LUXFER HOLDINGS PLC
REPORT & ACCOUNTS 2011

ENVIRONMENTAL · HEALTHCARE · PROTECTION · SPECIALITY

Luxfer is a global 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 end-markets.

Our aim is to develop close collaborative relationships with our customers to find innovative solutions to their needs for advanced materials, components and gas containment.

Our focus is on demanding applications where our technical know-how and manufacturing expertise combine to deliver a superior product.

Our business development is focused on the growing markets for environmental, healthcare, protection and speciality technologies.

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

Environmental

Many of Luxfer's specialist products are in tune with today's need to protect & improve the environment.

Healthcare

The medical sector has long been an important market for Luxfer.

Protection

Many of Luxfer's specialist products are used to protect people and equipment in emergency and conflict situations.

Speciality

The environment, healthcare and protection sectors have emerged as important growth areas for the Group, alongside our traditional specialist markets.

Contents

Our Year at a Glance

All parts of Luxfer Group contributed at a high level to deliver our best-ever profit result despite ongoing economic uncertainty. Our business results have been transformed over the past three years.

Strong financial performance ahead of expectations

- Revenues up 21% at £317.3 million
- Trading profit up 38% at £40.9 million
- Operating margin up to a record 13%

Successful refinancing of our debt at reduced cost

- New corporate debt structure established, provided by a wider group of international financial institutions

Further evidence of robustness

- Net debt to EBITDA further reduced to 1.4 times
- By multi-sourcing and careful timing of purchases we protected our customers from the worst effects of the spike in rare earth prices

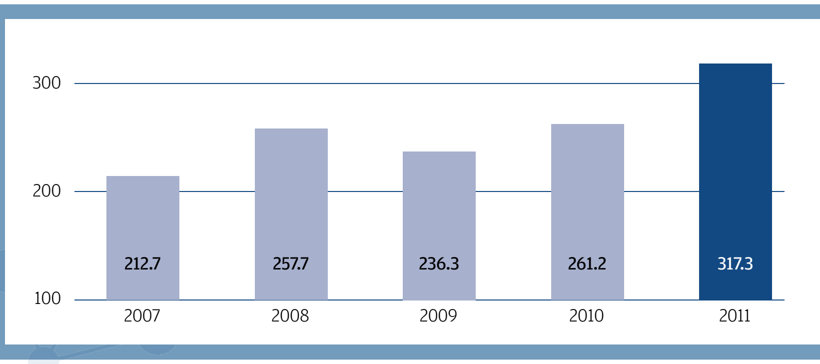
Further progress in business development & innovation

- Range of highest-ever pressure (5,500psi) SCBA cylinders launched
- Zirconium nano technology developed for use in speciality catalytic applications

Results Overview

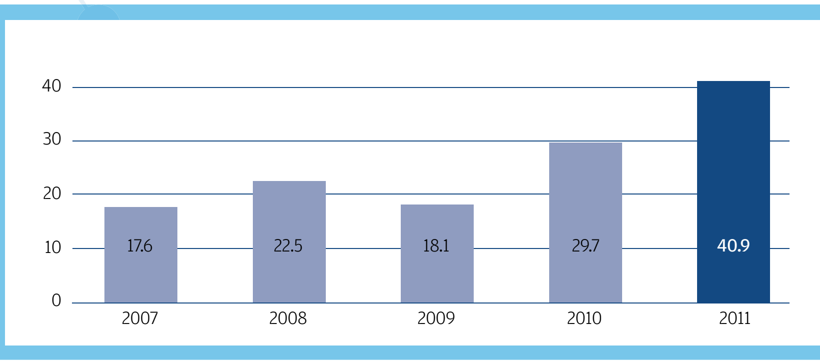
Revenue up 21%

Chart 1: Revenue £m (Continuing Operations)



