Registered No. 3690830

LUXFER HOLDINGS PLC

Report and Financial Statements

31 December 2014

Contents

LUXFER HOLDINGS PLC

CONSOLIDED LNCE SHEE

	Notes	December 31 2014 $M	December 31 2013 $M
ASSETS			
Non-current assets			
Property, plant and equipment	11	**143.8**	137.9
Intangible assets	12	**93.3**	41.4
Investments	14	**7.4**	7.9
Deferred tax assets	23	**19.2**	15.8
		263.7	203.0
Current assets			
Inventories	15	**104.6**	94.1
Trade and other receivables	16	**73.6**	68.6
Income tax receivable		**2.1**	2.0
Cash and short term deposits	17	**14.6**	28.4
		194.9	193.1
Assets classified as held for sale	32	**1.2**	-
		196.1	193.1
TOTAL ASSETS		**459.8**	396.1
EUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	18	**25.3**	25.3
Deferred share capital	18	**150.9**	150.9
Share premium account	20	**56.2**	55.6
Retained earnings	20	**308.8**	317.3
Own shares held by ESOP	18	**(0.4)**	(0.5)
Other capital reserves	18	**3.7**	2.6
Hedging reserve	20	**0.9**	(0.3)
Translation reserve	20	**(36.2)**	(25.4)
Merger reserve	20	**(333.8)**	(333.8)
Capital and reserves attributable to the Group's equity holders		**175.4**	191.7
Total equity		**175.4**	191.7
Non-current liabilities			
Bank and other loans	21	**121.4**	63.8
Retirement benefits	29	**90.9**	67.6
Deferred tax liability	23	**2.0**	5.5
Contingent consideration	25	**2.6**	-
Provisions	22	**2.1**	2.2
		219.0	139.1
Current liabilities			
Trade and other payables	24	**62.8**	63.2
Current income tax liabilities		**0.5**	0.3
Provisions	22	**2.1**	1.8
		65.4	65.3
Total liabilities		**284.4**	204.4
TOTAL EUITY AND LIABILITIES		**459.8**	396.1

Brian Purves **Andrew Beaden**

March 19, 2015

Company Registration no. 3690830

LUXFER HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2014 $M	2013 $M	2012 $M
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year		**29.2**	34.1	39.5
Adjustments to reconcile net income for the year to net cash from operating activities:				
Income taxes	9	**7.1**	9.6	11.1
Deferred income taxes	9	**-**	3.0	4.9
Depreciation and amortization		**18.1**	15.8	14.7
Charges on retirement benefit obligations	5	**-**	1.7	-
Share based compensation charges	6	**1.8**	1.8	0.8
Loss on disposal of property, plant and equipment	3	**0.3**	0.3	-
Net interest costs		**6.1**	5.9	6.5
IAS 19 finance charge		**2.7**	3.8	3.6
Unwind of discount on contingent consideration from acquisitions		**0.3**	-	-
Acquisitions and disposals	5	**(4.5)**	0.1	-
Share of results of joint ventures	14	**0.3**	(0.1)	0.1
Changes in operating assets and liabilities:				
Increase in assets classified as held for sale		**(1.2)**	-	-
(Increase)/decrease in receivables		**(7.8)**	5.7	(1.3)
(Increase)/decrease in inventories		**(8.5)**	(9.1)	24.1
Decrease in payables		**(1.9)**	(11.2)	(15.3)
Movement in retirement benefit obligations		**(10.4)**	(11.4)	(9.8)
Decrease in provisions	22	**-**	(0.7)	(0.6)
Acquisition and disposal costs paid	25	**(1.6)**	-	-
Income tax paid		**(7.0)**	(12.2)	(9.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**23.0**	37.1	69.0
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		**(20.4)**	(24.2)	(19.3)
Purchases of intangible assets		**(1.9)**	(2.3)	-
Receipts from sales of property, plant and equipment		**-**	0.1	-
Investment in joint ventures - equity funding	14	**-**	(2.5)	(0.4)
Investment in joint ventures - debt funding	14	**0.2**	(4.5)	-
Proceeds from sale of business		**-**	-	1.5
Interest income received from joint ventures		**0.3**	-	-
Net cashflow on purchase of businesses	25	**(58.0)**	-	(11.0)
Disposal of intellectual property	5	**-**	-	(0.2)
NET CASH USED IN INVESTING ACTIVITIES		**(79.8)**	(33.4)	(29.4)
NET CASH FLOW BEFORE FINANCING		**(56.8)**	3.7	39.6
FINANCING ACTIVITIES				
Interest and similar finance costs paid on banking facilities		**(1.3)**	(0.9)	(1.8)
Interest paid on Loan Notes due 2018		**(4.0)**	(4.0)	(3.9)
Interest paid on Loan Notes due 2021		**(0.2)**	-	-
Dividends paid	19	**(10.8)**	(10.8)	(5.8)
Draw down on banking facilities		**35.2**	-	-
Issue of Loan Notes due 2021		**25.0**	-	-
Repayment of banking facilities and other loans		**(0.3)**	-	(72.8)
Share issue costs		**-**	(0.3)	(3.5)
Purchase of shares from ESOP	18	**0.1**	-	0.1
Proceeds from issue of shares		**0.6**	-	65.1
Other interest received		**0.2**	0.3	0.2
Amendment to banking facilities and other loans - financing costs		**(1.5)**	-	(0.6)
Issue of Loan Notes due 2021 - financing costs		**(0.2)**	-	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**42.8**	(15.7)	(23.0)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14.0)**	(12.0)	16.6
Net (decrease)/increase in cash and cash equivalents		**(14.0)**	(12.0)	16.6
Net foreign exchange differences		**0.2**	0.2	1.4
Cash and cash equivalents at January 1	17	**28.4**	40.2	22.2
Cash and cash equivalents at December 31	17	**14.6**	28.4	40.2

