitive advantages, and we endeavour to involve our employees through regular local, divisional and Group communications and training.

We first launched a corporate management development programme in 2012 aimed at developing junior and middle managers into future leaders.

We have also implemented a Group-wide e-learning programme to provide training to employees to support them in, and to promote compliance with, our Group compliance policies including, among other policies, our Code of Ethics, Anti-Bribery, Competition and Whistleblowing polices.

In addition to the Group initiatives referred to above, training and development of our employees is carried out in various different ways. Training of employees is undertaken on a business unit basis in areas where we want to ensure compliance with regulation and encourage best practice such as in health and safety or in specific areas to train, update and support employees in undertaking their jobs and on a divisional and cross divisional basis to train functions within the Group. Training is delivered both from internal resources (where available) and third party external resources as appropriate. Our divisions also have a commitment as part of their own strategy maps to encourage and assist personal development of their employees.

Further information on employee policies, communication and engagement can be found in the Directors' Report on pages 31 to 34.

At 31 December, 2017, the number of employees was as follows:

Employees *	Male	Female
Directors of Luxfer Holdings PLC	6	0
Senior Managers	44	11
Employees	1,184	326

***The Directors of Luxfer Holdings PLC include 5 Non-Executive Directors who are not employees of the Group and therefore this table will not fully reconcile to Note 6 of the Group consolidated financial statements.

Health and Safety

We want our sites to be safe places to work so we closely monitor near-misses, injuries and lost-time accidents (“LTAs”). We have chosen days lost from LTAs as a key performance indicator; see table on page 4.

We are pleased to report that 2017 has been another good year for safety. The 197 working days lost through accidents in 2017 maintained the very significant improvements seen in recent years compared to 2013 (973 days). The number of LTAs during the year was 12, which has decreased from 18 in 2016.

Customers and Suppliers

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

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

Responsible Business Ethics

We expect our employees and associates to apply a high ethical standard in every aspect of business. We have a corporate Whistleblowing Policy to facilitate reporting of failures to maintain these standards.

Our systems are designed to ensure compliance with all laws and regulations wherever we operate and we have a number of Group and local policies to ensure compliance and best practice as appropriate. We actively participate on many regulatory bodies that oversee or regulate industries to which we sell our products. We have undertaken training on the U.K. Bribery Act, the U.S. Foreign Corrupt Practices Act, both European and U.S. Competition law and other areas related to compliance which has been supplemented by the e-learning training referred to earlier in this section.

All of our businesses are required to take into account the importance of human rights.

Corporate Giving and Engagement with the Community

Our business units are encouraged to support local causes, business-related charities and other community support events through the donation of personal time and monetary contributions. For example, our U.S. Luxfer Gas Cylinders and Superform businesses have for a long time made significant contributions to the United Way charity through both corporate giving and individual employee fund raising activities and donation of personal time.

The Group made charitable donations in 2017 amounting to $32,000 (2016: $29,000), consisting of a number of small donations to various community, welfare, health, sport and educational charities local to the businesses that make up the Group both in the U.K. and elsewhere. During 2017, our businesses continued their links with universities and schools to develop young talent.

Principal Risks and Uncertainties

Internal Controls and Risk Management

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

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

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

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

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

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

Internal Financial Controls

Internal Audit - During 2017, the internal audit function among other things, continued to work on the internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

As at 31 December, 2017, the Executive Director in his capacity as Chief Executive Officer, has carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and the participation of the Executive Leadership Team, which is responsible for the management of the internal controls, and which includes the Chief Executive Officer. In accordance with the requirements of Section 404 of the Sarbanes-Oxley Act, and as included in the Form 20-F filed with the SEC, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control - Integrated Framework (the 2013 Framework) issued by the Committee of Sponsoring Organisations of the Treadway Commission. As at 31 December, 2017, management has assessed the effectiveness of internal control over financial reporting and has concluded that such internal control over financial reporting was effective. In addition, there have been no changes in the Group's internal control over financial reporting during 2017 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting.

Treasury and Financial Risk - The Group operates a central treasury function that controls all borrowing facilities, investment of surplus funds and management of financial risks. The Group also has a number of financial risks. The management of these financial risks and mitigating actions are explained further in Note 27 of the Group consolidated financial statements.

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

Area of Risk	Mitigating Activity
Dependency on certain key markets - The Group depends on certain end-markets, including automotive, self-contained breathing apparatus, aerospace and defence, medical and printing and paper. An economic downturn or regulatory changes in any of these end-markets could reduce sales. It is possible that all or most of these end-markets could be in decline at the same time, such as during a recession, which could significantly adversely affect the results of our operations due to decreased sales. With oil prices remaining low, this has had a continued impact on our alternative fuels end-markets, and has also reduced demand from the oil and gas sector for products that use our materials, such as helicopters.	The Group’s diverse product portfolio reduces the risk of any one adverse external economic factor impacting across all of these end-markets; however, a range of external factors could impact across the majority or all of the Group’s end-markets. To further mitigate this risk, the Group continues to invest in research and development and to innovate, working closely with its customers, to develop next generation products in these end markets.
Effect of external factors due to the global nature of our business - Our global presence exposes us in the countries in which we operate to economic conditions, geopolitical risks, specific regulations and other external factors, which could affect our operations. On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the European Union (the "E.U.")., commonly referred to as 'Brexit'. On March 29, 2017, the U.K. Government invoked Article 50 of the Treaty on the European Union, which is likely to result in the U.K. exiting the E.U. on March 29, 2019. The U.K. Government has commenced negotiating the terms of the U.K.'s future relationship with the E.U. although there is still considerable uncertainty as to the outcome. It is possible that there will be greater restrictions on imports and exports between the U.K. and other countries and increased regulatory complexity. These changes may adversely affect our operations and financial results such as revenue, trading profit and adjusted EBITDA.	The Group’s diverse product portfolio and geographic spread reduces the risk of any one external factor impacting across all end-markets. The Group also closely monitors geopolitical and global economic developments in its markets and will be closely monitoring the outcome of negotiations following the U.K.’s decision to leave the E.U.
Competition - Markets for many of the Group’s products are now increasingly global and highly competitive, especially in terms of quality, price and service. The Group could lose market share as a result of these competitive pressures, which could negatively impact revenue and profit margins. More generally, the Group may also face potential competition from manufacturers of products similar to the Group’s aluminium and magnesium-based products using other materials, such as steel, plastics or composite materials.	The Group continues to invest in new and better products and aims to focus its resources in speciality markets that need high-performance products and a reliable partner.
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 seeks to protect its intellectual property through patents and by reducing the disclosure of commercially sensitive information. It also invests long-term in new products and manufacturing processes and maintains this investment through the business cycle.
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 revenue and have an adverse effect on the Group’s financial position. The Group’s top 10 customers accounted for, in aggregate, approximately 25% of Group revenue in 2017.	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.

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 unavoidable occurrences including major equipment failure. Although the Group carries insurance, the cover on certain catastrophic events or natural disasters, including earthquakes and certain other events, could be limited.	The Group performs routine maintenance on its production equipment on all its manufacturing sites. These maintenance programmes are carefully planned to keep all plants operating at a high level of efficiency, and to reduce the risk of breakdowns and failure of equipment. Health and Safety is also a major consideration in the operation of the Group manufacturing facilities and is carefully monitored. The Group carries comprehensive business interruption insurance.
Effect of international currency markets - Changes in foreign currency 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 U.K., including the U.S., 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 USD or on import and export transactions.	The Group regularly enters into forward foreign currency exchange contracts to manage currency risks and a Treasury Committee, overseen by the Chief Financial Officer / Group Financial Controller, monitors the implementation of the Group's hedging policy.
Exposure to fluctuations in raw material - The Group is exposed to fluctuations in costs 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 cost fluctuations in other raw material costs such as primary magnesium, carbon fibre, zircon sand and rare earths. The Group's operations also buy and sell goods in regional markets that may be protected by tariff barriers. Changes in these tariffs could have an adverse impact on trading profit.	In the long-term the Group has sought to recover the cost of increased commodity and utility costs through price increases and surcharges. Short term fluctuations in the price risk on aluminium are mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. Increasingly, in recent years we have included in our sales agreements an ability to share cost increases with our customers.
Product liability and regulatory risks - The Group is exposed to possible claims for personal injury, fatality or property damage that could result from a failure of a product manufactured by the Group, or of a third party integrating a Group product. Many factors beyond the Group's control could lead to liability claims, which may in turn lead to product legal claims or disruption in sales to customers. The Group could be required to pay a material amount if a claim is made against it that is not covered by insurance or otherwise subject to indemnification, or that exceeds the insurance coverage that the Group maintains. Moreover, the Group does not routinely carry insurance to cover the expense of product recalls, and litigation involving significant product recalls or product liability could have a materially adverse effect on the Group's financial position / performance.	The Group uses its operating and technical expertise to mitigate these risks, with a strong emphasis on high levels of product quality and rigorous testing, and by ensuring that products are designed to meet or exceed the regulatory design standards of the markets they serve. The Group has also obtained insurance coverage for most of these types of liabilities.

Environmental costs and liabilities - The Group may be exposed to substantial environmental costs and liabilities, as its operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. An increase in environmental costs and liabilities could have a materially adverse effect on the Group in any given year, which could negatively affect the Group's cash flow from operating activites.	To mitigate this risk the Group seeks to operate best practice procedures in this area and is in the process of attaining the ISO 14001 qualification at all of its larger manufacturing sites. The bulk of the Group's known environmental issues are legacy problems that arose many years ago. Management have a programme in place to progressively improve and eliminate these historic issues.
Risks relating to the Group's retirement benefit plans - The Group operates defined benefit arrangements in the U.K., the U.S. and France. These are further explained in Note 29 of the Group consolidated financial statements. Their funding requirements are subject to fluctuations in investment markets and changes in the life expectancy of members and, as a result, these plans have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with taxes such as the U.K.'s Pension Protection Fund Levy, which cost $0.4 million in 2017 ($0.4 million in 2016). Regulations in this area can also constrain the level of debt incurred and restrict the Group's ability to pay dividends.	The Group and the Trustees of the plans closely monitor the financial performance of the Schemes, taking actuarial and investment advice as appropriate. These are long-term liabilities, and we have a programme in place to contribute cash to our defined benefit plans over a number of years. This is based on affordability and is varied according to our net earnings. These plans are funded and the bulk of the assets are invested in 'growth' assets.
Exposure to risks related to cybersecurity threats and general security incidents - In the conduct of its business, the Group collects, uses, transmits and stores data on information technology systems. This data includes confidential information belonging to us, our customers and other business partners, as well as personally identifiable information of individuals. We have experienced, and expect to continue to be subject to, cybersecurity threats and incidents, ranging from employee error or misuse to individual attempts to gain unauthorised access to information systems to sophisticated and targeted measures known as advanced persistent threats, none of which have materially affected the Group to date. We also rely in part on the reliability of certain tested third parties' cybersecurity measures, including firewalls, virus solutions and backup solutions. Cybersecurity incidents may result in business disruption, the misappropriation, corruption or loss of confidential information and critical data (ours or that of third parties), reputational damage, regulatory fines, litigation with third parties, diminution in the value of our investment in research and development, data privacy issues and increased cybersecurity protection and remediation costs. Future cybersecurity breaches or incidents or further increases in cybersecurity protection costs may have a materially adverse effect on our business, financial condition or results of operations. we are subject to the European Union's General Data Protection Regulation ("GDPR"). Among other things, the GDPR places subject companies under obligations relating to the security of the personally identifiable information they process.	The Group devotes significant resources to network security, data encryption and other measures to protect our systems and data from unauthorised access or misuse, including to meet certain information security standards that may be required by our customers, all of which increases cybersecurity protection costs. As these threats, and government and regulatory oversight of associated risks, continue to evolve, we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain.

Approval

The Strategic Report is set out on pages 3 to 18 and incorporates the sections titled Environmental Matters and Corporate Social Responsibility and Principal Risks and Uncertainties.

Signed on behalf of the Board by:

A Maskara

CHIEF EXECUTIVE OFFICER

19 March, 2018

GOVERNANCE

The Board of Directors

The Director of the Company who were in office during the year and up to the date of signing the financial statements were:

Name	Age	Position
Joseph A. Bonn	74	Non-Executive Chairman
Alok Maskara	46	Executive Director and Chief Executive Officer (appointed May 23, 2017)
Brian G. Purves	63	Executive Director and Chief Executive Officer (retired September 25, 2017)
Andrew M. Beaden	50	Executive Director and Group Finance Director (resigned October 2, 2017)
Kevin S. Flannery	73	Non-Executive Director (retired May 23, 2017)
David F. Landless	58	Non-Executive Director
Dr Brian Kushner	59	Non-Executive Director
Clive J. Snowdon	64	Non-Executive Director
Adam Cohn	46	Non-Executive Director

Biographical information concerning the members of our Board of Directors is set forth below:

Biographies:

Joseph A. Bonn

Joseph (Joe) was appointed as a Non-Executive Director on March 1, 2007, at which time he was also appointed to both the Audit and Remuneration Committees. He has also been a member of the Nomination Committee since its establishment in July 2013. Joe was appointed as Non-Executive Chairman on 6 December, 2016. Joe was a member of the Audit Committee until and including January 30, 2017. He was also Chair of the Remuneration Committee until and including November 23, 2017 after which he stepped down as Chair, but remained a member of the Committee. Joe has informed the Board of his decision not to stand for re-election to the board at the AGM in 2019 and to step down as Chairman by early 2019.

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

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

Alok Maskara *(Appointed as Director on May 23, 2017 and as CEO July 1, 2018)*

Alok was named as the next Chief Executive Officer of Luxfer and appointed to the Board of Directors on May 23, 2017 and later became Chief Executive Officer on July 1, 2017.

Experience: Before joining Luxfer, Alok was a business segment President at Pentair Plc for eight years where he led businesses of progressively larger sizes. Prior to Pentair, he was at General Electric Corporation for four years. Alok has also worked at McKinsey & Company, a management consultancy firm in Chicago, USA.

Alok holds an M.B.A. from the Kellogg Graduate School of Management, an M.S. from the University of New Mexico and a Bachelor in Technology from Indian Institute of Technology, Mumbai.

Brian G. Purves *(Resigned as CEO July 1, 2017 and retired as Director September 25, 2017)*

Brian was appointed as our Chief Executive Officer at the start of 2002 and has been an Executive Director of the Company and its predecessor since 1996. He was one of the two-man management buy-in team that led the private equity-funded acquisition of British Aluminium (including the core or our current Group) from Alcan in 1996, serving as Finance Director from that date until 2001. Brian stepped down as Chief Executive Officer on July 1, 2017 and retired as a Director on September 25, 2017.

Experience: Before joining the Company, Brian held several senior positions in the U.K. motor manufacturing industry covering various financial, commercial and general management responsibilities.

Brian has an honours degree in natural philosophy (physics) from the University of Glasgow and a Master of business studies degree from the University of Edinburgh. A Fellow of the Chartered Institute of Management Accountants, he is also a Companion of the Chartered Management Institute.

Andrew M. Beaden *(Resigned October 2, 2017)*

Andrew (Andy) was appointed as Group Finance Director in June 2011 prior to the I.P.O., at which time he was appointed to the Board as an Executive Director. Andy joined the Group in 1997 and became Group Financial Controller in 2002, becoming a member of the Executive Management Board in January 2006. He worked as Director of Planning and Finance from 2008 to 2011. Andy resigned from the Board and left Luxfer October 2, 2017.

Experience: Before joining the Company, Andy worked for KPMG, as well as several U.K. FTSE 100 companies in a variety of financial roles.

Andy is a Chartered Accountant and holds a degree in economics and econometrics from Nottingham University.

Kevin S. Flannery *(Retired May 23, 2017)*

Kevin was appointed as a Non-Executive Director on June 1, 2007, at which time he was also appointed to both the Audit and Remuneration Committees. He was appointed to the Nominating Committee on its establishment in July 2013, but stepped down on October 6, 2016. Kevin was a member of the Audit Committee until and including January 30, 2017 and reappointed to the Nominating Committee from January 31, 2017. He retired as a Director of Luxfer on May 23, 2017.

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

David F. Landless

David was appointed as a Non-Executive Director in March 2013 and was appointed to the Audit Committee on March 28, 2013, and the Nomination Committee on July 23, 2013. He acts as the financial expert on the Audit Committee under the listing rules of the New York Stock Exchange. He was appointed as a member of the Remuneration Committee in January 2015 and on May 28, 2015, he was appointed Chair of the Audit Committee. David was a member of the Nomination Committee until and including January 30, 2017 and from December 5, 2017. He was a member of the Remuneration Committee until and including November 23, 2017.

Experience: David started his career with Bowater and Carrington Viyella and joined Courtaulds Plc in 1984. He was appointed a Finance Director in the U.K. and U.S. divisions of Courtaulds Plc from 1989 to 1997 and Finance Director of Courtaulds Coatings (Holdings) Limited from 1997 to 1999. He was appointed Group Finance of Bodycote plc in 1999 until he retired from the position on January 1, 2017. He is a Non-Executive Director of Innospec, Inc. and was appointed a Non-Executive Director of Renold plc on January 9, 2017 and a Non-Executive Director of European Metal Recycling Limited on June 30, 2017. David is a Chartered Management Accountant. He graduated from the University of Manchester Institute of Science and Technology.

Dr Brian Kushner

Brian was appointed as a Non-Executive Director on May 24, 2016, at which time he was also appointed to the Remuneration and Nomination committees. He was appointed to the Audit Committee on August 5, 2016. During 2017, Brian was a member of the Nomination Committee until and including 30 January, 2017 and he was appointed Chair of the Remuneration Committee from November 24, 2017.

Experience: Brian co-founded CXO, LLC, a management consulting firm acquired by FTI Consulting, ("FTI", NYSE:FCN) a global business advisory firm in 2008. Brian is now Senior Managing Director at FTI, and leads the Private Capital practice. Over the past two decades, he has served as the CEO, Chief Restructuring Officer or non-executive Director of more than two dozen public and private technology, manufacturing, telecom and defense companies. Brian began his career in 1982 at BDM International, and was part of the management team that completed a leveraged buyout of BDM in 1990 by Carlyle.

Brian serves as a Non-Executive Director and Audit Committee Chair of Mudrick Capital Acquisition Corporation (NASDAQ:MUDS), Non-Executive Director and Audit Committee Chair of Dex Media (OTC: DMDA), and Non-Executive Director and member of the Audit and Governance Committees at Zodiac Interactive. Brian holds a doctorate in applied physics / electrical engineering from Cornell University.

Clive J. Snowdon

Clive was appointed as a Non-Executive Director on July 29, 2016, at which time he was also appointed to the Remuneration and Nomination committees. He was appointed to the Audit Committee on August, 5 2016. Clive was a member of the Remuneration Committee until and including January 30, 2017 and became Chair of the Nominating Committee from December 5, 2017.

Experience: Clive has served as Chairman of the Midlands Aerospace Alliance since 2007 and is a Trustee of the Stratford Town Trust. He is also the aerospace industry advisor to Cooper Parry Corporate Finance. In May 2016, Mr. Snowdon stepped down from the board of Hill & Smith Holdings PLC, where he had been Senior Non-Executive Director since May 2007 and chair of the remuneration committee, as well as a member of the audit and nomination committees. Mr. Snowdon retired from Umeco PLC in June 2011 after serving as Chief Executive since April 1997, and he was Executive Chairman of Shimtech Industries Group Limited until the sale of the business in May 2015. From 1992 to 1997, Mr. Snowdon served as Managing Director of Burnfield PLC after being promoted to that position from Finance Director. He has also held senior positions with Vickers PLC, BTR PLC and Hawker Siddeley Group. Mr. Snowdon is qualified as a Chartered Accountant.

Adam Cohn

Adam was appointed as a Non-Executive Director on July 18, 2016, at which time he was also appointed to the Remuneration Committee. Adam was appointed to the Nomination Committee from January 31, 2017.

Experience: Mr. Cohn is Co-CEO of Stone Canyon Industries LLC (SCI), a company he co-founded in September 2014. SCI has a small investment in Luxfer. Prior to SCI, from March 2000 to September 2014, Mr. Cohn was a Partner at Knowledge Universe ("KU"), where he served as Head of Mergers and Acquisitions and Business Development for KU and its portfolio companies. Prior to joining KU, he was a Senior Associate with Whitney & Co., a private equity firm. Before that, Mr. Cohn was an investment banker in the Financial Sponsors Group at Bankers Trust Company and Deutsche Bank. He has a B.S. in business from Skidmore College and an M.B.A. from Columbia University. Mr. Cohn served on the board of k12, Inc, where he was also Chairman of the Compensation Committee. In addition, he serves on several other private company boards.

Executive Leadership Team

The members of the Executive Leadership Team (previously Executive Management Board) of Luxfer are responsible for the day-to-day management of our company.

The following table lists the names and positions of the current members of the Executive Leadership Team as well as those who served during the year.

Name	Age	Position
Alok Maskara	46	Executive Director and Chief Executive Officer
Brian Gordon Purves	63	Executive Director and Chief Executive Officer
Andrew Michael Beaden	50	Executive Director and Group Finance Director
Heather Harding	49	Chief Financial Officer
Edward John Haughey	62	Divisional Managing Director of MEL Chemicals
David Terence Rix	49	Divisional Managing Director of Magnesium Elektron
Andrew William John Butcher	49	President of Luxfer Gas Cylinders
Graham Wardlow	50	Managing Director of Luxfer MEL Technologies
James Gardella	61	President of Luxfer Magtech
Chris Barnes	63	President of Magnesium Elektron North America
Simon P. Tarmey	55	Managing Director of Luxfer Superform
Claire Swarbrick	43	General Counsel and Legal Adviser
Peter Gibbons	47	Director of Sourcing and IT
Peter Dyke	47	Chief Human Resource Officer

Biographies:

Alok Maskara, Brian Gordon Purves and Andrew Michael Beaden

Please refer to the main Board biographies on pages 19 and 20.

Heather C. Harding

Chief Financial Officer

Heather was named Chief Financial Officer of Luxfer on January 1, 2018.

Before joining Luxfer, Heather was vice president, finance, for Eaton Lighting, a business unit of Eaton Corporation. Prior to that, she was vice president, finance, for various operating units within Cooper Industries and Emerson Electric.

Heather is a Certified Public Accountant and has received a Bachelor of Science in accounting from Southern Illinois University at Carbondale.

Edward J. Haughey

Managing Director of MEL Chemicals

Edward (Eddie) became a member of the Executive Management Board on his appointment as Managing Director of Luxfer's zirconium business in 2003. Prior to joining Luxfer Group, he was Managing Director of Croda Colloids Limited for Croda International Plc from 1994 to 2003, and has held a series of senior management positions in the Croda Group, BASF and Rhone Poulenc. He holds a BA (Honours) degree in Chemistry. Eddie retired from Luxfer in May 2017.

David T. Rix

Managing Director of Magnesium Elektron

David was appointed to the Executive Management Board in 2013 on assuming responsibility for Luxfer's magnesium businesses. He joined Alcan Wire and Conductor in 1991 and moved to Luxfer Gas Cylinders in 1994, holding various sales and marketing positions in Germany, France and Dubai, UAE, before returning to the U.K. He was appointed Managing Director of Luxfer Gas Cylinders in Europe after serving as European Sales Director and was also a member of the Gas Cylinders Divisional Team with strategic responsibility for global marketing. David holds a BA (Honours) degree in business studies and a diploma from the Chartered Institute of Marketing. David left Luxfer in June 2017.

Andrew W. J. Butcher

President of Luxfer Gas Cylinders

Andrew (Andy) was appointed as President of Luxfer Gas Cylinders in April 2014. He became a member of the Executive Management Board on January 1, 2014, on his appointment as President designate. He joined Luxfer Gas Cylinders in Nottingham in 1991, before moving to California in 2002, where he led our composite businesses. He was President of Luxfer Gas Cylinders North America from 2009 to 2014. Andy holds an MA degree in Engineering from Cambridge University, and an MBA from Keele University.

Graham D. Wardlow

Managing Director of Luxfer MEL Technologies

Graham was appointed MD of Luxfer MEL Technologies in October 2017 following the merger of MEL Chemicals with the Magnesium Elektron Alloys business. Graham joined Magnesium Elektron in 1991 and undertook a number of technical and commercial roles before becoming MD of the Alloys business in 2008. Graham led the transformation of this business before his appointment to Divisional MD of MEL Chemicals in May 2017, at which time he became a member of the Executive Leadership Team.

Graham holds a degree in Materials Engineering from Imperial College, University of London, and an MBA from Keele University.

James G. Gardella

President of Luxfer Magtech

James (Jim) was appointed President of Luxfer Magtech and became a member of the Executive Leadership Team in July 2017. Prior to that, he was appointed President of Magnesium Elektron Powders in 2007 which he originally joined in 1990 as Financial Controller.

Jim holds a B.S. Degree in Accounting from Villanova University, an MBA in Finance and is a Certified Public Accountant.

Chris A. Barnes

President of Magnesium Elektron North America

Chris has been President of Magnesium Elektron North America, Inc. since 2009. Prior to joining Magnesium Elektron in 2003, Chris held several key leadership positions in serving the Graphic Arts Market and manufacturing magnesium wrought products.

Chris has a Bachelor of Science Degree from Michigan State University and an MBA from Washington University in St. Louis, Missouri.

Simon P. Tarmey

Managing Director of Luxfer Superform

Simon was initially appointed Managing Director of Superform Worcester and then took responsibility for both the Worcester and Riverside, California plants in 2009 when he became the Divisional head. After graduating from South Bank Polytechnic with a degree in Engineering, Simon has worked in R&D, Engineering and Operational management roles within GKN, Federal Mogul and Unipart before joining Luxfer Superform in 2004.

Claire L. Swarbrick

General Counsel and Legal Adviser

Claire has been legal adviser to the Luxfer Group since joining the business in January 2012. She was appointed general counsel in March 2016. After graduating from the University of Nottingham with a degree in law, Claire completed the legal practice course at Chester Law College and qualified as a solicitor in September 2000. Before taking the role at Luxfer, Claire spent 12 years in private practice, specializing in corporate and commercial law.

Peter N. Gibbons

Director of Sourcing and IT

Peter was appointed Director of Sourcing and IT and became a member of the Executive Leadership Team in July 2017. He joined Luxfer in 2003 as European Financial Controller at Magnesium Elektron, before moving to Group Head Office to take up the Group Financial Controller role. He returned to Magnesium Elektron in 2014 as Divisional Finance Director. Peter is a qualified accountant.

Peter S. Dyke

Chief Human Resources Officer

Peter (Pete) was named Chief Human Resources Officer of Luxfer on January 2, 2018.

Before joining Luxfer, Pete was Vice President Human Resources for Pentair Water, a business segment of Pentair PLC. Prior to that, he served as Vice President Human Resources for various operating units within Pentair and as Senior Manager, Human Resources with General Electric’s Aircraft Engines Division.

Pete attended Michigan State University where he received a Masters of Labor and Industrial Relations degree and a Bachelor of Arts degree in International Relations and Economics.

Corporate Governance

In this section we explain our corporate governance and what informs and influences our corporate governance practices.

Overview of Corporate Governance

The Company is incorporated in England and Wales and has a single listing of ordinary shares on the NYSE. Accordingly, our corporate governance is informed by the relevant aspects of two regulatory regimes, the U.K. and the U.S.

As a company incorporated in England and Wales, our corporate governance practices primarily are governed by our articles of association (our "Articles") and the Companies Act 2006 (the "Companies Act"). For example, as a company listed on the NYSE we are a "quoted company" for the purposes of the Companies Act and therefore required to comply with its "quoted company" requirements. Significant aspects of these requirements include the production of a yearly report on Directors' remuneration, details of which are prescribed by English corporate law, an annual advisory shareholder vote on whether to approve such remuneration and a binding shareholder vote every three years on our remuneration policy with respect to the Directors. These requirements in turn influence aspects of how we report remuneration.

As we are not, however, listed on the London Stock Exchange, the Company is not required to comply with the U.K. Corporate Governance Code (the "Code"). Nevertheless, we choose to follow aspects of the Code, insofar as it is appropriate, relevant and practical to a company of the size and status of the Company.

In 2017, (as in 2016) we were a foreign private issuer (an "FPI") as defined in the SEC's rules and regulations and consequently, in many aspects of corporate governance we rely on a provision in the NYSE's Listed Company Manual ("NYSE's Manual") that permits us to follow home-country practice in lieu of certain NYSE corporate governance requirements. For example, although each member of our Audit Committee must be independent within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each such member does not need to satisfy the requirements for independence set out in Section 303A.02 of the NYSE's Manual. Our Nomination Committee and Remuneration Committee each consist entirely of Non-Executive Directors; however, each such Non-Executive Director is not required to satisfy the requirements for independence set out in Section 303A.02 of the NYSE's Manual. As an FPI we are not subject to all of the disclosure requirements applicable to companies organised within the U.S. that relate to corporate governance. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorisations applicable to a security registered under the Exchange Act.

However, because our shares are listed on the NYSE, we are required to comply with certain U.S. law requirements, including certain provisions of the Sarbanes-Oxley Act that affect our corporate governance. For example, Section 404(a) requires our management to identify in our Annual Report on Form 20-F a framework used by management to evaluate the effectiveness of our internal controls over financial reporting. Such evaluation must be based on a suitable, recognised control framework that is established by a body or group that has followed due-process procedures, such as the framework established in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organisations of the Treadway Commission (the "COSO framework"). We are required to and have updated our framework for the evaluation of the effectiveness of our internal controls over financial reporting in accordance with the COSO 2013 framework.

In developing corporate governance practices for the Group, the Directors have taken note of all of these different regulatory requirements, as well as reflecting best practice as the Directors consider appropriate.

Board Members

During 2017, the Board comprised a Non-Executive Chairman, between five and six Non-Executive Directors and between one and three Executive Directors. The maximum number of Directors permitted under the Articles is eight. A number of Directors have an interest in the shares of the Company as set out in the Remuneration Report on pages 37 to 63.

Our Articles contain a provision requiring a third of the Directors to retire by rotation each year. In line with best practice, the Nomination Committee has proposed, and the Board has agreed, that all directors should offer themselves for re-election at the 2018 annual general meeting ("AGM").

Brief biographical details of the Directors who served during 2017 are provided on pages 19 to 21.

Roles

The Board

The Board has responsibility for the overall leadership of the Company, its long-term success and helping to develop and approve its strategic aims. The Directors have determined a schedule of matters reserved to the Board. Reserved matters are comprehensive and reviewed as the Board considers appropriate, normally annually. A review was undertaken during the year, following a comprehensive review in 2013 in the context of a newly listed company. The Directors determined no further amendments were necessary. Matters reserved to the Board are set out in the Governance section of the Company's website.

Executive Leadership Team

The Executive Leadership Team (previously Executive Management Board) meets at least once a month. It is chaired by the Chief Executive Officer and consists of the Chief Financial Officer and senior management at group and divisional levels. The members of the Executive Leadership Team during 2017 are listed on page 22. The Executive Leadership Team acts in an advisory capacity to the Chief Executive Officer and provides a forum where matters of interest or concern to the Group can be reviewed and discussed, strategy debated, policies developed and agreed, best practice discussed and appropriate measures implemented. It also provides an opportunity for senior management to receive updates on progress in other areas of the Group outside their remit.

Division of Responsibilities

Due to the size of the Board, the Directors have determined it is not necessary to appoint a Senior Independent Director.

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

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

The Chairman maintains a dialogue with the Non-Executive Directors in the absence of the Executive Directors, and where appropriate, canvasses their opinion on issues and meets with them in the absence of the Executive Directors on a regular basis.

The Nomination Committee annually reviews succession planning for senior appointments in the Group and to the Board, with recommendations made to the Board.

Meetings

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

Attendance at Board and Committee Meetings during 2017

	Main Board	Telephone Board	Total Board	Audit Committee	Remuneration Committee	Nominating and Governance Committee
Joseph Bonn	6	3	**9**	-[i]	8	2
Andrew Beaden	4	3	**7**	Non-member[ii]	Non-member	Non-member
Adam Cohn	6	1	**7**	Non-member	8	1[vi]
Kevin Flannery	1	—	**1**	-[i]	1	-[iii]
Brian Kushner	6	1	**7**	8	8	-[i]
David Landless	6	3	**9**	8	6[iv]	1[v]
Alok Maskara	4	1	**5**	Non-member[ii]	Non-member[ii]	Non-member[ii]
Brian Purves	4	3	**7**	Non-member[ii]	Non-member[ii]	Non-member[ii]
Clive Snowdon	6	3	**9**	8	-[i]	2
Total number of meetings	**6**	**3**	**9**	**8**	**8**	**2**
No. of meetings held at operational sites in the U.K. or U.S.	1	—	**1**			

[i] The director was a member of the Committee until and including 30 January, 2017. During his period of membership in 2017, no meetings were held.

[ii] Although not a member of the Committee the director attended the meeting to present to the Committee.

[iii] The director was a member of the Committee from 31 January, 2017 until 23 May, 2017. During his period of membership in 2017, no meetings were held.

[iv] The director was a member of the Committee until and including 23 November, 2017.

[v] The director was a member of the Committee until and including 30 January, 2017 and then from 5 December, 2017.

[vi] The director was a member of the Committee from 31 January, 2017.

Information and Support

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

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

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

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

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

Newly appointed directors undergo an induction program.

The Board evaluates its information and support procedures periodically to ensure they remain appropriate.

Accountability

The Directors are responsible for preparing the financial statements to satisfy U.K. law. This responsibility is explained further in the Directors' Responsibilities Statement on page 64 and the Independent Auditor's Report on pages 65 to 70.

Audit Committee

The members of our Audit Committee during the year were:	
David Landless	Member and Chairman
Joseph Bonn	Member until and including January 30, 2017
Kevin Flannery	Member until and including January 30, 2017
Brian Kushner	Member
Clive Snowdon	Member

The Company Secretary acts as secretary to the Audit Committee. The Chief Financial Officer and the Chief Executive Officer attend as required. The Company's external auditor is invited to attend most meetings of the Audit Committee.

The responsibility and duties of the Audit Committee are set out in written terms of reference which appear on the Company's website under the Governance section. The terms of reference were reviewed during the year. The Committee has the responsibility of overseeing corporate accounting and financial reporting in the Group.

Its duties include:

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

The Board considers that all the members have appropriate financial experience to enable them to contribute to the Audit Committee's work. The Board also considers that each member of the Audit Committee satisfies the requirements for independence set out in Section 303A.02 of the NYSE rules and Rules 10A-3 under the Exchange Act. David Landless is the 'Audit Committee Financial Expert' as defined in Item 407(d) of Regulation S-K.

Each year, normally prior to the commencement of the financial year, the Committee establishes a schedule of meetings to coincide with the key events in the Company's financial reporting and audit cycle to ensure it has sufficient time on its agendas to deal with matters for which it has responsibility. Agendas and appropriate papers are issued for each meeting. The Chairman speaks to the external auditors as he considers appropriate and necessary in preparation for meetings at which matters are discussed that have been audited by the Company's external auditors or are relevant to them.

The Audit Committee has adopted and implemented a 'Policy on the Provision of Audit and Non-Audit Services by Auditors' (the "Pre-approval Policy") to comply with auditor independence requirements contained in Rule 2-01 of Regulation S-X under the Exchange Act. The policy requires the Audit Committee to pre-approve all matters upon which the Company's external auditors are requested to advise (audit and non-audit work), including fees, subject to certain pre-approvals made annually by the Audit Committee. A pre-approved sum to be spent on audit and tax matters is delegated to the Chief Financial Officer and there is a procedure for approval of urgent items by the Chairman between meetings. The policy also affirmatively proscribes the Company's external auditors from advising on certain matters.

During the year the Audit Committee met on eight occasions and among other matters they undertook the following:

- A specific review of the Company's external auditors' independence with the Company's external auditors and the Company's management, which confirmed the independence of the external auditors;
- A discussion of matters pertaining to, and approval of, work to be undertaken by the Company's external auditors under the Pre-approval Policy;
- A review with the Head of Corporate Review and senior management of the internal audit work, the system of internal controls and monitored the implementation of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and the progress of the update to the internal controls over financial reporting framework to reflect the 2013 COSO framework throughout the Group;
- A review of how Group risks are assessed, the Group's risk profile and how the Group mitigates its risks;
- A review of the Company's annual SEC filing, statutory report and consolidated financial statements and the quarterly financial releases made by the Company;
- An evaluation of the work of the Audit Committee.

Remuneration Committee

Membership of the Remuneration Committee and details of its work appear in the Remuneration Report on pages 37 to 63. Its terms of reference appear under the Governance section on the Company's website.

Nominating and Governance Committee

The members of our Nominating and Governance Committee during the year were:

		Meetings attended
Joseph Bonn	Member throughout entire year and Chairman (Chair) until and including December 4, 2017	2
David Landless	Member	1[i]
Kevin Flannery	Member until and including May 23, 2017	-[ii]
Brian Kushner	Member until and including January 30, 2017	-[iii]
Clive Snowdon	Member and Chairman (Chair) from December 5, 2017	2
Adam Cohn	Member	1

[i] The director was a member of the Committee until and including January 30, 2017 and from December 5, 2017.

[ii] The director was a member of the Committee from January 31, 2017 until May 23, 2017. During his period of membership in 2017, no meetings were held.

[iii] The director was a member of the Committee until and including January 30, 2017. During his period of membership in 2017, no meetings were held.

The Company Secretary acts as secretary to the Nominating and Governance Committee. The Chief Executive Officer attends as required.

The responsibility and duties of the Nominating and Governance Committee are set out in written terms of reference which appear on the Company's website under the Governance section. The terms of reference were reviewed during the year.

Its duties include:

- Identify and review individuals qualified to become Directors and fill vacancies;

- Select and approve Directors to stand for re-election pursuant to the retirement provisions under our Articles;
- To identify and review individuals qualified to become Senior Officers of the Company, (other than its Board members), consistent with criteria approved by the Board;
- Develop a process for annual evaluation of the Board and its Committees;
- Develop and recommend to the Board a succession plan, and review management's succession plan;
- Develop and recommend to the Board a set of corporate governance principles applicable to the Company;
- Annually review the Company's corporate governance processes and its governance principles;
- Play a leadership role in the Company's corporate governance.