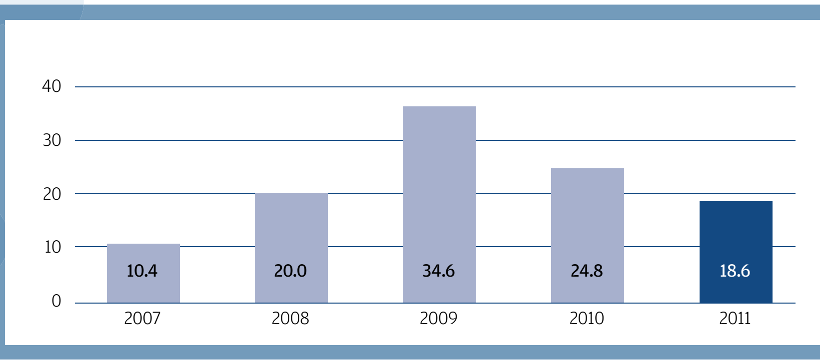
Trading profit up £11.2 million

Chart 2: Trading profit £m (Continuing Operations)



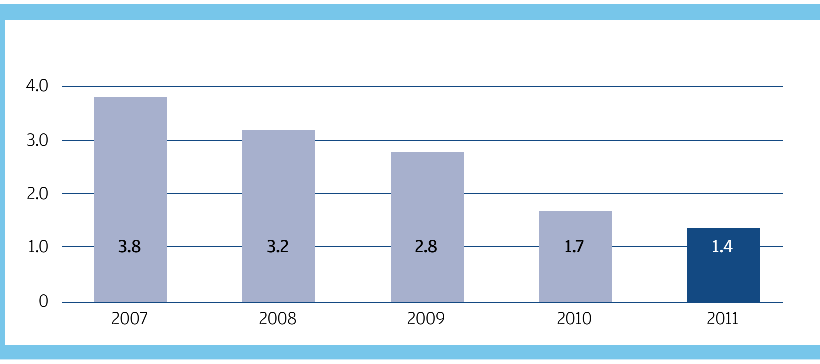
Operating net cash flow of £18.6 million

Chart 3: Operating net cash flow £m



Net debt to EBITDA down to 1.4 times

Chart 4: Net debt to EBITDA (times)



About Luxfer

The principal activity of the Company is the holding company for 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 end-markets. Our key end-markets are Environmental, Healthcare, Protection and Speciality technologies.

13 Al 26.982
12 Mg 24.305
40 Zr 91.224
6 C 12.011
22 Ti 47.867

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

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

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

57 La 138.916
58 Ce 140.116
59 Pr 140.908
60 Nd 144.24
64 Gd 157.25
39 Y 88.906

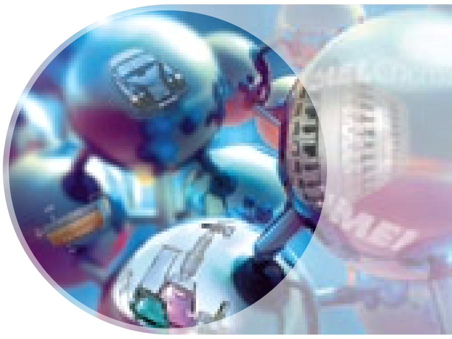
Rare earths – (also known as ***rare earth elements*** or ***rare earth metals***) are a set of seventeen chemical elements in the periodic table, specifically the fifteen lanthanides plus scandium and yttrium.

Luxfer Group is comprised of two divisions:

Elektron

The Elektron division focuses on speciality materials based on magnesium, zirconium and rare earths. We sell our products through two brands. Under our **Magnesium Elektron** brand, we develop and manufacture specialist lightweight, corrosion-resistant and flame-resistant magnesium alloys, extruded magnesium products, magnesium powders, magnesium plates and rolled sheets and photo-engraving plates. These products are used in the aerospace (lightweight alloys and components), automotive (lightweight alloys and components), defence (powders for countermeasure flares) and graphic arts (photo-engraving sheets) industries. Under our **MEL Chemicals** brand, we develop and manufacture speciality zirconium compounds for use in automotive applications (exhaust catalysts), electronics (ceramic sensors), structural ceramics, aerospace (thermal barrier coatings), filtration (water purification) and chemical synthesis (industrial catalysts).