LUXFER HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary share capital $M	Deferred share capital $M	Share premium account $M	Retained earnings $M	Own shares held by ESOP $M	Other reserves[1] $M	Total equity $M
		Equity attributable to the equity holders of the parent						
At January 1, 2012		19.6	150.9	-	259.4	(0.6)	(364.5)	64.8
Net income for the year		**-**	**-**	**-**	**39.5**	**-**	**-**	**39.5**
Currency translation differences		**-**	**-**	**-**	**-**	**-**	**2.9**	**2.9**
Decrease in fair value of cash flow hedge		**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Transfer to income statement on cash flow hec		**-**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Remeasurement of defined benefit retirement		**-**	**-**	**-**	**(17.4)**	**-**	**-**	**(17.4)**
Deferred tax on items taken to other comprehensive ir		**-**	**-**	**-**	**2.9**	**-**	**-**	**2.9**
Total comprehensive income for the year		-	-	-	25.0	-	2.6	27.6
Equity dividends	**19**	**-**	**-**	**-**	**(5.8)**	**-**	**-**	**(5.8)**
Proceeds from shares issued	**20**	**5.7**	**-**	**59.4**	**-**	**-**	**-**	**65.1**
Share issue costs	**20**	**-**	**-**	**(3.8)**	**-**	**-**	**-**	**(3.8)**
Equity settled share based compensation charges	**18**	**-**	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Purchase of shares from ESOP	**18**	**-**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Other changes in equity in the year		5.7	-	55.6	(5.8)	0.1	0.8	56.4
At December 31, 2012		25.3	150.9	55.6	278.6	(0.5)	(361.1)	148.8
Net income for the year		**-**	**-**	**-**	**34.1**	**-**	**-**	**34.1**
Currency translation differences		**-**	**-**	**-**	**-**	**-**	**3.1**	**3.1**
Decrease in fair value of cash flow hedges		**-**	**-**	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Remeasurement of defined benefit retirement		**-**	**-**	**-**	**23.7**	**-**	**-**	**23.7**
Deferred tax on items taken to other comprehensiv	**23**	**-**	**-**	**-**	**(9.1)**	**-**	**0.1**	**(9.0)**
Total comprehensive income for the year		-	-	-	48.7	-	2.4	51.1
Equity dividends	**19**	**-**	**-**	**-**	**(10.8)**	**-**	**-**	**(10.8)**
Equity settled share based compensation charges	**18**	**-**	**-**	**-**	**-**	**-**	**1.8**	**1.8**
Deferred tax on items taken to equity	**23**	**-**	**-**	**-**	**0.8**	**-**	**-**	**0.8**
Other changes in equity in the year		-	-	-	(10.0)	-	1.8	(8.2)
At December 31, 2013		25.3	150.9	55.6	317.3	(0.5)	(356.9)	191.7
Net income for the year		**-**	**-**	**-**	**29.2**	**-**	**-**	**29.2**
Currency translation differences		**-**	**-**	**-**	**-**	**-**	**(10.6)**	**(10.6)**
Increase in fair value of cash flow hedges		**-**	**-**	**-**	**-**	**-**	**1.4**	**1.4**
Transfer to income statement on cash flow hec		**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Remeasurement of defined benefit retirement		**-**	**-**	**-**	**(35.4)**	**-**	**-**	**(35.4)**
Deferred tax on items taken to other comprehensiv	**23**	**-**	**-**	**-**	**8.9**	**-**	**(0.5)**	**8.4**
Total comprehensive income for the year		-	-	-	2.7	-	(9.6)	(6.9)
Equity dividends	**19**	**-**	**-**	**-**	**(10.8)**	**-**	**-**	**(10.8)**
Proceeds from shares issued	**20**	**-**	**-**	**0.6**	**-**	**-**	**-**	**0.6**
Equity settled share based compensation charges	**18**	**-**	**-**	**-**	**-**	**-**	**1.1**	**1.1**
Deferred tax on items taken to equity	**23**	**-**	**-**	**-**	**(0.4)**	**-**	**-**	**(0.4)**
Purchase of shares from ESOP	**18**	**-**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Other changes in equity in the year		-	-	0.6	(11.2)	0.1	1.1	(9.4)
At December 31, 2014		25.3	150.9	56.2	308.8	(0.4)	(365.4)	175.4