Its terms of reference appear under the Governance section on the Company's website.

Whistleblowing Arrangements

We have established policies, subject to individual legal requirements in the countries in which the Group operates, which encourage and enable employees to report in confidence any possible impropriety in either financial reporting or, where permitted in the relevant jurisdiction, other matters. An independent third party telephone line is provided for reporting matters where the individual believes they cannot report any issue through their line management. The Audit Committee oversees the operation of the Whistleblowing Policy and receives a report from the Company Secretary at each meeting of the Audit Committee.

Anti-Corruption Policy

We have an established policy and procedures to enable compliance with current legislation.

Relations with Shareholders

Directors seek to develop an understanding of the views of our shareholders in various ways and from time to time engage with them on a one-to-one basis, as appropriate, taking into account the need to treat shareholders equally. The Chief Executive Officer and the Chief Financial Officer hold quarterly investor conference calls as part of the Group’s reporting cycle. From time to time we consult with our major shareholders in an effort to seek feedback on various matters of corporate governance, including our Director remuneration policy. The Chief Executive Officer and the Chief Financial Officer also attend investor conferences.

Directors' Report

The Directors of Luxfer Holdings PLC (the "Company"), a public listed company limited by shares, present their annual report together with the audited financial statements of the Group and the Company for the year ended 31 December, 2017. This Directors' Report should be read together with, and incorporates, the Corporate Governance section on pages 25 to 30.

Results

The profit for the year, after taxation, amounted to $11.5 million (2016: $21.9 million); please see the Strategic report on pages 3 to 18 for more detail.

Dividends per Share

Quarterly interim dividends of $0.125 each £0.50 ordinary share, each quarter totalling $13.3 million, were paid in 2017 (2016: $13.3 million).

A further interim dividend was paid in February 2017 of $0.125 each £0.50 ordinary share totalling $3.3 million.

Directors

The names of the people who were Directors during the year and their brief biographical details are set out in the Governance section on pages 19 to 21.

Capital Structure

Following shareholder approval at the 2014 AGM, on 9 June, 2014, the Company sub-divided each £1 ordinary share into two ordinary shares of £0.50 each so as to match the individual nominal value of the Company's ordinary shares with that of its ADSs. Sub-dividing the ordinary shares in this way did not affect the rights attached to the ordinary shares or the aggregate nominal value of the Company's issued share capital. On the same date the depository amended the ratio of ordinary shares from a ratio of 0.5 ordinary shares for each ADS to 1 ordinary share for each ADS.

On 11 December, 2017, the Company terminated its ADS facility and converted all outstanding ADSs into ordinary shares. The conversion is a one-for-one exchange with one ADS converted into one ordinary share.

As at 31 December, 2017, the Company's issued share capital comprised of 27,136,799 ordinary shares of £0.50 each and 769,413,708,000 deferred shares of £0.0001 each as set out in Note 18 to the financial statements.

In June 2015, the Board announced a share buy-back program of up to $10.0 million to cover the needs of employee share plans. Shareholder approval for this program was granted at the 2014 Annual General Meeting (for repurchases up to an aggregate amount of 2,700,000 ordinary shares or ADSs). The extent of the program will be kept under review and will depend on continued good operating cash flows, applicable securities laws, regulatory considerations and other factors.

As at 31 December, 2017, the Group had purchased 780,989 shares, with $6.3 million of the purchases made in 2016; these are presented as treasury shares in the balance sheet.

Substantial shareholdings

The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year:

Shareholder	Number of shares	Percent
Wellington Management Group LLP	3,729,953	13.7%
Nantahala Capital Management LLC	2,587,341	9.5%
FMR LLC	2,290,632	8.4%
T. Rowe Price Associates, Inc.	2,057,890	7.6%
Paradice Investment Management LLC	2,026,960	7.5%
DePrince, Race & Zollo, Inc	1,724,650	6.4%
Archer Capital Management, L.P.	1,045,913	3.9%

Directors' Interests and Related Party Transactions

No Director had a material interest in, nor was any Director party to, any contract or arrangement to which the Company or any subsidiary is or was party to 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.

The interests of the Directors who held office at 31 December 2017, and those of their families, in the share capital of the Company, including share options are set out in the Remuneration Report on pages 37 and 63. All of the interests were beneficial. There has been no change in the interests of the directors between the balance sheet date and the date of approval of the financial statements.

Going Concern

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

Research and Development

During the year, the Group invested $7.8 million (2016: $7.6 million) in research and development on new and improved products and processes. Once a project is reasonably certain to deliver a commercial product, certain of the development costs are capitalised. 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. The Group also continues to gain significant tax benefit from the U.K. Patent Box regime.

Future Developments

An indication of the future developments of the business of the Group can be found in the Strategic Report on page 9.

Disabled Employees

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

Employee Involvement

Many employees are directly involved in the performance of the Group and divisions through the use of various incentive schemes. These include bonus schemes and various share-related schemes, details of which can be found in the Corporate Social Responsibility ("CSR") section of the Strategic Report on page 10.

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

The Group continues to offer training and development opportunities to employees at all levels and to all abilities, providing benefit to both the Group and the individual employee. Further details can be found in the CSR section of the Strategic Report on page 10. Periodically we undertake a succession planning review to ensure that we develop suitable candidates for critical leadership roles within the Group.

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

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.

Political Donations

The Company and its subsidiaries made no political donations in either 2017 or 2016.

Directors' Liabilities

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

Greenhouse Gas Emissions

A statement regarding the greenhouse gas emissions resulting from the Company's activities can be found on pages 11 to 12 of the Strategic Report.

Treasury and the Use of Financial Derivatives

Details of our financing and treasury policies, along with the management of treasury risks and use of financial derivatives can be found in Notes 27 and 28 to the consolidated financial statements.

Post balance sheet events

See note 33 for details of post balance sheet events.

Directors' Statement as to Disclosure of Information to the Auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 19 to 21. 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;
- 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.

Independent Auditors

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

By order of the Board:

J Savage

Secretary

19 March, 2018

DIRECTORS' REMUNERATION REPORT

Chairman's Letter

Dear Shareholder,

Following my appointment as Chairman of the Remuneration Committee in November 2017, I present my first report to the shareholders pursuant to U.K. regulations governing the way remuneration for directors of quoted U.K. companies is reported and voted upon.

During the year, the Remuneration Committee (“the Committee”) dedicated considerable time to the re-evaluation of its remuneration policy (“the Policy”) with the help of independent external advisors. The updated Policy is to be presented to Shareholders for approval at the 2018 AGM and is enclosed as part of the Remuneration Report.

Major Decisions on Remuneration during the Year

Decisions made affecting 2017 remuneration

The Committee’s overall approach to remuneration packages remained the same and followed the Policy approved by shareholders in 2017.

Overall, 2017 was a strong year, with recoveries in both revenue and reported trading profit, from the previous year. The main targets of the annual bonus for 2017 related to management trading profit and net cash flow, weighted towards the management trading profit metric. For the new Chief Executive Officer, Alok Maskara, the bonus plan also contained a number of non-financial objectives relating to the achievement of certain strategic milestones. These non-financial objectives were achieved in 2017 which generated a bonus payable of 50% of base salary (pro-rata) for the new CEO. For the main financial targets for 2017, trading profit in excess of budget was achieved, but less than the stretch target, and net cash flow in excess of the stretch target was achieved. The outgoing Executive Directors were entitled to the annual bonus for the achievement of the financial targets of the Company, pro-rata for their length of service during the year. The total annual bonus awarded to Alok Maskara was therefore 145% of his base salary, out of a potential 150%, pro-rata from the commencement of his employment. Further details of the bonus arrangements and the bonus paid can be found *in Single Figure, Executive Directors’ Remuneration of the Remuneration Report on page 39.*

The Committee believe they set challenging targets for the performance-based awards to motivate the executives and align the interests of the executive, with those of shareholders. Stretch targets required exceptional performance to be achieved. The budget target set for 2017 was achieved and therefore share awards are to be made in respect of this in 2018. The targets set for 2016 were not achieved and therefore no awards were made in 2017 in respect of these. Further details are set out in the section headed *Remuneration Report, Awards Granted During the Year and the section headed Implementation of the Remuneration Policy for the Year Ending 31 December 2017 under Long Term Incentives and its associated Notes.*

As part of his appointment, the Board approved the awarding of 225,000 share awards to the new Chief Executive Officer, Alok Maskara. These include a mix of time-based restricted stock units and performance-based restricted stock units. The time-based awards vest in equal tranches across three and four year periods and the performance-based awards would vest on the achievement of various earnings per share targets being met. Alok Maskara must achieve a shareholding in the Company equivalent to one hundred and fifty percent of his initial base salary within a three-year period from the date of appointment to the Company, and the availability of these awards help facilitate this opportunity and in targeting the achievement of certain performance metrics. These awards were made in accordance with the ‘Approach to Recruitment Remuneration- Executive Directors’ section of the existing Policy. A summary of the Executive Directors’ outstanding share awards during 2017 can be found under the section headed *Outstanding Share Awards During 2017* on page 45 of the Remuneration Report.

Decisions affecting 2018

The Committee reviewed the Executive Director's salary at its January 2018 meeting in accordance with the Policy. It was recognized that Alok Maskara had made a strong start in his role as Chief Executive Officer and had helped deliver the 2017 budget and the achievement of the Company's non-financial objectives. On this basis, the Committee proposed and the Board agreed to increase his salary by 2.5% effective January 1, 2018. The new salary is still at or below the external benchmark as reported by our independent advisory consultants.

The Committee has also determined the Executive Director's variable remuneration arrangements for 2018, with the maximum cash bonus award available increasing to 200% of base salary and the maximum share award available increasing to 220% of base salary. The focus very much remains on improving trading profit and net cash flow. A series of non-financial bonus targets have also been approved by the Board for 2018. A summary of the Executive Director's salary and incentive arrangements for the financial year 2018 can be found under the section headed *Implementation of the Remuneration Policy for the Year Ending 31 December 2018 on pages 61 to 62 of the Remuneration Report.*

The Committee has also reviewed the compensation of the Non-Executive Directors. As part of the proposed Board approved Remuneration Policy each Non-Executive Director, at their discretion, can forgo the proposed 2.5% increase in base fee, effective January 1, 2018, in lieu of equivalent value of share awards, valued at up to 55% of annual base fee, at the date of award. Pending shareholder approval, all Non-Executive Directors have elected to receive additional share awards in the Company and forgo the annual increase to their base fee in 2018.

The Committee looks forward to gaining your support for the updated Remuneration Policy and the Annual Remuneration Report at the 2018 AGM.

B G Kushner

CHAIRMAN OF THE REMUNERATION COMMITTEE

March 19, 2018

Remuneration Report

2017 Remuneration Report
(subject to advisory vote by the shareholders at the 2018 AGM)
This report has been compiled in accordance with the U.K. '*The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013'.* As required by the Regulations, the report will be proposed for an advisory vote at the 2018 AGM. **The approved Remuneration Policy can be found on the Company's website at www.luxfer.com/governance/.**

The Remuneration Committee, its Activities and Responsibilities

The members of the Committee during the year are set out below.

Members of Committee during 2017		Meetings attended
Joseph Bonn	Member throughout entire year and Chairman (Chair) until and including November 23, 2017	8
Brian Kushner	Member and Chairman (Chair) from November 24, 2017	8
Adam Cohn	Member	8
Kevin Flannery	Member until and including May 23, 2017	1
David Landless	Member until and including November 23, 2017	6
Total number of meetings in 2017		**8**

The Company Secretary acts as secretary to the Committee. The Chief Executive Officer normally attends all the meetings, at least in part.

The Committee is responsible for determining and agreeing with the Board the framework on executive remuneration and its costs. **The Committee's written Terms of Reference can be accessed in the Governance section of the Company's website www.luxfer.com/governance/.**

During 2017, the Committee dealt with some of the following matters:

January 2017	• Consideration as to whether, and to what extent, the Executive Directors' bonus targets for 2016 had been met; • Determination of the Executive Directors' annual bonus targets for 2017; • Annual review of the Executive Directors' and Company Secretary salaries; • Setting of goals to be met by the Executive Directors and Senior Managers which if met would lead to time-based share awards in 2018; • Delegation of authority to Chief Executive Officer to make awards under the LTiP over a defined number of shares to junior and middle management in his sole discretion; • Consideration of accelerating of vesting of LTiP awards and extension of exercise periods for IPO and LTiP awards held by impending retirees.
March 2017 (two meetings)	• Review of 2016 Remuneration Report for subsequent approval by the Board; • Review of Revised Remuneration Policy for subsequent approval by the Board; • Review and approve remuneration package for new Managing Director at MEL Chemicals; • Review of Awards under the LTiP made to junior and middle management.
April 2017	• Consideration of the remuneration package for the new Chief Executive Officer.
May 2017	• Review the final remuneration package and contract of the new Chief Executive Officer prior to main Board approval.
October, November, December 2017	• Consider a benchmarking study prepared by external consultants on Senior Executive Compensation. Review recommendations and formulate proposed framework. • Change in Remuneration Committee Chairman. • Consideration of changes to be made for newly proposed Remuneration Policy.

Advisors to the Committee

The Committee has access to independent advice when it considers it requires such advice. PricewaterhouseCoopers LLP (“PwC”) HR Services provided a review of the revised Remuneration Policy, prior to it being put before Shareholders for approval at the 2017 AGM, and remuneration advice in respect of the Chief Executive Officer recruitment process. PwC were appointed as the Company’s auditor in the middle of 2015 after a competitive tender. Any work that PwC HR Services continues to provide is subject to a case-by-case independence review and the Company’s non-audit service approval process. The cost of advice by PwC HR Services provided during 2017 was $8,635 (2016: $20,355). Although the Committee has not made a specific determination to the effect, they are satisfied that PwC HR Services provides independent and professional advice. PwC is a member of the Remuneration Consultants Group and is signed up to the Group’s Code of Conduct. The Company has also engaged with Meridian Compensation Partners, LLC ("Meridian") to provide advisory and benchmarking surveys with regards to its proposed Remuneration Policy. The cost of advice provided by Meridian during 2017 was $20,492.

REMUNERATION RECEIVED BY THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2017

(Up to and including page 49 is subject to audit unless stated otherwise)

Single Figure

The tables below set out an analysis of each Director's total remuneration for 2017. Total remuneration reflects both the performance of the Company and the contribution made by each Director to the continued success of the Company during their period of tenure.

Executive Directors' Remuneration

Single Total Figure Table

U.S.$(1)	Year	Salary(2)	Taxable Benefits(3)	Annual Bonus(4)	Long-Term Incentive Awards(5)	Other Share Awards(6)	Pensions Contributions	Total
Brian Purves	**2017**	**320,168**	**20,017**	**319,145**	**464,366**	**711**	**80,042**	**1,204,449**
	2016	534,802	27,635	—	135,134	1,236	137,510	836,317
Andrew Beaden (7)	**2017**	**201,952**	**16,358**	**161,045**	**297,272**	**711**	**50,489**	**727,827**
	2016	281,114	22,492	—	56,456	1,159	70,674	431,895
Alok Maskara	**2017**	**365,826**	**36,524**	**530,448**	**628,869**	**1,141,098**	**91,457**	**2,794,222**

Table compiled in accordance with the U.K. 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', as amended by 'The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013'.

(1) **Exchange rates**-Salary, Taxable Benefits, Awards and Pension Contributions for Brian Purves and Andy Beaden are determined and paid in GBP sterling and translated into U.S. dollars at the average exchange rate for the first nine months of the year of $1.2877:£ as used for the Consolidated Financial Statements. For consistency, the 2016 amounts remain as reported last year translated at the average exchange rate used for that full year of $1.3444:£. The Salary, Taxable Benefits, Awards and Pension Contributions of Alok Maskara are determined and paid in U.S. dollars.

(2) **Salaries**-Brian Purves remained on the Board of Directors of the Company up to and including September 25, 2017. His salary in 2017 reflects the amounts paid in respect of his duties and responsibilities during this period. Andrew Beaden resigned from his position as Group Finance Director and as a director Luxfer Holdings PLC with effect from October 2, 2017. Alok Maskara was appointed as a director of Luxfer Holdings PLC on May 23, 2017 and upon the retirement of Brian Purves, he was appointed CEO of Luxfer Holdings PLC with effect from July 1, 2017. During 2017, the actual GBP sterling salary amount for Brian Purves was £248,625 (2016: £397,800) and for Andrew Beaden £156,825 (2016: £209,100).

(3) **Taxable Benefits**-During the year an amount was paid to each director, pro rata to their period in office, in respect of expenses relating to car allowance, and medical and dental insurance. Taxable benefits for Brian Purves and Andrew Beaden are valued at their GBP sterling taxable value. During 2017, the actual GBP sterling amount for Brian Purves was £15,544 (2016: £20,556) and for Andrew Beaden £12,703 (2016: £16,730). All payments made to Alok Maskara in respect of these allowances were determined and paid in U.S. dollars.

(4) **Annual Bonus**-For the 2017 financial year, the annual bonus plan was based on the achievement of two financial performance goals, profit performance and cash performance (two of the key strategic performance indicators used by the Company to assess its development against its financial objectives during the year), measured against the annual budget. The bonus was weighted towards the

achievement of the management profit target, which required a material improvement over the prior year outcome and a cash target which was equally set at a much higher level than achieved in 2016.

Alok Maskara had also been set a further series of strategic project targets to achieve. These strategic project targets were achieved. In 2016, the main financial targets were not achieved and no bonus was payable. A number of the non-financial objectives were achieved during the year, however given that no bonus was generated from main financial targets, both Brian Purves and Andy Beaden thought it appropriate to waive any bonus payable in respect of the achievement of non-financial targets under the 2016 plan.

Summary of the annual bonus potential as a percentage of base salary of each of the Executive Directors for 2017:

		Sliding scale between threshold, target and stretch			
	Maximum Annual bonus (number of points available and % of salary)	**Management Trading Profit(3)**	**Net Cash Flow (after tax)**	**Non-financial objectives**	**Bonus outcome 2017(1)(2)**
Number of points available	1,800	0 - 800	0 - 400	600	1,740
Alok Maskara	150%	0.0% - 66.7%	0.0% - 33.3%	50.0%	145.0%
Number of points available	1,200	0 - 800	0 - 400	—	1,140
Brian Purves	100%	0.0% - 66.7%	0.0% - 33.3%	—	95.0%
Andrew Beaden	80%	0.0% - 53.3%	0.0% - 26.7%	—	76.0%

(1) In 2017 Luxfer achieved a level of trading performance which resulted in 740 points being available in respect of the Management Trading Profit Target. Net cash flow generation in 2017 resulted in all 400 points being made available for the bonus calculations. In addition to these targets, Alok Maskara achieved all his non-financial targets in 2017.

(2) The level of bonus for 2017 has been calculated pro rata to the length of time in office during the year.

(3) Management trading profit is defined as operating profit or loss before profit on disposal of redundant site, restructuring expense, amortization on acquired intangibles and share based compensation charges.

In 2017 the Company generated a trading profit of $40.5 million (2016: $35.3 million) and net cash flows from continuing operations of $45.2 million (2016: $29.2 million).

The Board has considered whether to include in this report the targets which applied to the bonus arrangements for the Executive Directors in 2017 but has determined that these amounts are commercially sensitive.

(5) **The Long Term Incentive Awards**—*the 2017 Single Figure:*

In 2017, the Remuneration Committee targets for the year were based solely upon EPS targets as described in *Executive Director Awards Under the LTiP* on page 44. The target level was achieved in 2017 resulting in the granting of time-based awards, reduced on a pro-rated basis to the length of time served as an Executive Director in 2017, in 2018 as follows:

	Number of Awards			
	Possible Awards	Awards to be made in 2018	% of possible awards made in 2018	Value of Awards $ [(1)]
Alok Maskara	48,550	48,550	100.0%	628,869
Brian Purves	53,780	35,850	66.7%	464,366
Andrew Beaden	34,425	22,950	66.7%	297,272

[(1)] These awards will be granted in March 2018. The value of the awards in the above table has been estimated by using the average closing share price of the Company during the fourth quarter of 2017 ($13.63) and deducting the nominal cost value of £0.50 each share (68 cents each share at an exchange rate of $1.3512:£).

For Brian Purves and Andrew Beaden, as a result of their departure from the Board during 2017, the Remuneration Committee agreed that, in accordance with provisions in the Remuneration Policy, the above share awards will vest and be made fully available at the date of grant in 2018. For Alok Maskara, the share awards will commence vesting from the anniversary of their grant date, over the next three subsequent years.

In addition, upon appointment, Alok Maskara was awarded share options and was subsequently awarded further options upon attainment of a specified shareholding in the Company. For additional information refer to the section of this report headed *Outstanding Share Awards During 2017* on page 45.

In 2016 the Remuneration Committee set profit, cash flow and EPS targets with all three metrics being measured at threshold, target and stretch. Greater weighting was assigned to the cash flow and EPS targets. None of the targets during 2016 were achieved so no awards in 2017 based on 2016 performance were granted. On attainment of the cash flow target for 2015 being met at the threshold level, an award under the LTiP was made in 2016 to Brian Purves and Andrew Beaden.

(6) **Other Share Awards**—The awards made to Brian Purves and Andrew Beaden relate to the value ascribed to the Matching Shares awarded under the Company's U.K. All Employee Share Investment Plan ("SIP"), as further detailed below: -

	Monthly contribution from salary during 2017 (£)	No. of Partnership Shares purchased June 2017 @ average price of $11.742 each ordinary share	No. of Matching Shares awarded June 2017	Dividends shares acquired from dividend reinvestment during 2017	Total shares accumulated in SIP during 2017
Brian Purves	150	95	47	33	**175**
Andrew Beaden	150	95	47	30	**172**

In May 2017 Alok Maskara was granted share options in respect of his appointment to the role of Chief Executive Officer. These time-based options were outside the terms of reference of the LTiP but granted in accordance with the provisions of the Remuneration Policy. The value of the grants appears in the Single Figure table for 2017. The number, and details of the terms, of the grants are set out in the table in *Outstanding Share Awards During 2017* and the accompanying notes, on pages 45 to 46.

(7) Andrew Beaden resigned from his position as Group Finance Director and as a director of Luxfer Holdings PLC with effect from October 2, 2017. He received a compensation payment of $338,064 and the proportion of his outstanding awards under the LTiP were allowed to vest, as set out in the tables in *Payment to Past Directors and Payment for Loss of Office* on page 48.

(8) For details of pension arrangements see page 47.

Non-Executive Directors' Remuneration

None of the Non-Executive Directors (including the Chairman) received taxable benefits, annual bonus, long-term incentive awards (exceeding one year) or pension-related benefits during the year.

Single Total Figure Table

U.S.$[(1)]	Year	Base Fee[(1)]	Other Fees (Fees in the form of share awards)[(2)]	Total
Joseph Bonn	**2017**	**98,812**	**48,484**	**147,296**
	2016	80,702	38,704	119,406
Adam Cohn	**2017**	**79,050**	**69,134**	**148,184**
	2016	32,940	—	32,940
Brian Kushner	**2017**	**79,050**	**39,116**	**118,166**
	2016	46,116	37,246	83,362
David Landless	**2017**	**79,050**	**39,116**	**118,166**
	2016	79,050	38,704	117,754
Clive Snowdon	**2017**	**79,050**	**68,006**	**147,056**
	2016	32,940	—	32,940
Kevin Flannery	**2017**	**32,940**	**1,623**	**34,563**
	2016	79,050	38,704	117,754

Table compiled in accordance with the U.K. 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', as amended by 'The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013'.

(1) Kevin Flannery did not offer himself for re-election to the Board at the 2017 AGM and consequently he ceased to be a Director of the Company with effect from May 23, 2017. His base fee in 2017 reflects the period of service as a Non-Executive Director.

The Chairman's fee of Joseph Bonn and the Non-Executive Directors' fees of Adam Cohn, Brian Kushner and Kevin Flannery are all determined in U.S. dollars.

The Non-Executive Directors' fees of David Landless and Clive Snowdon although determined in U.S. dollars, is paid in GBP sterling translated at the exchange rate reported in the Financial Times on the 5th of each month prior to payment. Actual payments received by David Landless and Clive Snowdon for 2017 aggregated to £61,245 (2016: £58,117) and £61,245 (2016: £25,739) respectively.

(2) *2017 Single figure:*

The value of the Other Fees in the Single Figure table is calculated as follows:

- An element of the fees received by the Chairman and the other Non-Executive Directors are delivered as time-based restricted stock units (“RSUs”). The award value is a fixed percentage of their Base Fee (50%) as provided in the Director Equity Incentive Plan (“EIP”) less the issue price per share of £0.50 translated into U.S. dollars at the exchange rate on the grant date of $1.2949:£ (65 cents). Awards were made immediately after the 2017 AGM and vest immediately before the 2018 AGM. The number of RSUs was calculated using the closing share price on the NYSE ($12.52) the day before the award was made. Additional RSUs were awarded to Adam Cohn and Clive Snowdon to reflect the period from the date of their appointment until the date of the grant of the 2017 awards. The number of awards received by each Non-Executive Director is set out in *Awards Granted During the Year - Non-Executive Directors Under the Director Equity Incentive Plan (EIP)* on page 44.

- The RSU awards carry with them the right to receive accumulated dividends during the period of the award, in shares. The dividends are not credited until the award vests. The Other Fees amount includes the value of the dividends vested and paid on the 2016 RSU fee awards that vested immediately before the 2017 AGM. The value of the awards themselves were included in the Single Figure for 2016 as they were time-based awards (see below). The dividend shares were valued at the closing share price on the NYSE on the date of vesting, being $12.50, less the issue price of £0.50 translated at the date of vesting at an exchange rate of $1.3016:£ (65 cents). The number of dividend shares allocated and their value were:

Non-Executive Director	Dividend shares allocated	Value of dividend less nominal cost of share $
Joseph Bonn	137	1,623
Brian Kushner	137	1,623
David Landless	137	1,623
Kevin Flannery	137	1,623

LUXFER SHARE INCENTIVE PROGRAMS

Luxfer has a number of share incentive plans designed to align the interests of its Directors, managers and employees, with the interests of its shareholders, and to act as retention tools.

The plan under which awards are granted to the Executive Directors on an on-going basis is the Luxfer Holdings PLC Long-Term Umbrella Incentive Plan (“LTiP”). Awards, which are considered part of their fees, are made to the Non-Executive Directors under the Non-Executive Directors Equity Incentive Plan (“EIP”). The U.K. Executive Directors also participate in the Company’s All Employee Share Plan (“SIP”) open to all U.K. employees. In the U.S. the Company has established an Employee Share Purchase Plan (“ESPP”) which is open to all U.S. employees and U.S. based Executive Directors.

LTiP: The LTiP was adopted for the I.P.O. in 2012. It is used to grant awards not only to the Executive Directors but also senior and junior managers in the Luxfer Group. A variety of different awards can be granted under the LTiP. To date, it has been used to grant time-based nominal cost options to U.K. employees including the Executive Directors, performance-based nominal cost options and market value options to the Executive Directors and other senior U.K. employees and time-based and performance restricted stock units to U.S. managers and managers from other countries in which the Luxfer Group operate. The maximum value of awards under the rules of the LTiP that can be granted to the Chief Executive Officer and Other Executive Directors are defined in the Remuneration Policy.

ESOP 2007: In 2007, prior to the 2012 I.P.O. and as part of the re-organization the Company underwent in that year, it implemented The Luxfer Holdings Executive Share Options Plan (“ESOP 2007”). All the options made available under the 2007 Plan have been exercised. The Trustees have agreed to make available for use under the various LTiP grants the remaining shares held in the employee benefit trust (“EBT”). Further details on the EBT and the 2007 Plan can be found in *Note 31 to the Consolidated Financial Statements*.

I.P.O. Options: As part of the I.P.O. in October 2012, stand-alone option grants were made over shares to the Executive Directors, Non-Executive Directors and certain other key executives seen as critical to the Company’s future success on completion of the I.P.O. All these options have fully vested and are exercisable up to October 2019, being seven years from the date of grant. No dividend shares are allocated on these awards, either before or after vesting, whilst unexercised. Both Brian Purves and Andrew Beaden have I.P.O. options. The exercise price is the I.P.O. price of $10 per share.

EIP: Annual awards are made under the EIP to Non-Executive Directors as part of their fees. The value of the award is 50% of the base fee of a Non-Executive Director. These awards are made the day after the annual general meeting (“AGM”) of the Company in each year and vest the day before the following AGM. Annual awards are usually made as restricted stock units. They are paid out immediately on vesting, together with dividends which have been accumulated during the vesting period. New Non-Executive Directors cannot participate in the annual awards until they have served six months, however, the awards they would have earned from the date of appointment are added to the next annual award provided they are re-elected at the AGM.

Copies of the LTiP, ESOP 2007, I.P.O. Options and EIP plans mentioned above are filed on the Company's file at the SEC.

AWARDS GRANTED DURING THE YEAR

Executive Directors' Awards Under the LTiP

The Remuneration Committee set a scorecard of goals for 2016 to assess performance consisting of net cash flow, accretive EBITDA generated by acquisitions in the year and fully diluted EPS, which if attained at the end of 2016, would have led to the granting of nominal cost options to both Brian Purves and Andrew Beaden in 2017. None of the threshold targets for any of the goals were achieved for 2016 so no awards were earned and granted.

The Remuneration Committee set Executive Directors performance targets for 2017 based solely upon the achievement of adjusted diluted EPS to be measured at threshold, target and stretch levels. The reported EPS for 2017 resulted in the target level being achieved which will result in Alok Maskara earning 100% of the available awards. Brian Purves and Andrew Beaden will also be eligible to receive awards under the LTiP for the attainment of the EPS metric at target, earning 66.6% of the total awards available. These awards will be made pro rata to the length of time served as an Executive Director during 2017. Estimates of the value of the grants to be made based on 2017 performance are included in the Single Figure table for 2017.

The Committee believe they set challenging targets to motivate the executives and align the interests of the executives with those of shareholders. Achievement of stretch targets would require exceptional performance.

Non-Executive Directors under the Director EIP

Chairman or Non-Executive Director	Date of Grant	Basis of Aggregate Awards Granted	Share Price at Date of Grant $	Type of Award	No. of Shares Granted	Face Value of Award $	[(1)]Issue Price per share & in Aggregate $	Vesting Date	% of Face Value That Vest
Joseph Bonn	May 24, 2017	50% of annual fee for 2017	12.52	Restricted Stock Unit	3,947	49,416	$0.65 each share	Day before 2018 AGM	On vesting date 100%
Adam Cohn	May 24, 2017	50% of annual fee for 2017 & from date of appointment in 2016	12.52	Restricted Stock Unit	5,823	72,904	$0.65 each share	Day before 2018 AGM	On vesting date 100%
Brian Kushner	May 24, 2017	50% of annual fee for 2017	12.52	Restricted Stock Unit	3,158	39,538	$0.65 each share	Day before 2018 AGM	On vesting date 100%
David Landless	May 24, 2017	50% of annual fee for 2017	12.52	Restricted Stock Unit	3,158	39,538	$0.65 each share	Day before 2018 AGM	On vesting date 100%
Clive Snowdon	May 24, 2017	50% of annual fee for 2017 & from date of appointment in 2016	12.52	Restricted Stock Unit	5,728	71,715	$0.65 each share	Day before 2018 AGM	On vesting date 100%

(1) The issue price of £0.50 each share has been translated at the U.S. dollar Financial Times exchange rate for 25 May 2017, the date of grant, of $1.2949:£.

OUTSTANDING SHARE AWARDS DURING 2017

Executive and Non-Executive Directors

Awards will be granted in 2018 in respect of 2017 performance. No awards were made in 2017 in respect of 2016 performance.

	Awards				Options				
Awards	**Available Jan 1, 2017**	**Granted During Year**	**(Lapsed) / (Exercised) During Year**	**Available Dec 31, 2017**	**Vested Awards Jan 1, 2017**	**Vested Awards During Year**	**(Lapsed) / (Exercised) During Year**	**Vested Awards Dec 31, 2017**	**Available Unvested Awards**
Brian Purves									
IPO Options(1)	179,200	—	—	179,200	179,200	—	—	179,200	—
M.V.(2)	22,100	—	(22,100)	—	22,100	—	(22,100)	—	—
LTiP 2016(4)	13,500	—	—	13,500	—	13,500	—	13,500	—
Totals	**214,800**	**—**	**(22,100)**	**192,700**	**201,300**	**13,500**	**(22,100)**	**192,700**	**—**
Andrew Beaden									
IPO Options(1)	69,000	—	—	69,000	69,000	—	—	69,000	—
M.V.(2)	9,100	—	(9,100)	—	9,100	—	(9,100)	—	—
LTiP 2013(3)	2,166	—	(2,166)	—	2,166	—	(2,166)	—	—
LTiP 2016(4)	5,640	—	(5,640)	—	—	5,640	(5,640)	—	—
Totals	**85,906**	**—**	**(16,906)**	**69,000**	**80,266**	**5,640**	**(16,906)**	**69,000**	**—**
Alok Maskara									
Upon Appointment(7)	—	45,000	—	45,000	—	—	—	—	45,000
Upon Appointment(8)	—	60,000	—	60,000	—	—	—	—	60,000
Upon Appointment(9)	—	120,000	—	120,000	—	—	—	—	120,000
Totals	**—**	**225,000**	**—**	**225,000**	**—**	**—**	**—**	**—**	**225,000**
Joseph Bonn									
IPO Options(1)	20,000	—	—	20,000	20,000	—	—	20,000	—
EIP 2016(5)	3,130	—	(3,130)	—	—	3,130	(3,130)	—	—
EIP 2017(6)	—	3,947	—	3,947	—	—	—	—	3,947
Totals	**23,130**	**3,947**	**(3,130)**	**23,947**	**20,000**	**3,130**	**(3,130)**	**20,000**	**3,947**
Adam Cohn									
EIP 2017(6)	—	5,823	—	5,823	—	—	—	—	5,823
Totals	**—**	**5,823**	**—**	**5,823**	**—**	**—**	**—**	**—**	**5,823**
Brian Kushner									
EIP 2016(5)	3,130	—	(3,130)	—	—	3,130	(3,130)	—	—
EIP 2017(6)	—	3,158	—	3,158	—	—	—	—	3,158
Totals	**3,130**	**3,158**	**(3,130)**	**3,158**	**—**	**3,130**	**(3,130)**	**—**	**3,158**
David Landless									
EIP 2016(5)	3,130	—	(3,130)	—	—	3,130	(3,130)	—	—
EIP 2017(6)	—	3,158	—	3,158	—	—	—	—	3,158
Totals	**3,130**	**3,158**	**(3,130)**	**3,158**	**—**	**3,130**	**(3,130)**	**—**	**3,158**
Clive Snowdon									
EIP 2017(6)	—	5,728	—	5,728	—	—	—	—	5,728
Totals	**—**	**5,728**	**—**	**5,728**	**—**	**—**	**—**	**—**	**5,728**

Key to table:

Award	Award Scheme, Type & Grant	Grant Date	Exercise Price / Nominal Cost Each Award	Remaining Vesting/ Settlement Dates	Exercise Period
(1)	I.P.O. Options	Oct 2, '12	$10.00	All vested	To October 2019
(2)	Market Value	Jan 31, '13	$12.91	All vested	To Jan 30, 2018
(3)	LTiP 2013—Performance-Based—EPS and TSR targets [ii]	Jan 31, '13	£0.50[i]	All lapsed	No longer applicable
(4)	LTiP 2016 Options—Time-Based [iv]	Mar 21, '16	£0.50[i]	Mar 21, 2017, 2018, 2019	To Mar 21, 2021
(5)	EIP 2016—Restricted Stock Units[iii]	May 25, '16	£0.50[i]	Day before 2017 AGM	—
(6)	EIP 2017—Restricted Stock Units[iii]	May 24, '17	£0.50[i]	Day before 2018 AGM	—
(7)	Upon appointment – Time-Based Restricted Stock Units [v]	Aug 23, '17	£0.50[i]	Jun 13, 2018, 2019, 2020	To Aug 12, 2020
(8)	Upon appointment – Time-Based Restricted Stock Units [vi]	Aug 23, '17	£0.50[i]	May 23, 2018, 2019, 2020, 2021	To Jul 22, 2021
(9)	Upon appointment – Performance-Based - EPS Targets Restricted Stock	Aug 23, '17	£0.50[i]	Achievement of EPS targets	To Mar 1, 2021, 2023, 2025

(i) Where the exercise price / nominal cost is indicated in GBP sterling, in so far as it is required to be translated into U.S. dollars for the purpose of the exercise / settlement, it is translated at the $:£ exchange rate reported in the Financial Times for the date of exercise / settlement.

(ii) LTiP 2013: One sixth of the total awards were granted based upon the achievement of the TSR goal in 2013. All options which vested due to the achievement of this goal have now been fully exercised. The remaining targets were not achieved and therefore all other options under this award have lapsed.

(iii) EIP 2016 and EIP 2017 annual awards are settled immediately on vesting, together with dividends which have been accumulated during the vesting period. The 2016 awards were settled in 2017 net of payroll taxes.

(iv) LTiP 2016: Awards made on attainment of 2015 performance goals and include "holding period" and "claw back" provisions. Time-based option awards accumulate dividend shares until vesting only; shares are then added to the award when the option is exercised. In respect of both Brian Purves and Andrew Beaden, who stepped down from their roles as Chief Executive Officer and Group Finance Director respectively during the year, the Remuneration Committee agreed to the acceleration of the unvested element of their awards, which allowed them to be made fully available following their departure.

(v) Upon Appointment - The Remuneration Committee determined that the new Chief Executive Officer should acquire a minimum quantity of 22,500 shares within twelve months of appointment. Upon the Chief Executive Officer acquiring the shares, the Company matched the purchase by granting an award over 45,000 nominal cost RSUs, to vest over three years.

(vi) Upon Appointment - The Remuneration Committee determined to make a one-off share award to the new CEO, outside the terms of the LTiP, over 60,000 time-based nominal cost RSUs, to vest over four years.