Magnesium Elektron

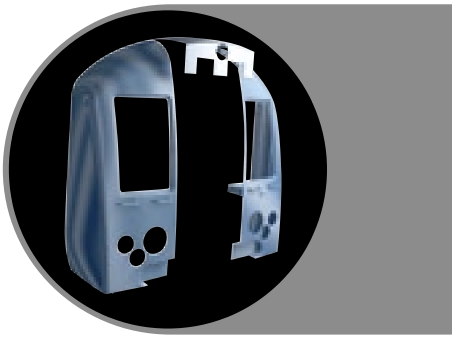


MEL Chemicals

Gas Cylinders

The Gas Cylinders division manufactures products made from aluminium, composites and other metals using technically advanced processes. We sell our products through two brands. Under our **Luxfer Gas Cylinders** brand, we develop and manufacture advanced high-pressure aluminium and composite aluminium/carbon fibre gas containment cylinders for use in healthcare (oxygen), breathing apparatus (air), electronics (industrial gas), fire-fighting (carbon dioxide) and transportation (compressed natural gases) applications. Under our **Superform** brand, we design and manufacture highly complex, lightweight products for a wide range of industries, including aerospace (engine air intakes), specialist automotive (body panels and door inners), rail transport (train fronts and window frames) and healthcare (non-magnetic equipment casings).

Luxfer Gas Cylinders



Superform

Our Strengths

Market-leading positions

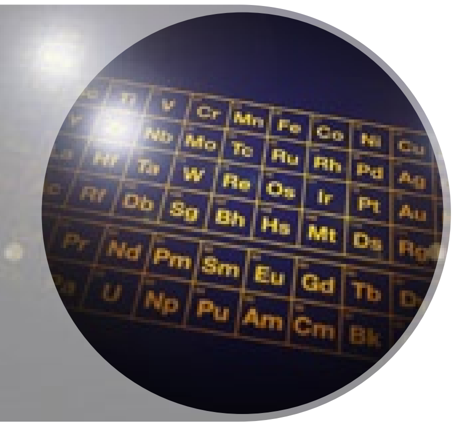
All our main brands, Magnesium Elektron, MEL Chemicals, Luxfer Gas Cylinders and Superform, are market leaders that consistently achieve best-in-class performance and premium price positions.

Focus on innovation and product development for growing specialist end-markets

We recognise the importance of fostering the creative ability of our employees, and we have developed a culture of ingenuity that encourages employees to become actively involved in the innovation process. In close collaboration with research departments in universities around the world, we continue to develop a steady stream of new products, such as ultra-lightweight carbon composite gas cylinders, extra-high pressure cylinders made from our patented, higher-strength L7X® aluminium alloy, fourth-generation (G4) doped zirconium chemicals for automotive and chemical catalysis, Isolux® zirconium-based separation products used in water purification and Elektron® magnesium alloys for advanced aerospace and automotive applications.

We concentrate our product development mainly on Environmental, Healthcare and Protection Technologies, and we continue to benefit from the growth in demand in these key markets due to a need to protect the environment and conserve its resources, to find better healthcare solutions and to provide maximum protection for people and equipment.

Strong technical expertise and know-how



Our highly qualified and experienced metallurgists and engineers collaborate closely with our customers to design, develop and manufacture technically complex materials and components that are embedded in our customers' products and services. To sustain such a high level of technological innovation, many of our sales people have doctorate degrees, and our product development departments work closely with our sales departments, often reporting directly to a relevant sales director. This structure enables us to ensure that product development is closely linked to end-market requirements, and also to provide high-quality technical support and best-in-class customer service to our customers. This high level of integration into our customers' supply chains and their research and development functions gives us a significant competitive advantage.

Long-standing relationships with diversified blue chip customer base

We put the customer at the heart of our strategy and we have established long-standing relationships with many global leaders such as 3M, Air Liquide, Aston Martin, BAE Systems, BASF, BOC Linde, Bombardier, Esterline, Honeywell, Johnson Matthey, MSA, Tyco, Umicore and United Technologies. Our businesses have cultivated these relationships over many decades. The diversity and breadth of our customer base mitigates our reliance on any one customer. In 2011, our ten largest customers represented 39% of our total revenue, with the ten largest customers for the Elektron division representing 54% of its revenue, and the ten largest customers for the Gas Cylinders division representing 45% of revenue.