[1] **Other reserves include a hedging reserve of a gain of $0.9 million (2013: loss of $0.3 million and 2012: gain of $0.4 million), a translation reserve of $36.2 million (2013: $25.4 million and 2012: $28.5 million), a merger reserve of $333.8 million (2013 and 2012: $333.8 million) and additional capital reserves of $3.7 million (2013: $2.6 million and 2012: $0.8 million).**

(Dollars in millions)

27. Financial risk management objectives and policies (continued)

The Group monitors its adjusted EBITDA for continuing activities to net debt ratio and has sought to reduce this over time from 6x to below 2x. The table below sets out the calculations for 2014, 2013 and 2012:

	2014	2013	2012
	$M	$M	$M
For continuing operations:			
Operating profit	**40.9**	56.5	66.4
Add back: Restructuring and other expense (Note 5)	**3.9**	2.7	2.1
Loss on disposal of property, plant and equipment	**0.3**	0.3	-
Other share based compensation charges	**1.6**	1.3	-
Depreciation and amortization	**18.1**	15.8	14.7
Adjusted EBITDA	**64.8**	76.6	83.2
Bank and other loans	**121.4**	63.8	63.5
Total debt	**121.4**	63.8	63.5
Less:			
Cash and short term deposits	**(14.6)**	(28.4)	(40.2)
Net debt	**106.8**	35.4	23.3
Net debt: EBITDA ratio	**1.6x**	0.5x	0.3x

redit ris

The Group only provides trade credit to creditworthy third parties. Credit checks are performed on new and existing customers along with monitoring payment histories of customers. Outstanding receivables from customers are closely monitored to ensure they are paid when due, with both outstanding overdue days and total days of sales outstanding (“DSO days”) reported as a business unit key performance measure. Where possible export sales are also protected through the use of credit export insurance. At December 31, 2014, the Group has a provision for bad and doubtful debtors of $2.6 million (December 31, 2013: $0.6 million) and a charge of $2.1 million (2013: credit of $0.4 million) has gone to the Income Statement in relation to bad debts incurred in 2014.