(vii) Upon Appointment – Performance-Based Awards made to the new Chief Executive Officer vest upon achievement of attaining a specified adjusted diluted EPS target at each annual measurement date. Three levels of targets have been set:

- The lower target must be achieved by the measurement date at the end of 2020 and will result in the vesting of 30,000 shares.
- The mid-point target must be achieved by the measurement date at the end of 2022 and will result in the vesting of a further 40,000 shares.
- The top target must be achieved by the measurement date at the end of 2024 and will result in the vesting of a further 50,000 shares.

If the targets are not achieved by the appropriate measurement date, the associated awards will lapse. For the Restricted Stock Units to vest following the achievement of the target, the Return on Capital Employed of the Company must equal or exceed 10% after tax in the calendar year for which the EPS achievement is measured. Any award grants are subject to "holding period" and "claw back" provisions. The Board has concluded that the targets set are commercially sensitive and should not be disclosed.

Kevin Flannery held options over 3,130 shares which were granted as part of the 2016 EIP awards. These vested the day before the 2017 AGM and were subsequently exercised and settled in 2017, net of payroll taxes. As he did not seek re-election as a Director at the AGM in 2017 no further awards have been made. At the end of 2017, Kevin also held 20,000 IPO $10.00 options.

PENSION ARRANGEMENTS

Prior to April 5, 2016, the pensions for the Executive Directors were provided partly by the defined benefit and partly by registered defined contribution arrangements and an allocation to an unfunded unapproved retirement benefit plan ("UURBS") accrued by the Company.

Benefits provided by the Luxfer Group Pension Plan ("the Plan") ceased to accrue on April 5, 2016, following the agreement, reached during 2015, to close the Plan to future accrual from this date. Following the closure of the Plan, the Company also decided members would cease to accrue further benefits in the UURBS. In lieu of contributions into these plans, the Company offers a salary supplement. Reflecting the cost of previous defined benefit arrangements, now withdrawn, Executive Directors are paid the equivalent of 25% of base salary, with additional funding into the U.S. funded defined contribution scheme for Alok Maskara.

Details of the payments made to the defined contribution arrangement and salary supplement during years 2017 and 2016, and the accrued pension entitlements for the Executive Directors under the defined benefit arrangement for 2016, are set forth in the tables below.

Directors' Remuneration and Benefits for the Year Ended December 31, 2017 and 2016

	2017				
Executive Directors	**Defined Benefit**	**Funded Defined Contribution[1]**	**Unfunded Defined Contribution**	**Cash Supplement**	**Total**
Brian Purves	$ —	$ —	$ —	$ 80,042	**$ 80,042**
Andrew Beaden	$ —	$ 9,658	$ —	$ 40,831	**$ 50,489**
Alok Maskara	$ —	$ 16,200	$ —	$ 75,257	**$ 91,457**

	2016				
Executive Directors	**Defined Benefit**	**Funded Defined Contribution[1]**	**Unfunded Defined Contribution**	**Cash Supplement**	**Total**
Brian Purves	$ —	$ —	$ 37,233	$ 100,276	**$ 137,509**
Andrew Beaden	$ 6,536	$ 17,702	$ 3,809	$ 42,627	**$ 70,674**

Exchange rate used above: $1.2877:£ for the first nine months of 2017 and $1.3444:£ for the full year 2016.

(1) During 2017, the Funded Defined Contribution for Andrew Beaden was made through a salary sacrifice arrangement. The Funded Defined Contribution for Alok Maskara relates to amounts paid in respect of a 401K matching program.

Payment to Past Directors and Payment for Loss of Office (audited)

Group Finance Director, Andrew Beaden, resigned from the Board of Luxfer Holdings PLC on October 2, 2017. He was awarded a partial bonus for the period of his employment during 2017 and share awards will be granted in March 2018 based on the achievement of EPS during 2017, which are set out in the *Single Total Figure Table* on page 39, as well as compensation for the loss of office representing his salary and benefits for an eleven month period (as set forth in his service contact) and the early vesting of his outstanding long-term incentive awards under the LTiP, as agreed by the Remuneration Committee.

Andrew Beaden's Compensation Payment

Eleven months		
Salary	$	255,167
Holidays accrued but not taken	$	3,205
Other benefits	$	79,692
Total paid in cash	**$**	**338,064**

Early Vesting of LTiP Awards

Awards	% of Shares Vested and Exercised	% Balance of Award Accelerated	Number of Options Accelerated	Value of shares vested $[2]
LTiP 2016 [1]	33.3	66.7%	3,760 award shares plus 239 dividend shares	55,790

(1) All of the shares vested were exercised before the end of 2017. The value ascribed is calculated using the share price at the time of exercise, less the option cost. For further detail on the share awards, please see the table *Outstanding Awards During 2017* on page 45.

(2) The value of the full award, calculated with reference to the share price at the time of grant, is disclosed in Single figure table under Long-Term Incentive Awards for 2016.

No payments to past Directors or payment for loss of office were made during 2016.

Directors' Interests in Shares in the Company (audited)

	Number of Ordinary Shares Held at Dec 31, 2017	Number of Ordinary Shares Held at Jan 1, 2017
Joseph Bonn [1]	7,800	5,783
Adam Cohn [2]	—	—
Brian Kushner [3]	1,823	—
David Landless [4]	7,633	5,581
Alok Maskara [5]	25,712	—
Clive Snowdon [6]	2,000	2,000

(1) The additional 2,017 shares acquired by Joseph Bonn during the year were as the result of his 2016 “Other Fees” award of 3,130 shares vesting prior to the 2017 AGM together with accrued dividend of 137 shares. He also purchased a further 213 shares on market. The shares delivered are net of those sold to pay the option costs and tax due on the value of the awards. Further details on these awards can be found in the Notes to *Single Figure-Non-Executive Directors’ Remuneration* on pages 42 to 43.

(2) The additional 1,823 shares acquired by Brian Kushner during the year were as the result of his 2016 “Other Fees” award of 3,130 shares vesting prior to the 2017 AGM together with accrued dividend of 137 shares. The shares delivered are net of those sold to pay the option costs and tax due on the value of the awards. Further details on these awards can be found in the notes to *Single Figure-Non-Executive Directors’ Remuneration* on pages 42 to 43.

(3) The additional 2,052 shares acquired by David Landless during the year were as the result of his 2016 “Other Fees” awards of 3,130 shares vesting prior to the 2017 AGM together with accrued dividend of 137 shares. The shares delivered are net of those sold to pay the option costs and tax due on the value of the awards. Additional shares were also acquired in the year through the operation of a Dividend Reinvestment Plan (DRIP) which allows the reinvestment of cash dividends to purchase additional shares. Further details of his awards can be found in Notes to *Single Figure-Non-Executive Directors’ Remuneration* on pages 42 to 43.

(4) The shares held by Alok Maskara were all purchased on market in the period following his appointment as an Executive Director.

(5) The shares identified as held by Clive Snowdon are held by a connected person.

Executive Director Shareholding Requirements Upon Appointment

Upon appointment, an Executive Director is required to hold and maintain ordinary shares equal in value to 150% of base salary. The Director is allowed a period of three years from date of appointment to acquire the holding. Executive Directors are required to obtain the Chairman’s permission before they or their connected persons can deal in the Company’s shares providing an effective way of ensuring their shareholding requirements are maintained.

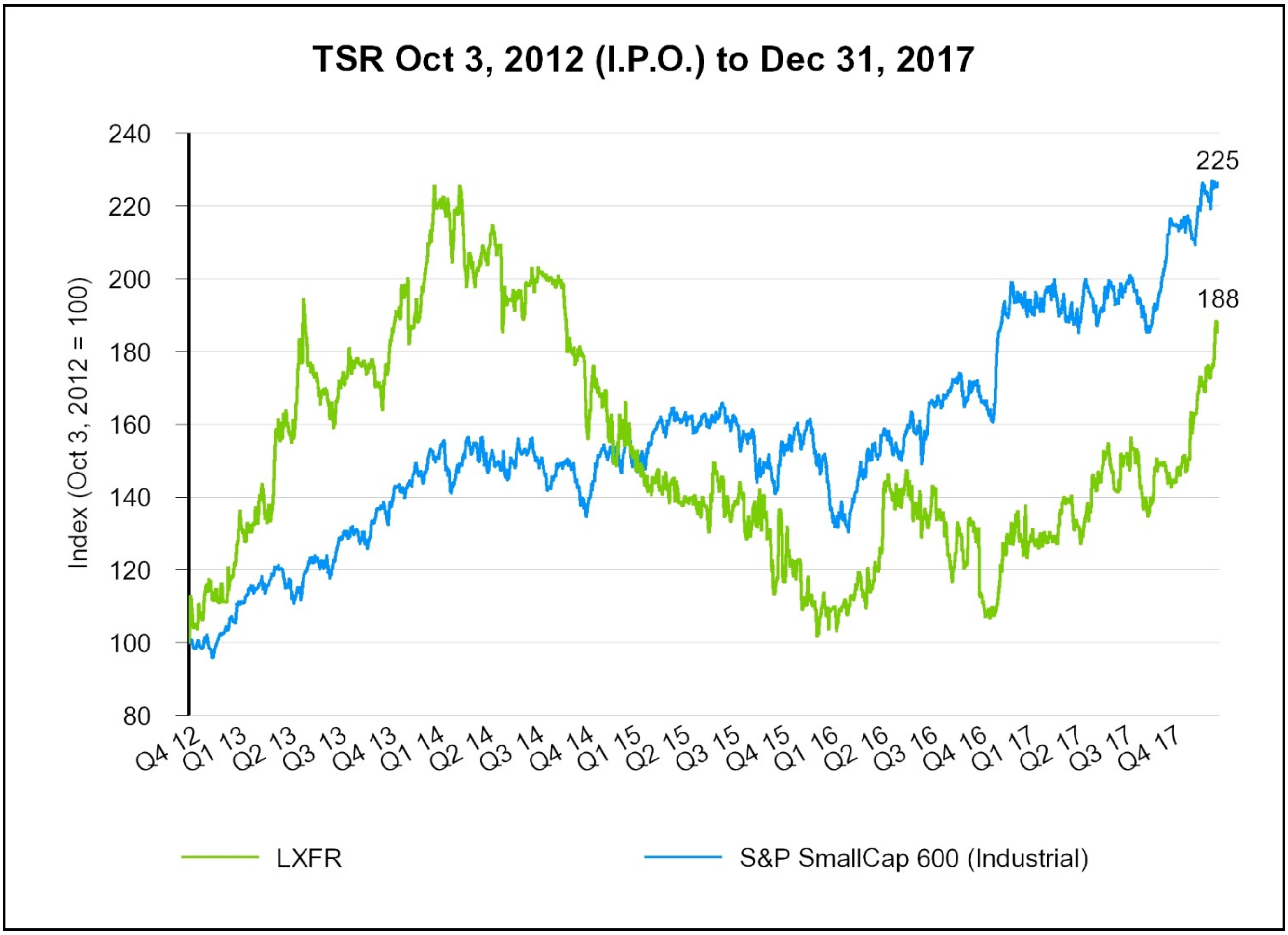
Total Directors' Shareholdings and Interests at 31 December 2017

	Shares Owned Beneficially	Options Vested but not Exercised[1]	Restricted Stock Units Not Yet Vested (assuming will be settled in Shares not Cash)[1]
Alok Maskara	25,712	—	225,000
Non-Executive			
Joseph Bonn	7,800	20,000	3,947
Adam Cohn	—	—	5,823
Brian Kushner	1,823	—	3,158
David Landless	7,633	—	3,158
Clive Snowdon	2,000	—	5,728

(1) A breakdown of the vested and unvested awards and brief details of the plans under which the awards were made can be found in *Outstanding Share Awards During 2017* table on page 45 of this report.

Performance Graph

U.K. legislation requires the Annual Remuneration Report to contain a line graph that shows the total shareholder return (TSR) over a ten-year period for both a holding of the Company's listed shares and a hypothetical comparator holding of shares representing a specified broad equity market index. As the Company was only listed on the NYSE at the beginning of October 2012, we are only able to provide TSR for the Company's shares in a listed environment for a period 3 October 2012 to 31 December 2017. We have used the S&P SmallCap 600 (Industrial) index as the most appropriate to where we are placed as a small cap company in the U.S. and the industrials sub-sector includes most of our comparable companies. The graph shows the value of $100 vested in Luxfer in October 2012 at the I.P.O., compared to $100 invested in the S&P SmallCap 600 (Industrial) on the same date. The S&P SmallCap 600 (Industrial) was chosen as the index as it comprises companies that most closely resemble Luxfer. The TSR is calculated in U.S. dollars.



History of Total Remuneration Figure for Chief Executive Officer

We have included the total remuneration figure for the Chief Executive Officer for a seven year period as required by legislation despite the TSR graph only reflecting the TSR from the date of the I.P.O.

U.S.$

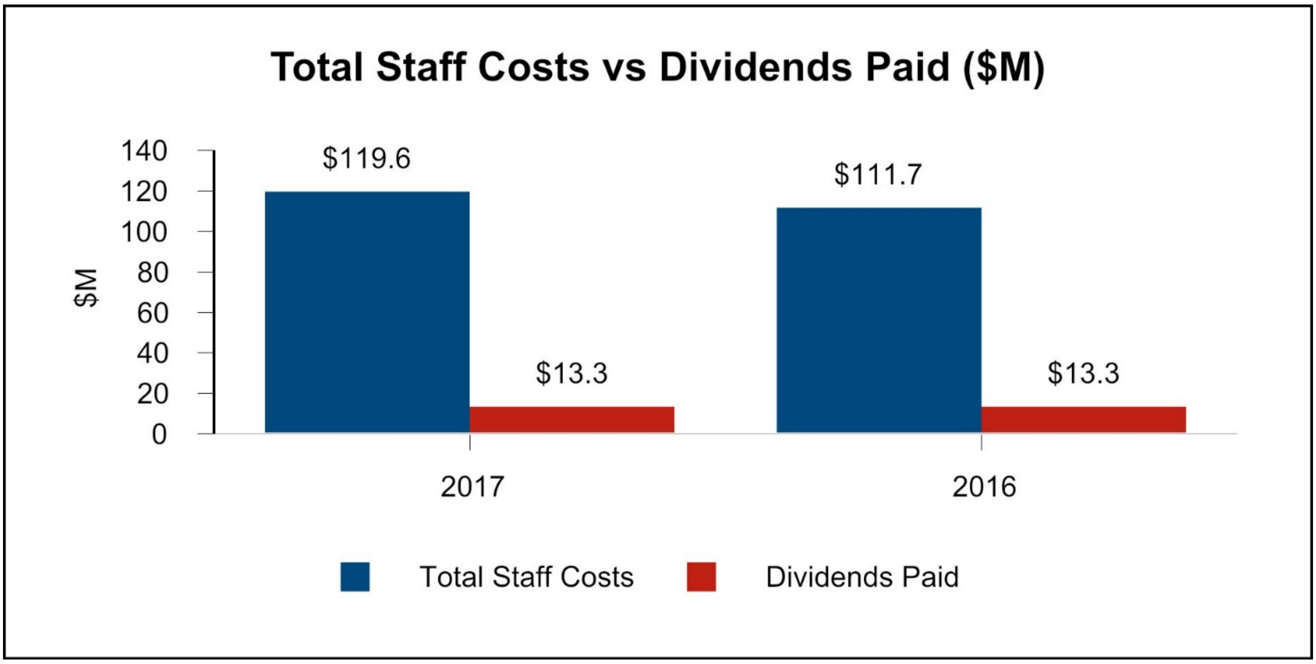
Year ended December 31	2011	2012	2013	2014	2015	2016	2017[1]
Total remuneration	998,638	1,050,878	985,076	853,320	1,021,357	836,317	3,396,615
Annual bonus %	100%	71%	—%	—%	39%	—%	124%
Share awards vesting %	N/A	100%	59%	59%	21%	—%	37%

(1) The 2017 figures include Brian Purves' remuneration for the first six months of 2017 and Alok Maskara's remuneration for the second six months of 2017.

(2) Percentage of salary.

Relative Importance of Spend on Pay

The following chart sets out the Group's actual spend on pay (for all employees) relative to dividends paid in the current and prior year.



(To assist with conformity and transparency we have used staff costs as set out in Note 6 to the Consolidated Financial Statements.)

Percentage Change in Chief Executive Officer's Remuneration

For 2017, we have selected U.S. employees as the most appropriate comparator as the Chief Executive Officer is based in the U.S. and the benefits structure is similar. The comparative information for 2016 is based on U.K. employees as during 2016 the Chief Executive Officer was based in the U.K. The 2016 amounts were adjusted for the impact of translation and have been calculated using the 2017 average exchange rate of $1.3018:£.

U.S.$	2017	2016	% change
Salary			
Chief Executive Officer	**557,744**	534,802	4.3 %
Employee average	**65,953**	42,535	55.1 %
Benefits			
Chief Executive Officer	**44,980**	27,635	62.8 %
Employee average	**635**	639	(0.6)%
Annual Bonus			
Chief Executive Officer	**690,316**	—	n/a
Employee average	**3,742**	1,176	218.2 %

Statement of voting at AGM

The Annual Remuneration Implementation Report and an updated Remuneration Policy was put to an advisory vote at the 2017 AGM.

	Votes for (and percentage of votes cast)	Votes against (and percentage of votes cast)	Proportion of share capital voting	Shares on which votes were withheld
Annual Remuneration Implementation Report	16,654,955 86.45%	2,609,852 13.55%	72.50%	5,231
Adoption of Revised Remuneration Policy	16,703,150 86.72%	2,556,852 13.28%	72.50%	10,036

The vote received in favour of the Remuneration Report was 86.45%, and the larger shareholders with whom the Directors liaise with from time to time did not make any negative comments in those conversations concerning Directors’ pay and incentives. As referred to in the Chairman's letter at the beginning of the Remuneration Report, an updated Remuneration Policy will be presented at the 2018 AGM for shareholder approval.

Remuneration Policy Report

The Remuneration Committee presents the proposed Executive Directors' Remuneration Policy Report for 2018. This policy will take effect immediately, following approval at the 2018 annual general meeting and will apply until a further policy is approved by an ordinary resolution of the shareholders. The Committee believes that this Policy continues in being competitive for current and successor Executive Directors.

The Committee has determined that to maintain top performance levels in the Company they should be targeting at least median level remuneration packages for the Chief Executive Officer, other Executive Directors and Senior Management. However, the Committee recognizes that this will be achieved by adjusting remuneration packages over a number of years. The Committee has agreed that a competitive benchmarking study will be commissioned every three years in order to maintain independent guidance on the overall remuneration of the Chief Executive Officer, other Executive Directors and Senior Management.

Under the Remuneration Policy, the Committee has discretion in a number of areas as set out in the relevant section of the policy. In addition, certain operational and administrative discretions may be exercised under relevant standalone deeds of grant or plan rules, including LTiP and EIP implemented for the I.P.O., the rules of which we have previously filed with the SEC.

Proposed policy changes

The 2018 policy that is being presented to shareholders for approval has been drafted to take into account the latest findings from a recent competitive benchmarking study over the existing policy. The key changes from the 2017 policy, which are described in the chairman's letter, can be summarized as follows:

- The maximum annual cash bonus opportunity for the Chief Executive Officer is increased from 150% to 200% of base salary. Included within this, the Additional Percentage Bonus (APB) set at a maximum of 50% of base salary under the existing remuneration policy, attributable to the achievement of specific additional non-financial targets, will now be set at the start of each year at the discretion of the Remuneration Committee.
- The maximum annual cash bonus opportunity for other Executive Directors remains unchanged at 120% of base salary. Included within this, the APB set at a maximum of 40% of base salary under the existing remuneration policy, attributable to the achievement of specific additional non-financial targets, will now be set at the start of each year at the discretion of the Remuneration Committee.
- The maximum value of share incentive awards under the Company's Long-term incentive plan ('LTiP') available for the achievement of certain financial targets for the Chief Executive Officer is increased from 150% to 220% of base salary and for the other Executive Directors increased from 120% to 150% of base salary.
- The Non-Executive Directors, at their discretion, may choose to forgo annual or periodic increases to cash fee, in lieu of an equivalent value of share awards. Awards will continue to be made annually immediately after the annual general meeting, however, as a result, the maximum value of these awards will be increased from 50% up to 55% of the Non-Executive Directors existing annual fee. Pending shareholder approval, for 2018, all Non-Executive Directors have elected to receive additional share awards in the Company and forgo the annual increase to their base fee.

The above proposed changes to policy will be effective immediately following the 2018 annual general meeting. The impact of these changes to the remuneration of the Executive Directors is demonstrated in the illustrative remuneration chart on page 60.

The tables below sets out the main components of the remuneration packages for the Chief Executive Officer and other Executive Directors.

<table>
<tr><td colspan="3">CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE DIRECTORS Fixed Remuneration</td></tr>
<tr><td>Base salary</td><td colspan="2">Purpose and Link to Strategy:
To attract, retain and incentivize high caliber individuals who can deliver the company's strategy and reward performance.
To be competitive.</td></tr>
<tr><td colspan="2">Operation:
Reviewed annually and normally fixed for 12 months from 1 January in each year. Paid in 12 equal monthly installments.
Reviews take account of a variety of different factors including:
- The rise in the cost of living, market rates, responsibility of the position, experience and contribution of the individual, the scale of the Group's operations, group performance and affordability, remuneration levels and increases in the rest of the Group;
- The Executive pay packages of comparable companies; Pay and practices in both the US and the UK.</td><td>Maximum Opportunity:
No prescribed maximum to avoid setting expectations.
The Committee retain discretion to re-adjust salaries as part of the overall package to, at or about median of the external comparator group deemed appropriate by them to maximize the Group's objective of top quartile performance. Where it is satisfied that salaries are at or about the median of the external comparator group, annual increases will normally be limited to the increases granted to the wider workforce, but may be higher in certain circumstances such as a change in the role or an increase in the responsibilities of the role where it will increase salaries in its discretion.</td></tr>
<tr><td>Benefits in kind</td><td colspan="2">Purpose and Link to Strategy:
To aid recruitment and retention of high caliber individuals and to remain competitive in the market.</td></tr>
<tr><td colspan="2">Operation:
Benefits received by directors will generally include car allowance or mileage reimbursement, medical and dental insurance. Additional benefits may be provided where required by legislation or to align the remuneration package with market practice where these are not significant in value.
The company may introduce new benefits that are or become prevalent in the jurisdiction in which it operates or in which the director is based.
Where an individual director is relocated benefits such as relocation expenses, travel expenses, accommodation, tax equalization; professional advice, and post-retirement medical expenses may be provided.</td><td>Maximum Opportunity:
No maximum value is set but the Committee periodically monitors the overall cost of the benefits to ensure they are affordable, competitive and in line with market practice in the UK and the US.</td></tr>
<tr><td colspan="2">Performance Metric:
None</td><td>Provisions for Recovery or Withholding of Payment:
None</td></tr>
<tr><td>Pension or 401K Contributions</td><td colspan="2">Purpose and Link to Strategy:
To provide funding for retirement and aid recruitment and retention of high caliber individuals.</td></tr>
<tr><td colspan="2">Operation:
Following the closure of the defined benefits scheme to future accrual in April 2016, all Directors will have benefits provided by the registered defined contribution scheme.
For those directors whose pension planning is restricted by one or more tax allowance, an equivalent allocation or payment may be made to an unregistered alternative savings vehicle, or as a salary supplement in lieu of pension contributions.
Arrangements are reviewed annually to ensure consistency with market practice and take account of the effect of regulatory change on an individual's benefits.
For directors based in other jurisdictions they will be offered arrangements appropriate to that jurisdiction.</td><td>Maximum Opportunity:
Under the Defined contribution arrangements the Company makes an annual contribution into a personal pension plan, 401K plan or salary supplement in lieu of pension or 401K contributions up to a maximum of 25% of basic salary.</td></tr>
<tr><td colspan="2">Performance Metric:
None</td><td>Provisions for Recovery or Withholding of Payment:
None</td></tr>
</table>

CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE DIRECTORS Variable Remuneration

Annual bonus

Purpose and Link to Strategy:
To retain, motivate, incentivize high caliber individuals and promote the achievement of key financial and strategic goals and targets of the Company in the financial year to which it relates.

Operation:

Cash bonus for performance over the previous financial year.

Targets are set at the beginning of the financial year and normally based on achievement of a mix of financial targets (typically profit before tax and net cash flow) measured against the approved annual budget for the bonus year and usually awarded for achieving on a sliding scale between Threshold, Target, and Stretch. The Committee has retained the flexibility to determine one or more elements may be earned for attaining target and stretch or a single target.

The Remuneration Committee has flexibility to use non-financial and personal targets if deemed appropriate in addition to financial targets.

In addition the Committee has reserved discretion to offer an Additional Percentage Bonus (APB) on achievement of specific additional targets set by them at their discretion aligned with the strategic goals of the Company for that year.

The bonus for achieving threshold is at the discretion of the Committee but will normally be one quarter of the potential.

Maximum Opportunity:

Maximum bonus is capped (including APB) at:

- 200% of salary for the Chief Executive;
- 120% of salary for Other Executive Directors.

The APB discretionary award offered will be set at the start of each year at the discretion of the Remuneration Committee.

Performance Metric:

Weighting of measures and between measures for achieving financial and non-financial targets are adjusted annually and are discretionary being driven by the Company's strategy, financial goals and requirement to maintain and improve operating efficiencies.

The APB performance metric is discretionary based on the associated strategic objective for which the APB is offered.

Provisions for Recovery or Withholding of Payment:

None. If the Director qualifies as a "good leaver" during the year to which the bonus relates, it is payable retrospectively pro-rata to the time in service during the calendar year.

Long-term incentive plan ('LTiP')

Purpose and Link to Strategy:
Attract and retain high quality senior employees in an environment where compensation levels are based on a global market.
Align rewards for employees with returns to shareholders through personal financial investment.
Reward achievement of business targets and key strategic objectives.

Operation:

The type and level of award made and the criteria for vesting are considered annually to ensure they continue to support shareholder alignment and group strategy.

The LTiP provides the Remuneration Committee the discretion to grant time-based, market value or performance-based awards in the form of Options, Stock Appreciation Rights (SARs) Restricted Stock, Restricted Stock Units (RSUs) and Other stock based awards or a combination of such awards. The discretion over what type or combination of types of award to be made will be exercised by the Remuneration Committee based on what they consider to be the market norms in the UK and US and the particular circumstance in which the award is made.

Awards are made and are satisfied through the use of existing treasury shares or through the issue of new shares. Participants are required to pay at a minimum the nominal cost of the regular share.

The Committee has the discretion (which will be used as deemed appropriate to a good leaver in a particular circumstance, such as retirement of long serving employees or leaving due to sickness or disability) to:

- Accelerate vesting and exercise dates;
- Waive conditions to vesting or exercise or transferability;
- Extend exercise periods after termination of employment.

RSU's can be settled in cash or shares or a combination of both at the discretion of the Committee. This discretion will be exercised based on what is in the best interests of the Company.

Awards may accrue dividends either under the rules of the Plan or at the discretion of the Committee, payable in cash or shares. Options and RSUs that vest accrue a dividend until vesting payable in cash or shares as determined at the discretion of the Committee.

Maximum Opportunity:

The LTiP maximum awards in any calendar year may not exceed:

- Chief Executive 220% of base salary;
- Other Executive Directors 150% of base salary.

The maximum amount of dividend paid will be the dividends paid on the regular share over which the awards are granted between grant and vesting.

Performance Metric:
Under the LTiP the Committee has the discretion to use a range of performance targets. Performance targets for performance awards will be those deemed appropriate by the Committee to support the long term strategy of the group set at the time of grant and in the best interests of the Company. For recent performance awards the Committee has used profit, cash flow, EPS and TSR in various combinations of each.

Provisions for Recovery or Withholding of Payment
If, during the preparation of the current year's accounts, a material misstatement of the previous year's accounts is discovered, a clawback of the awards granted in respect of the misstated element of the previous year's accounts shall apply. Leavers are treated as set out in the section of this report titled Policy on *Payment for Loss of Office.*

All employee share incentive plans	**Purpose and Link to Strategy**: To encourage share ownership by all employees in the group and increase alignment with shareholders.
Operation: The UK all employee share incentive plan is an HMRC approved plan, subject to prescribed limits, to provide all eligible employees (including executive directors) with a tax-efficient way of purchasing regular shares out of monthly savings over a 6 monthly accumulation period. The Company currently provides 1 matching share free for every 2 share purchased. A tax-efficient share purchase program is offered to our US colleagues, and additional share incentive schemes may be offered where practical on a cost-efficient basis.	**Maximum Opportunity:** Participants in the UK plan, including the executive directors, can invest up to £150 per month (£1,800 p.a.) or 10% of salary, if lower, in any tax year to purchase regular stock shares. Regular shares are purchased using the participants' contributions at the end of each accumulation period at the lower of the price at the start of the accumulation period and the price immediately before purchase. The maximum number of shares matched is 1:1, but the matching is currently 1:2. Dividends on both purchased shares and matching shares are used to purchase additional shares. The plan or plans implemented for other jurisdictions in which the Group operates may have maximum opportunity commensurate with the UK plan or their legislation if deemed appropriate by the Committee.
Performance Metric: None	**Provisions for Recovery or Withholding of Payment:** Under the UK plan, matching shares are forfeited if not held for 3 years except if the participant leaves employment as a good leaver through redundancy, retirement, disability, or TUPE transfer.

Non-Executive Directors

Fees	**Purpose and Link to Strategy**: Reflects the time commitment required for the role. To attract and retain executive directors with the skill set and experience required by the Company. To be in line with UK and US market practice.
Operation: Fees may be paid in cash, shares or a combination of both cash and shares. Neither the Board Chairman nor the Non-Executive Directors are paid supplemental fees for any of their committee responsibilities, however, the discretion is reserved to do so if it is deemed appropriate and in line with market practice. The cash element of the fees is reviewed annually. Reviews take account of a variety of different factors including: - Inflation, market rates, affordability, remuneration levels and increases in the rest of the Group; - Pay and practices in both the US and the UK. Non-Executive Directors may choose to forgo annual or periodic increases to their cash fee, in lieu of an equivalent value of share awards at their individual discretion. Fees for the Non-Executive Directors and Chairman are denominated in USD. The share based element of the fees is a non-discretionary grant of share awards in the form of options, restricted stock or restricted stock units. Awards are made annually immediately after the Annual General Meeting (AGM) and vest the day before the following years AGM.	**Maximum Opportunity:** There is no prescribed maximum for the cash element for the fees to avoid setting expectations. Fees are and will be increased in line with the market. Non-Executive Directors serving for at least six months from appointment receive share based fee awards valued at up to 55% of annual fees at date of award.

Differences between Policy for Directors and Employees

There are differences in the remuneration policy for Executive Directors and the approach to remuneration of other employees which reflect differing levels of responsibility and seniority within the organization and market norms in the jurisdictions in which the employees are employed. The following are differences in the remuneration policy for Executive Directors and the approach to remuneration for other employees generally:

- The bonus arrangements for the executives, directors and senior, middle and lower management are structured broadly on the same basis to ensure commonality of objectives but at a lower percentage level depending on the seniority of the manager in the group. There is a greater emphasis on performance-related pay for management levels, and lower levels of bonus opportunity or no bonus opportunity may apply to other employees in the group, depending on local policies;

- Benefits are generally offered that meet market norms in the jurisdiction in which employees are employed and take into account the position in which they are employed;
- Pension arrangements are offered where it is the market norm to offer such arrangements in the jurisdiction in which the employee is employed. Where such arrangements are in place membership is encouraged. Where local regulation permits, higher contributions may be put in place for more senior management if that is the market norm. The main pension plans that the group operates are described in Note 29 of the financial statements;
- Participation in the LTiP is limited to Executive Directors and a selected number of senior officers and senior managers. At the discretion of the Committee, market value share awards or time-based share awards may be awarded to employees in recognition of outstanding performance or achievement and to encourage share ownership and retention. U.K. employees, if eligible, can participate in the U.K. SIP.

Approach to Recruitment Remuneration

Executive Directors

When setting a remuneration package for new Executive Directors, including internal promotions, the Committee will apply similar principles to those set out in the most recent approved remuneration policy for both short term and long term incentives depending on the experience of the new executive. The table below sets out the maximum variable pay opportunities.

Maximum Variable Pay Opportunities

Element of Remuneration	Approach	Maximum Opportunity
Base salary	Set in line with policy at a level appropriate to the role and experience of the new executive. This may include, if appropriate, an agreement to increase base salary over a defined period up to a pre-defined level on acquiring experience and having delivered satisfactory performance in the role, in which case the salary increases may exceed inflation or increases given to the general work force in the country in which the executive is based.	In line with existing policy.
Benefits	In line with existing policy.	In line with existing policy.
Pension	In line with existing policy.	In line with existing policy.
Annual Bonus	In line with existing policy. May be pro-rated to reflect the proportion of the year served.	In line with existing policy
Long-term Incentives	In line with existing policy.	In line with existing policy

Upon Appointment

In relation to external appointments, the Committee may consider compensating candidates in cash or shares for remuneration relinquished on leaving their former employment if they consider it to be in the best interests of the Company and the shareholders. In considering such payments, the Committee would take into consideration the amount of remuneration forgone, the nature, vesting dates and performance requirements attached to the remuneration foregone.

In respect of internal promotions, any commitments made to the new executive before his/her promotion will continue to be honoured by the Committee even if not consistent with the approved policy outlined above in terms of short term and long-term incentives awarded but yet to be earned.

New Executive Directors will be required to hold shares to the value of 150% of their annual basic salary. The Chief Executive Officer will be allowed a period of three years from date of appointment to acquire this holding.

The Committee may award an incoming Executive Director up to 100% of basic salary in time-based options outside of the terms of reference of the LTiP. These options would vest in three equal tranches over the three anniversaries of award.

The Committee may award an incoming Executive Director up to three hundred percent of basic salary in performance-based options outside of the terms of reference of the LTiP. These options may be made available in tranches with different performance targets and over a period of up to seven years to allow for the delivery of strategic objectives. Shares acquired under this element must be retained for a minimum of five years from date of appointment.

Non-Executive Directors

New Non-Executive Directors will be paid fees on the same basis as the existing Non-Executive Directors. They will also participate in the Non-Executive Directors Incentive Plan under which the annual awards are non-discretionary. The form of the award can be in the form of Options, Restricted Stock, or Restricted Stock Units, given at the discretion of the Board and based on the value of each type of award and the number of shares left in the plan. The vesting period is in the discretion of what the relevant committee of the Board believes is in the best interests of the Company.

Service Contracts

Executive Directors

The Company has entered into a service contract with the single current Executive Director that is not for a fixed term. Executive Directors have service contracts that ordinarily are terminable by twelve months' notice by either the Company or the director, which notice can be given at any time. The Company may terminate an Executive Director's contract without notice on the occurrence of certain events identified in their contract which would normally consist of conduct justifying summary dismissal, including gross misconduct.

Executive Directors' Service Contracts

Director	Date of Current Contract	Notice Period	Remuneration Entitlement
Alok Maskara	23 May 2017	12 months	Payment in lieu of notice in the event of early termination. This may include base salary benefits and pension payable for the notice period. A bonus may be paid if the period for which pay in lieu of notice is made extends past the year end subject to targets being met.

Executive Directors have the same employment rights as any other employee in the case of redundancy or if the termination of their employment was determined by a relevant tribunal to be unfair under English law.

In the event of a change in control, and their contract is not assumed by the acquiring entity or a materially different position is offered to Executive Directors, on termination of their contract a severance payment based on the group standard severance policy will be payable, but calculated by doubling the highest annual base salary prior to the change of control instead of using the last twelve months' salary under their normal notice provisions.

The LTiP provisions provide that upon a change in control, all unvested time-based awards will fully vest and become exercisable as applicable and unless determined by the Committee, shall lapse on the first anniversary of the change of control if not exercised as applicable. Under the rules of the LTiP all performance-based awards will vest pro-rata based on the performance results to the date of change and the elapsed portion of the performance period.

Service agreements for new recruits to the Board and internal promotions will be on the same basis as the current Executive Director with no fixed term and will be terminable by either party on twelve months' notice. Executive Directors may make provision, at the discretion of the Company for pay in lieu of notice for early termination which will include base salary, benefit and pension contributions and may include payment of the annual bonus. They may also make provision for similar change of control provisions as offered to the current Executive Director if the Committee considers it is market practice or in the best interests of the Company.

Non-Executive Directors

The Company has entered into letters of appointment with the Non-Executive Directors and the Chairman that are not for a fixed term.

Non-Executive Directors' Letters of Appointment

	Date of Current Letter of Appointment	Notice Period and Entitlement to Fees
Joseph Bonn	28 February, 2007	3 months, except if the director fails to be re-elected at an AGM when the contract terminates immediately without notice or compensation.
David Landless	20 February, 2013	3 months, except if the director fails to be re-elected at an AGM when the contract terminates immediately without notice or compensation.
Brian Kushner	24 May, 2016	3 months, except if the director fails to be re-elected at an AGM when the contract terminates immediately without notice or compensation.
Adam Cohn	18 July, 2016	3 months, except if the director fails to be re-elected at an AGM when the contract terminates immediately without notice or compensation.
Clive Snowdon	29 July, 2016	3 months, except if the director fails to be re-elected at an AGM when the contract terminates immediately without notice or compensation.

The Chairman and the Non-Executive Directors do not have any employment rights. New appointees to the Board will generally be appointed on the same basis as the current Non-Executive Directors.

Directors' service agreements and letters of appointment are available for inspection at the registered office of the Company.

Policy on Payment for Loss of Office

Contractual entitlements to the date of termination will be honoured and the Company will pay any amounts it is required to pay in accordance with the Directors statutory employment or contractual rights and to settle those rights. The Company will seek to apply the principles of mitigation to ensure it is not paying more than is required. In the event of a compromise or severance agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims. It may include in such payments reasonable incidental and professional fees paid by a director.