Resilient business model

Although the recent global economic downturn was the most challenging economic environment for manufacturers in decades, Luxfer Group generated cash and made a net profit in every quarter of 2009. Our 2008 return on sales ratio of 8.7% (trading profit divided by revenue) fell only to 7.7% during 2009 and improved to 11.4% in 2010, and has further improved to 12.9% in 2011. Our trading profit rebounded by 64% in 2010 to £29.7 million, which was above our peak result in 2008. We have protected our margins to a large extent by successfully passing on to customers increases in raw material cost and overhead expense. We also increased our margins over time by disposing of low-margin and cash-intensive operations, by increasing our focus on high-performance value-added product lines and markets, and investing in automation and operational efficiencies at our manufacturing facilities.

Highly experienced and effective management team

We are led by an experienced executive management board, many of whom have been with us since Luxfer Group was formed in 1996. They are supported by experienced and effective local management teams.

Environmental

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

Cleaning up the environment:

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

Cleaning up exhaust emissions:

Luxfer has sold ceria-zirconia products into the automotive industry for many years for use in catalytic converters in petrol engines. New products are under development for both mobile and static diesel engines.

Water purification:

Luxfer's Isolux® range of water purification products is an environmentally safe system for the removal of arsenic, lead and other heavy metals from drinking water.

Industrial clean-up:

The MELSorb® range of industrial wastewater treatments removes heavy metals for safe disposal from wastewater streams.

Improving fuel efficiency:

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

CO_2 capture:

Capturing CO_2 is a key developing application for Luxfer's MELSorb® technologies.

Alternative energy systems:

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

Healthcare

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

Containment of medical gases:

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

Emergency medical services:

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

Medical treatment:

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

Medical equipment:

Luxfer developed the magnesium alloy used in the world's first portable, wireless, digital, radiographic imaging device. Superform's non-magnetic, lightweight aluminium and magnesium panels are used on advanced medical equipment, including MRI and CAT Scan units.

Protection

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

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

Protection of military personnel:
Several of Luxfer's Elektron® rolled magnesium alloys qualify as military armour material. Good ballistic performance and low density provide high-level troop protection and fuel conservation while maintaining manoeuvrability critical to the success of armoured vehicles.

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

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

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

Speciality

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

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

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

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

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

Our Markets

Our key end-use markets have shown good growth over recent years and many are forecast to continue growing.

Healthcare

Demand for medical gases is forecast to increase at 7.8% per year from 2009 to 2019, driven by aging populations and market dynamics in developing nations. Growth will result from:

- continuing expansion of healthcare services, particularly in developing economies
- the increasingly popular use of home healthcare services, which free up hospital beds and maximise benefits of maintaining patient mobility.

In particular, demand for portable oxygen systems is strongly influenced by the increase in Chronic Obstructive Pulmonary Disease (COPD), which is an umbrella term used to describe chronic lung diseases that cause limitations in lung airflow. COPD includes the more familiar conditions of ‘chronic bronchitis’ and ‘emphysema’. The World Health Organisation (WHO) estimates that in 2004, 64 million people had COPD and 3 million people died of COPD. WHO predicts that COPD will become the third leading cause of death worldwide by 2030.

Portability and light weight are important characteristics of the oxygen systems used for the treatment of patients with COPD.