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

		Neither past due	Past due but not impaired				
	Total	nor impaired	< 31 days	31- 61 days	61-91 days	91-121 days	> 121 days
	$M	$M	$M	$M	$M	$M	$M
At December 31, 2014	**61.1**	**48.7**	**9.8**	**1.2**	**0.7**	**0.7**	**-**
At December 31, 2013	53.0	41.8	9.5	1.6	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 ten customers in 2014 represented 27% (2013: 30.0% and 2012: 36.0%) of total revenue. There were no customers in 2014 or 2013 that represented over 10% of total revenue.

Included in the trade receivables of $61.1 million is an amount outstanding of $6.5 million which relates to one customer of the Gas Cylinders Division. In the first half of 2014 the group’s Gas Cylinders Division made a number of gas transportation module sales to this customer, for which extended terms were granted for part of the supply contract, in relation to a receivable of $8.5 million. The contract revenue and associated cost of sales were recognised when the risks and rewards of ownership of the modules were transferred to the customer. Late in 2014, the customer experienced financial difficulties due to engineering delays in its project and accordingly a provision of $2.0 million has been recognised against the receivable to impair the balance to an estimated recoverable amount of $6.5 million.

27. Financial risk management objectives and policies (continued)

Foreign currency translation risk

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

7KH *URXS¶V UHVXOWV DQG QHW DVVHWV DUH UHSRUWHG E\ JHRJUDSK 2014 the Group had revenue of $143.7 million derived from UK operations, operating profit of $15.8 million and when adding back restructuring and other expense, share based compensation, loss on disposals and depreciation and amortization, an adjusted EBITDA of $24.4 million. During 2014, the average exchange rate for GBP sterling was £0.6075 being stronger than the 2013 average of £0.6384. This resulted in a positive impact of $7.2 million on revenue, $1.1 million on operating profit and $1.4 million on adjusted EBITDA. Based on the 2014 level of sales and profits a weakening in GBP sterling leading to a £0.05 increase in the GBP sterling to US dollar exchange rate would result in a decrease of $11.6 million in revenue, $1.8 million in operating profit and $2.3 million in adjusted EBITDA.

The capital employed as at December 31, 2014 in the UK was $75.4 million translated at an exchange rate of £0.6417. A £0.05 increase in exchange rates would reduce capital employed by approximately $5.4 million.

During 2014, the average exchange rate fo U WKH (XUR ZDV ¼0.7575, being weaker than the 2013 DYHUDJH RI ¼0.7518. This resulted in a negative impact of $0.5 million on revenue, $0.1 million on operating profit and $0.2 million on adjusted EBITDA. Based on the 2014 level of sales and profits a weakening in the Euro leading to a ¼ LQFUHDVH LQ WKH dollar exchange rate would result in a decrease of $4.4 million in revenue, $0.9 million in operating profit and $1.7 million in adjusted EBITDA.

Foreign currency transaction risk

In additio Q WR FXUUHQF\ WUDQVODWLRQ ULVN WKH *URXS LQFXUV FXUUHQ subsidiaries enters into either a purchase or sales transaction in a currency other than its functional currency. Currency transaction risk is UHGXFHG E\ PDWFKLQJ VDOHV UHYHQXHV DQG FRVWV LQ WKH FXUUHQF\ H[SRVXUH DV PRVW SXUFKDVHV FRVWV DQG UHYHQXHV DUH FR to exchange transaction risks, mainly because these operations sell goods priced in euros and US dollars, and purchase raw materials priced in US dollars. The Group also incurs currency transaction risk if it lends currency other than its functional currency to one of its joint venture partners.

The UK operations within the Group have around an estimated $20 million net sales risk after offsetting raw material purchases made in US dollars and a substantial euro sales risk, with approximately ¼45 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 2014 our Elektron division has incurred a transaction gain of $0.1 million, and the transaction impact at our Gas Cylinders division was a loss of $0.3 million.

Based on a $20 million net exposure to the US dollar, a $0.10 increase in exchange rates would have a $1.3 million annual decrease in Group operating profit and based on a ¼45 million HXUR VDOHV ULVN D ¼ LQFUHDVH LQ $3.9 million annual decrease in Group operating profit.