There is generally no entitlement to annual bonus on cessation of employment for leavers in the first half of the calendar year. Good leavers in the second half of the calendar year may, at the Committee's discretion, be retrospectively paid a time pro-rated bonus. Leavers departing after the year-end, but before completion of the audit, will be paid the actual bonus earned on the normal bonus payment date. Leavers are not eligible for bonus payments if they are in breach of any obligations of their contract of employment, including the period of notice

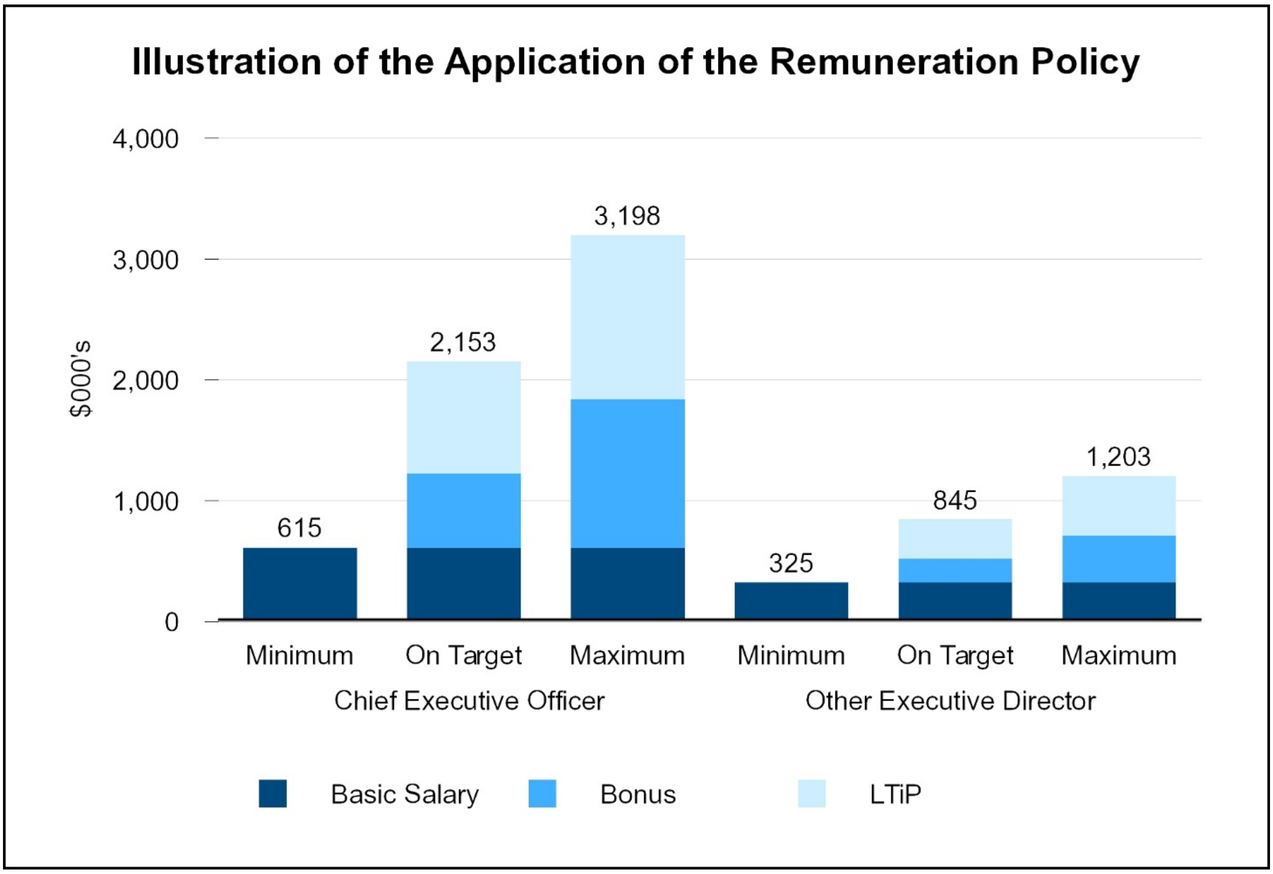
On termination of employment, outstanding share awards will be treated in accordance with the relevant plan rules:

LTiP: The default treatment under the LTiP is that subject to the Committee's discretion, after a participant ceases to be employed by the Company, for any reason other than termination for Cause, all unvested time-based awards will immediately lapse or be forfeited and all vested unexercised options and stock appreciation rights (SARs) will lapse on the first anniversary of the date of leaving. In the case of termination of the participant's employment for Cause, all time-based awards will immediately lapse or be forfeited as at the date of termination and all unexercised options will immediately lapse or be forfeited as at the date of termination. If employment of a participant is terminated for any reason, other than for Cause, performance-based awards will vest on a pro-rated basis based on the performance results to the date of termination. In case of termination of employment for Cause, all unvested performance-based awards will lapse as of the date of termination.

IPO Options: The default treatment under the I.P.O. standalone option grants for both Executive and Non-Executive Directors is that subject to the relevant Committees' discretion, after a participant's termination of employment for any reason other than for Cause, the vested unexercised portion of the options will lapse on the first anniversary of the date of termination unless exercised beforehand. If a participant's employment is terminated for Cause, all unexercised options will immediately lapse.

The definition of Cause for both the LTiP and the I.P.O. options is as defined in the participant's service contract or, if not so defined, would be conduct that would constitute grounds for summary dismissal.

The Committee has the discretion to accelerate vesting and exercise dates, waive conditions to vesting or exercise or extend exercise periods after termination of employment. The Committee may exercise their discretion to allow accelerated vesting or extended exercise periods, which discretion it will normally exercise in such circumstances as long serving directors retiring before the last vesting date or leaving employment through ill health or redundancy. This graph seeks to demonstrate how pay varies with performance. The graph is reflective of the remuneration policy that is being presented for approval at the 2018 AGM.



Notes:

1. The base salary of the Executive Directors used is the 2018 confirmed salary in U.S. dollars for the year ending 31 December, 2018.
2. The Remuneration Committee sets bonus targets early in 2018. Annual cash bonus is earned only when Company performance exceeds a threshold level. 'On plan' bonus is generally set to be half the potential and is paid for achievement of the annual budget. Maximum bonus is earned for hitting a stretch target considerably above the Board-approved budget, and represents exceptional performance.
3. The LTiP is a combination of performance and time-based awards with targets being set by the Committee. Within each year, there is a threshold level, an 'on plan'; level, and a stretch level. Performance below the threshold would mean no performance element of the LTiP would be awarded in the following year. Hitting the plan targets would result in granting total awards at maximum value of 150% of base salary for the Chief Executive Officer and at 100% of base salary for the Other Executive Director. Each subsequent year's target represents a material improvement on the prior-year target. Reaching stretch targets would mean that the Company had considerably out-performed the Board's expectations, would result in a maximum granting at 220% of the value of base salary for the Chief Executive Officer and at 150% of the value of base salary for the Other Executive Director.
4. The above illustration excludes remuneration in the form of taxable benefits and pension contributions.

Consideration of Conditions Elsewhere in the Group

While the major influence in setting the Executive Directors' pay and benefits is benchmarking of comparable companies, consideration is given to pay and benefits throughout the Group, so that there is a clear structure of pay and benefits layer by layer. Benchmarking studies commissioned by the Committee normally include other senior executive positions. When undertaking annual reviews of basic salary, the general level of cost-of-living increases throughout the Group is taken into account.

The Committee does not consult with employees when drawing up the Directors' Remuneration Policy. No internal comparison metrics were used, but the Committee is aware of average pay and benefits packages within the Group.

Shareholders' Views

The Committee take into consideration the views expressed by institutional shareholder bodies when formulating the terms of the awards to Executive Directors.

Implementation of the Remuneration Policy for the Year Ending December 31, 2018 (*Information not subject to audit)*

The proposed Directors' Remuneration Policy is subject to a binding shareholder vote at the 2018 AGM. If approved, the Policy will take effect immediately and will continue to apply, unless the Company seeks shareholder approval for changes to the Policy in the meantime. If shareholders do not vote to approve the proposed new Policy then the current Policy will continue to apply.

Set out below is a summary of how the proposed Directors' Remuneration Policy will be applied during the year ending 31 December 2018.

Base Salary

	2018	2017	
	$	$	% increase[(2)]
Alok Maskara [(1)]	615,000	365,826	2.5%

[(1)] The 2017 salary of Alok Maskara is for part year only, calculated from his date of appointment. The annualized salary for 2017 is $600,000 per annum.

[(2)] The increase in base salaries in 2018 over 2017 was approved by the Remuneration Committee.

Pension Arrangements

The Executive Director will receive a cash supplement calculated at a flat rate of 25% of base salary.

Annual Bonus

In accordance with the proposed Policy, the maximum annual bonus for Alok Maskara, as Chief Executive Officer, will be capped at 200% of base salary. Included within this is the Additional Percentage Bonus to be awarded on achievement of specific targets set by the Remuneration Committee. At the start of each year, the Remuneration Committee reserve the discretion to set the Additional Percentage Bonus and related specific targets that are aligned with the strategic goals of the Company.

As in previous years, the financial performance target element of the annual bonus will be based on a combination of two financial performance metrics, management EBITA (previously referred to as management trading profit) and the ratio of management EBITA to pre-interest cash flow conversion "Cash Conversion" (previously net cash flow after tax was used as the second performance target). It will be on a sliding scale that commences only once threshold has been achieved and rises through the target performance up to a stretch target. For management EBITA; threshold approximates to exceeding prior-year; target is the annual EBITA budget and stretch is exceeding the annual EBITA budget by at least a 10%. The financial performance award element of the annual bonus opportunity will be split evenly between the above two financial metrics:

	Split; sliding scale between threshold, target and stretch	
Financial metric annual bonus opportunity	**Management EBITA**	**Cash Conversion**
Alok Maskara	0% - 50%	0% - 50%

Long Term Incentives

The Remuneration Committee has then set targets for 2018 which, if attained, would lead to the granting of nominal cost options for Alok Maskara in 2019. The Committee has set a scorecard of metrics to assess the performance of the Company based upon Total Shareholder Return ("TSR") and a Group adjusted EPS. A greater weighting has been assigned to the attainment of the TSR target which earns 60% of the performance awards available, compared to the EPS target which has a 40% weighting.

The Remuneration Committee is also proposing that Alok Maskara be granted time-based nominal cost options, which vest in equal tranches commencing on the first anniversary of the grant date at the value of 40% of the total target share award available.

The options to be granted in 2019 based on the achievement of 2018 performance will be time-based nominal cost options which vest in equal tranches, commencing on the first anniversary of the grant date. The grants will incorporate "claw back" provisions in the event of a material misstatement in the consolidated financial statements on which the basis of the grant was made. The shares acquired from the granting of the awards to Alok Maskara must be held for a minimum of three years from the date of grant whether vested or not, effectively four years from the setting of the targets (other than to fund the exercise price and tax liabilities on a vesting or exercise).

The maximum value of awards that can be granted in accordance with the proposed Policy is up to 220% of base salary for the Chief Executive Officer.

Non-Executive Directors

Summary of how the Directors' Remuneration Policy for the Non-Executive Directors will be applied during the year ending December 31, 2018.

The Board decides the approach to compensating the Non-Executive Directors. As part of the proposed Board approved Remuneration Policy each Non-Executive Director, at their discretion, can forgo the proposed 2.5% increase in base fee, effective 1 January 2018, in lieu of equivalent value of share awards, valued at up to 55% of their annual base fee, at the date of award.

	2018 $ Base Fee	2017 $ Base Fee	% Increase Base Fee	Value of Share Awards % of Base Fee 2018	Value of Share Awards % of Base Fee 2017
Joseph Bonn (1)	**98,812-101,282**	98,812	2.5%	**50% - 55%**	50%
Adam Cohn	**79,050-81,026**	79,050	2.5%	**50% - 55%**	50%
Brian Kushner	**79,050-81,026**	79,050	2.5%	**50% - 55%**	50%
David Landless	**79,050-81,026**	79,050	2.5%	**50% - 55%**	50%
Clive Snowdon	**79,050-81,026**	79,050	2.5%	**50% - 55%**	50%

(1) Base fee increase reflects additional supplement for Chairman Fees.

Pending shareholder approval, for 2018, all Non-Executive Directors have elected to receive additional share awards in the Company and forgo the annual increase to their base fee.

Approval of Report

Brian Kushner, the Chairman of the Committee, will attend the forthcoming AGM and will be available to answer any questions shareholders may have concerning the Directors' remuneration. This Remuneration Report will be submitted for approval by an advisory vote at the forthcoming AGM.

Signed on behalf of the Board by:

B G Kushner

CHAIRMAN OF THE RUMENERATION COMMITTEE

March 19, 2018

For and on behalf of the Board

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Governance section of this report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Strategic and Directors' Reports includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

Independent auditors' report to the members of Luxfer Holdings PLC

Report on the audit of the financial statements

Opinion

In our opinion, Luxfer Holdings PLC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company cash flow statements, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: $1.5 million (2016: $1.6 million), based on 5% of profit before tax, adjusted for exceptional items.
- Overall company materiality: £1.1 million (2016: £1.3 million), based on 1% of total assets capped at group materiality.

- We conducted audit work across thirteen reporting units in three countries in which the Group has operations.
- The reporting units we audited accounted for 80% of Group revenue and 92% of profit before tax, adjusted for exceptional items.

- Valuation of retirement benefits in relation to defined benefit schemes (Group).
- The recoverability of deferred tax assets (Group and parent).
- Carrying value of non-current assets (Group and parent).
- Inventory costing and valuation (Group).
- Restructuring and other expenses (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of retirement benefits in relation to defined benefit schemes Refer to pages 80 and 84 within the accounting policies and note 29 of the consolidated financial statements. The Group operates material defined benefit pension plans principally in the UK and the US. A net deficit of $55.3m is recognised in the financial statements. We focused on this area because the magnitude of the gross pension plan liabilities, and the associated changes compared to the prior year balances, are significant in the context of the balance sheet and the results of the Group. Measurement of the pension plan liabilities requires a significant level of judgement and technical expertise in selecting appropriate assumptions. Changes in key assumptions can have a material impact on the gross liability recorded. Group	Our audit procedures included understanding and evaluating the controls and processes related to the pension process and selectively testing those controls we identified as being key and on which we planned to rely. Testing of controls included checking sufficient review of the key assumptions and appropriate approval of any changes to pension plans. No significant control deficiencies were identified. For the UK and US defined benefit pension plans, we tested the reasonableness of key actuarial assumptions as follows: We compared the discount and inflation rates to our internally developed benchmarks based on market conditions and expectations at the balance sheet date; we assessed other assumptions, including pension increases, salary increases and mortality rates, based on market conditions and comparison across the wider pensions industry; we also tested whether the methods used by the directors to determine key assumptions had been consistently applied year-on-year and evaluated the rationale for any changes in approach. We tested the reconciliation of the opening to closing liability for accuracy, taking into account the movements in key assumptions over the year and any changes made to benefits provided within the plans; and we have obtained confirmations from fund managers over the pension asset values and reviewed the validity of pension scheme member data used. As part of the procedures above, we have used PwC pensions as an audit expert supporting the audit team. The results of our audit work indicated that the valuation of the retirement benefits held was appropriate.
The recoverability of deferred tax assets Refer to pages 80 and 84 within the accounting policies, note 23 of the consolidated financial statements and note 37 of the company financial statements. The group has a deferred income tax asset recognised in the balance sheet of $16.2m relating to trading and capital losses, retirement benefit obligations and other temporary differences. There is an inherent level of estimation and judgement in the forecasts used to assess recoverability of these assets. The company has a deferred income tax asset recognised in the balance sheet of £8.4m relating to tax losses and other timing differences and retirement benefit obligations. We focused on the judgements made by the directors in assessing the quantification and the likelihood of recovering these potential assets and therefore the level that could be recognised. Group and parent	Our audit procedures included understanding and evaluating the controls and processes related to the tax process and selectively testing those controls we identified as being key and on which we planned to rely. Testing of controls included checking sufficient review of the key assumptions and appropriate review of tax estimates and judgements. No significant control deficiencies were identified. We obtained a detailed understanding of the Group's tax strategy and assessed key tax risks related to business and legislative developments. Audit work performed has included reviewing the Group's deferred tax calculations to assess their reasonableness in line with relevant tax regulations. We were satisfied that while complex, the area was well understood and sufficient focus was place on this risk. As part of the procedures above we have used PwC Tax as an audit expert supporting the audit team. We evaluated the process by which the directors prepared their cash flow forecasts and compared them against the latest Board approved forecasts and found them to be consistent. We evaluated the assumptions used in the profit and cash flow forecasts in line with our work performed over impairment to determine the recoverability of deferred tax assets currently recognised. On this basis we concluded that the directors' assessment that the deferred tax assets recognised are recoverable is appropriate.
Carrying value of non-current assets Refer to pages 78, 82 and 84 within the accounting policies, note 13 of the consolidated financial statements and note 36 in the company financial statements. The group has recognised goodwill assets of $59.6m as at 31 December 2017 which are required to be tested for impairment on an annual basis. The directors have allocated these assets to individual cash-generating units ('CGUs'). The company has investments of £318.3m as at 31 December 2017.	We evaluated the process by which the directors prepared their cash flow forecasts and compared them against the latest Board approved forecasts and found them to be consistent. Our audit procedures included understanding and evaluating the controls and processes related to the goodwill process and selectively testing those controls we identified as being key and on which we planned to rely. Testing of controls included checking sufficient review of the key assumptions and appropriate review of forecast estimates and judgements. No significant control deficiencies were identified.

There is further judgement around the determination of the recoverable amount of the CGUs, being the higher of value-in-use and fair value less costs to dispose. We focused on this area because the determination of the recoverable amounts involves judgements and estimates based on the directors' assessment of the future results and prospects of the CGUs, the appropriate discount rates and other key assumptions, including profit and cash flow growth rates in the short and long term, to be applied and specific risk factors applied to each CGU. The Group's goodwill relates to six CGUs each with operations located in different geographies. Therefore specific considerations need to be given to macroeconomic and CGU specific risks in determining the most appropriate assumptions to adopt. Group and parent	We evaluated the historical accuracy of forecasts by comparing the forecasts used in the prior year value-in-use models to the actual performance of the CGUs in the current year. These procedures enabled us to determine the accuracy of the directors' forecasting process. When comparing the prior year forecasts to the actual performance in 2017, we considered why some forecasts were not met and factored this into other areas of our work. We evaluated the assumptions used in the profit and cash flow forecasts included in the directors' value in use calculations. We compared forecast growth rates with historical performance as well as gaining an understanding of key factors and judgements applied in determining the future growth rates. We inspected detailed forecasts for each CGU which provided evidence of the key drivers for growth included within the profit and cash flow forecasts. We assessed the appropriateness of the directors' discount rates by comparing the rate used for each CGU to our own independently determined range of what we would consider to be acceptable. The discount rates used by directors were broadly in line with our expectation. We have considered any changes to the assumptions through our own sensitivity analysis, and whilst using a higher discount rate would reduce the headroom within each CGU, it would not result in an impairment for four of the six CGUs noted being Luxfer Gas Cylinders, Luxfer MEL Technologies, Luxfer Magtech and Luxfer Graphic Arts. The changes would cause impairments in two of the CGUs: Luxfer Superform and Luxfer Czech Republic. We have assessed the appropriateness of the assumptions made in calculating the value of the recognised impairment over the property, plant and equipment of the Luxfer Czech Republic CGU. We have assessed the assumptions over the Luxfer Superform CGU to ensure that it is appropriate for management not to recognise an impairment. We challenged the directors on the appropriateness of their sensitivity calculations and also applied our own sensitivity analysis to the forecast cash flows and long term growth rates to ascertain the extent to which reasonable adverse changes would, either individually, or in aggregate, require the impairment of goodwill and other intangible assets. On this basis we concluded that the directors' assessment that an asset impairment over the plant, property and equipment of the Luxfer Czech Republic CGU of \$2.2m should be recognised and no other CGU impairment was required to be appropriate.
Inventory costing and valuation Refer to pages 79 and 85 within the accounting policies and note 15 of the consolidated financial statements. The group holds inventory with a value of \$82.2m as at 31 December 2017. There are complexities in the methods used to value inventory across the various group divisions. Those include judgements in the labour and overhead cost absorption, and the calculation for reserves for slow moving/obsolete inventory. Group	Our audit procedures included understanding the processes and controls related to the inventory costing process. As part of our involvement in component teams' work, the Group engagement team was specifically involved in determining the audit approach in this area to be satisfied that sufficient focus was placed on the more judgemental areas. As a result of this involvement we were satisfied that, whilst complex, the area was well understood and sufficient focus was placed on this area of risk. Audit procedures performed by individual component audit teams included the following testing on a sample basis: Evaluating the inventory costing methods including absorption of overheads and labour recalculating the amounts to ensure appropriateness; testing of the cost of raw materials to determine they had been recognised for the correct amount; testing of post year-end sales compared to the carrying value of the inventory to assess valuation at the lower of cost and net realisable value; and testing of inventory provisioning including review of ageing profiles of inventories. Testing performed highlighted no material differences.

Restructuring and other expenses Refer to page 81 within the accounting policies and note 5 of the consolidated financial statements. The Group has items of restructuring and other income / (expense) which are disclosed separately within the Consolidated Income Statement and are excluded from the directors' reporting of the underlying performance of the Group. The nature and reporting of these exceptional items is explained within the Group accounting policy and includes restructuring costs, gains or losses arising on acquisitions or disposals and gains and losses resulting from non-recurring and one off events. This year the Group identified, before taxation, $19.9m of exceptional costs which relate to: • $12.1m of costs in relation to the rationalization of the Group; • $3.5m of costs in relation to a patent infringement litigation which was settled; • $3.7m of costs in relation to non-current asset impairments; • $2.3m of costs incurred in relation to the Group converting the ADR listing to a direct listing; • The release of an environmental provision in the year giving a $0.4m credit; and • Net gains on acquisitions and disposals in the year which gave rise to a $1.3m credit. Group	We challenged the directors' rationale for the disclosure of items outside of 'Trading Profit' and assessed such items against the Group's accounting policy and consistency of treatment with prior periods. We considered the items identified to meet the Group's definition of these items. The separate disclosure of expenses relating to the rationalization of the Group was deemed appropriate due to the introduction of the new CEO which led rise to a number of changes across the Group as part of his plans which are deemed significant and non-recurring. Patent infringement litigation costs were due to the settlement of a litigation over a long-term legal case. This was deemed outside the normal course of business and in line with the Group policy. The non-current asset impairments were caused by the present value of the free cash flows not covering the enterprise value of the assets and were deemed non-recurring and significant for separate disclosure. The costs incurred as part of the direct listing were deemed non-recurring and not trade-related and therefore we are comfortable with management's disclosure of these items separately. The release of the environmental provision is consistent with the previous items disclosed in relation to the sale of a redundant site and therefore we are comfortable with management's disclosure. The costs in relation to acquisitions and disposals of businesses are generally not within the business operations and are therefore disclosed separately from the trading results of the business. We are not uncomfortable with this disclosure. We considered whether there were items that were recorded within underlying profit that we determined to be 'exceptional' in nature and should have been included within 'exceptional items' and found no such items.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is split into two main reporting divisions being Elektron and Gas Cylinders. These are further split into six business units as Luxfer Gas Cylinders, Luxfer Superform, Luxfer MEL Technologies, Luxfer Graphic Arts, Luxfer Magtech and Luxfer Czech Republic. Each business unit has multiple management reporting units in a range of different geographies and is structured mainly across Europe (UK, France and Czech Republic) and North America (USA and Canada).

Each business unit consists of a number of management reporting units which are consolidated by the Group. The financial statements are a consolidation of a number of management reporting units representing the Group's operating businesses within these business units and the centralized functions.

The management reporting units vary in size and we identified thirteen reporting units from across three countries which required an audit of their financial information due to their individual size or risk characteristics. These reporting units accounted for 80% of the Group's revenue and 92% of the Group's profit before tax, adjusted for exceptional items.

Ten of the thirteen reporting units were audited by three component auditor teams, with the remaining three audited by the Group engagement team. The Group engagement team have visited component teams at eight of the reporting units including the largest overseas component in the U.S., to meet with local management, discuss the audit approach and findings with the local audit team, as well as attending the audit clearance meetings for the components. For the components not visited, we attended the audit clearance meetings via conference call and had regular communication with the local teams during their audit. Our attendance at the clearance meetings, review and discussion of reporting received from local component teams, together with the work performed at a Group level, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$1.5 million (2016: $1.6 million).	£1.1 million (2016: £1.3 million).
How we determined it	5% of profit before tax, adjusted for exceptional items.	1% of total assets capped at group materiality.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. Exceptional items were adjusted for as this provides us with a consistent year on year basis for determining materiality.	We believe that total assets is the most indicative measure for the company as a not-for-profit holding entity however have capped this at 90% overall group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $250,000 and $1,425,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $75,000 (Group audit) (2016: $100,000) and £56,000 (Company audit) (2016: £65,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 March 2018

CONSOLIDATED INCOME STATEMENT

All amounts in millions, except share and per share data

	Note	2017 $M	2016 $M	2015 $M
REVENUE	2	**441.3**	414.8	460.3
Cost of sales		**(332.7)**	(321.4)	(356.3)
Gross profit		**108.6**	93.4	104.0
Distribution costs		**(9.3)**	(7.8)	(7.9)
Administrative expenses		**(58.9)**	(50.8)	(52.6)
Share of results of joint ventures and associates	14	**0.1**	0.5	(1.2)
TRADING PROFIT	2	**40.5**	**35.3**	**42.3**
Profit on sale of redundant site	5	**0.4**	2.1	—
Changes to defined benefit pension plans	5	**—**	0.6	18.0
Restructuring and other expense	5	**(21.6)**	(2.2)	(22.4)
OPERATING PROFIT	3	**19.3**	35.8	37.9
Other income / (expense):				
Net gain / (loss) on acquisitions and disposals	5	**1.3**	0.2	(2.0)
Finance income:				
Interest received	7	**0.5**	1.2	0.5
Finance costs:				
Interest costs	8	**(7.2)**	(6.8)	(7.4)
IAS 19R retirement benefits finance charge	8	**(1.8)**	(2.1)	(3.0)
Unwind of discount on deferred contingent consideration from acquisitions	8	**(0.2)**	(0.4)	(0.4)
Total finance costs		**(9.2)**	(9.3)	(10.8)
PROFIT ON OPERATIONS BEFORE TAXATION		**11.9**	27.9	25.6
Income tax expense	9	**(0.4)**	(6.0)	(9.5)
NET INCOME FOR THE YEAR		**11.5**	21.9	16.1
Attributable to:				
Equity shareholders		**11.5**	21.9	16.1
Earnings per share:				
Basic				
Unadjusted	10	**$ 0.43**	$ 0.83	$ 0.60
Diluted				
Unadjusted	10	**$ 0.43**	$ 0.82	$ 0.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in millions, except share and per share data

	Note	2017 $M	2016 $M	2015 $M
Net income for the year		**11.5**	21.9	16.1
Other comprehensive income movements				
Items that may be reclassified to the consolidated income statement:				
Exchange differences on translation of foreign operations		**11.6**	(13.1)	(8.6)
Fair value movements in cash flow hedges		**3.1**	1.1	(5.4)
Transfers to consolidated income statement on cash flow hedges		**0.6**	(0.9)	(0.1)
Deferred income taxes on cash flow hedges		**(0.6)**	—	1.1
Hedge accounting income / (loss) adjustments		**3.1**	0.2	(4.4)
Total hedge accounting and translation of foreign operations movements		**14.7**	**(12.9)**	**(13.0)**
Items that will not be reclassified to the consolidated income statement:				
Remeasurement of defined benefit retirement plans	29	**9.5**	(21.7)	4.4
Deferred income taxes on retirement benefits remeasurements	23	**(5.2)**	4.3	(1.5)
Retirement benefits changes		**4.3**	(17.4)	2.9
Total other comprehensive income / (loss) movements for the year		**19.0**	(30.3)	(10.1)
Total comprehensive income / (loss) for the year		**30.5**	(8.4)	6.0
Attributed to:				
Equity shareholders		**30.5**	(8.4)	6.0

CONSOLIDATED BALANCE SHEET

All amounts in millions, except share and per share data

	Note	December 31, 2017 $M	December 31, 2016 $M
ASSETS			
Non-current assets			
Property, plant and equipment	11	**125.5**	127.9
Intangible assets	12	**81.7**	80.6
Investments	14	**7.6**	10.0
Deferred income tax assets	23	**16.2**	16.6
Trade and other receivables	16	**0.3**	0.3
		231.3	235.4
Current assets			
Current investments	14	**1.6**	—
Inventories	15	**82.2**	82.5
Trade and other receivables	16	**72.6**	57.6
Income tax receivable		**1.6**	2.4
Cash and cash equivalents	17	**13.3**	13.6
		171.3	156.1
TOTAL ASSETS		**402.6**	391.5
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	18	**25.3**	25.3
Deferred share capital	18	**150.9**	150.9
Share premium account	18	**56.4**	56.4
Treasury shares	18	**(5.8)**	(7.1)
Own shares held by ESOP	18	**(1.0)**	(0.5)
Retained earnings	20	**311.4**	308.1
Hedging reserve	20	**(0.2)**	(3.3)
Translation reserve	20	**(46.3)**	(57.9)
Share based compensation reserve	20	**5.4**	3.8
Merger reserve	20	**(333.8)**	(333.8)
Capital and reserves attributable to the Group's equity shareholders		**162.3**	141.9
Total equity		**162.3**	141.9
Non-current liabilities			
Bank and other loans	21	**93.8**	121.0
Retirement benefits	29	**55.3**	66.5
Deferred income tax liabilities	23	**3.6**	4.9
Deferred contingent consideration	25	**0.2**	1.5
Provisions	22	**1.1**	1.1
Trade and other payables	24	**1.9**	0.6
		155.9	195.6
Current liabilities			
Trade and other payables	24	**61.3**	51.1
Current income tax liabilities		**0.3**	0.1
Bank and other loans	21	**15.0**	—
Deferred contingent consideration	25	**0.5**	—
Deferred consideration	25	**0.3**	1.3
Provisions	22	**2.8**	1.5
Overdrafts	17	**4.2**	—
		84.4	54.0
Total liabilities		**240.3**	249.6
TOTAL EQUITY AND LIABILITIES		**402.6**	391.5

SIGNED ON BEHALF OF THE BOARD

Alok Maskara

March 19, 2018

Company Registration no. 03690830

CONSOLIDATED CASH FLOW STATEMENT

All amounts in millions, except share and per share data

	Note	2017 $M	2016 $M	2015 $M
RECONCILIATION OF CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES				
Net income for the year		**11.5**	21.9	16.1
Adjustments to reconcile net income for the year to net cash flows from continuing operating activities:				
Income taxes	9	**0.4**	6.0	9.5
Depreciation and amortization	3	**19.0**	18.4	18.6
Loss on disposal of property, plant and equipment	3	**0.1**	0.2	—
Profit on sale of redundant site	5	**(0.4)**	(2.1)	—
Share based compensation charges net of cash settlement		**1.7**	1.1	1.3
Net interest costs		**6.7**	5.6	6.9
Non-cash restructuring charges				
Property, plant and equipment impairment	11	**5.0**	—	1.7
Intangible assets impairment	12	**2.0**	—	3.7
Investment impairment	14	**2.2**	—	4.6
Other non-cash restructuring charges		**1.8**	—	7.7
Curtailment and past service credits on retirement benefits obligations	5	**—**	(0.6)	(18.2)
IAS 19R retirement benefits finance charge	6	**1.8**	2.1	3.0
Acquisitions and disposals costs	5	**(1.3)**	(0.2)	2.0
Unwind of discount on deferred contingent consideration from acquisitions	8	**0.2**	0.4	0.4
Share of results of joint ventures and associates	14	**(0.1)**	(0.5)	1.2
Changes in operating assets and liabilities:				
Sale of assets classified as held for sale		**—**	—	1.2
(Increase) / decrease in receivables		**(9.1)**	(1.8)	5.0
Decrease in inventories		**5.0**	4.5	3.0
Increase / (decrease) in payables		**9.7**	(10.3)	(0.9)
Movement in retirement benefits obligations		**(8.0)**	(6.3)	(8.6)
Movement in provisions	22	**1.1**	(2.6)	0.3
Acquisition approach costs paid		**—**	(1.2)	(0.6)
Income taxes paid		**(4.1)**	(5.4)	(5.1)
NET CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES		**45.2**	**29.2**	**52.8**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		**(9.6)**	(16.5)	(15.3)
Purchases of intangible assets		**(1.7)**	(2.4)	(2.1)
Proceeds from sale of redundant site		**—**	3.0	—
Receipts from sales of property, plant and equipment		**0.1**	0.4	—
Cash received as compensation for insured assets		**—**	0.2	—
Investment in joint ventures and associates	14	**(1.0)**	0.2	(4.2)
Interest income received from joint ventures and associates		**0.1**	0.3	0.4
Net cash flows on purchase of businesses	25	**(5.6)**	(0.3)	—
Acquisition and disposal costs paid		**(0.4)**	—	—
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(18.1)**	(15.1)	(21.2)
NET CASH FLOWS BEFORE FINANCING		**27.1**	14.1	31.6
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest and similar finance costs paid on banking facilities		**(1.9)**	(1.9)	(1.7)
Interest paid on Loan Notes		**(4.3)**	(4.5)	(4.9)
Bank interest received		**0.2**	0.2	0.2
(Repayment) / draw down on banking facilities		**(13.4)**	(8.5)	9.6
Extension to long term debt—financing costs		**(1.2)**	(0.2)	—
Dividends paid	19	**(13.3)**	(13.3)	(10.8)
ESOP cash movements	18	**—**	(1.0)	0.1
Proceeds from issue of shares		**—**	—	0.2
Treasury shares cash movements		**0.3**	(6.3)	(1.9)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(33.6)**	(35.5)	(9.2)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(6.5)**	**(21.4)**	**22.4**
Net foreign exchange differences		**2.0**	(1.9)	(0.1)
Net cash and cash equivalents at January 1	17	**13.6**	36.9	14.6
Net cash and cash equivalents at December 31	17	**9.1**	13.6	36.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in millions, except share and per share data

		Equity attributable to the equity shareholders of the parent							
	Note	Ordinary share capital $M	Deferred share capital $M	Share premium account $M	Treasury shares $M	Retained earnings $M	Own shares held by ESOP $M	Other Reserves[1] $M	Total equity $M
At January 1, 2015		**25.3**	**150.9**	**56.2**	**—**	**308.8**	**(0.4)**	**(365.4)**	**175.4**
Net income for the year		—	—	—	—	16.1	—	—	16.1
Currency translation differences		—	—	—	—	—	—	(8.6)	(8.6)
Increase in fair value of cash flow hedges		—	—	—	—	—	—	(5.4)	(5.4)
Transfer to consolidated income statement on cash flow hedges		—	—	—	—	—	—	(0.1)	(0.1)
Remeasurement of defined benefit retirement plans		—	—	—	—	4.4	—	—	4.4
Deferred income taxes on items taken to other comprehensive income		—	—	—	—	(1.5)	—	1.1	(0.4)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**19.0**	**—**	**(13.0)**	**6.0**
Equity dividends	19	—	—	—	—	(10.8)	—	—	(10.8)
Equity settled share based compensation charges		—	—	—	—	—	—	0.9	0.9
Arising from issue of share capital	18	—	—	0.2	—	—	—	—	0.2
Purchase of own shares	18	—	—	—	(1.9)	—	—	—	(1.9)
Purchase of shares from ESOP	18	—	—	—	—	—	0.1	—	0.1
Utilization of treasury shares	18	—	—	—	0.6	(0.1)	—	(0.5)	—
Deferred income taxes on items taken to equity	23	—	—	—	—	(0.3)	—	—	(0.3)
Exchange movement on ESOP	18	—	—	—	—	—	0.1	—	0.1
Other changes in equity in the year		**—**	**—**	**0.2**	**(1.3)**	**(11.2)**	**0.2**	**0.4**	**(11.7)**
At December 31, 2015		**25.3**	**150.9**	**56.4**	**(1.3)**	**316.6**	**(0.2)**	**(378.0)**	**169.7**
Net income for the year		—	—	—	—	21.9	—	—	21.9
Currency translation differences		—	—	—	—	—	—	(13.1)	(13.1)
Increase in fair value of cash flow hedges		—	—	—	—	—	—	1.1	1.1
Transfer to consolidated income statement on cash flow hedges		—	—	—	—	—	—	(0.9)	(0.9)
Remeasurement of defined benefit retirement plans		—	—	—	—	(21.7)	—	—	(21.7)
Deferred income taxes on items taken to other comprehensive income	23	—	—	—	—	4.3	—	—	4.3
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**4.5**	**—**	**(12.9)**	**(8.4)**
Equity dividends	19	—	—	—	—	(13.3)	—	—	(13.3)
Equity settled share based compensation charges		—	—	—	—	—	—	1.2	1.2
Purchase of own shares	18	—	—	—	(6.3)	—	—	—	(6.3)
Purchase of shares into ESOP	18	—	—	—	—	—	(1.0)	—	(1.0)
Utilization of treasury shares	18	—	—	—	0.5	0.1	—	(0.6)	—
Utilization of shares from ESOP	18	—	—	—	—	0.2	0.7	(0.9)	—
Other changes in equity in the year		**—**	**—**	**—**	**(5.8)**	**(13.0)**	**(0.3)**	**(0.3)**	**(19.4)**
At December 31, 2016		**25.3**	**150.9**	**56.4**	**(7.1)**	**308.1**	**(0.5)**	**(391.2)**	**141.9**
Net income for the year		—	—	—	—	11.5	—	—	11.5
Currency translation differences		—	—	—	—	—	—	11.6	11.6
Increase in fair value of cash flow hedges		—	—	—	—	—	—	3.1	3.1
Transfer to consolidated income statement on cash flow hedges		—	—	—	—	—	—	0.6	0.6
Remeasurement of defined benefit retirement plans		—	—	—	—	9.5	—	—	9.5
Deferred income taxes on items taken to other comprehensive income	23	—	—	—	—	(5.2)	—	(0.6)	(5.8)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**15.8**	**—**	**14.7**	**30.5**
Equity dividends	19	—	—	—	—	(13.3)	—	—	(13.3)
Equity settled share based compensation charges		—	—	—	—	—	—	2.6	2.6
Purchase of shares into ESOP	18	—	—	—	0.8	—	(0.8)	—	—
Utilization of treasury shares	18	—	—	—	0.5	0.1	—	(0.6)	—
Utilization of shares from ESOP	18	—	—	—	—	0.1	0.3	(0.4)	—
Deferred income taxes on items taken to equity	23	—	—	—	—	0.6	—	—	0.6
Other changes in equity in the year		**—**	**—**	**—**	**1.3**	**(12.5)**	**(0.5)**	**1.6**	**(10.1)**
At December 31, 2017		**25.3**	**150.9**	**56.4**	**(5.8)**	**311.4**	**(1.0)**	**(374.9)**	**162.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies

Basis of preparation and statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), The Companies Act 2006 as applicable to companies using IFRS, interpretations issued by the International Accounting Standards Board as they apply to the consolidated financial statements of the Group and interpretations issued by IFRS Interpretation Committee, for the year ended December 31, 2017. The consolidated financial statements have been prepared on a historical cost basis, except where IFRS requires or permits fair value measurement.