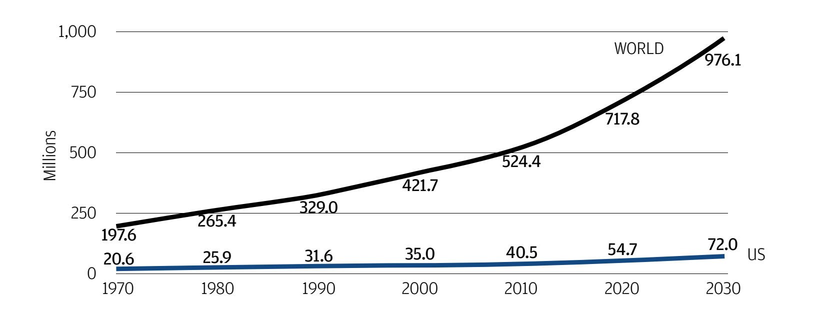


Chart 5:
Population over 65 years of age
Source: United Nations

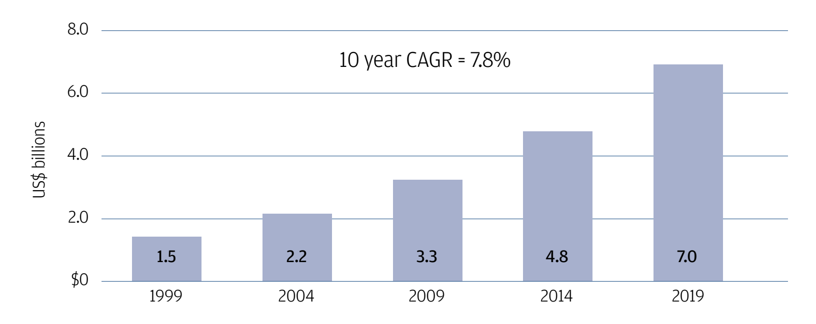


Chart 6:
Medical Gas Demand
Source: The Freedonia Group

Environmental

Demand for high-performance, fuel-efficient vehicles has led automotive manufacturers to replace steel with aluminium, magnesium and composite materials.

Tightening global emission regulations are driving the demand for increasingly sophisticated catalytic converters.

High cost of oil and problematic diesel engine emissions continue to drive demand for natural-gas-fuelled vehicles.

Chart 7:
Emission Reduction Associated with Most Recent Regulations
Source: The International Council on Clean Transportation

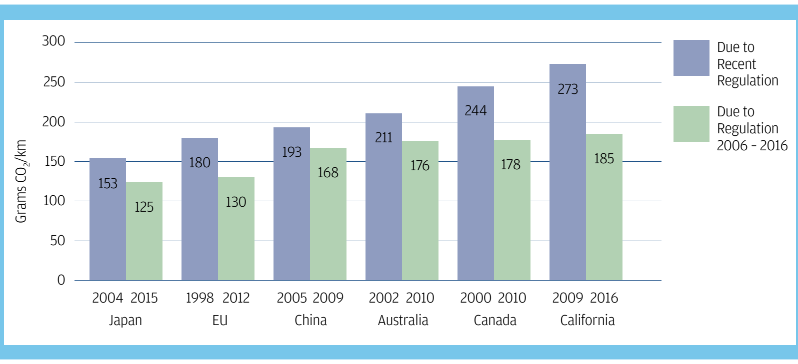
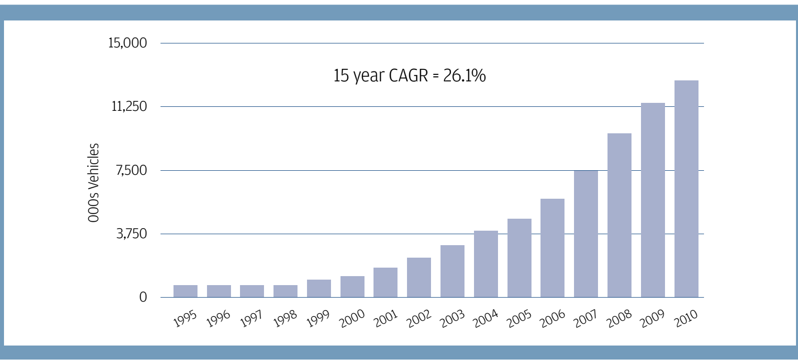
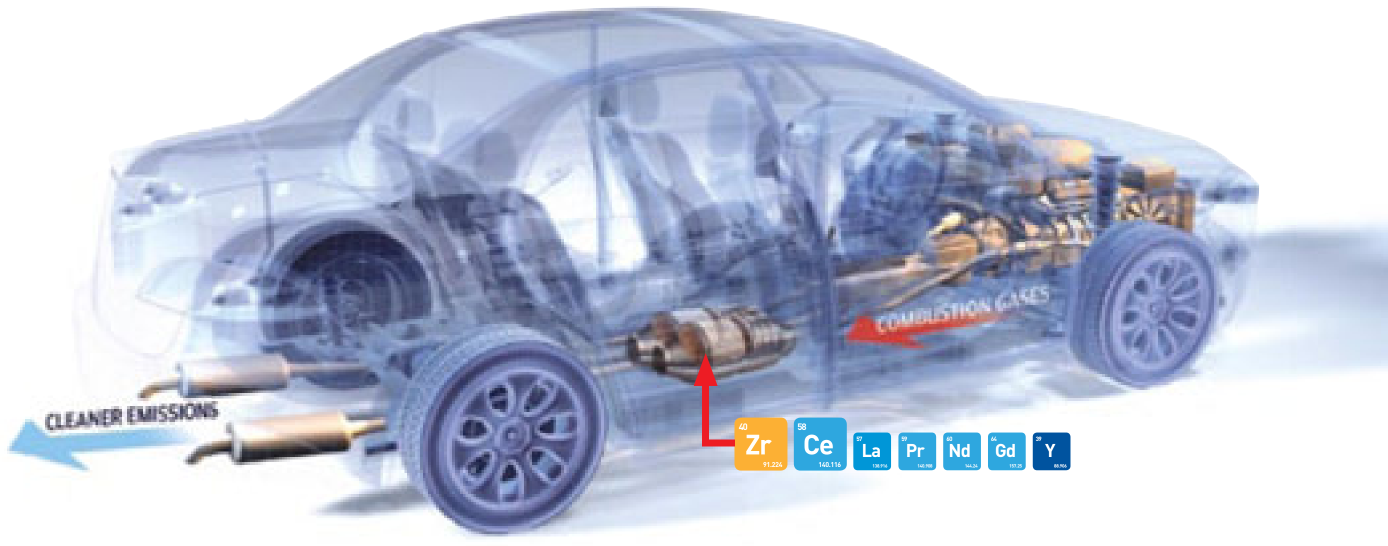