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

For the purpose of the accompanying consolidated financial statements, subsequent events have been evaluated through to March 19, 2018, which is the date the consolidated financial statements were authorized by the Board. The consolidated financial statements were issued on March 19, 2018.

Basis of consolidation

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

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

The accounting policies which follow, set out those polices which apply in preparing the consolidated financial statements for the years ended December 31, 2015, December 31, 2016 and December 31, 2017.

Presentation currency

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

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

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 are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognized for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous U.K. GAAP amounts subject to being tested for impairment at that date and in subsequent years.

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

Contingent consideration arising as a result of a business combination is recognized at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRSs.

Other intangible assets

Other intangible assets excluding development costs, are measured initially at purchase cost, or where acquired in a business combination at fair value, and are amortized on a straight-line basis over their estimated useful lives as shown in the table below.

Research expenditure is expensed as incurred. Internal development expenditure is charged as administrative costs to the consolidated income statement in the year it is incurred unless it meets the recognition criteria of IAS 38 "Intangible Assets". Where the recognition criteria are met, intangible assets are capitalized and amortized over their estimated useful economic lives from product launch, as shown in the table below. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

Technology and patents	14 – 20 years
Tradenames and trademarks	20 – 25 years
Customer relationships	10 – 15 years
Backlogs and non-compete agreements	5 – 6 years
Development costs	5 – 10 years
Software	4 – 7 years

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Reviews are made annually of the estimated remaining lives and residual values of the patents and trademarks.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, less inter-company revenue, estimated rebates, returns, settlement discounts and sales tax.

Sale of goods

Revenue for the sale of goods is recognized when all of the following conditions are satisfied:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer;
- The Group retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be reliably measured;
- It is probable that future economic benefits will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreements, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Tooling revenue

Revenue recognition associated with tooling contracts is recognized in proportion to the progress and costs incurred as a percentage of total expected costs. Payments made in advance of work performed and raw materials purchased for which no work has been performed are excluded from the calculations and are accounted for as deferred income and inventory respectively. Where customer acceptance is on final completion and handover of the tool, revenue is recognized at the point the customer accepts ownership of the tool.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is initially calculated on a straight-line basis over the estimated useful life of the particular asset. As a result of the complexity of our manufacturing process, there is a wide range of plant and equipment in operation. The rate of annual charge is summarized as follows:

Freehold buildings	3% – 10%
Leasehold land and buildings	The lesser of life of lease or freehold rate
Plant and equipment	4% – 30%
Including:	
Heavy production equipment (including casting, rolling, extrusion and press equipment)	4% – 6%
Chemical production plant and robotics	10% – 15%
Other production machinery	10% – 20%
Furniture, fittings, storage and equipment	10% – 30%

Freehold land is not depreciated.

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

For any individual asset the carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written-down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of the fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated income statement as part of the profit or loss on operations before taxation.

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

Maintenance costs in relation to an item of property, plant and equipment are expensed as incurred.

1. Accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Raw materials are valued on a first-in, first-out basis. Strategic purchases of inventories in order to secure supply and reduce the impact of price volatility on the cost of inventories are valued on an average cost 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 realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution. Inventories are reviewed on a regular basis, and we will make allowance for excess or obsolete inventories and write-down to net realizable value based primarily on committed sales prices and our estimates of expected and future product demand and related pricing.

Foreign currencies

Transactions in currencies other than an operation's functional currency are initially recorded in the functional currency at the rate of exchange prevailing on the dates of transactions. At each balance sheet date, the foreign currency monetary assets and liabilities are translated into the functional currency at the rates prevailing on the balance sheet date.

All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

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

Income taxes

Current income taxes

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Deferred income taxes

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

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

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

Leases

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

Retirement benefits costs

In respect of defined benefit plans, obligations are measured at the present value whilst plan 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 consolidated income statement is based on an actuarial calculation of the Group's portion of the annual expected costs of the benefit plans and the net interest cost, which is calculated by applying the discount rate to the net defined benefit obligation, taking into account contributions and benefits paid. Remeasurements are recognized in the statement of comprehensive income.

When a settlement or curtailment occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognized in the consolidated income statement in the period in which the settlement or curtailment occurs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Provisions

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

Share based compensation

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

Separate disclosure of expenses or income

Certain items of expense or income are presented separately based on management's judgment that they need to be disclosed by virtue of their size, nature or incidence in order to provide a proper understanding of our results of operations and financial condition. Such items of expense or income incurred during a period are disclosed under identifiable headings in the consolidated income statement and further explained in Note 5 to the consolidated financial statements. Examples of such items include but are not limited to:

- Restructuring of the activities of the Group and reversals of any provisions for the costs of restructuring;
- write-downs of inventories to net realizable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- disposals of items of property, plant and equipment;
- disposals of investments and subsidiaries;
- discontinued operations;
- litigation settlements; and
- other material reversals of provisions.

The nature of the items of expense or income is considered to determine whether the item should be presented as part of operating profit or loss or as other expenses or income. The trading profit and adjusted earnings per share calculations, presented by the Group exclude the impact of these items. Management believes that the use of adjusted measures such as this provides additional useful information on underlying trends to shareholders.

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, but net of bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Interest in joint ventures

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If the investment is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount as 'restructuring and other expense' in the consolidated income statement.

Gains or losses resulting from upstream and downstream transactions between the Group and its joint venture are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the joint venture. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interest in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is initially recognized at cost, and the carrying value is increased or decreased to recognize the investor's share of the profit or loss and movements in other comprehensive income of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying value of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as 'restructuring and other expense' in the consolidated income statement.

the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Gains or losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

Financial assets and liabilities

Trade and other receivables

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

Bank and other loans

Bank and other loans are recorded at the fair value of the proceeds received net of directly attributable transaction costs. Issue costs relating to revolving credit facilities are charged to the consolidated income statement over the estimated life of the facility on a periodic basis and are added to the carrying value of the facility. Issue costs relating to fixed term loans are charged to the consolidated income statement using the effective interest method and are added to the carrying value of the fixed term loan.

Trade payables

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

Derivative financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Financial liabilities and equity instruments

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

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 consolidated income statement. Other instruments are classified as financial liabilities if they contain a contractual obligation to transfer economic benefits.

Critical accounting judgments and key sources of estimation 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 values of assets and liabilities within the next financial year, are discussed below. The judgments used by management in the application of the Group's accounting policies in respect of these key areas of estimation are considered to be the most significant. The below policies include both elements of judgments and estimates.

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 value may not be recoverable. Further details are given in Note 13.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit, including suitable sales growth and terminal growth rates, 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 given in Note 13.

Pensions

Determining the present value of future obligations of pensions requires an estimation of future mortality rates, future salary increases, future pension increases, future inflation 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 liabilities at December 31, 2017 are $55.3 million (2016: $66.5 million). Further details are given in Note 29.

Deferred income taxes

Deferred income tax assets are recognized for unabsorbed tax losses and unutilized capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Inventories obsolescence and inventories write down

Inventories are stated at the lower of cost and net realizable value. Inventories are reviewed on a regular basis, and we will make allowance for excess or obsolete inventories and write down to net realizable value based primarily on committed sales prices and our estimates of expected and future product demand and related pricing. Further details are given in Note 15.

Measurement of contingent consideration

Contingent consideration arising from business combinations is valued at fair value at the acquisition date. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on an estimate of the future profitability of the acquired businesses. Further details are given in Note 25.

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 that are applicable to the Group. Adoption of these revised standards and interpretations did not have any significant effect on the consolidated financial statements of the Group.

International Financial Reporting Standards		Effective date
IAS 7	Statement of cash flows (Amendments)	January 1, 2017
IAS 12	Income taxes (Amendments)	January 1, 2017

New standards and amendments to standards not applied

The IASB has issued the following standards and amendments to standards with a mandatory effective date on or after January 1, 2018:

International Financial Reporting Standards		Mandatory effective date
IFRS 2	Share based payments (Amendments)	No earlier than January 1, 2018
IFRS 15	Revenue from Contracts with Customers	No earlier than January 1, 2018
IFRS 9	Financial Instruments	No earlier than January 1, 2018
IFRS 16	Leases	No earlier than January 1, 2019

The Group applies IFRS as issued by the IASB.

The directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as follows:

- IFRS 15—A five step approach will be taken in respect to recognizing revenue. Having undertaken a detailed review of our material revenue streams within the Group, revenue will continue to be recognized over the same profile as currently under IAS 18 and therefore there will be no change to the timing of revenue recognition. Incremental and contract fulfillment costs will need to be assessed on an ongoing basis, but at present there are no applicable costs. As a result, there is not expected to be any material difference in our reported revenue numbers under IFRS 15 compared to what is currently reported under IAS 18;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

1. Accounting policies (Continued)

- IFRS 9—Financial assets will continue to be classified and measured at amortized cost under IFRS 9. The directors anticipate that the timing of the recognition of impairments will change rather than the size of the balance. Foreign currency exchange contracts should not be impacted although the ability to hedge component parts of the commodity hedges should allow us to decrease the risk of ineffectiveness; and
- IFRS 16—Currently disclosed operating leases would be brought on to the balance sheet, with an offsetting liability and a depreciation charge and a finance charge would replace the lease expense charge to operating income, with the latter going through finance costs. The current level of operating lease commitments is disclosed in Note 26. These will be included within the balance sheet at a discounted amount, once the standard is adopted. These leases relate to company cars, real property leases and other vehicles. Low value assets (less than $5,000) and short-term (less than twelve months) leases do not need to be brought onto the balance sheet in the same way and can continue to be expensed through the income statement in line with current IAS 17 treatment. An assessment will also need to be carried out for any implicit leases which we have within any of our contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis

For management purposes, the Group is organized into two reporting divisions, Gas Cylinders and Elektron. These divisions are aggregated from the six identified operating segments in the Group; Luxfer Gas Cylinders and Luxfer Superform aggregate to Gas Cylinders; and Luxfer MEL Technologies, Luxfer Magtech, Luxfer Graphic Arts and Luxfer Czech Republic aggregate to Elektron. The change in operating segments has come about with the change of CEO during 2017, and the way the group has been re-organized to reflect the common elements within the group. This rationale is in line with IFRS 8 which allows for aggregation of operating segments on the basis they share similar economic characteristics for the nature of the products and services; the nature of the production processes; the type or class of customer for their products and services; the methods used to distribute their products or provide their services; and the nature of the regulatory environment. For the purposes of impairment testing, the cash generating units (CGUs) have been assessed to be at the same level as the operating segments. The tables below set out information on the results of these two reportable divisions.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and has been identified as the CEO, based on trading profit or loss (defined as operating profit or loss before profits on sale of redundant site, changes to defined benefit pension plans and restructuring and other expense), and adjusted EBITDA (defined as profit on operations before taxation for the period, finance income (which comprises interest received and foreign exchange gains) and costs (which comprises interest costs, IAS 19R retirement benefits finance charge and the unwind of the discount on deferred contingent consideration from acquisitions), net gain / loss on acquisitions and disposals of businesses, changes to defined benefit pension plans, restructuring and other expense, other share based compensation charges, depreciation and amortization and loss on disposal of property, plant and equipment). For the purposes of our divisional segmental analysis, IFRS 8 requires the use of "segment profit" performance measures that are used by our chief operating decision maker. Trading profit is the "segment profit" used to satisfy this requirement in the below analysis.

Unallocated assets and liabilities include those which are held on behalf of the Group and cannot be allocated to a division, such as taxation, investments, cash, retirement benefits obligations, bank and other loans and holding company assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

REPOTING SEGMENTS:

Year ended December 31, 2017

	Gas Cylinders $M	Elektron $M	Unallocated $M	Total Continuing Activities $M
Revenue				
Segment revenue	220.2	221.6	—	**441.8**
Inter-segment revenue	—	(0.5)	—	**(0.5)**
Revenue to external customers	220.2	221.1	—	**441.3**
Result				
Adjusted EBITDA	17.3	44.5	—	**61.8**
Other share based compensation charges	(1.0)	(1.2)	—	**(2.2)**
Loss on disposal of property, plant and equipment	—	(0.1)	—	**(0.1)**
Depreciation and amortization	(7.6)	(11.4)	—	**(19.0)**
Trading profit—segment result	8.7	31.8	—	**40.5**
Profit on sale of redundant site	—	—	0.4	**0.4**
Restructuring and other expense (Note 5)	(6.6)	(12.7)	(2.3)	**(21.6)**
Operating profit	2.1	19.1	(1.9)	**19.3**
Acquisitions and disposals (Note 5)	—	1.3	—	**1.3**
Net interest costs	—	—	(6.7)	**(6.7)**
IAS 19R retirement benefits finance charge	—	—	(1.8)	**(1.8)**
Unwind of discount on deferred contingent consideration from acquisitions	—	(0.2)	—	**(0.2)**
Profit / (loss) on operations before taxation	2.1	20.2	(10.4)	**11.9**
Tax expense				**(0.4)**
Net income for the year				**11.5**
Other segment information				
Segment assets	150.5	207.6	44.6	**402.7**
Segment liabilities	(22.6)	(22.3)	(195.5)	**(240.4)**
Net assets / (liabilities) employed[(2)]	127.9	185.3	(150.9)	**162.3**
Capital expenditure: Property, plant and equipment	3.5	5.7	—	**9.2**
Capital expenditure: Intangible assets	1.4	0.3	—	**1.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

Year ended December 31, 2016

	Gas Cylinders $M	Elektron $M	Unallocated $M	Total Continuing Activities $M
Revenue				
Segment revenue	225.8	189.1	—	**414.9**
Inter-segment revenue	—	(0.1)	—	**(0.1)**
Revenue to external customers	225.8	189.0	—	**414.8**
Result				
Adjusted EBITDA	19.7	35.6	—	**55.3**
Other share based compensation charges	(0.6)	(0.8)	—	**(1.4)**
Loss on disposal of property, plant and equipment	(0.1)	(0.1)	—	**(0.2)**
Depreciation and amortization	(7.6)	(10.8)	—	**(18.4)**
Trading profit—segment result	11.4	23.9	—	**35.3**
Profit on sale of redundant site	—	—	2.1	**2.1**
Changes to defined benefit pension plans (Note 5)	—	—	0.6	**0.6**
Restructuring and other expense (Note 5)	—	(2.2)	—	**(2.2)**
Operating profit	11.4	21.7	2.7	**35.8**
Acquisitions and disposals (Note 5)	—	0.2	—	**0.2**
Net interest costs	—	—	(5.6)	**(5.6)**
IAS 19R retirement benefits finance charge	—	—	(2.1)	**(2.1)**
Unwind of discount on deferred contingent consideration from acquisitions	—	(0.4)	—	**(0.4)**
Profit / (loss) on operations before taxation	11.4	21.5	(5.0)	**27.9**
Tax expense				**(6.0)**
Net income for the year				**21.9**
Other segment information				
Segment assets	146.8	190.6	54.1	**391.5**
Segment liabilities	(21.7)	(14.2)	(213.7)	**(249.6)**
Net assets / (liabilities) employed[(2)]	125.1	176.4	(159.6)	**141.9**
Capital expenditure: Property, plant and equipment	6.5	10.0	—	**16.5**
Capital expenditure: Intangible assets	1.5	0.9	—	**2.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

Year ended December 31, 2015

	Gas Cylinders $M	Elektron $M	Unallocated $M	Total Continuing Activities $M
Revenue				
Segment revenue	239.1	221.8	—	**460.9**
Inter-segment revenue	—	(0.6)	—	**(0.6)**
Revenue to external customers	239.1	221.2	—	**460.3**
Result				
Adjusted EBITDA	16.5	45.7	—	**62.2**
Other share based compensation charges	(0.7)	(0.6)	—	**(1.3)**
Depreciation and amortization	(7.2)	(11.4)	—	**(18.6)**
Trading profit—segment result	8.6	33.7	—	**42.3**
Changes to defined benefit pension plans (Note 5)	—	—	18.0	**18.0**
Restructuring and other expense (Note 5)	(21.9)	(0.5)	—	**(22.4)**
Operating (loss)/profit	(13.3)	33.2	18.0	**37.9**
Acquisitions and disposals (Note 5)	(0.2)	—	(1.8)	**(2.0)**
Net interest costs	—	—	(6.9)	**(6.9)**
IAS 19R retirement benefits finance charge	—	—	(3.0)	**(3.0)**
Unwind of discount on deferred contingent consideration from acquisitions	—	(0.4)	—	**(0.4)**
(Loss)/profit on operations before taxation	(13.5)	32.8	6.3	**25.6**
Tax expense				**(9.5)**
Net income for the year				**16.1**
Other segment information				
Segment assets	158.3	208.5	68.9	**435.7**
Segment liabilities	(32.3)	(21.4)	(212.3)	**(266.0)**
Net assets/(liabilities) employed[(2)]	126.0	187.1	(143.4)	**169.7**
Capital expenditure: Property, plant and equipment	6.0	9.3	—	**15.3**
Capital expenditure: Intangible assets	1.2	0.9	—	**2.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

GEOGRAPHIC ORIGIN

Year ended December 31, 2017

	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	162.6	48.6	275.9	0.1	2.7	**489.9**
Inter-segment revenue	(23.1)	(1.5)	(24.0)	—	—	**(48.6)**
Revenue to external customers	139.5	47.1	251.9	0.1	2.7	**441.3**
Result						
Adjusted EBITDA	16.2	1.3	44.1	0.1	0.1	**61.8**
Other share based compensation charges	(1.4)	—	(0.8)	—	—	**(2.2)**
Loss on disposal of property, plant and equipment	—	(0.1)	—	—	—	**(0.1)**
Depreciation and amortization	(5.9)	(2.4)	(10.7)	—	—	**(19.0)**
Trading profit/(loss)—segment result	8.9	(1.2)	32.6	0.1	0.1	**40.5**
Sale of redundant site	0.4	—	—	—	—	**0.4**
Restructuring and other expense (Note 5)	(14.4)	(2.3)	(4.9)	—	—	**(21.6)**
Operating (loss) / profit	(5.1)	(3.5)	27.7	0.1	0.1	**19.3**
Other geographical segment information						
Non-current assets(1)	74.3	14.2	142.5	—	0.3	**231.3**
Net assets employed(2)	10.0	30.7	118.8	—	2.8	**162.3**
Capital expenditure: Property, plant and equipment	4.4	0.7	4.1	—	—	**9.2**
Capital expenditure: Intangible assets	1.4	—	0.3	—	—	**1.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

Year ended 31 December, 2016

	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	142.6	39.1	282.5	0.1	3.4	**467.7**
Inter-segment revenue	(28.6)	(1.6)	(22.7)	—	—	**(52.9)**
Revenue to external customers	114.0	37.5	259.8	0.1	3.4	**414.8**
Result						
Adjusted EBITDA	17.4	(0.4)	37.8	0.1	0.4	**55.3**
Other share based compensation charges	(1.0)	—	(0.4)	—	—	**(1.4)**
Loss on disposal of property, plant and equipment	—	(0.1)	(0.1)	—	—	**(0.2)**
Depreciation and amortization	(5.7)	(2.3)	(10.3)	—	(0.1)	**(18.4)**
Trading profit/(loss)—segment result	10.7	(2.8)	27.0	0.1	0.3	**35.3**
Sale of redundant site	2.1	—	—	—	—	**2.1**
Changes to defined benefit pension plans	—	—	0.6	—	—	**0.6**
Restructuring and other expense (Note 5)	(0.6)	—	(1.6)	—	—	**(2.2)**
Operating profit/(loss)	12.2	(2.8)	26.0	0.1	0.3	**35.8**
Other geographical segment information						
Non-current assets[(1)]	77.5	13.8	143.9	—	0.2	**235.4**
Net assets employed[(2)]	6.9	19.7	112.3	0.3	2.7	**141.9**
Capital expenditure: Property, plant and equipment	6.7	1.2	8.6	—	—	**16.5**
Capital expenditure: Intangible assets	2.0	—	0.4	—	—	**2.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

Year ended 31 December, 2015

	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	145.0	62.4	299.6	0.1	3.9	**511.0**
Inter-segment revenue	(27.0)	(2.9)	(20.8)	—	—	**(50.7)**
Revenue to external customers	118.0	59.5	278.8	0.1	3.9	**460.3**
Result						
Adjusted EBITDA	13.6	1.3	46.5	0.2	0.6	**62.2**
Other share based compensation charges	(1.0)	—	(0.3)	—	—	**(1.3)**
Depreciation and amortization	(6.1)	(2.3)	(10.1)	—	(0.1)	**(18.6)**
Trading profit/(loss)—segment result	6.5	(1.0)	36.1	0.2	0.5	**42.3**
Changes to defined benefit pension plans	18.0	—	—	—	—	**18.0**
Restructuring and other expense (Note 5)	(8.0)	(7.8)	(6.6)	—	—	**(22.4)**
Operating profit/(loss)	16.5	(8.8)	29.5	0.2	0.5	**37.9**
Other geographical segment information						
Non-current assets[(1)]	67.8	14.5	147.6	—	0.3	**230.2**
Net assets employed[(2)]	19.7	23.7	122.6	0.3	3.4	**169.7**
Capital expenditure: Property, plant and equipment	5.5	1.4	8.4	—	—	**15.3**
Capital expenditure: Intangible assets	1.7	—	0.4	—	—	**2.1**

(1) The Group's non-current assets analysed by geographic origin include property, plant and equipment, intangible assets and investments.

(2) Represents net assets employed—excluding inter-segment assets and liabilities.

GEOGRAPHIC DESTINATION:

	United Kingdom $M	Rest of Europe $M	Africa $M	North America $M	South America $M	Asia Pacific $M	Total $M
Revenue—Continuing activities							
Year ended December 31, 2017	40.7	102.9	3.0	238.7	8.6	47.4	**441.3**
Year ended December 31, 2016	36.4	94.2	2.4	226.3	9.9	45.6	**414.8**
Year ended December 31, 2015	53.5	98.9	2.7	245.9	13.4	45.9	**460.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

3. Operating profit

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

	2017 $M	2016 $M	2015 $M
Research and development expenditure charged to the consolidated income statement	**6.9**	5.5	5.8
Development capital expenditure included within non-current assets (Note 12)	**0.9**	2.1	2.5
Total research and development expenditure	**7.8**	7.6	8.3
Less development expenditure capitalized within non-current assets	**(0.9)**	(2.1)	(2.5)
Net research and development	**6.9**	5.5	5.8
Depreciation of property, plant and equipment (Note 11)	**16.7**	16.7	16.6
Amortization of intangible assets (Note 12)	**2.3**	1.7	2.2
Loss on disposal of property, plant and equipment	**0.1**	0.2	—
Operating lease expense (Note 26)	**5.1**	4.8	5.6
Restructuring and other expense (Note 5)	**21.6**	**2.2**	**22.4**
Net foreign exchange gains	**—**	(0.7)	(0.6)
Staff costs (Note 6)	**120.1**	111.7	119.0
Cost of inventories recognized as expense	**282.9**	287.3	316.2

4. Fees payable to auditors

The total remuneration of the Group's auditor, PricewaterhouseCoopers LLP and other member firms of PricewaterhouseCoopers International Limited, for services provided to the Group during the years ended December 31, 2017, December 31, 2016 and December 31, 2015 is analysed below.

	2017 $M	2016 $M	2015 $M
Fees payable to auditors for the audit of the consolidated financial statements and its subsidiaries	**1.3**	1.1	1.1
Fees payable to auditors for non-audit services:			
Accounting advisory services	**0.1**	—	—
Total fees payable	**1.4**	1.1	1.1

Accounting advisory services fees incurred in 2017 relate to an ongoing GAAP conversion project.

The audit fee for the company financial statements of Luxfer Holdings PLC was $0.1 million (2016: $0.1 million and 2015: $0.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

5. Other income/ (expense) items

	2017 $M	2016 $M	2015 $M
(a) Profit on sale of redundant site			
Credited to operating profit:			
Profit on sale of redundant site	**0.4**	2.1	—
	0.4	2.1	—
(b) Changes to defined benefit pension plans			
Credited to operating profit:			
Changes to defined benefit pension plans	**—**	0.6	18.0
	—	0.6	18.0
(c) Restructuring and other expense			
Charged to operating profit:			
Rationalization of operations	**(12.1)**	(0.4)	(21.8)
Patent infringement litigation costs	**(3.5)**	(0.6)	(0.5)
Direct listing costs	**(2.3)**	—	—
Non-current asset impairments	**(3.7)**	—	—
Receivable impairment provision	**—**	(1.2)	—
I.P.O. related share based compensation charges	**—**	—	(0.1)
	(21.6)	(2.2)	(22.4)
(d) Net gain / (loss) on acquisitions and disposals			
(Charged)/credited to non-operating profit:			
Merger and acquisition costs	**(0.9)**	(0.3)	(2.0)
Gain on bargain purchase	**1.2**	—	—
Remeasurement of deferred contingent consideration	**1.0**	0.5	—
	1.3	0.2	(2.0)

Profit on sale of redundant site

In 2017, a credit of $0.4 million was recognized in relation to a provision that was no longer required. The provision was held pending completion of remediation works at the former Redditch site, which was sold during 2016 to a company that specializes in remediating contaminated land. Given the remediation works were completed at the end of March 2017, it was appropriate to release the provision.

In 2016, a profit of $2.1 million was recognized in relation to the sale of the Redditch site.

Changes to defined benefit pension plans

During 2016, a net credit of $0.6 million was recognized following the sale of $10.0 million of U.S. deferred pensioner liabilities to an insurer, and lump sum payments of $4.9 million offered to certain U.S. deferred pensioners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

5. Other income/ (expense) items (Continued)

In 2015, a credit of $18.0 million has been recognized in relation to changes to the U.K. defined benefit pension plan effective April 5, 2016 in respect of closure of the plan to future accrual and changing the reference index from the Retail Prices Index ("RPI") to the Consumer Prices Index ("CPI") when increasing pensions in payment. This credit comprises a past service credit of $14.9 million and a curtailment credit of $3.3 million, offset by associated advisory costs of $0.2 million.

Rationalization of operations

In 2017, $6.6 million of costs were incurred in relation to rationalization costs in the Gas Cylinders Division and $5.5 million in the Elektron Division. $2.2 million of the charge in the Gas Cylinders Division was in relation to an impairment of the investment in our associate, Sub 161 Pty Limited, $2.1 million was incurred following the decision to discontinue our Advanced Oxygen System (AOS) product line and $1.0 million following the announcement to exit our Luxfer HEI business. These were offset in part by a $0.4 million credit relating to sales of inventory that was previously written down as part of the closure of our German operation in 2015. In the Elektron Division, $1.7 million of the charge related to the rationalization of its Magtech operations, which includes $1.3 million in relation to the write down of land and buildings and $0.6 million related to an onerous communications contract. There has also been a Group-wide effort to reduce headcount and streamline management that has resulted in a $1.5 million and $3.0 million charge within the Gas Cylinders and Elektron Divisions respectively. Other rationalization costs of $0.4 million has been incurred, split evenly between the two Divisions.

In 2016, $0.4 million of costs were incurred in relation to rationalization costs in the Elektron division.

In 2015, $21.8 million of costs have been incurred in relation to rationalization costs in the Gas Cylinders Division. The $21.8 million of costs incurred related to the rationalization of its Alternative Fuel ("AF") operations, including closure of two manufacturing facilities (in Germany and Utah) and a review of related assets and investments for obsolescence and impairment. The charge comprises asset write-downs of $17.7 million, redundancy costs of $2.2 million, closure costs of $1.7 million and legal costs of $0.2 million.

Patent infringement litigation costs

In February 2018, the Company reached an out-of-court settlement with regards to the patent infringement litigation action taken against a competitor with us agreeing to pay an amount equivalent to $1.6 million. The settlement has been recognized as an accrual at December 31, 2017. Additionally, our litigation costs incurred during 2017 were $1.9 million resulting, in a total charge of $3.5 million (2016: $0.6 million and 2015: $0.5 million) all relating to the Elektron Division.

Direct listing costs

In 2017, $2.3 million of costs were incurred in relation to professional fees in connection with our project of converting our ADR listing to a direct listing of our ordinary shares. The project was successfully implemented in December 2017.

Non-current asset impairments

In 2017, a charge of $3.7 million has been recognized in relation to non-current asset impairments within the Elektron Division. $2.2 million of this charge relates to our Czech business, $0.9 million in relation to our North America business and $0.6 million in relation to our U.K. business.

All amounts in millions, except share and per share data

5. Other income/ (expense) items (Continued)

Receivable impairment provision

In 2016, $1.2 million was incurred for an impairment charge on receivables in relation to an aerospace customer that has entered Chapter 11 protection. This was an operating cost item but was separated out within the income statement with other unusual operating items and included within the restructuring and other expenses line due to the nature of the customer entering Chapter 11.

I.P.O. related share based compensation charges

In 2015, a charge of $0.1 million was recognized in the consolidated income statement under IFRS 2 in relation to share options granted as part of the initial public offering. The share options are described in further detail in Note 31.

Merger and acquisition costs

In 2017, acquisition costs of $0.5 million has been recognized in relation to the acquisition of the Specialty Metals business of ESM Group Inc. In addition, as part of the acquisition, an environmental provision of $0.4 million has been established, with funds placed in escrow, to clean up low level chemical contamination on the land acquired, with any remaining funds remitted to the seller.

In 2016, a charge of $0.3 million has been recognized in the consolidated income statement in relation to a potential acquisition which was subsequently aborted.

In 2015, a charge of $1.8 million related to two approaches to acquire the company. Neither of these approaches resulted in an executable offer that could be put to shareholders. $0.2 million of legal costs have also been incurred in relation to the investment in Sub161 Pty Limited; further details are given in Note 14.

Gain on bargain purchase

In 2017, the Group acquired the trade and assets of the Specialty Metals business of ESM Group Inc., for a total consideration of $4.6 million. The fair value of the net assets acquired has been assessed at $5.8 million, with a gain on bargain purchase of $1.2 million recognized. Further details are given in Note 25.

Remeasurement of deferred contingent consideration

In 2017, a credit of $1.0 million (2016: $0.5 million) has been recognized in the consolidated income statement in relation to the remeasurement of deferred contingent consideration arising from the acquisition of Luxfer Magtech Inc. where an element of deferred contingent consideration is no longer payable due to the acquired business failing to achieve a profit triggers at December 31, 2017 and at December 31, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

6. Staff Costs

	2017 $M	2016 $M	2015 $M
Wages and salaries	**96.1**	92.2	96.3
Social security costs	**11.0**	10.5	11.2
Retirement benefits costs	**4.8**	4.8	5.9
IAS 19R retirement benefits finance charge	**1.8**	2.1	3.0
Redundancy costs: Continuing activities	**4.5**	0.7	1.5
Share based compensation charges (Note 31)	**3.1**	1.4	1.1
	121.3	111.7	119.0

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

	2017 No.	2016 No.	2015 No.
Production and distribution	**1,397**	1,381	1,432
Sales and administration	**204**	246	218
Research and development	**57**	60	56
	1,658	1,687	1,706

The compensation of the members of our Board of Directors (each, a "director") was:

	2017 $M	2016 $M	2015 $M
Remuneration (short-term benefits)	**2.0**	1.5	1.7
Social security costs	**0.3**	0.2	0.2
Post-retirement benefits	**0.2**	0.1	0.2
Compensation for loss of office	**0.3**	—	—
Total short-term and post-retirement benefits	**2.8**	1.8	2.1

In 2017, compensation of key management personnel for the period they served on the Executive Leadership Team, (formally, Executive Management Board),(including directors) was $4.7 million (2016: $2.2 million and 2015: $2.6 million) for short-term employee benefits, and $0.3 million (2016: $0.2 million and 2015: $0.4 million) for post-employment benefits. Social security costs were incurred of $0.5 million (2016: $0.3 million and 2015: $0.4 million).

During the year, one of the directors was a member of the Group's U.K. registered defined contribution and defined benefit pension arrangements, another director was a participant in the unfunded unregistered unsecured retirement benefits arrangement accrued by the Company and another director was a member of the Group's U.S. registered defined contribution plan.

Directors' interests and related party transactions

No directors had a material interest in, nor were they a party to, any contract or arrangement to which the parent company, Luxfer Holdings PLC (the "Company") or any of its subsidiaries is or was party to 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 and the Luxfer Holdings PLC Long-Term Umbrella Incentive Plan; in the case of the non-executive directors their engagement letters or the contract for services under which their services as a director of the Company are provided; in the case of the executive directors and the chairman, the Luxfer Holdings PLC Non-Executive Directors Equity Incentive Plan. Information regarding the share options exercised during the year is included within the Remuneration Report. See Note 32 for related party transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

7. Finance income

	2017 $M	2016 $M	2015 $M
Bank interest received	**0.2**	0.2	0.2
Other interest received	**0.3**	0.3	0.3
Foreign exchange gains on financing activities	**—**	0.7	—
Total finance income	**0.5**	1.2	0.5

8. Finance costs

	2017 $M	2016 $M	2015 $M
Bank and other loan interest payable	**6.3**	6.3	6.5
Amortization of issue costs	**0.6**	0.5	0.9
Foreign exchange loss on financing activities	**0.3**	—	—
IAS 19R retirement benefits finance charge	**1.8**	2.1	3.0
Unwind of discount on deferred contingent consideration from acquisitions	**0.2**	0.4	0.4
Total finance costs	**9.2**	9.3	10.8

9. Income taxes

(a) Analysis of taxation charge for the year

	2017 $M	2016 $M	2015 $M
Current income taxes:			
U.K. corporation tax	**—**	—	0.3
Adjustments in respect of previous years	**(0.3)**	0.2	(0.4)
	(0.3)	0.2	(0.1)
Non-U.K. tax	**6.3**	3.5	7.2
Adjustments in respect of previous years	**(0.8)**	—	(0.9)
Total current tax charge	**5.2**	3.7	6.2
Deferred income taxes:			
Origination and reversal of temporary differences	**(5.3)**	2.1	2.7
Adjustments in respect of previous years	**0.5**	0.2	0.6
Total deferred income taxes (credit) / charge	**(4.8)**	2.3	3.3
Tax on profit on operations	**0.4**	6.0	9.5

The income taxes charges relate to continuing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

9. Income taxes (Continued)

(b) Factors affecting the taxation charge for the year

The tax assessed for the year differs from the standard rate of 19.25% (2016: 20% and 2015: 20.25%) for corporation tax in the U.K.

The differences are explained below:

	2017 $M	2016 $M	2015 $M
Profit on operations before taxation	**11.9**	27.9	25.6
Profit on operations at 2017 standard rate of corporation tax in the U.K. of 19.25% (2016: 20% and 2015: 20.25%)	**2.3**	5.6	5.2
Effects of:			
(Income not taxable) / non-deductible expenses	**0.1**	0.2	2.4
Unprovided deferred income taxes	**0.3**	(2.9)	—
Foreign tax rate differences	**4.3**	2.7	2.6
Effect of U.S. tax reform	**(6.0)**	—	—
Adjustment in respect of previous years	**(0.6)**	0.4	(0.7)
Tax expense	**0.4**	6.0	9.5

The 2017 deferred tax credit includes a non-cash accounting adjustment of $6.0 million following the enactment of U.S. tax reform on December 22, 2017. The non-cash adjustment is due to the reduction in the U.S. federal corporate income tax rate from 35% to 21%, which necessitated a re-measurement of the existing U.S. deferred tax position in 2017.

(c) Factors that may affect future taxation charge

At December 31, 2017, the Group had carried forward tax losses of $81.9 million (U.K.: $43.6 million, non-U.K.: $38.3 million). Carried forward tax losses for 2016 were $72.1 million (U.K.: $35.3 million, non-U.K.: $36.8 million) and for 2015 were $82.9 million (U.K.: $52.9 million, non-U.K.: $30.0 million). To the extent that these losses are not already recognized as deferred income taxes assets, and 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 Group has unrecognized deferred tax assets relating to certain trading and capital losses and other temporary timing difference of $13.3 million (2016: $12.3 million, 2015: $14.2 million), potentially available for offset against future profits.

Changes to the U.K. corporation tax rates were substantively enacted as part of Finance Bill 2017 (on September 6, 2016) to reduce the main rate down to 17% from April 1, 2020. Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in the Group's consolidated financial statements at December 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

10. Earnings per share

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

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

Following the decision to terminate Luxfer Holdings PLC's ADS facility, each £0.50 ordinary share of Luxfer Holdings PLC are now listed and traded directly on the New York Stock Exchange (NYSE).

Management believe the use of non-GAAP financial measures such as adjusted earnings, as reconciled in the table below, per share more closely reflects the underlying earnings per share performance.

	2017 $M	2016 $M	2015 $M
Basic earnings:			
Net income	**11.5**	21.9	16.1
Adjusted earnings:			
Accounting charges relating to acquisitions and disposals of businesses			
Unwind of discount on deferred contingent consideration from acquisitions	**0.2**	0.4	0.4
Acquisitions and disposals (Note 5)	**(1.3)**	(0.2)	2.0
Amortization on acquired intangibles	**1.2**	1.0	1.4
IAS 19R retirement benefits finance charge	**1.8**	2.1	3.0
Profit on sale of redundant site (Note 5)	**(0.4)**	(2.1)	—
Changes to defined benefit pension plans (Note 5)	**—**	(0.6)	(18.0)
Restructuring and other expense (Note 5)	**21.6**	2.2	22.4
Other share based compensation charges	**2.2**	1.4	1.3
Impact from U.S. tax reform	**(6.0)**	—	—
Income tax thereon	**(3.2)**	(1.4)	0.9
Adjusted net income	**27.6**	24.7	29.5
Weighted average number of £0.50 ordinary shares:			
For basic earnings per share	**26,460,947**	26,443,662	26,918,987
Exercise of share options	**541,223**	270,997	453,736
For diluted earnings per share	**27,002,170**	26,714,659	27,372,723
Earnings per share using weighted average number of ordinary shares outstanding:			
Basic			
Adjusted	**$ 1.04**	$ 0.93	$ 1.10
Unadjusted	**$ 0.43**	$ 0.83	$ 0.60
Diluted			
Adjusted	**$ 1.02**	$ 0.92	$ 1.08
Unadjusted	**$ 0.43**	$ 0.82	$ 0.59

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

11. Property, plant and equipment

	Freehold $M	Long leasehold $M	Short leasehold $M	Plant and equipment $M	Total $M
Cost:					
At January 1, 2016	56.1	6.4	10.3	314.6	**387.4**
Additions	1.9	0.6	0.5	13.5	**16.5**
Disposals	(3.8)	—	—	(23.0)	**(26.8)**
Transfers	3.8	(0.2)	—	(3.6)	**—**
Exchange difference	(1.6)	(0.9)	(0.3)	(25.3)	**(28.1)**
At December 31, 2016	56.4	5.9	10.5	276.2	**349.0**
Additions	0.9	0.3	0.9	7.1	**9.2**
Acquired via acquisition	2.0	—	—	3.2	**5.2**
Disposals	(0.1)	(0.1)	—	(4.7)	**(4.9)**
Exchange difference	3.2	0.1	0.8	14.2	**18.3**
At December 31, 2017	62.4	6.2	12.2	296.0	**376.8**
Accumulated depreciation and impairment:					
At January 1, 2016	20.1	3.9	4.7	222.7	**251.4**
Provided during the year	2.0	0.3	0.8	13.6	**16.7**
Disposals	(2.8)	—	—	(22.8)	**(25.6)**
Transfers	7.9	(0.5)	0.2	(7.6)	**—**
Exchange difference	(0.6)	(0.6)	(0.2)	(20.0)	**(21.4)**
At December 31, 2016	26.6	3.1	5.5	185.9	**221.1**
Provided during the year	2.2	0.3	0.9	13.3	**16.7**
Disposals	(0.1)	(0.1)	—	(4.5)	**(4.7)**
Impairment	2.5	—	—	2.5	**5.0**
Exchange difference	1.3	0.2	0.3	11.4	**13.2**
At December 31, 2017	32.5	3.5	6.7	208.6	**251.3**
Net book values:					
At December 31, 2017	29.9	2.7	5.5	87.4	**125.5**
At December 31, 2016	29.8	2.8	5.0	90.3	**127.9**
At January 1, 2016	36.0	2.5	5.6	91.9	**136.0**

As at December 31, 2017 and December 31, 2016, no assets were held under finance leases.

Impairment of property, plant and equipment

$2.2 million of the impairment in 2017 relates to the Luxfer Czech Republic operating segment, as a result of the present value of the free cash flows not covering the enterprise value of the segment. The impairment has been allocated equally across all asset groups based on their respective net book values. The impairment review was carried out as there were indicators of impairment at this level.

$1.3 million of the freehold impairment in 2017 relates to the write-down of land and buildings within the Luxfer Magtech operating segment, as a result of the announced exit from one of our sites. The land and buildings have been written down to their net realizable value, as determined by an independent valuation specialist.

$1.5 million of the impairment in 2017 relates to the write down of assets across all operating segments as part of an annual exercise to review the use of our non-current assets. These assets are either no longer in use or are part of a site which we have announced we are exiting.

Long and short leasehold

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

12. Intangible assets

	Goodwill $M	Customer related $M	Technology and trading related $M	Development costs $M	Software $M	Total $M
Cost:						
At January 1, 2016	83.4	13.4	9.3	4.0	3.5	**113.6**
Additions	0.1	0.1	—	2.4	0.1	**2.7**
Disposals	—	—	—	—	(0.6)	**(0.6)**
Exchange difference	(8.2)	—	(1.3)	(0.4)	(0.3)	**(10.2)**
At December 31, 2016	75.3	13.5	8.0	6.0	2.7	**105.5**
Additions	—	—	—	0.9	0.8	**1.7**
Disposals	—	(0.1)	—	—	(0.4)	**(0.5)**
Exchange difference	4.1	—	0.6	0.5	0.3	**5.5**
At December 31, 2017	79.4	13.4	8.6	7.4	3.4	**112.2**
Accumulated amortization and impairment:						
At January 1, 2016	21.2	1.5	1.8	0.1	2.0	**26.6**
Provided during the year	—	0.7	0.4	0.3	0.3	**1.7**
Disposals	—	—	—	—	(0.3)	**(0.3)**
Exchange difference	(2.8)	(0.1)	(0.3)	0.1	—	**(3.1)**
At December 31, 2016	18.4	2.1	1.9	0.5	2.0	**24.9**
Provided during the year	—	0.9	0.4	0.7	0.3	**2.3**
Disposals	—	(0.1)	—	—	(0.4)	**(0.5)**
Impairment	—	—	0.5	1.5	—	**2.0**
Exchange difference	1.4	—	0.2	0.1	0.1	**1.8**
At December 31, 2017	19.8	2.9	3.0	2.8	2.0	**30.5**
Net book values:						
At December 31, 2017	59.6	10.5	5.6	4.6	1.4	**81.7**
At December 31, 2016	56.9	11.4	6.1	5.5	0.7	**80.6**
At January 1, 2016	62.2	11.9	7.5	3.9	1.5	**87.0**

Customer related intangibles include customer relationships, order backlogs and non-compete agreements. Technology and trading related intangibles include technology, patents, tradenames and trademarks.

Development costs include $4.6 million (2016: $5.5 million) relating to internally generated intangible assets, all other intangible assets are externally generated.

Impairment of intangible assets

The $0.5 million impairment of technology and trading related intangibles relates to the announcement to exit of our Luxfer HEI business. The $1.5 million impairment of the development costs has resulted following the decision to discontinue our Advanced Oxygen System (AOS) product line. These impairments are both within our Gas Cylinders operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

13. 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 six identified CGUs (Luxfer Gas Cylinders, Luxfer Superform, Luxfer MEL Technologies, Luxfer Magtech, Luxfer Graphic Arts and Luxfer Czech Republic) represent the lowest level within the Group at which goodwill is monitored for internal management reporting purposes. The six CGUs are aggregated to form the Group's two defined reportable divisions: Gas Cylinders Division and Elektron Division. The table below summarizes the carrying value of goodwill by division:

	Gas Cylinders Division $M	Elektron Division $M	Total $M
At January 1, 2016	22.3	39.9	**62.2**
Additions	—	0.1	**0.1**
Exchange difference	(3.4)	(2.0)	**(5.4)**
At December 31, 2016	18.9	38.0	**56.9**
Exchange difference	1.6	1.1	**2.7**
At December 31, 2017	20.5	39.1	**59.6**

The Gas Cylinders Division goodwill of $20.5 million (2016: $18.9 million) includes goodwill attributable to our Luxfer Gas Cylinders operations of $19.5 million (2016: $17.9 million) and goodwill attributable to our Luxfer Superform operations of $1.0 million (2016: $1.0 million). During the year, our Elektron Division split operations from MEL Chemicals and Magnesium Elektron to Luxfer MEL Technologies, Luxfer Magtech, Luxfer Graphic Arts and Luxfer Czech Republic. The Elektron Division goodwill of $39.1 million (2016: $38.0 million) included goodwill attributable to our Luxfer MEL Technologies operations of $5.4 million and goodwill attributable to our Luxfer Magtech operations of $33.7 million, no goodwill is allocated to Luxfer Graphic Arts or Luxfer Czech Republic. The goodwill figure was allocated based on which operating segments historical acquisitions were allocated to and the value of the acquired goodwill on those historical acquisitions. As at December 31, 2016, the goodwill of $38.0 million included goodwill attributable to our MEL Chemicals of $3.9 million and goodwill attributable to our Magnesium Elektron operations of $34.1 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 3-year business plan prepared at a detailed level by each CGU. The results of these plans were then extrapolated to give a terminal value based on a growth rate of 2.1% (2016: 2.1%). The 3-year business plans were driven by detailed sales forecasts by product type and best estimate of future demand by end market, using current margins. The cash flows included allowance for capital maintenance costs, along with working capital requirements based on the projected level of sales. A pre-tax discount rate of between 8.5% and 10.9% was used for the individual CGUs (2016: between 10.1% and 10.7% for all CGUs), which was considered a best estimate for the risk-adjusted cost of capital for the CGUs. The long-term projections assumed product prices and costs were at current levels, but the exchange rates used were USD: GBP of $1.35 and USD: EUR of $1.19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

13. Impairment of goodwill (Continued)

Based on the current three-year business plans used in the impairment testing, it is believed no reasonable changes in the pre-tax discount and sales growth rates or forecast future cash flows are expected to result in an impairment of the carrying value of the goodwill with the exception of the Superform operations. For the Superform operations, the recoverable amount exceeds its carrying amount by $0.3 million, 1.1%. To reduce the recoverable amount to the carrying amount, the terminal value growth rate would need to reduce by 0.2pp to 1.9%. In addition, by increasing the pre-tax discount rate by 0.2pp to 10.4%, this would have the same impact and reduce the recoverable amount to the carrying amount. Furthermore, the cash flows derived from the 3-year business plans would need to fall by $0.3 million to reduce the recoverable amount to the carrying amount. If, among other factors, the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill.

14. Investments

	Shares in joint ventures $M	Loans to joint ventures and associates $M	Total $M
At January 1, 2016	2.4	4.8	**7.2**
Debt funding	—	(1.0)	**(1.0)**
Transfer from trade receivables	—	3.7	**3.7**
Share of results	0.5	—	**0.5**
Exchange difference	(0.2)	(0.2)	**(0.4)**
At December 31, 2016	2.7	7.3	**10.0**
Debt funding	—	0.9	**0.9**
Share of results	0.1	—	**0.1**
Impairment	—	(2.2)	**(2.2)**
Exchange difference	0.1	0.3	**0.4**
At December 31, 2017	2.9	6.3	**9.2**

The loans to joint ventures and associates are repayable in 2018, with interest being charged on $4.7 million at 8.0% and $1.6 million incurring interest at 6.0%.

See section 4.C "Organizational Structure" for a full list of Luxfer Holdings PLC subsidiaries.

Investment in joint ventures and associates

At December 31, 2017, the Group had the following joint ventures and associates which affect the profit of the Group. Unless otherwise stated, the Group's joint ventures and associates have share capital which consists solely of ordinary shares and are indirectly held, and the country of incorporation or registration is also their principal place of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

14. Investments (Continued)

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Classification	Nature of business
Dynetek Cylinders India Private Limited	India	Ordinary shares	49%	Joint venture	Engineering
Dynetek Korea Co. Limited	South Korea	Ordinary shares	49%	Joint venture	Engineering
Luxfer Holdings NA, LLC	U.S.	Membership interest	49%	Joint venture	Engineering
Luxfer Uttam India Private Limited	India	Ordinary shares	51%	Joint venture	Engineering
Nikkei-MEL Co. Limited	Japan	Ordinary shares	50%	Joint venture	Distribution
Sub161 Pty Limited	Australia	Ordinary shares	26.4%	Associate	Engineering

During 2015, the Group acquired 26.4% of the share capital of Sub161 Pty Limited, an associate, which is a start-up virtual pipeline operator based in Western Australia, for a cash consideration of $3.7 million and the contribution of a number of AF assets with a value of $1.7 million. An impairment of this investment was recognized as part of the review of AF assets following this business stream's restructuring. This write-down would be reversed on any sale or realization of value of these assets in future years.

During 2016, a receivable from Sub161 Pty Limited was converted into a secured loan note which is repayable by March 31, 2018 or before the event of a substantial equity injection, a sale of the business, a material new customer or at the request of Sub161, this was subsequently extended to July 1, 2018.

During 2017, a further impairment of $2.2 million was recognized in relation to the Sub161 Pty Limited investment following continued weakness in this sector. The remaining $1.6 million carrying value is based on the net realizable value of the assets secured against the loan.

The main trading activity in 2017 was in Luxfer Holdings NA, LLC, Luxfer Uttam India Private Limited and Nikkei MEL Co. Limited.

The Group has made available up to $12.5 million of future funding to aid expansion of the U.S. joint venture in the coming years, via $2.5 million of equity into Luxfer Holdings NA, LLC and a $10.0 million secured credit line for working capital and supplier finance, of which $4.7 million (2016: $3.8 million) was drawn down at December 31, 2017.

The share of profits of all joint ventures and associates was $0.1 million (2016: $0.5 million), with no items recognized in other comprehensive income in 2017 or 2016.

The Group has looked in detail at the ownership agreements of its joint ventures and associates in order to determine the level of control that it has. The Group has determined that it has joint control of its joint ventures mainly based upon the number of members on each company board of directors and their associated voting rights. In relation to the associate undertaking, the Group has significant influence but not joint control based on the proportion of directors on the company board and associated voting rights. The Group therefore accounts for all material joint ventures and associates on an equity basis.

Related party transactions with joint ventures and associates have been disclosed in Note 32 to the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

15. Inventories

	December 31, 2017 $M	December 31, 2016 $M
Raw materials and consumables	**31.0**	28.3
Work in progress	**28.1**	30.5
Finished goods and goods for resale	**23.1**	23.7
	82.2	82.5

Inventories above are disclosed net of any provisions for obsolete and excess inventories. The provision against obsolete and excess inventories at December 31, 2017 was $8.4 million (2016: $6.5 million). The cost of inventories recognized as an expense during the year was $282.9 million (2016: $287.3 million). The cost of inventories written-off during 2017 was $1.6 million (2016: $0.1 million).

16. Trade and other receivables

	December 31, 2017 $M	December 31, 2016 $M
Non-current Assets		
Derivative financial instruments	**0.3**	0.3
	0.3	0.3
Current Assets		
Trade receivables	**54.0**	40.5
Amounts owed by joint ventures and associates	**1.8**	2.8
Other receivables	**4.2**	3.1
Prepayments and accrued income	**10.5**	9.4
Derivative financial instruments	**2.1**	1.8
	72.6	57.6

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 day terms. Trade receivables above are disclosed net of any provisions for doubtful receivables.

During 2016, a loan for $3.6 million to Sub 161 was converted into a secured loan note. This was subsequently reclassified into investments (Note 14).

At December 31, 2017, trade receivables with a nominal value of $4.1 million (2016: $2.1 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables and amounts owed by joint ventures and associates were as follows:

	2017 $M	2016 $M
At January 1	**2.1**	4.8
Charge in the year	**2.7**	1.3
Utilized in the year	**(0.8)**	(3.6)
Exchange difference	**0.1**	(0.4)
At December 31	**4.1**	2.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

17. Cash and cash equivalents

	December 31, 2017 $M	December 31, 2016 $M
Cash at bank and in hand	**13.3**	13.6
Overdrafts	**(4.2)**	—
	9.1	13.6

In 2017, $0.7 million (2016: nil) of the $13.3 million cash at bank and in hand balance was held in escrow, as described further in Note 25.

18. Share capital

(a) ***Ordinary share capital***

	December 31, 2017 No.	December 31, 2016 No.	December 31, 2017 $M		December 31, 2016 $M	
Authorized:						
Ordinary shares of £0.50 each	**40,000,000**	40,000,000	**35.7**	(1)	35.7	(1)
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**150.9**	(1)	150.9	(1)
	769,463,688,000	769,463,688,000	**186.6**	(1)	186.6	(1)
Allotted, called up and fully paid:						
Ordinary shares of £0.50 each	**27,136,799**	27,136,799	**25.3**	(1)	25.3	(1)
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**150.9**	(1)	150.9	(1)
	769,440,844,799	769,440,844,799	**176.2**	(1)	176.2	(1)

(1) The Group's ordinary and deferred share capital are shown in U.S. dollars at the exchange rate prevailing at the month end spot rate at the time of the share capital being issued. This rate at the end of February 2007 was $1.9613:£1 when the first 20,000,000 shares were issued; the rate at the end of October 2012 was $1.6129:£1 when 7,000,000 shares were issued; the rate at the end of March 2013 was $1.5173:£1 when 1,924 shares were issued; the rate at the end of January 2014 was $1.6487:£1 when 12,076 shares were issued; the rate at the end of May 2014 was $1.6760:£1 when 24,292 shares were issued; the rate at the end of August 2014 was $1.6580:£1 when 58,399 shares were issued; the rate at the end of February 2015 was $1.5436:£1 when 8,563 shares were issued; the rate at the end of March 2015 was $1.4847:£1 when 3,866 shares were issued; and the rate at the end of June 2015 was $1.5715:£1 when 27,679 shares were issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

18. Share capital (Continued)

The rights of the shares are as follows:

Ordinary shares of £0.50 each

The ordinary shares carry no entitlement to an automatic dividend but rank pari passu in respect of any dividend declared and paid. The ordinary shares were allotted and issued to satisfy share awards which vested under the Group's share award and share incentive plans.

At December 31, 2017, there were 25,929,312 ordinary shares of Luxfer Holdings PLC listed on the New York Stock Exchange (NYSE) following the decision to terminate its ADR facility and to convert outstanding ADSs into ordinary shares.

Deferred ordinary shares of £0.0001 each

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

(b) ***American Depositary Shares***

At December 31, 2017, there were no ADSs (2016: 25,180,726 ADSs) of Luxfer Holdings PLC listed on the New York Stock Exchange (NYSE) following the decision to terminate its ADR facility and to convert outstanding ADSs into ordinary shares. The Depositary for the ADSs held one £0.50 ordinary share for every ADS traded, through American Depositary Receipts.

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

(c) ***Share premium account***

	$M
At January 1, 2016	**56.4**
At December 31, 2016	**56.4**
At December 31, 2017	**56.4**

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

(d) ***Treasury shares***

	$M
At January 1, 2016	(1.3)
Purchase of own shares	(6.3)
Utilization of treasury shares	0.5
At December 31, 2016	**(7.1)**
Transfer of treasury shares into ESOP	0.8
Utilization of treasury shares	0.5
At December 31, 2017	**(5.8)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

18. Share capital (Continued)

In June 2015, the Board announced a share buy-back program of up to $10 million, to cover the needs of employee share plans. Shareholder approval for this program was granted at the 2014 Annual General Meeting (for repurchases up to an aggregate amount of 2,700,000 ordinary shares or ADSs).

During 2016, 634,185 ordinary shares were repurchased under the share buy-back program at a cost of $6.3 million; these repurchased shares are presented as treasury shares. At December 31, 2016, there were 665,424 treasury shares held at a cost of $7.1 million.

During 2017, no ordinary shares were repurchased under the share buy-back program. At December 31, 2017, there were 527,616 treasury shares held at a cost of $5.8 million.

(e) ***Own shares held by ESOP***

	$M
At January 1, 2016	**(0.2)**
Purchases of shares into ESOP	(1.0)
Utilization of ESOP shares	0.7
At December 31, 2016	**(0.5)**
Transfer of treasury shares into ESOP	(0.8)
Utilization of ESOP shares	0.3
At December 31, 2017	**(1.0)**

At December 31, 2017, there were 104,709 ordinary shares of £0.50 each (2016: 55,816 ordinary shares of £0.50 each) held by The Luxfer Group Employee Share Ownership Plan (the "ESOP").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

19. Dividends paid and proposed

	2017 $M	2016 $M	2015 $M
Dividends declared and paid during the year:			
Interim dividend paid February 4, 2015 ($0.10 per ordinary share)	**—**	—	2.7
Interim dividend paid May 6, 2015 ($0.10 per ordinary share)	**—**	—	2.7
Interim dividend paid August 5, 2015 ($0.10 per ordinary share)	**—**	—	2.7
Interim dividend paid November 4, 2015 ($0.10 per ordinary share)	**—**	—	2.7
Interim dividend paid February 3, 2016 ($0.125 per ordinary share)	**—**	3.4	—
Interim dividend paid May 4, 2016 ($0.125 per ordinary share)	**—**	3.3	—
Interim dividend paid August 3, 2016 ($0.125 per ordinary share)	**—**	3.3	—
Interim dividend paid November 2, 2016 ($0.125 per ordinary share)	**—**	3.3	—
Interim dividend paid February 1, 2017 ($0.125 per ordinary share)	**3.3**	—	—
Interim dividend paid May 3, 2017 ($0.125 per ordinary share)	**3.3**	—	—
Interim dividend paid August 2, 2017 ($0.125 per ordinary share)	**3.3**	—	—
Interim dividend paid November 1, 2017 ($0.125 per ordinary share)	**3.4**	—	—
	13.3	13.3	10.8

	2017 $M	2016 $M	2015 $M
Dividends declared and paid after December 31 (not recognized as a liability at December 31):			
Interim dividend paid February 3, 2016: ($0.125 per ordinary share)	**—**	—	2.7
Interim dividend paid February 1, 2017: ($0.125 per ordinary share)	**—**	3.3	—
Interim dividend paid February 7, 2018: ($0.125 per ordinary share)	**3.4**	—	—
	3.4	3.3	2.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

20. Reserves

	Retained earnings $M	Hedging reserve $M	Translation reserve $M	Share based compensation reserve $M	Merger reserve $M
At January 1, 2015	**308.8**	**0.9**	**(36.2)**	**3.7**	**(333.8)**
Net income for the year	16.1	—	—	—	—
Currency translation differences	—	—	(8.6)	—	—
Decrease in fair value of cash flow hedges	—	(5.4)	—	—	—
Transfer to consolidated income statement on cash flow hedges	—	(0.1)	—	—	—
Remeasurement of defined benefit retirement plans	4.4	—	—	—	—
Deferred income taxes on items taken to other comprehensive income	(1.5)	1.1	—	—	—
Equity dividends	(10.8)	—	—	—	—
Equity settled share based compensation charges	—	—	—	1.4	—
Cash settled share based compensation charges	—	—	—	(0.5)	—
Deferred income taxes on items taken to equity	(0.3)	—	—	—	—
Utilization of treasury shares	(0.1)	—	—	(0.5)	—
At December 31, 2015	**316.6**	**(3.5)**	**(44.8)**	**4.1**	**(333.8)**
Net income for the year	21.9	—	—	—	—
Currency translation differences	—	—	(13.1)	—	—
Increase in fair value of cash flow hedges	—	1.1	—	—	—
Transfer to consolidated income statement on cash flow hedges	—	(0.9)	—	—	—
Remeasurement of defined benefit retirement plans	(21.7)	—	—	—	—
Deferred income taxes on items taken to other comprehensive income	4.3	—	—	—	—
Equity dividends	(13.3)	—	—	—	—
Equity settled share based compensation charges	—	—	—	1.2	—
Utilization of treasury shares	0.1	—	—	(0.6)	—
Utilization of ESOP shares	0.2	—	—	(0.9)	—
At December 31, 2016	**308.1**	**(3.3)**	**(57.9)**	**3.8**	**(333.8)**
Net income for the year	11.5	—	—	—	—
Currency translation differences	—	—	11.6	—	—
Increase in fair value of cash flow hedges	—	3.1	—	—	—
Transfer to consolidated income statement on cash flow hedges	—	0.6	—	—	—
Remeasurement of defined benefit retirement plans	9.5	—	—	—	—
Deferred income taxes on items taken to other comprehensive income	(5.2)	(0.6)	—	—	—
Equity dividends	(13.3)	—	—	—	—
Equity settled share based compensation charges	—	—	—	2.6	—
Utilization of treasury shares	0.1	—	—	(0.6)	—
Utilization of ESOP shares	0.1	—	—	(0.4)	—
Deferred income taxes on items taken to equity	0.6	—	—	—	—
At December 31, 2017	**311.4**	**(0.2)**	**(46.3)**	**5.4**	**(333.8)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

20. Reserves (Continued)

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 to December 31, 2017 of $3.1 million (2016: $0.2 million) includes an increase in the fair value of cash flow hedges of $3.1 million (2016: increase of $1.1 million) and a gain of $0.6 million of cash flow hedges being transferred to the consolidated income statement (2016: loss of $0.9 million). This is partially offset by $0.6 million of deferred taxes on items taken to other comprehensive income. For further information regarding the Group's forward foreign currency exchange rate contracts, forward aluminum commodity contracts and forward interest rate agreements refer to Note 28 section (a)—Financial Instruments: Financial Instruments of the Group.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of operations which do not have U.S. dollars as their functional currency.

Share based compensation reserve

The share based compensation reserve is used to recognize the fair value of options and performance shares granted under IFRS 2. For further information refer to Note 31. The charges in 2015, 2016 and 2017 related to options over ordinary shares.

During the year, no shares were purchased on the open market on behalf of one of the share based compensation schemes (2016: no shares were purchased). These shares were held by the scheme, in the names of the employees who are members of the scheme until the end of the holding period.

Merger reserve

The merger reserve relates to the recapitalization of Luxfer Group Limited during the year ended December 31, 1999. Pursuant to the recapitalization of Luxfer Group Limited, Luxfer Holdings PLC acquired the entire share capital of Luxfer Group Limited. The company known as Luxfer Group Limited during the year ended December 31, 1999 was subsequently renamed LGL 1996 Limited and remains dormant. The recapitalization was accounted for using merger accounting principles.

The accounting treatment reflected the fact that ownership and control of Luxfer Group Limited, after the recapitalization, remained with the same institutional and management shareholders as before the recapitalization. Under merger accounting principles the consolidated financial statements of Luxfer Holdings PLC appear as a continuation of those for Luxfer Group Limited and therefore as if it had been the parent of the Group from its incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

21. Bank and other loans

	December 31, 2017 $M	December 31, 2016 $M
Loan Notes due 2018—gross	**15.0**	15.0
Unamortized finance costs	**—**	(0.1)
Loan Notes due 2018—net	**15.0**	14.9
Loan Notes due 2021—gross	**25.0**	25.0
Unamortized finance costs	**(0.1)**	(0.1)
Loan Notes due 2021—net	**24.9**	24.9
Loan Notes due 2023—gross	**25.0**	25.0
Unamortized finance costs	**(0.3)**	(0.3)
Loan Notes due 2023—net	**24.7**	24.7
Loan Notes due 2026—gross	**25.0**	25.0
Unamortized finance costs	**(0.3)**	(0.3)
Loan Notes due 2026—net	**24.7**	24.7
Revolving credit facility—gross	**21.3**	32.8
Unamortized finance costs	**(1.8)**	(1.0)
Revolving credit facility—net	**19.5**	31.8
	108.8	121.0
Included in current liabilities	**15.0**	—
Included in non-current liabilities	**93.8**	121.0
	108.8	121.0

On July 31, 2017, an extension to the Senior Facilities Agreement was agreed which provides $150 million in committed debt facilities, in the form of a multi-currency revolving credit facility, with an additional $50 million of uncommitted facilities through an accordion facility. The Senior Facilities Agreement was due to mature in April 2019, but has now been extended until the end of July 2022. Finance costs of $1.2 million were capitalized following this extension and were deemed to be a modification of the existing facility. The Senior Facility Agreement bears interest equal to a margin based upon the Group's leverage plus either EURIBOR or LIBOR, depending on the currency drawn down.

On June 29, 2016, Luxfer agreed to extend the maturity date of $50 million of its existing $65 million Loan Notes due 2018. The extension includes a lower long-term fixed interest rate on the debt. The maturity date on $25 million was extended from June 2018 to June 2023 with a reduction in the fixed interest rate from 6.19% to 4.88%; and the maturity date on $25 million was extended to June 2026 at a fixed interest rate of 4.94%. This was facilitated through the utilization of the Shelf Facility.

The $25.0 million 7 year private placement will be repayable in full in 2021 and bears interest at a fixed rate of 3.67%.

The maturity profile of the Group's undiscounted contractual payments is disclosed in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

22. Provisions

	Rationalization and redundancy $M	Employee benefits $M	Environmental provisions $M	Total $M
At January 1, 2016	**2.6**	**1.5**	**1.2**	**5.3**
Charged to consolidated income statement	1.4	—	—	**1.4**
Credited to consolidated income statement	(0.2)	(0.4)	—	**(0.6)**
Cash payments	(3.0)	—	(0.3)	**(3.3)**
Translation	—	—	(0.2)	**(0.2)**
At December 31, 2016	**0.8**	**1.1**	**0.7**	**2.6**
Charged to consolidated income statement	4.3	0.5	0.4	**5.2**
Credited to consolidated income statement	—	—	(0.4)	**(0.4)**
Cash payments	(3.0)	(0.5)	—	**(3.5)**
At December 31, 2017	**2.1**	**1.1**	**0.7**	**3.9**
At December 31, 2017				
Included in current liabilities	2.1	—	0.7	**2.8**
Included in non-current liabilities	—	1.1	—	**1.1**
	2.1	**1.1**	**0.7**	**3.9**
At December 31, 2016				
Included in current liabilities	0.8	—	0.7	**1.5**
Included in non-current liabilities	—	1.1	—	**1.1**
	0.8	**1.1**	**0.7**	**2.6**

Rationalization and redundancy

At December 31, 2017, the Group had $2.1 million of provisions relating to redundancy and the rationalization of its operations (2016: $0.8 million). $1.3 million (2016: $0.3 million) and $0.8 million ($2016: $0.5 million) of this provision in 2017 related to the Elektron and Gas Cylinders divisions respectively. Of the $1.3 million within the Elektron division, $0.6 million related to an onerous contract and $0.5 million to the rationalization of its Magtech operations.

Employee benefits

At December 31, 2017, the Group had $1.1 million of employee benefit liabilities (in addition to retirement benefits), as calculated on an actuarial basis, relating to a provision for workers' compensation in the U.S. (2016: $1.1 million).

Environmental provisions

At December 31, 2017, the Group had environmental provisions totaling $0.7 million relating to environmental clean-up costs (2016: $0.7 million). $0.4 million relates to a provision for disbursement of environmental liabilities as part of the acquisition of the trade and assets of the Specialty Metals business of ESM Group Inc., $0.2 million relates to work required at the U.K. Elektron division site and $0.1 million relates to work required at a Elektron business in the U.S. acquired during 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

23. Deferred income taxes

	Accelerated tax depreciation $M	Other temporary differences $M	Tax losses $M	Retirement benefit obligations $M	Total $M
At January 1, 2016	**(11.0)**	**5.1**	**4.7**	**13.3**	**12.1**
Credited/(charged) to consolidated income statement	0.1	(2.1)	0.9	(1.2)	**(2.3)**
Credited to other comprehensive income	—	—	—	4.3	**4.3**
Exchange difference	—	(0.2)	(0.5)	(1.7)	**(2.4)**
At December 31, 2016	**(10.9)**	**2.8**	**5.1**	**14.7**	**11.7**
Credited/(charged) to consolidated income statement	5.2	(1.0)	—	0.6	**4.8**
Charged to other comprehensive income	—	(0.6)	—	(5.2)	**(5.8)**
Credited to equity	—	0.6	—	—	**0.6**
Exchange difference	—	0.2	0.3	0.8	**1.3**
At December 31, 2017	**(5.7)**	**2.0**	**5.4**	**10.9**	**12.6**

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

	December 31, 2017 $M	December 31, 2016 $M
Deferred income tax liabilities	**(3.6)**	(4.9)
Deferred income tax assets	**16.2**	16.6
Net deferred income tax assets	**12.6**	11.7

At the balance sheet date, the Group has unrecognized deferred income tax assets relating to certain trading and capital losses and other temporary differences of $13.3 million (2016: $12.3 million) potentially available for offset against future profits. No deferred income tax assets have been recognized in respect of this amount because of the unpredictability of future qualifying profit streams in the relevant entities. Of the total unrecognized deferred income tax assets of $13.3 million (2016: $12.3 million), $10.3 million (2016: $8.8 million) relates to losses that can be carried forward indefinitely under current legislation and the remaining $3.0 million (2016: $3.5 million) are due to expire between 2028 and 2034.

At the balance sheet date, there were unremitted earnings of overseas subsidiaries and joint ventures and associates of $42.7 million (2016: $54.9 million), for which there are no deferred income tax liabilities recognized or unrecognized (2016: $nil).

The 2017 deferred tax credit includes a non-cash accounting adjustment of $6.0 million following the enactment of U.S. tax reform on December 22, 2017. The non-cash adjustment is due to the reduction in the U.S. federal corporate income tax rate from 35% to 21%, which necessitated a re-measurement of the existing U.S. deferred tax position in 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

24. Trade and other payables

	December 31, 2017 $M	December 31, 2016 $M
Non-current Liabilities		
Accruals	**1.5**	—
Derivative financial instruments	**0.4**	0.6
	1.9	0.6
Current Liabilities		
Trade payables	**28.4**	24.0
Other taxation and social security	**1.3**	1.3
Accruals	**29.7**	20.4
Interest payable	**0.4**	0.2
Derivative financial instruments	**1.5**	5.2
	61.3	51.1

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

25. Acquisitions

On December 5, 2017, the Group acquired the trade and assets of the Specialty Metals business of ESM Group Inc., incorporating a manufacturing facility in Saxonburg PA. The plant manufactures a range of magnesium-based chips, granules, ground powders and atomized powders. The acquired business will be integrated with Luxfer's existing business that currently offers similar products under the Luxfer Magtech brand. On closing, an initial consideration of $4.3 million was paid as well as an amount placed in general escrow of $0.3 million as deferred consideration. There was a further $0.4 million placed in escrow for disbursement of environmental liabilities which has not been included as part of the purchase consideration.

The fair value of net assets acquired has been assessed as $5.8 million, resulting in a gain on bargain purchase of $1.2 million. The principal assets acquired are land and buildings, $2.0 million, plant and equipment, $3.2 million and inventory, $0.7 million, with assumed liabilities of $0.1 million. No separately identifiable intangibles have been identified. There gain on bargain purchase resulted because the Specialty Metals business was not considered to be part of ESM Group's core business activities as it has adopted a strategy to focus on its steel industry customers. In implementing this strategy, ESM Group was eager to divest this non-core business, which was reflected in the transaction price. The Group believes that it can extract additional value from the site due to synergies with our existing Luxfer Magtech business.

In addition to the purchase consideration, $0.3 million of acquisition costs were incurred and a $0.4 million provision was set up for the disbursement of the environmental liabilities.

On April 29, 2016, the Group acquired a business, Canland UK (Hotpack) Limited ("Canland") specializing in the assembly, packing, distribution and export of self-heating meals and import and distribution of flameless ration heaters. On closing, an initial consideration of $0.5 million was paid, and with the acquired business having $0.2 million of cash, the net cost was $0.3m. Based on the assessment of the assets which were acquired and liabilities assumed, customer related intangibles were recognized for $0.1 million, goodwill for $0.1 million was also recognized and $0.1 million of other net assets. Goodwill included the fair value of the expertise of the acquired workforce following the business combination and also the synergies that were expected to arise. Following the Group-wide rationalization which took place during 2017, the operation was closed and sold for consideration of $0.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

25. Acquisitions (Continued)

Deferred consideration

The deferred consideration for the acquisition of the Specialty Metals business was shown in the balance sheet at December 31, 2017 at $0.3 million.

The deferred consideration for Luxfer Utah was fixed and all of it was paid on March 31, 2017. The deferred consideration was shown in the balance sheet at December 31, 2016 at $1.3 million.

Deferred contingent consideration

The deferred contingent consideration for Luxfer Magtech is linked to the future profitability of the company and where appropriate will be payable annually from 2015 to 2020. The deferred contingent consideration is shown in the balance sheet at December 31, 2017 at $0.7 million (2016: $1.5 million), following a remeasurement of deferred contingent consideration at the year-end based upon the estimated future cash flows and the weighted probability of those cash flows being achieved, resulting in a credit to the consolidated income statement of $1.0 million (2016: credit of $0.5 million), net of an unwind of discount on deferred contingent consideration of $0.2 million (2016: $0.2 million). $0.5 million of the $0.7 million consideration is deemed to be current as it is based on the performance of Luxfer Magtech for the year ending December 31, 2017. The potential undiscounted future payment has been estimated at $0.7 million. The maximum undiscounted amount payable under the sale agreement is $10.0 million.

	December 31, 2017 $M	December 31, 2016 $M
Net cash flows on purchase of business:		
Included in net cash flows from investing activities:		
Consideration paid	**4.3**	**0.5**
Deferred consideration paid	**1.4**	**—**
Cash receipt on disposal of business	**(0.1)**	**—**
Cash acquired	**—**	**(0.2)**
	5.6	**0.3**

26. Commitments and contingencies

	December 31, 2017 $M	December 31, 2016 $M	December 31, 2015 $M
Operating lease commitments—Group as a lessee			
Minimum lease payments under operating leases recognized in the consolidated income statement	**5.1**	4.8	5.6

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

	December 31, 2017 $M	December 31, 2016 $M	December 31, 2015 $M
Within one year	**5.4**	4.6	4.9
In two to five years	**14.5**	11.8	13.5
In over five years	**14.5**	10.7	12.4
	34.4	27.1	30.8

All amounts in millions, except share and per share data

26. Commitments and contingencies (Continued)

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

Capital commitments

At December 31, 2017, the Group had capital expenditure commitments of $0.6 million (2016: $3.6 million and 2015: $3.1 million) for the acquisition of new plant and equipment.

Contingencies

During February 2014, a cylinder was sold to a long term customer and ruptured at one of their gas facilities. As a result of this rupture, three people were noted to have minor injuries such as loss of hearing. There was no major damage to assets of the customer. A claim has been launched by the three people who were injured in the incident and a prosecutor has been appointed. We have reviewed our quality control checks from around the time which the cylinder was produced and no instances of failures have been noted. It has also been noted by the investigator that the customer has poor quality and safety checks. As a result we do not believe that we are liable for the incident.

27. Financial risk management objectives and policies

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

A Treasury Committee, chaired by the Chief Financial Officer, oversees the implementation of the Group's hedging policies, including the risk management of currency and aluminum risks and the use of derivative financial instruments.

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

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency translation and transaction risk, aluminum price risk and credit risk on trade receivables.

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

Interest rate risk

The Group has exposure to variable interest rates when it draws down on the revolving credit facilities. As a result of this exposure, the Group may decide to hedge interest payable based on a combination of forward rate agreements, interest rate caps and swaps. It has also used fixed rate debt within its financing structure to mitigate volatility in interest rate movements as disclosed in Note 21. If the interest rates were to change by 1%, based on the balance on the revolving credit facilities at December 31, 2017, this would impact the interest cost by approximately $0.2 million.

Total debt and debt funding to joint ventures and associates, at December 31, 2017, all related to fixed interest rate debt and so there was no interest rate risk at that date.

All amounts in millions, except share and per share data

27. Financial risk management objectives and policies (Continued)

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 6 and 18 months forward. The Group also prepares, at least annually, a longer-term strategic cash forecast. Together this system of control is used to ensure the Group can fund its ongoing operations, including working capital, capital expenditure and interest payments and to ensure that bank covenant targets will be met. Short and medium-term changes in liquidity needs are funded from the Group's $150 million revolving bank facility, as disclosed in Note 21, which provides the ability to draw down and repay funds on a daily basis. In monitoring liquidity requirements and planning its working capital and capital expenditure programs, the Group aims to maintain a sufficiently prudent level of headroom against its banking facilities and forecast covenant position as protection against any unexpected or sudden market shocks.

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

The Group has been in compliance with the covenants under the Loan Notes due 2018, 2021, 2023 and 2026 and the banking facilities throughout all of the quarterly measurement dates from and including September 30, 2011 to December 31, 2017.

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

	December 31, 2017				December 31, 2016			
	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M
Loan Notes due 2018	**15.0**	**—**	**—**	**15.0**	—	15.0	—	15.0
Loan Notes due 2021	**—**	**25.0**	**—**	**25.0**	—	25.0	—	25.0
Loan Notes due 2023	**—**	**—**	**25.0**	**25.0**	—	—	25.0	25.0
Loan Notes due 2026	**—**	**—**	**25.0**	**25.0**	—	—	25.0	25.0
Revolving credit facility	**—**	**21.3**	**—**	**21.3**	—	32.8	—	32.8
Deferred contingent consideration	**0.5**	**0.2**	**—**	**0.7**	—	1.5	—	1.5
Deferred consideration	**0.3**	**—**	**—**	**0.3**	1.3	—	—	1.3
Trade payables	**28.4**	**—**	**—**	**28.4**	24.0	—	—	24.0
Accruals	**29.7**	**1.5**	**—**	**31.2**	20.4	—	—	20.4
Interest payable	**0.4**	**—**	**—**	**0.4**	0.2	—	—	0.2
Derivative financial instruments	**1.5**	**0.4**	**—**	**1.9**	5.2	0.6	—	5.8
Overdrafts	**4.2**	**—**	**—**	**4.2**	—	—	—	—
	80.0	**48.4**	**50.0**	**178.4**	51.1	74.9	50.0	176.0

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

27. Financial risk management objectives and policies (Continued)

	December 31, 2017 $M	December 31, 2016 $M
Undiscounted contractual maturity of financial liabilities:		
Amounts payable:		
Within 12 months	**84.5**	56.4
1-5 years	**63.6**	90.5
> 5 years	**54.9**	57.4
	203.0	204.3
Less: future finance charges	**(24.6)**	(28.3)
	178.4	176.0

Capital risk management

The capital structure of the Group consists of shareholders' equity, debt and cash and cash equivalents. For the foreseeable future, the Board will maintain a capital structure that supports the Group's strategic objectives through:

- Managing funding and liquidity;
- Optimizing shareholder return; and
- Maintaining a strong, investment-grade credit rating

The Group monitors its adjusted EBITDA, as reconciled in the table below, for continuing activities to net debt ratio. The table below sets out the calculations for 2017, 2016 and 2015:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

27. Financial risk management objectives and policies (Continued)

	2017 $M	2016 $M	2015 $M
For continuing operations:			
Operating profit	**19.3**	35.8	37.9
Deduct:			
Profit on sale of redundant site (Note 5)	**(0.4)**	(2.1)	—
Changes to defined benefit pension plans (Note 5)	**—**	(0.6)	(18.0)
Add back:			
Restructuring and other expense (Note 5)	**21.6**	2.2	22.4
Loss on disposal of property, plant and equipment	**0.1**	0.2	—
Other share based compensation charges	**2.2**	1.4	1.3
Depreciation and amortization	**19.0**	18.4	18.6
Adjusted EBITDA	**61.8**	55.3	62.2
Bank and other loans	**108.8**	121.0	131.6
Total debt	**108.8**	121.0	131.6
Less: Cash and cash equivalents	**(13.3)**	(13.6)	(36.9)
Add: Overdrafts	**4.2**	—	—
Add: Restricted cash	**0.7**	—	—
Net debt	**100.4**	107.4	94.7
Net debt: Adjusted EBITDA ratio	**1.6x**	1.9x	1.5x

Reconciliation of net debt

	Cash at bank and in hand $M	Overdrafts $M	Bank and other loans due within one year $M	Bank and other loans due after one year $M	Total $M
Net debt at January 1, 2016	**(36.9)**	**—**	**—**	**131.6**	**94.7**
Cash flows	21.4	—	—	(9.0)	**12.4**
Foreign exchange adjustments	1.9	—	—	(2.1)	**(0.2)**
Other non-cash movements	—	—	—	0.5	**0.5**
Net debt at January 1, 2017	**(13.6)**	**—**	**—**	**121.0**	**107.4**
Cash flows	6.5	—	—	(14.5)	**(8.0)**
Reclassification	(4.2)	4.2	14.9	(14.9)	**—**
Foreign exchange adjustments	(2.0)	—	—	1.7	**(0.3)**
Restricted cash	0.7	—	—	—	**0.7**
Other non-cash movements	—	—	0.1	0.5	**0.6**
Net debt at December 31, 2017	**(12.6)**	**4.2**	**15.0**	**93.8**	**100.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

27. Financial risk management objectives and policies (Continued)

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 reported as a business unit key performance measure. Where possible sales are also protected through the use of credit insurance. At December 31, 2017, the Group has a provision for bad and doubtful debtors of $4.1 million (2016: $2.1 million) and a charge of $2.7 million (2016: $1.3 million) has been made to the consolidated income statement in relation to bad debts recognized in 2017.

The analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired				
	Total $M	Neither past due nor impaired $M	< 31 days $M	31-60 days $M	61-90 days $M	91-121 days $M	> 121 days $M
At December 31, 2017	**54.0**	**37.3**	**11.0**	**3.2**	**1.7**	**0.8**	**—**
At December 31, 2016	40.5	33.4	5.5	1.0	0.5	0.1	—

The Group also monitors the spread of its customer base with the objective of trying to minimize exposure at a Group and divisional level to any one customer. The top 10 customers in 2017 represented 25% (2016: 27% and 2015: 27%) of total revenue. There were no customers in 2017, 2016 or 2015 that represented over 10% of total revenue.

Foreign currency translation risk

With substantial operations in Europe, the Group is exposed to translation risk on both its consolidated income statement, based on average exchange rates, and its balance sheet with regards to period end exchange rates.

The Group's results and net assets are reported by geographic region in Note 2. This analysis shows in 2017 the Group had revenue of $139.5 million derived from U.K. operations, an operating loss of $5.1 million and when deducting changes to defined benefit pension plans and adding back restructuring and other expense, profit on the sale of a redundant site, share based compensation, and depreciation and amortization, an adjusted EBITDA of $16.2 million. During 2017, the average exchange rate for GBP sterling was £0.7682 compared to the 2016 average of £0.7438. This resulted in a negative impact of $4.4 million on revenue, $0.2 million on operating profit and $0.5 million on adjusted EBITDA. Based on the 2017 level of sales and profits a weakening in GBP sterling leading to a £0.05 increase in the GBP sterling to U.S. dollar exchange rate would result in a decrease of $8.5 million in revenue, $0.3 million in operating loss and $1.0 million in adjusted EBITDA.

The capital employed at December 31, 2017 in the U.K. was $81.8 million translated at an exchange rate of £0.7401. A £0.05 change in exchange rates would change capital employed by approximately $5.2 million.

During 2017, the average exchange rate for the Euro was €0.8788, compared to the 2016 average of €0.9061. This resulted in a positive impact of $0.9 million on revenue, nil on operating profit and $0.1 million on adjusted EBITDA. Based on the 2017 level of sales and profits a weakening in the Euro leading to a €0.05 increase in the Euro to U.S. dollar exchange rate would result in a decrease of $1.5 million in revenue, no change to operating profit and $0.1 million in adjusted EBITDA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

27. Financial risk management objectives and policies (Continued)

Foreign currency transaction risk

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

The U.K. operations within the Group have approximately $14.0 million net sales risk after offsetting raw material purchases made in U.S. dollars and a substantial Euro sales risk, with approximately $54.0 million of exports priced in Euros. These risks are being partly hedged through the use of forward foreign currency exchange rate contracts, but we estimate that in 2017 our Elektron division has incurred a transaction gain of $5.6 million, and the transaction impact at our Gas Cylinders division was a gain of $2.4 million.

Based on a $14.0 million net exposure to the U.S. dollar, a $0.10 increase in exchange rates would have a $1.1 million annual decrease in Group operating profit and based on a €54.0 million Euro sales risk a €0.10 increase in exchange rates would have a $5.5 million annual decrease in Group operating profit.

Commodity price risks

The Group is exposed to a number of commodity price risks, including primary aluminum, magnesium, rare earth chemicals, zircon sand and other zirconium basic compounds. All have been subject to substantial increases in recent years. Historically the two largest exposures to the Group have been the prices of aluminum and magnesium and the Group will spend annually approximately $80 million to $100 million on these two raw materials.

Unlike the other major commodities purchased, aluminum is traded on the London Metal Exchange ("LME") and therefore the Group is able to use LME derivative contracts to hedge a portion of its price exposure. In 2017 the Group purchased approximately 12,500 metric tons of primary aluminum. The processed waste can be sold as scrap aluminum at prices linked to the LME price. The price risk on aluminum is mitigated by the use of LME derivative contracts. At December 31, 2017, the Group had hedged 32% of its main primary aluminum requirements for 2018. Before hedging the risk, a $100 increase in the LME price of aluminum would increase our Gas Cylinders division's costs by approximately $1.3 million.

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

In 2017 the Group purchased approximately 6,000 metric tons of primary magnesium. Magnesium is not traded on the LME so we are not able to maintain a hedge position of its price exposure.

The Group purchases various rare earth chemicals which it uses in the production of various materials produced by its Elektron division and when these chemicals became subject to significant price volatility it used surcharges on its products to maintain its product margins.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. 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 and non-current derivative financial instruments were as follows:

Financial instruments:	Book value December 31, 2017 $M	Fair value December 31, 2017 $M	Book value December 31, 2016 $M	Fair value December 31, 2016 $M
Financial assets:				
Cash at bank and in hand	**13.3**	**13.3**	13.6	13.6
Financial liabilities[1]:				
Loan Notes due 2018	**15.0**	**15.3**	15.0	15.9
Loan Notes due 2021	**25.0**	**25.2**	25.0	25.0
Loan Notes due 2023	**25.0**	**26.6**	25.0	26.3
Loan Notes due 2026	**25.0**	**27.1**	25.0	26.5
Revolving credit facility	**21.3**	**21.3**	32.8	32.8
Overdrafts	**4.2**	**4.2**	—	—
Deferred contingent consideration	**0.7**	**0.7**	1.5	1.5
Deferred consideration	**0.3**	**0.3**	1.3	1.3

(1) The financial instruments included in financial liabilities are shown gross of unamortized finance costs.

(2) The fair value of these financial instruments is calculated by discounting the future cash flows, including interest payments due.

All financial assets mature within one year except some derivative financial instruments. The maturity of the financial liabilities is disclosed in Note 27.

At December 31, 2017, the amount drawn in bank and other loans was $111.3 million (2016: $122.8 million), of which $105.5 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling (2016: $117.0 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling).

Derivative financial instruments are as follows:	Book value December 31, 2017 $M	Fair value December 31, 2017 $M	Book value December 31, 2016 $M	Fair value December 31, 2016 $M
Held to hedge purchases and sales by trading businesses:				
Forward foreign currency exchange rate contracts	**(0.7)**	**(0.7)**	(3.1)	(3.1)
LME derivative contracts	**1.2**	**1.2**	(0.6)	(0.6)

The fair value calculations were performed on the following basis:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. Financial instruments (Continued)

Cash at bank and in hand / overdrafts

The carrying value approximates to the fair value as a result of the short-term maturity of the instruments. Cash at bank and in hand are subject to a right to offset.

Bank loans

At December 31, 2017, bank and other loans of $111.3 million (2016: $122.8 million) were outstanding. At December 31, 2017, bank and other loans are shown net of issue costs of $2.5 million (2016: $1.8 million) and these issue costs are to be amortized to the expected maturity of the facilities. At December 31, 2017, $21.3 million (2016: $32.8 million) of the total $111.3 million (2016: $122.8 million) bank and other loans was variable interest rate debt and subject to floating interest rate risk, with the remainder being fixed rate debt.

Forward foreign currency exchange rate contracts

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

LME derivative contracts

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

Deferred contingent consideration

Disclosure of the basis of calculation of the fair value of deferred contingent consideration is included within Note 25 of the consolidated financial statements.

Deferred consideration

Disclosure of the basis of calculation of the fair value of deferred consideration is included within Note 25 of the consolidated financial statements.

Fair value hierarchy

At December 31, 2017, the Group used 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. Financial instruments (Continued)

	December 31, 2017 $M	Level 1 $M	Level 2 $M	Level 3 $M
Net derivative financial (assets) / liabilities at fair value through profit or loss:				
Forward foreign currency exchange rate contracts	**0.7**	—	0.7	—
LME derivative contracts	**(1.2)**	—	(1.2)	—
Interest bearing loans and borrowings:				
Loan Notes due 2018	**15.3**	—	15.3	—
Loan Notes due 2021	**25.2**	—	25.2	—
Loan Notes due 2023	**26.6**	—	26.6	—
Loan Notes due 2026	**27.1**	—	27.1	—
Revolving credit facility	**21.3**	—	21.3	—
Other financial liabilities:				
Deferred contingent consideration	**0.7**	—	—	0.7
Deferred consideration	**0.3**	—	—	0.3

During the year ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table presents the changes in Level 3 instruments for the year ended December 31, 2017 and 2016.

	2017 $M	2016 $M
Balance at January 1	**2.8**	2.9
Payments made during year	**(1.3)**	—
New deferred consideration	**0.3**	—
Gains recognized in profit or loss	**(0.8)**	(0.1)
Balance at December 31	**1.0**	2.8
Total gains for the period included in profit and loss for assets held at the end at December 31	**(0.8)**	(0.1)
Change in unrealized (gains) or losses for the period included in profit and loss for assets held at the end at December 31	**(0.8)**	(0.1)

The deferred contingent consideration relates to estimations of amounts payable in the future regarding acquisitions made in prior years. This is based upon an estimate of the future profitability of the businesses versus targets agreed upon as part of the acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. Financial instruments (Continued)

(b) Interest rate risks

Interest rate risk profile on financial assets

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

Cash by currency:	December 31, 2017 $M	December 31, 2016 $M
U.S. dollar	**5.4**	1.3
GBP sterling	**3.6**	9.1
Euro	**1.0**	1.4
Australian dollar	**0.6**	0.5
Chinese renminbi	**1.0**	0.8
Czech koruna	**1.2**	0.3
Canadian dollar	**0.5**	0.2
	13.3	13.6

Overdraft by currency:	December 31, 2017 $M	December 31, 2016 $M
U.S. dollar	**(3.0)**	—
GBP sterling	**(1.2)**	—
	(4.2)	—

The Group earns interest on cash balances through either deposit accounts or placing funds on money markets at short-term fixed rates. In all cases, with the exception of the restricted cash of $0.7 million, interest earned is at approximately ICELIBOR rates during the year.

Interest rate risk profile on financial liabilities

The following table sets out the carrying value, by original maturity, of the Group's financial instruments that were exposed to both fixed and variable interest rate risk. The carrying values include interest payments to be made and interest rates on the Group's variable rate debt have been based on a forward curve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. Financial instruments (Continued)

	December 31, 2017				December 31, 2016			
	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M
Floating interest rate risk:								
Revolving credit facility (including interest payments)	0.7	24.2	—	**24.9**	0.9	34.1	—	**35.0**
Fixed interest rate risk:								
Loan Notes due 2018 (including interest payments)	15.5	—	—	**15.5**	0.9	15.5	—	**16.4**
Loan Notes due 2021 (including interest payments)	0.9	27.5	—	**28.4**	1.0	28.7	—	**29.7**
Loan Notes due 2023 (including interest payments)	1.2	4.9	25.6	**31.7**	1.2	4.9	26.8	**32.9**
Loan Notes due 2026 (including interest payments)	1.2	5.0	29.3	**35.5**	1.2	5.0	30.6	**36.8**
	19.5	**61.6**	**54.9**	**136.0**	**5.2**	**88.2**	**57.4**	**150.8**

(c) Hedging activities

Forward foreign currency exchange contracts

The Group utilizes forward foreign currency exchange contracts to hedge significant future transactions and cash flows to manage its exchange rate exposures. The contracts purchased are primarily denominated in GBP sterling, U.S. dollars, Euros and Australian dollars. The Group is also exposed to a number of other currencies like Japanese yen and Canadian dollars with hedges against these on a more ad hoc basis, when exposures are more significant.

At December 31, 2017, the fair value of forward foreign currency exchange contracts deferred in equity was a loss of $0.7 million (2016: loss of $3.1 million and 2015: loss of $0.4 million). During 2017, a gain of $0.6 million (2016: loss of $0.9 million and 2015: loss of $0.1 million) has been transferred to the consolidated income statement in respect of contracts that have matured in the year.

At December 31, 2017 and 2016, the Group held various forward foreign currency exchange contracts designated as hedges in respect of forward sales for U.S. dollars, Euros and Australian dollars for the receipt of GBP sterling or Euros. The Group also held forward foreign currency exchange contracts designated as hedges in respect of forward purchases for U.S. dollars by the sale of GBP sterling. The contract totals in GBP sterling and Euros, range of maturity dates and range of exchange rates are disclosed overleaf:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. Financial instruments (Continued)

December 31, 2017

Sales hedges	U.S. dollars	Euros	Australian dollars
Contract totals/£m	17.1	27.5	2.8
Maturity dates	01/18 to 07/19	01/18 to 07/19	06/18
Exchange rates	$1.2433 to $1.3444	€1.0949 to €1.1803	$1.7667

Purchase hedges	U.S. dollars	Euros	Australian dollars
Contract totals/£m	12.5	0.1	1.7
Maturity dates	01/18 to 07/19	01/18	06/18
Exchange rates	$1.2414 to $1.3389	€1.1084	$1.7161

December 31, 2016

Sales hedges	U.S. dollars	Euros	Australian dollars
Contract totals/£m	27.6	39.4	2.9
Maturity dates	01/17 to 11/18	01/17 to 11/18	09/17
Exchange rates	$1.2310 to $1.5638	€1.0951 to €1.4200	$1.7237

Purchase hedges	U.S. dollars	Euros
Contract totals/£m	25.7	2.5
Maturity dates	01/17 to 10/18	01/17 to 06/17
Exchange rates	$1.2311 to $1.5618	€1.1121 to €1.1804

Aluminum commodity contracts

The Group did not hold any forward aluminum commodity contracts at December 31, 2017 or December 31, 2016.

Forward interest rate agreements

The Group did not hold any forward interest rate agreements at December 31, 2017 or December 31, 2016.

LME derivative contracts

At December 31, 2017, the Group has hedged 3,000 metric tons of aluminum for supply in 2018, using its ancillary banking facilities. The fair value of LME derivative contracts deferred in equity was a gain of $1.2 million (2016: loss of $0.6 million and 2015: loss of $3.7 million).

(d) Foreign currency translation risk disclosures

Exchange gains and losses arising on the translation of the Group's non-U.S. assets and liabilities are classified as equity and transferred to the Group's translation reserve. In 2017, a gain of $11.6 million (2016: loss of $13.1 million and 2015: loss of $8.6 million) was recognized in translation reserves.

(e) Un-drawn committed facilities

At December 31, 2017, the Group had committed banking facilities of $150.0 million. The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at December 31, 2017 was £7.0 million ($9.5 million). Of the committed facilities, $21.3 million of loans were drawn and $nil for letters of credit were utilized. The Group also has a separate bonding facility for bank guarantees denominated in GBP sterling of £3.0 million ($4.1 million), of which £1.0 million ($1.4 million) was utilized at December 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

28. Financial instruments (Continued)

At December 31, 2016, the Group had committed banking facilities of $150.0 million. The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at December 31, 2016 was £7.0 million ($8.6 million). Of the committed facilities, $32.8 million of loans were drawn and $nil for letters of credit were utilized. The Group also has a separate bonding facility for bank guarantees denominated in GBP sterling of £3.0 million ($3.7 million), of which £1.0 million ($1.3 million) was utilized at December 31, 2016.

29. Retirement benefits

The Group has defined benefit pension plans in the U.K., the U.S. and France. The levels of funding are determined by periodic actuarial valuations. The assets of the plans are generally held in separate trustee-administered funds. The Group also operates defined contribution plans in the U.K., the U.S., Australia and Canada.

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

The principal defined benefit pension plan in the Group is the U.K. Luxfer Group Pension Plan ("the Plan"), which closed to new members in 1998, new employees then being eligible for a defined contribution plan. With effect from April 2004, the Plan changed from a final salary to a career average revalued earnings benefit scale. In August 2005, a plan specific earnings cap of £60,000 per annum subject to inflation increases was introduced, the figure had risen to £76,000 in 2015. 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 unexpected increases in life expectancies. In 2015, following a consultation with the Trustees and members, it was agreed the Plan would close to future accrual of benefits effective from April 5, 2016 and for the purpose of increasing pensions in payment, to use the Consumer Prices Index ("CPI") as the reference index in place of the Retail Prices Index ("RPI") where applicable. The remaining active members, numbering approximately 160, were transferred into a defined contribution plan. The weighted average duration of the expected benefit payments from the Plan is around 18 years. 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 Plan is registered with HMRC for tax purposes, operates separately from the Group and is managed by an independent set of Trustees. The Plan operates under U.K. trust law and the trust is a separate legal entity from the Group and is managed by an independent set of Trustees. The Plan is governed by a board of Trustees, composed of two member nominated Trustees and four company appointed Trustees.

The Trustees are required by law to act in the best interests of plan members and are responsible for setting certain policies (e.g. investment funding) together with the Company. A schedule of payments provides for deficit funding, which is based upon minimum annual contributions of £3.8 million per year, together with additional variable contributions based on 15% of net earnings of Luxfer Holdings PLC between £12.0 million and £24.0 million, and 10% of net earnings of Luxfer Holdings PLC in excess of £24.0 million.

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 U.S. In December 2005, this plan was closed to further benefit accrual with members being offered contributions to that company's 401(k) plan. At January 1, 2016, the U.S. pension plans (BA Holdings, Inc. Pension Plan and Luxfer Hourly Pension Plan) merged into one plan.

The total charge to the Group's consolidated income statement for 2017 for retirement benefits was a cost of $6.6 million (2016: cost of $6.4 million, 2015: credit of $9.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

The movement in the pension liabilities is shown below:

	2017 $M	2016 $M
Balance at January 1	**66.5**	58.9
(Credited) / charged to the consolidated income statement:		
Curtailment credit	**—**	(0.6)
Current service cost	**0.1**	0.4
Net interest on net liability	**1.8**	2.0
Administrative costs	**0.7**	0.9
Total charge for defined contribution plans	**4.0**	3.7
Cash contributions	**(12.9)**	(10.9)
(Credited) / charged to the consolidated statement of comprehensive income	**(9.5)**	21.7
Exchange difference	**4.6**	(9.6)
Balance at December 31	**55.3**	66.5

The financial assumptions used in the calculations were:

	Projected Unit Credit Valuation					
	U.K.			Non-U.K.		
	2017 %	2016 %	2015 %	2017 %	2016 %	2015 %
Discount rate	**2.40**	2.60	3.70	3.60	4.20	4.50
Retail Price Inflation	**3.10**	3.20	3.00	—	—	—
Inflation related assumptions:						
Salary inflation	**n/a**	n/a	4.00	—	—	—
Consumer Price Inflation	**2.10**	2.20	2.00	—	—	—
Pension increases—pre 6 April 1997	**1.90**	2.00	1.80	—	—	—
—1997 - 2005	**2.10**	2.20	2.10	—	—	—
—post 5 April 2005	**1.70**	1.80	1.70	—	—	—

Other principal actuarial assumptions:	2017 Years	2016 Years
Life expectancy of male / female in the U.K. aged 65 at accounting date	**21.6 / 24.6**	21.5 / 24.5
Life expectancy of male / female in the U.K. aged 65 at 20 years after accounting date	**23.3 / 26.5**	23.2 / 26.4

Investment strategies

For the principal defined benefit plan in the Group and the U.K., the Luxfer Group Pension Plan, the assets are invested in a diversified range of asset classes and include matching assets (comprising fixed interest and index linked bonds and swaps) and growth assets (comprising all other assets). The Trustees have formulated a de-risking strategy to help control the short-term risks of volatility associated with holding growth assets. The Trustees also monitor the cost of a buy-in to secure pensioner liabilities with an insurance company to ensure they and the Company are able to act if such an opportunity arises. Other options to progressively reduce the scale of the liabilities are discussed between the Trustees and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

Risk exposures

The Group is at risk of adverse experience relating to the defined benefit plans.

The plans hold a high proportion of assets in equity and other growth investments, with the intention of growing the value of assets relative to liabilities. The Group is at risk if the value of liabilities grows at a faster rate than the plans assets, or if there is a significant fall in the value of these assets not matched by a fall in the value of liabilities. If these events occurred, this would be expected to lead to an increase in the Group's future cash contributions.

Special events

In 2016 annuities were purchased settling $10.0 million of liabilities of the U.S. plan with an associated settlement charge of $0.1 million. Lump sums were also paid of $4.2 million with an associated settlement credit of $0.7 million. The gross amounts settled were $14.8 million and $14.2 million during this exercise.

In 2015, following a consultation with the Trustees and members, it was agreed that the Luxfer Group Pension Plan in the U.K. would close to future accrual of benefits effective from April 5, 2016 and for the purpose of increasing pensions in payment, to use CPI as the reference index in place of RPI where applicable. As a result, in 2015 the Group has recognized a curtailment credit of $3.3 million in respect of the closure of the Plan to future accrual and a past service credit of $14.9 million in respect of the change in expected future pension increases in payment.

The amounts recognized in the consolidated income statement in respect of the pension plans were as follows:

	2017 U.K. $M	2017 Non-U.K. $M	2017 Total $M	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M	2015 U.K. $M	2015 Non-U.K. $M	2015 Total $M
In respect of defined benefit plans:									
Current service cost	—	**0.1**	**0.1**	0.3	0.1	0.4	1.4	0.1	1.5
Net interest on net liability	**1.4**	**0.4**	**1.8**	1.5	0.5	2.0	2.5	0.5	3.0
Administrative expenses	**0.2**	**0.5**	**0.7**	0.4	0.5	0.9	1.0	0.3	1.3
Past service credit	—	—	—	—	—	—	(14.9)	—	(14.9)
Curtailment credit	—	—	—	—	(0.6)	(0.6)	(3.3)	—	(3.3)
Total charge / (credit) for defined benefit plans	**1.6**	**1.0**	**2.6**	2.2	0.5	2.7	(13.3)	0.9	(12.4)
In respect of defined contribution plans:									
Total charge for defined contribution plans	**1.9**	**2.1**	**4.0**	1.6	2.1	3.7	1.3	1.8	3.1
Total charge / (credit) for pension plans	**3.5**	**3.1**	**6.6**	3.8	2.6	6.4	(12.0)	2.7	(9.3)

Of the total charge for the year (2016: charge for the year and 2015: credit for the year), charges of $4.1 million and $0.7 million (2016: $4.1 million and $0.9 million and 2015: $4.6 million and $1.3 million); have been included in cost of sales and administrative costs, respectively; a charge of $nil (2016: credit of $0.6 million and 2015: credit of $18.0 million) has been recognized as changes to defined benefit pension plans in the consolidated income statement and a charge of $1.8 million (2016: $2.0 million and 2015: $3.0 million) has been included in finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

For the year, the amount of gain recognized in the Consolidated Statement of Comprehensive Income is $9.5 million (2016: loss of $21.7 million and 2015: gain of $4.4 million).

The actual return of the plans assets was a gain of $33.2 million (2016: gain of $56.4 million and 2015: loss of $0.6 million).

The value of the plans assets were:

	2017 U.K. $M	2017 Non-U.K. $M	2017 Total $M	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M
Assets in active markets:						
Equities and growth funds	**203.4**	**22.9**	**226.3**	171.6	20.6	192.2
Government bonds	**49.9**	**—**	**49.9**	44.3	—	44.3
Corporate bonds	**72.7**	**18.3**	**91.0**	64.5	16.0	80.5
Cash	**0.3**	**—**	**0.3**	(0.1)	—	(0.1)
Total market value of assets	**326.3**	**41.2**	**367.5**	280.3	36.6	316.9
Present value of plan liabilities	**(369.7)**	**(53.1)**	**(422.8)**	(334.8)	(48.6)	(383.4)
Deficit in the plans	**(43.4)**	**(11.9)**	**(55.3)**	(54.5)	(12.0)	(66.5)
Related deferred income tax assets	**7.8**	**3.1**	**10.9**	10.2	4.4	14.6
Net pension liabilities	**(35.6)**	**(8.8)**	**(44.4)**	(44.3)	(7.6)	(51.9)

The plans do not invest directly in property occupied by the Group or in financial securities issued by the Group.

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

	2017 U.K. $M	2017 Non-U.K. $M	2017 Total $M	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M
At January 1	**334.8**	**48.6**	**383.4**	334.4	61.0	395.4
Service cost	**—**	**0.1**	**0.1**	0.3	0.1	0.4
Interest on obligation	**8.9**	**1.9**	**10.8**	10.9	2.6	13.5
Contributions from plan members	**—**	**—**	**—**	0.1	—	0.1
Actuarial gains on financial assumptions	**6.9**	**3.8**	**10.7**	67.5	2.6	70.1
Actuarial gains on plan experience	**3.5**	**0.5**	**4.0**	(3.3)	(0.2)	(3.5)
Exchange difference	**31.7**	**0.3**	**32.0**	(59.3)	(0.1)	(59.4)
Benefits paid	**(16.1)**	**(2.1)**	**(18.2)**	(15.8)	(2.6)	(18.4)
Curtailment credit	**—**	**—**	**—**	—	(14.8)	(14.8)
At December 31	**369.7**	**53.1**	**422.8**	334.8	48.6	383.4

The defined benefit obligation comprises $2.1 million (2016: $2.6 million) arising from unfunded plans and $420.7 million (2016: $380.8 million) from plans that are funded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

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

Assumption	Change in assumption	Impact on total defined benefit obligations
Discount rate	Increase/decrease by 1.0%	Decrease/increase by 18%
CPI inflation (and related increases)	Increase/decrease by 1.0%	Increase/decrease by 10%
Post retirement mortality	Increase by 1 year	Increase by 4%

The sensitivities have been calculated to show the movement in the total defined benefit obligation in isolation, assuming no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is likely to be associated with a movement in the value of the invested assets held by the plans.

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

	2017 U.K. $M	2017 Non-U.K. $M	2017 Total $M	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M
At January 1	**280.3**	**36.6**	**316.9**	287.1	49.4	336.5
Interest on plan assets	**7.5**	**1.5**	**9.0**	9.4	2.1	11.5
Actuarial gains	**20.4**	**3.8**	**24.2**	43.7	1.2	44.9
Exchange difference	**27.4**	**—**	**27.4**	(49.8)	—	(49.8)
Contributions from employer	**7.0**	**1.9**	**8.9**	6.0	1.2	7.2
Contributions from plan members	**—**	**—**	**—**	0.1	—	0.1
Administrative expenses	**(0.2)**	**(0.5)**	**(0.7)**	(0.4)	(0.5)	(0.9)
Benefits paid	**(16.1)**	**(2.1)**	**(18.2)**	(15.8)	(2.6)	(18.4)
Settlement credit	**—**	**—**	**—**	—	(14.2)	(14.2)
At December 31	**326.3**	**41.2**	**367.5**	280.3	36.6	316.9

The estimated amount of employer contributions expected to be paid to the defined benefit pension plans for the year ending December 31, 2018 is $8.7 million (2017: $8.9 million actual employer contributions).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

30. 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 Group in trust to be used to satisfy options granted to eligible senior employees under the Group's share plans established from time to time.

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

The current plan

The current share option plan, implemented by the Group in February 2007 is The Luxfer Holdings Executive Share Option Plan ("the Plan"), which consists of two parts. Part A of the Plan is approved by HM Revenue & Customs and Part B is unapproved. Options can be exercised at any time up to the tenth anniversary of their grant subject to the rules of the relevant part of the Plan. As a result of the I.P.O. all leaver restrictions over the shares were released. There are no other performance criteria attached to the options.

Movements in the year

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

	Number of shares held by ESOP Trustees	
	£0.0001 deferred shares	£0.50 ordinary shares
At January 1, 2017	15,977,968,688	55,816
Shares utilized during the year	—	(34,594)
Shares transferred into ESOP during the year	—	83,487
At December 31, 2017	15,977,968,688	104,709

At December 31, 2017, the loan outstanding from the ESOP was $2.6 million (2016: $2.6 million).

The market value of each £0.50 ordinary share held by the ESOP at December 31, 2017 was $15.80 (2016: $10.89).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

31. Share based compensation

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

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

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

Share option and restricted stock awards

As a tool to retain key people and align their interests with those of shareholders, a one-off award of market-value options was made to a small number of executives and the non-executive directors immediately prior to the I.P.O. in 2012. 40% of the options granted vested immediately and 20% of the options vested upon each of the first, second and third anniversaries of the I.P.O.

In January 2013, 306,200 Restricted Stock Units and Options over ordinary shares, were granted under the LTiP and 9,252 ADS Restricted Stock was granted under the Director EIP. In March 2013, 1,924 ADS Restricted Stock was granted under the Director EIP. These awards were a mixture of time-based, market-based and performance-based awards.

In March 2014, 201,870 Restricted Stock Units and Options over ordinary shares were granted under the LTiP, which were all performance-based awards. Following the Annual General Meeting on May 29, 2014, 12,517 Restricted Stock Units and Options over ordinary shares were granted under the Director EIP, which were all time-based awards.

In June 2015, 46,800 Restricted Stock Units and Options over ordinary shares were granted under the LTiP, which were all time-based awards. Following the Annual General Meeting on May 28, 2015, 15,943 Restricted Stock Units and Options over ordinary shares were granted under the Director EIP, which were all time-based awards.

In March 2016, 95,140 Restricted Stock Units and Options over ordinary shares were granted under the LTiP, which were all time-based awards. Following the Annual General Meeting on May 24, 2016, 12,520 Restricted Stock Units and Options over ordinary shares were granted under the Director EIP, which were all time-based awards.

In March 2017, 139,800 Restricted Stock Units and Options over ordinary shares were granted under the LTiP, which were all time-based awards. Following the Annual General Meeting on May 23, 2017, 21,814 Restricted Stock Units and Options over ordinary shares were granted under the Director EIP, which were all time-based awards.

	2017 $M	2016 $M	2015 $M
I.P.O. related share based compensation charges	**—**	—	0.1
Other share based compensation charges	**2.2**	1.4	1.3
Restructuring share based compensation charges	**0.9**	—	—
	3.1	1.4	1.4

There were no cancellations or modifications to the awards in 2017, 2016 or 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

31. Share based compensation (Continued)

The following table illustrates the number of, and movements in, share options during the year, with each option relating to 1 ordinary share:

	2017 Number	2017 Weighted average exercise price	2016 Number	2016 Weighted average exercise price
At January 1	963,789	$8.51	1,144,534	$7.26
Granted during the year	386,614	$0.65	107,660	$0.67
Exercised during the year	(172,501)	$(5.03)	(132,599)	$(0.67)
Accrued dividend awards	12,258	$0.65	12,572	$0.67
Lapsed during the year	(7,845)	$(0.65)	(168,378)	$(0.67)
At December 31	**1,182,315**	**$6.42**	**963,789**	**$8.51**

Within the share options which were outstanding at the year-end of 1,182,315 (2016: 963,789), 740,253 (2016: 819,856), were able to be exercised. The weighted average remaining contractual life for the share options outstanding at December 31, 2017 was 2.4 years (2016: 2.9 years). The weighted average fair value of options granted during the year was $9.82 (2016: $9.39).

The following table illustrates the assumptions used in deriving the fair value of share options during the year:

	2017	2016
Dividend yield (%)	**4.00**	4.00
Expected volatility range (%)	**26.81 - 35.81**	29.73 – 38.73
Risk-free interest rate (%)	**1.00 - 2.01**	0.36 – 1.05
Expected life of share options range (years)	**0.50 - 7.36**	1 - 3.5
Weighted average exercise price ($)	**$0.65**	$0.67
Model used	**Black-Scholes**	Black-Scholes

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

Employee share incentive plans

The Group operates an all-employee share incentive plan in its U.K. and U.S. operations and will look to implement plans in other geographic regions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

32. Related party transactions

Joint venture in which the Group is a venturer

During 2017, the Group maintained its 51% investment in the equity of the joint venture, Luxfer Uttam India Private Limited. During 2017, the Gas Cylinders division made $1.9 million (2016: $1.7 million) of sales to the joint venture. At December 31, 2017, the gross amounts receivable from the joint venture amounted to $2.3 million (2016: $0.9 million) and the net amounts receivable amounted to $0.9 million (2016: $0.9 million). All sales to the joint venture are made on similar terms to arms length transactions.

During 2017, the Group also maintained its 50% investment in the equity of the joint venture, Nikkei-MEL Company Limited. During 2017, the Elektron division made $1.2 million of sales to the joint venture (2016: $0.8 million).

During 2017, the Group provided $0.9 million in debt investment (2016: received $1.0 million in repayment) to the joint venture Luxfer Holdings NA, LLC, of which it holds 49% of the equity. The debt investment is provided through a secured revolving credit facility that the Group has granted to the joint venture of which up to $10.0 million can be drawn down until March 31, 2018 at an interest rate of 8% per annum. During 2017, the Gas Cylinders division made $5.0 million (2016: $3.9 million) of sales to the joint venture. At December 31, 2017, the amounts receivable from the joint venture amounted to $0.9 million (2016: $1.0 million) of trade debt and $4.7 million (2016: $3.8 million) of debt investment. All sales to the joint venture are made on similar terms to arm's length transactions.

Associates in which the Group holds an interest

During 2015, the Group acquired 26.4% of the share capital of Sub161 Pty Limited. In 2017 the Group has made $nil sales (2016: $0.1 million) to the associate. At December 31, 2017, the amounts receivable from the associate denominated in Australian dollars was $nil (2016: $0.1 million). The debtor recognized in the 2015 was converted into a secured loan note during 2016. The secured loan note has interest accruing at 6.0%, of which $nil was outstanding at the year end (net of $0.5 million provision).

Transactions with other related parties

At December 31, 2017, the directors and key management comprising the members of the Executive Leadership Team, owned 170,297 £0.50 ordinary shares (2016: 1,062,672 £0.50 ordinary shares) and held awards over a further 316,797 £0.50 ordinary shares (2016: 476,839 £0.50 ordinary shares).

During the year ended December 31, 2017, share options held by members of the Executive Leadership Team were exercised; information relating to these exercises is disclosed in the Remuneration Report.

Stone Canyon Industries LLC represents a related party due to its association with Adam Cohn as co-CEO, and holds 570,000 ordinary shares in Luxfer Holdings PLC as at December 31, 2017 (2016: 570,000 ADSs).

FTI consulting represents a related party due to its association with Brian Kushner as Senior Managing Director, Corporate Finance. During 2017, we engaged with FTI consulting for IT services for the value of $0.1 million (2016: nil).

Cherokee Properties Inc. represents a related party due to its association with Chris Barnes, who is the president of one of our operating segments and is the president of Cherokee Properties Inc. During 2017, we engaged with Cherokee Properties Inc. for rental costs regarding our manufacturing site in Madison, IL for the value of $1.0 million (2016: $1.0 million).

The son of the retired Chief Executive Officer was employed by the Group during 2017, having joined through the normal recruitment channels.

Other than the transactions with the joint ventures and associates disclosed above and key management personnel disclosed above, no other related party transactions have been identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

All amounts in millions, except share and per share data

33. Post Balance Sheet Events

Since the balance sheet date, the Company has reached an out-of-court settlement with regards to the patent infringement litigation which we had been pursuing. The settlement has been recognized as an accrual at December 31, 2017.

Furthermore, post year end we have announced plans to close our plants in Brigham City, UT and Findley, OH. The operations from our Brigham City operation will be moved to our Canadian gas cylinders facility and the operations from Findlay will be moved to our Madison, IL facility.

COMPANY BALANCE SHEET

All amounts in millions

	Note	December 31, 2017 £M	December 31, 2016 £M
ASSETS			
Non-current assets			
Investments	36	**318.3**	315.6
Deferred income taxes	37	**8.4**	10.3
		326.7	325.9
Current assets			
Trade and other receivables	38	**3.5**	3.8
Cash and cash equivalents	39	**0.8**	1.4
		4.3	5.2
TOTAL ASSETS		**331.0**	331.1
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	40	**13.5**	13.5
Deferred share capital	40	**76.9**	76.9
Share premium account	40	**35.3**	35.3
Treasury shares	40	**(4.0)**	(5.0)
Retained earnings		**139.2**	115.3
Own shares held by ESOP	40	**(0.8)**	(0.4)
Share based compensation reserve	40	**3.5**	2.4
Capital and reserves attributable to the Company's equity shareholders		**263.6**	238.0
Total equity		**263.6**	238.0
Non-current liabilities			
Bank and other loans	41	**32.8**	46.0
Retirement benefits	45	**32.1**	43.6
		64.9	89.6
Current liabilities			
Trade and other payables	42	**2.5**	3.5
Total liabilities		**67.4**	93.1
TOTAL EQUITY AND LIABILITIES		**331.0**	331.1

The Group has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to present Luxfer Holding PLC's Company income statement. Net income for the year was £27.1 million.

SIGNED ON BEHALF OF THE BOARD

Alok Maskara

March 19, 2018

Company Registration no. 03690830

COMPANY CASH FLOW STATEMENT

All amounts in millions

	Note	2017 £M	2016 £M
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**27.1**	18.2
Adjustments to reconcile net income for the year to net cash flows from continuing			
Deferred income taxes		**0.8**	0.6
Share based compensation charges net of cash settlement		**0.1**	0.1
Net interest gained		**(2.6)**	(3.3)
Dividends received		**(24.3)**	(8.2)
Exchange difference charged / (credited) to income statement		**1.7**	(3.0)
Changes in operating assets and liabilities:			
(Increase) / decrease in receivables		**(2.1)**	1.6
Decrease/(increase) in payables		**(1.1)**	0.4
Movement in retirement benefits obligations		**(4.6)**	(4.1)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(5.0)**	**2.3**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**24.3**	8.2
Intercompany loans: debt funding		**(3.7)**	0.8
Intercompany loans: interest received		**5.8**	5.3
NET CASH FLOWS FROM INVESTING ACTIVITIES		**26.4**	14.3
NET CASH FLOWS BEFORE FINANCING		**21.4**	16.6
FINANCING ACTIVITIES			
Interest and similar finance costs paid on banking facilities		**(0.8)**	(0.6)
Interest paid on Loan Notes		**(0.7)**	(0.7)
Repayment on banking facilities		**(8.9)**	—
Extension to banking facilities - financing costs		**(0.9)**	—
Dividends paid		**(10.4)**	(9.8)
Treasury shares cash movements		**(0.3)**	(4.4)
ESOP cash movements		**—**	(0.8)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(22.0)**	(16.3)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(0.6)**	0.3
Cash and cash equivalents at January 1	39	**1.4**	1.1
Cash and cash equivalents at December 31	39	**0.8**	1.4

COMPANY STATEMENT OF CHANGES IN EQUITY

All amounts in millions

		Equity attributable to the equity shareholders of the parent							
	Note	Ordinary share capital £M	Deferred share capital £M	Share premium account £M	Treasury shares £M	Retained earnings £M	Own shares held by ESOP £M	Share based compensation reserve £M	Total equity £M
At January 1, 2016		**13.5**	**76.9**	**35.3**	**(0.9)**	**118.6**	**(0.2)**	**2.9**	**246.1**
Net income for the year		—	—	—	—	18.2	—	—	18.2
Remeasurement of defined benefit retirement plan		—	—	—	—	(15.0)	—	—	(15.0)
Deferred income taxes on items taken to other comprehensive income		—	—	—	—	2.9	—	—	2.9
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**6.1**	**—**	**—**	**6.1**
Equity dividends		—	—	—	—	(9.8)	—	—	(9.8)
Equity settled share based compensation charges	40	—	—	—	—	—	—	0.8	0.8
Purchase of own shares	40	—	—	—	(4.4)	—	—	—	(4.4)
Purchase of shares from ESOP	40	—	—	—	—	—	(0.8)	—	(0.8)
Utilization of treasury shares	40	—	—	—	0.3	0.2	—	(0.5)	—
Utilization of ESOP shares	40	—	—	—	—	0.2	0.6	(0.8)	—
Other changes in equity in the year		**—**	**—**	**—**	**(4.1)**	**(9.4)**	**(0.2)**	**(0.5)**	**(14.2)**
At December 31, 2016		**13.5**	**76.9**	**35.3**	**(5.0)**	**115.3**	**(0.4)**	**2.4**	**238.0**
Net income for the year		**—**	**—**	**—**	**—**	**27.1**	**—**	**—**	**27.1**
Remeasurement of defined benefit retirement plan		**—**	**—**	**—**	**—**	**8.1**	**—**	**—**	**8.1**
Deferred income taxes on items taken to other comprehensive income		**—**	**—**	**—**	**—**	**(1.6)**	**—**	**—**	**(1.6)**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**33.6**	**—**	**—**	**33.6**
Equity dividends paid		**—**	**—**	**—**	**—**	**(10.4)**	**—**	**—**	**(10.4)**
Equity settled share based compensation charges	40	**—**	**—**	**—**	**—**	**—**	**—**	**1.9**	**1.9**
Transfer from treasury shares to ESOP shares	40	**—**	**—**	**—**	**0.6**	**—**	**(0.6)**	**—**	**—**
Utilization of treasury shares	40	**—**	**—**	**—**	**0.4**	**0.1**	**—**	**(0.5)**	**—**
Utilization of ESOP shares	40	**—**	**—**	**—**	**—**	**0.1**	**0.2**	**(0.3)**	**—**
Deferred income taxes on items taken to equity	37	**—**	**—**	**—**	**—**	**0.5**	**—**	**—**	**0.5**
Other changes in equity in the year		**—**	**—**	**—**	**1.0**	**(9.7)**	**(0.4)**	**1.1**	**(8.0)**
At December 31, 2017		**13.5**	**76.9**	**35.3**	**(4.0)**	**139.2**	**(0.8)**	**3.5**	**263.6**

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

34. Significant accounting policies

Authorization of financial statements

The Company financial statements for the year ended December 31, 2017 were authorized for issue by the Board of Directors on March 19, 2018 and the balance sheet was signed on the Board's behalf by A. Maskara. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and interpretations issued by the IFRS Interpretation Committee, and as such comply with Article 4 of the EU IAS regulation and The Companies Act 2006 as applicable to companies using IFRS.

The accounting policies set out in this note to the financial statements have been applied in preparing these financial statements and comparative information.

The Company financial statements have been prepared on a historical cost basis, except where IFRS requires or permits fair value measurement.

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

Investments

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

Loans to subsidiary undertakings and joint ventures are initially recorded at fair value; they are then subsequently carried at amortised cost. The loans are interest bearing.

The Company grants share-based payments to the employees of subsidiary companies. Each period the fair value of the employee services received by the subsidiary as a capital contribution from the Company is reflected as an addition to investments.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), which is GBP sterling. The presentational currency of the Company is GBP sterling.

Other accounting policies

As applicable, the accounting policies of the Company follow those of the Group set out in Note 1 to the consolidated financial statements. The critical accounting judgments and key sources of estimation uncertainty applicable for the Company financial statements are impairment of non-financial assets, pensions and deferred income taxes.

35. Directors' interests

Disclosure of individual directors' remuneration, share interests, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 are shown on pages 37 to 63 and form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

36. Investments

	Investments in subsidiary undertakings £M	Loans to subsidiary undertakings £M	Capital contributions £M	Loans to joint ventures £M	Total £M
Cost and net book value:					
At January 1, 2016	218.0	82.2	1.7	3.2	305.1
Additions	—	—	0.7	—	0.7
Repayments	—	—	—	(0.8)	(0.8)
Exchange difference	—	10.0	—	0.6	10.6
At December 31, 2016	218.0	92.2	2.4	3.0	315.6
Additions	—	5.3	2.1	0.7	8.1
Exchange difference	—	(5.2)	—	(0.2)	(5.4)
At December 31, 2017	**218.0**	**92.3**	**4.5**	**3.5**	**318.3**

Details of the investments in which the Group or the Company holds share capital at 31 December, 2017, are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
BA Holdings, Inc.*	U.S. [3]	Common stock	100%	Holding company
Biggleswick Limited *	England and Wales[2]	Ordinary shares	100%	Non trading
Luxfer Group Services Limited *	England and Wales[2]	Ordinary shares	100%	Property Services
LGL 1996 Limited *	England and Wales[2]	Ordinary shares / Preference shares	100%	Dormant
BAL 1996 Limited *	England and Wales[2]	Ordinary shares	100%	Dormant
Hart Metals, Inc. *	U.S.[5]	Common stock	100%	Manufacturing
Lumina Trustee Limited [1]	England and Wales[2]	Ordinary shares	100%	Trustee company
Luxfer Australia Pty Limited *	Australia[6]	Ordinary shares	100%	Distribution
Luxfer Gas Cylinders Limited *	England and Wales[2]	Ordinary shares	100%	Engineering
Luxfer Gas Cylinders China Holdings Limited *	England and Wales[2]	Ordinary shares	100%	Holding company
Luxfer Gas Cylinders (Shanghai) Co., Limited *	People's Republic of China[7]	Ordinary shares	100%	Manufacturing
Luxfer Group Limited	England and Wales[2]	Ordinary shares	100%	Holding company
Luxfer Group 2000 Limited	England and Wales[2]	Ordinary shares	100%	Holding company
Luxfer, Inc.*	U.S. [3]	Common stock	100%	Engineering
Luxfer Overseas Holdings Limited *	England and Wales[2]	Ordinary shares	100%	Holding company
Magnesium Elektron Limited *	England and Wales[2]	Ordinary shares	100%	Manufacturing
MEL Chemicals, Inc.*	U.S.[8]	Common stock / Preference shares	100%	Manufacturing
Magnesium Elektron North America, Inc. *	U.S.[5]	Common stock	100%	Manufacturing
Magnesium Elektron CZ s.r.o. *	Czech Republic[13]	Basic capital	100%	Manufacturing
MEL Chemicals China Limited *	England and Wales[2]	Ordinary shares	100%	Dormant
Niagara Metallurgical Products Limited *	Canada[9]	Common stock	100%	Manufacturing
Reade Manufacturing, Inc.*	U.S.[5]	Common stock	100%	Manufacturing
Luxfer Gas Cylinders S.A.S. *	France[4]	Ordinary shares	100%	Engineering
Luxfer Canada Limited *	Canada[10]	Common stock	100%	Engineering
Luxfer Germany GmbH *	Germany[11]	Ordinary shares	100%	Engineering
Luxfer Utah LLC *	U.S.[12]	Common stock	100%	Manufacturing
HyPerComp Engineering Inc.*	U.S.[12]	Common stock	100%	Engineering
Luxfer Magtech Inc.*	U.S.[5]	Common stock	100%	Manufacturing
Luxfer Magtech International Limited *	England and Wales[2]	Common stock	100%	Dormant

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

36. Investments (Continued)

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Other Investments				
Luxfer Uttam India Private Limited *	India[14]	Ordinary shares	51%	Engineering
Nikkei-MEL Co Limited *	Japan[15]	Ordinary shares	50%	Distribution
Dynetek Cylinders India Private Limited	India[16]	Ordinary shares	49%	Engineering
Dynetek Korea Co Limited *	South Korea[17]	Ordinary shares	49%	Engineering
Luxfer Holdings NA, LLC *	U.S.[18]	Capital Interest	49%	Engineering
GTM Technologies, LLC *	U.S.[18]	Capital Interest	49%	Engineering
Gas Transport Leasing, LLC *	U.S.[18]	Capital Interest	49%	Engineering
Sub161 Pty Limited *	Australia[19]	Ordinary shares	26.4%	Engineering

Subsidiary undertakings are all held directly by the Company unless indicated.
* Held by a subsidiary undertaking.
1 Acts as bare trustee in connection with the 2007 share capital reorganisation.
2 Registered address: Lumns Lane, Manchester, M27 8LN, England.
3 Registered address: 1679 S. Dupont Hwy, Ste 100, Dover, DE 199091, U.S.
4 Registered address: 7 Rue de l'Industrie, 63360 Gerzat, France.
5 Registered address: The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.
6 Registered address: Unit 4, 171-175 Newton Road, Wetherill Park, NSW 2164, Australia.
7 Registered address: No. 123, Lane 150, Pingbei Road, Minghang District, Shanghai, PRC 201109, China.
8 Registered address: c/o CT Corporation, 830 Bear Tavern Road, Trenton, NJ 08628, U.S.
9 Registered address: David Toswell of Blake, Cassels & Graydon LLP, 1114 Harvest Drive, Pickering, ON, L1X 1B6, Canada.
10 Registered address: (Torys) 525-8th Avenue S.W, 46th Floor, Eighth Avenue Place East, Calgary, Alberta, T2P 1G1, Canada.
11 Registered address: Am Alten Stadtpark 37, 44791 Bochum, Germany.
12 Registered address: 1080 N. Main Street, Suite 2 Brigham City, UT 84302, U.S.
13 Registered address: Nádražní 214, 435 33 Louka u Litvínova, Czech Republic.
14 Registered address: 90/5 Okhla Industrial Area, Phase-1, New Delhi - 110020, Delhi, India
15 Registered address: NYK Tennoz Building, 2-20 Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo, 140-8628, Japan
16 Registered address: B/201, Amrut Industrial Estate, Western Express Highway, Mira Road (East), Thane-401104, Maharashtra, India
17 Registered address: 606 Shinnam-ri, Dunpo-myun, Asan-si Chungnam, Korea 336-873
18 Registered address: Corporation Service Comp., 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, DE 19808, USA
19 Registered address: 112 Bluestone Circuit, Seventeen Mile Rocks, QLD 4073, Australia

37. Deferred income taxes

	Tax losses and other timing differences £M	Retirement benefit obligations £M	Total £M
At January 1, 2016	2.0	6.0	**8.0**
Credited/(charged) to income statement	0.1	(0.7)	**(0.6)**
Charged to other comprehensive income	—	2.9	**2.9**
At December 31, 2016	2.1	8.2	**10.3**
Credited/(charged) to income statement	(0.1)	(0.7)	**(0.8)**
Credited to other comprehensive income	—	(1.6)	**(1.6)**
Credited to equity	0.5	—	**0.5**
At December 31, 2017	**2.5**	**5.9**	**8.4**

At the balance sheet date, the Company has unrecognized deferred income tax assets relating to certain trading and capital losses of £7.5 million (2016: £7.6 million) potentially available for offset against future profits. A deferred tax asset of £2.5 million (2016: £2.1 million) has been recognized in relation to timing differences and losses, to the extent that it is deemed probable that sufficient taxable profit will be available against which the losses may be utilized.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

38. Trade and other receivables

	December 31, 2017 £M	December 31, 2016 £M
Amounts owed by Group undertakings	**3.5**	3.8

The amounts owed by Group undertakings are unsecured, repayable on demand and no interest is charged.

39. Cash and cash equivalents

	December 31, 2017 £M	December 31, 2016 £M
Cash at bank and in hand	**0.8**	**1.4**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

40. Share capital and Reserves

(a) Ordinary share capital

	December 31, 2017 No.	December 31, 2016 No.	December 31, 2017 £M	December 31, 2016 £M
Authorized:				
Ordinary shares of £0.50 each	**40,000,000**	40,000,000	**20.0**	20.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,463,688,000	769,463,688,000	**96.9**	96.9
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	**27,136,799**	27,136,799	**13.5**	13.5
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**76.9**	76.9
	769,440,844,799	769,440,844,799	**90.4**	90.4

The rights of the shares are as follows:

Ordinary shares of £0.50 each

The ordinary shares carry no entitlement to an automatic dividend but rank pari passu in respect of any dividend declared and paid. During 2017 and 2016, the Company has not allotted or issued any ordinary shares.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

40. Share capital and Reserves (Continued)

(b) American Depositary Shares

At December 31, 2017, there were no ADSs (2016: 25,180,726 ADSs) of Luxfer Holdings PLC listed on the New York Stock Exchange (NYSE) following the decision to terminate its ADR facility and to convert outstanding ADSs into ordinary shares. The Depositary for the ADSs held one £0.50 ordinary share for every ADS traded, through American Depositary Receipts.

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

(c) Share premium account

	£M
At January 1, 2016	35.3
At December 31, 2016	35.3
At December 31, 2017	**35.3**

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

(d) Treasury shares

	£M
At January 1, 2016	(0.9)
Purchase of own shares	(4.4)
Utilization of treasury shares	0.3
At December 31, 2016	(5.0)
Transfer of treasury shares into ESOP	0.6
Utilization of treasury shares	0.4
At December 31, 2017	**(4.0)**

In June 2015, the Board announced a share buy-back program of up to $10 million, to cover the needs of employee share plans. Shareholder approval for this program was granted at the 2014 Annual General Meeting (for repurchases up to an aggregate amount of 2,700,000 ordinary shares).

During 2016, 634,185 ordinary shares were repurchased under the share buy-back program at a cost of $4.4 million; these repurchased shares are presented as treasury shares.

At December 31, 2017, there were 527,616 treasury shares held at a cost of £4.0 million (2016: 665,424 treasury shares held at a cost of £5.0 million).

(e) Own shares held by ESOP

	£M
At January 1, 2016	(0.2)
Purchases of shares into ESOP	(0.8)
Utilization of ESOP shares	0.6
At December 31, 2016	(0.4)
Transfer of treasury shares into ESOP	(0.6)
Utilization of ESOP shares	0.2
At December 31, 2017	**(0.8)**

At December 31, 2017, there were 104,709 ordinary shares of £0.50 each (2016: 55,816 ordinary shares of £0.50 each) held by The Luxfer Group Employee Share Ownership Plan.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

40. Share capital and Reserves (Continued)

(f) Share based compensation reserve

	£M
At January 1, 2016	2.9
Equity settled share based compensation charges	0.8
Utilization of treasury shares	(0.5)
Utilization of ESOP shares	(0.8)
At December 31, 2016	2.4
Equity settled share based compensation charges	1.9
Utilization of treasury shares	(0.5)
Utilization of ESOP shares	(0.3)
At December 31, 2017	**3.5**

The share based compensation reserve is used to recognize the fair value of options and performance shares granted under IFRS 2. For further information refer to Notes 18 and 31 in the consolidated financial statements.

41. Bank and other loans

Non-current	December 31, 2017 £M	December 31, 2016 £M
Loan Notes due 2021 - gross	18.5	20.3
Unamortized finance costs	(0.1)	(0.1)
Loan Notes due 2021 - net	**18.4**	20.2
Revolving credit facility - gross	15.8	26.6
Unamortized finance costs	(1.4)	(0.8)
Revolving credit facility - net	**14.4**	25.8
	32.8	46.0

The seven-year private placement will be repayable in full in 2021, bears interest at 3.67% and is unsecured. At December 31, 2017, the total amount outstanding on the Loan Notes due 2021 was £18.5 million, which is shown in bank and other loans net of unamortized finance costs of £0.1 million.

The maturity profile of the Group's undiscounted contractual payments is disclosed in Note 27 in the consolidated financial statements

42. Trade and other payables

	December 31, 2017 £M	December 31, 2016 £M
Amounts owed to Group undertakings	**2.0**	3.1
Accruals	**0.5**	0.4
	2.5	3.5

The amounts owed to Group undertakings are unsecured, repayable on demand and no interest is charged.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

43. 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 Company's operating activities.

(a) Financial instruments of the Company

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

Financial instruments:	Book value December 31, 2017 £M	Fair value December 31, 2017 £M	Book value December 31, 2016 £M	Fair value December 31, 2016 £M
Financial assets:				
Loans to subsidiary undertakings	**92.3**	**92.3**	92.2	92.2
Loans to joint ventures	**3.5**	**3.5**	3.0	3.0
Cash at bank and in hand	**0.8**	**0.8**	1.4	1.4
Financial liabilities[(1)]:				
Loan Notes due 2021	**18.5**	**18.7**	20.3	20.3
Revolving credit facility	**15.8**	**15.8**	26.6	26.6

(1) The financial instruments included in financial liabilities are shown gross of unamortized finance costs. The fair value of these financial instruments is calculated by discounting the future cash flows, including interest payments due.

All financial assets mature within one year; however, there is no current intention to seek repayment of loans to subsidiary undertakings. The maturity of the financial liabilities is disclosed in Note 27 in the consolidated financial statements.

At December 31, 2017, the amount drawn in bank and other loans was £34.3 million (2016: £46.9 million), of which £29.6 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling (2016: £42.2 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling).

The fair value calculations were performed on the following basis:

Loans to subsidiary undertakings and joint ventures

The carrying value approximates to the fair value.

Cash at bank and in hand

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

Bank loans

At December 31, 2017, bank and other loans of £34.3 million (2016: £46.9 million) were outstanding. At December 31, 2017, bank and other loans are shown net of issue costs of £1.5 million and these issue costs are to be amortized to the expected maturity of the facilities. At December 31, 2017, £15.8 million of the total £34.3 million of bank and other loans was variable interest rate debt and subject to floating interest rate risk, with the remainder being fixed rate debt.

Trade and other receivables / Trade and other payables

The carrying value approximates to the fair value.

All amounts in millions

43. Financial instruments (Continued)

(a) Financial instruments of the Company (Continued)

Fair value hierarchy

At December 31, 2017, the Company used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

	December 31, 2017	Level 1	Level 2	Level 3
	£M	£M	£M	£M
Interest bearing loans and borrowings:				
Loan Notes due 2021	**18.5**	—	18.5	—
Revolving credit facility	**15.8**	—	15.8	—

During the year ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

(b) Interest rate risks

Interest rate risk profile on financial assets

This table shows the Company's financial assets at December 31, which are cash and cash equivalents. These assets are all subject to floating interest rate risk.

Cash by currency:	December 31, 2017 £M	December 31, 2016 £M
U.S. dollar	**0.7**	0.8
GBP sterling	**0.1**	0.6
	0.8	1.4

The Company 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.

Interest rate risk profile on financial liabilities

The following table sets out the carrying value, by original maturity, of the Company's financial instruments that were exposed to both fixed and variable interest rate risk. The carrying values include interest payments to be made and interest rates on the Company's variable rate debt have been based on a forward curve.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

43. Financial instruments (Continued)

(b) Interest rate risks (Continued)

	December 31, 2017				December 31, 2016			
	Within 12 months £M	1 to 5 years £M	> 5 years £M	Total £M	Within 12 months £M	1 to 5 years £M	> 5 years £M	Total £M
Floating interest rate risk:								
Revolving credit facility (including interest payments)	**0.5**	**16.8**	**—**	**17.3**	0.7	27.7	—	28.4
Fixed interest rate risk:								
Loan Notes due 2021 (including interest payments)	**0.7**	**21.2**	**—**	**21.9**	0.8	23.3	—	24.1
	1.2	**38.0**	**—**	**39.2**	1.5	51.0	—	52.5

(c) Un-drawn committed facilities

At December 31, 2017, the Group had committed banking facilities of $150.0 million (£111.0 million). The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at December 31, 2017 was £7.0 million ($9.5 million). Of the committed facilities, $21.3 million (£15.8 million) of loans were drawn across the Group and $nil for letters of credit were utilized.

At December 31, 2016, the Group had committed banking facilities of $150.0 million (£121.6 million). The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at December 31, 2016 was £7.0 million ($8.6 million). Of the committed facilities, $32.8 million (£26.6 million) of loans were drawn across the Group and $nil for letters of credit were utilized.

44. Financial risk management objectives and policies

The Company's financial instruments comprise bank and other loans and cash and cash equivalents. The main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign currency translation risk.

Interest rate risk

The Company has exposure to variable interest rates when it draws down on the revolving credit facilities. As a result of this exposure, the Company may decide to hedge interest payable based on a combination of forward rate agreements. If the interest rates were to change by 1%, based on the balance on the revolving credit facilities at December 31, 2017, this would impact the interest cost by approximately £0.2 million.

Foreign currency translation risk

The Company is exposed to translation risk on both its consolidated income statement, based on average exchange rates, and its balance sheet with regards to period end exchange rates. The net exposure to USD loans at December 31, 2017 was £29.6 million translated at an exchange rate of $1.3512. A $0.10 change in exchange rates would change the net exposure by approximately £2.0 million.

Credit risk

The Company is exposed to credit risk on the loans which have been provided to subsidiary undertakings and joint ventures. The total exposure regarding these loans is £95.8 million. None of the loans are past due or are been deemed impaired.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

44. Financial risk management objectives and policies (Continued)

Capital risk management

The capital structure of the Company consists of shareholders' equity, debt and cash and cash equivalents. For the foreseeable future, the Board will maintain a capital structure for the Company that supports the Group's strategic objectives through:

- Managing funding and liquidity; and
- Maintaining a strong, investment-grade credit rating.

Net debt reconciliation

	Cash at bank and in hand £M	Bank and other loans £M	Total £M
Net debt at January 1, 2016	**(1.1)**	**39.2**	**38.1**
Cash flows	(0.3)	6.5	6.2
Other non-cash movements	—	0.3	0.3
Net debt at January 1, 2017	**(1.4)**	**46.0**	**44.6**
Cash flows	0.6	(13.5)	(12.9)
Other non-cash movements	—	0.3	0.3
Net debt at December 31, 2017	**(0.8)**	**32.8**	**32.0**

45. Retirement benefits

The Company is a member of the Luxfer Group Pension Plan ("the Plan"), a defined benefit scheme in the U.K. The levels of funding are determined by periodic actuarial valuations. The assets of the Plan are generally held in separate trustee administered funds.

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

The full deficit relating to the Plan has been included in the Company statement of financial position. This is because there is no allocation of the deficit between the various subsidiary companies. The Directors consider the sponsor to be the ultimate parent company in the Group.

The Plan closed to new members in 1998, new employees then being eligible for a defined contribution plan. With effect from April 2004, the Plan changed from a final salary to a career average revalued earnings benefit scale. In August 2005, a plan specific earnings cap of £60,000 per annum subject to inflation increases was introduced, the figure has risen to £76,000 in 2015. 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 unexpected increases in life expectancies. In 2015, following a consultation with the trustees and members, it was agreed the Plan would close to future accrual of benefits effective from April 5, 2016 and for the purpose of increasing pensions in payment, to use the Consumer Prices Index ("CPI") as the reference index in place of the Retail Prices Index ("RPI") where applicable. The weighted average duration of the expected benefit payments from the plan is around 18 years. 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 Plan is registered with HMRC for tax purposes, operates separately from the Company and is managed by an independent set of trustees. The Plan is governed by a Board of Trustees, composed of two member nominated Trustees and four company appointed Trustees.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

45 Retirement benefits (Continued)

The Trustees are required by law to act in the best interests of plan members and are responsible for setting certain policies (e.g. investment funding) together with the Company. A schedule of payments provides for deficit funding, which is based upon minimum annual contributions of £3.8 million per year, together with additional variable contributions based on 15% of net earnings of Luxfer Holdings PLC between £12.0 million and £24.0 million, and 10% of net earnings of Luxfer Holdings PLC in excess of £24.0 million.

The total charge to the Company's income statement for 2017 for retirement benefits was £1.3 million (2016: charge of £1.6 million).

The movement in the pension liabilities is shown below:

	2017 £M	2016 £M
Balance at January 1	**43.6**	31.6
Charged/(credited) to the income statement		
Current service cost	**—**	0.2
Net interest on net liability	**1.1**	1.1
Administrative expenses	**0.2**	0.3
Cash contributions	**(4.7)**	(4.6)
Charged/(credited) to the statement of comprehensive income	**(8.1)**	15.0
Balance at December 31	**32.1**	43.6

The financial assumptions used in the calculations were:

	Projected Unit Credit Valuation		
	United Kingdom		
	2017 %	2016 %	2015 %
Discount rate	**2.40**	2.60	3.70
Retail Price Inflation	**3.10**	3.20	3.00
Inflation related assumptions:			
Salary inflation	**n/a**	n/a	4.00
Consumer Price Inflation	**2.10**	2.20	2.00
Pension increases—pre 6 April 1997	**1.90**	2.00	1.80
—1997 - 2005	**2.10**	2.20	2.10
—post 5 April 2005	**1.70**	1.80	1.70

Other principal actuarial assumptions:	2017 Years	2016 Years	2015 Years
Life expectancy of male in the U.K. aged 65 at accounting date	**21.6**	21.5	21.5
Life expectancy of male in the U.K. aged 65 at 20 years after accounting date	**23.3**	23.2	23.1

Investment strategies

For the Plan, the assets are invested in a diversified range of asset classes and include matching assets (comprising fixed interest and index linked bonds and swaps) and growth assets (comprising all other assets). The Trustees have formulated a de-risking strategy to help control the short term risks of volatility associated with holding growth assets. The Trustees also monitor the cost of a buy-in to secure pensioner liabilities with an insurance company to ensure they are able to act if such an opportunity arises. Other options to progressively reduce the scale of the liabilities are discussed between the Trustees and the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

45 Retirement benefits (Continued)

Risk exposures

The Company is at risk of adverse experience relating to the defined benefit plan.

The Plan holds a high proportion of assets in equity and other growth investments, with the intention of growing the value of assets relative to liabilities. The Company is at risk if the value of liabilities grows at a faster rate than the plan assets, or if there is a significant fall in the value of these assets not matched by a fall in the value of liabilities. If these events occurred, this would be expected to lead to an increase in the Company's future cash contributions.

The amounts recognized in the income statement in respect of the pension plan were as follows:

	2017 £M	2016 £M
In respect of defined benefit plan:		
Current service cost ...	—	0.2
Net interest on net liability	**1.1**	1.1
Administrative expenses	**0.2**	0.3
Total charge/(credit) for defined benefit plan	**1.3**	1.6

For the year, the amount of gain recognised in the Statement of Comprehensive Income is £8.1 million (2016: loss of £15.0 million).

The actual return on the plan assets was a gain of £15.6 million (2016: gain of £32.7 million).

The value of the plan assets were:

	2017 £M	2016 £M
Assets in active markets:		
Equities and growth funds	**150.5**	139.1
Government bonds	**36.9**	35.9
Corporate bonds	**52.0**	50.6
Cash	**0.3**	(0.1)
Total market value of assets	**239.7**	225.5
Present value of plan liabilities	**(271.8)**	(269.1)
Deficit in the Plan	**(32.1)**	(43.6)
Related deferred income tax assets	**5.8**	8.3
Net pension liabilities	**(26.3)**	(35.4)

The Plan does not invest directly in property occupied by the Company or in financial securities issued by the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

45. Retirement benefits (Continued)

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

	2017 £M	2016 £M
At January 1	**269.1**	224.8
Service cost	**—**	0.2
Interest on obligation	**6.8**	8.1
Contributions from plan members	**—**	0.1
Actuarial (gains)/losses	**7.6**	47.7
Benefits paid	**(11.7)**	(11.8)
At December 31	**271.8**	269.1

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

Assumption	Change in assumption	Impact on total defined benefit obligations
Discount rate	Increase/decrease by 1.0%	Decrease/increase by 18%
CPI inflation (and related increases)	Increase/decrease by 1.0%	Increase/decrease by 10%
Post retirement mortality	Increase by 1 year	Increase by 4%

The sensitivities have been calculated to show the movement in the total defined benefit obligation in isolation, assuming no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is likely to be associated with a movement in the value of the invested assets held by the Plan.

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

	2017 £M	2016 £M
At January 1	**225.5**	193.2
Interest on plan assets	**5.8**	7.0
Actuarial gains/(losses)	**15.6**	32.7
Contributions from employers	**4.7**	4.5
Contributions from plan members	**—**	0.1
Administrative expenses	**(0.2)**	(0.3)
Benefits paid	**(11.7)**	(11.7)
At December 31	**239.7**	225.5

The estimated amount of employer contributions expected to be paid to the defined benefit pension plan for the year ending December 31, 2018 is £4.5 million (2017: £4.6 million actual employer contributions).

NOTES TO THE COMPANY FINANCIAL STATEMENT

All amounts in millions

46. Related party transactions

During 2017, the Company has made the following transactions and has the following outstanding balances at December 31, 2017 with related parties:

	Income	Expenditure	Balances outstanding		
Name of related party	**Interest £M**	**Management recharges £M**	**Investments £M**	**Trade and other receivables £M**	**Trade and other payables £M**
Luxfer Group Limited	0.4	(0.4)	5.0	2.8	(2.0)
MEL Chemicals, Inc.	0.2	—	5.2	—	—
Luxfer Overseas Holdings Limited	0.3	—	10.0	—	—
BA Holdings, Inc.	0.8	—	12.6	0.1	—
Magnesium Elektron North America, Inc.	0.3	—	7.5	0.1	—
Magnesium Elektron Limited	0.2	—	4.7	0.1	—
Luxfer Group 2000 Limited	0.5	—	14.2	0.1	—
Luxfer Holdings NA, LLC	0.2	—	3.5	—	—
Luxfer Magtech Inc.	2.6	—	30.5	0.1	—
Luxfer Gas Cylinders Limited	0.3	—	2.4	0.3	—

Of the balances outstanding held within investments, these balances are all interest bearing and are based on market rates of interest.

Included within trade and other receivables is a loan to Luxfer Group Limited for £2.8 million. These loans are non-interest bearing, unsecured and are repayable on demand.

During 2016, the Company has made the following transactions and has the following outstanding balances at December 31, 2016 with related parties:

	Income	Expenditure	Balances outstanding		
Name of related party	**Interest £M**	**Management recharges £M**	**Investments £M**	**Trade and other receivables £M**	**Trade and other payables £M**
Luxfer Group Limited	0.4	(0.4)	5.0	0.7	(3.1)
MEL Chemicals, Inc.	0.2	—	5.7	—	—
Luxfer Overseas Holdings Limited	0.3	—	7.0	—	—
BA Holdings, Inc.	0.8	—	13.8	0.1	—
Magnesium Elektron North America, Inc.	0.3	—	8.3	0.1	—
Magnesium Elektron Limited	0.2	—	4.7	0.1	—
Luxfer Group 2000 Limited	0.5	—	14.2	0.3	—
Luxfer Holdings NA, LLC	0.2	—	3.0	—	—
Luxfer Magtech Inc.	2.5	—	33.5	0.1	—
Luxfer Gas Cylinders Limited	—	—	—	2.4	—

Included within trade and other receivables is a loan to Luxfer Group Limited for £0.7 million. These loans are non-interest bearing, unsecured and are repayable on demand.

In addition to the transactions above, share based compensation recharges have been made to Luxfer, Inc., Luxfer Gas Cylinders Limited, Luxfer Group Limited, BA Holdings, Inc. and Magnesium Elektron Limited for £0.3 million, £0.2 million, £0.8 million, £0.3 million and £0.5 million respectively (2016: Luxfer, Inc., Luxfer Gas Cylinders Limited and Magnesium Elektron Limited for £0.2 million, £0.2 million and £0.3 million, respectively). These amounts are recognised as capital contributions in the year.

Other than the transactions mentioned above, no other related party transactions have been identified.