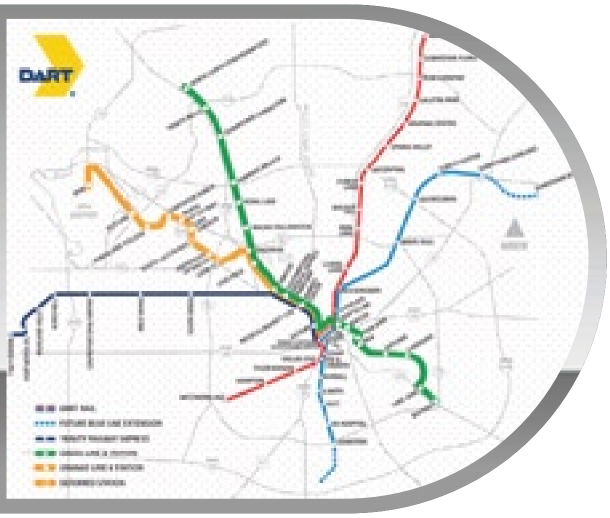
Chart 8:
Total Natural Gas Vehicles Worldwide
Source: NGV Global





Luxfer's G4 Zirconium products are widely used in automotive catalytic converters.

Dallas Area Rapid Transit (DART)



Luxfer has been chosen by Agility Fuel Systems to supply high-pressure gas cylinders for new CNG buses to Dallas Area Rapid Transit (DART). This multi-year contract is one of the largest municipal alternative fuel programs in the United States to date. Luxfer will supply 2,200 carbon composite CNG cylinders for 370 low-floor buses in the Dallas, Texas, area from 2013 through 2014.

Forward Looking Statements

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

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

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

(iii) statements of future economic performance and

(iv) statements of assumptions underlying such statements.

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

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

These factors include, but are not limited to:

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

(ii) changes in raw material and labour prices;

(iii) the effects of competition;

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

(v) the Group's leverage;

(vi) the disruption impact of rationalisation activities;

(vii) shifts in consumer and economic demand and

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

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

Directors' Report

The Directors of Luxfer Holdings PLC (the Company) present their annual report to members together with the audited financial statements of the Group and the Company for the year ended 31 December 2011. The purpose of the annual report is to provide information to members of the Company.

The annual report contains certain forward-looking statements and readers should refer to the section subtitled Forward Looking Statements opposite before reading further.

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

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

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

In his review, the Group Finance Director comments on the consolidated results of the Group and provides an analysis of the position of the Group's business at the end of 2011. Among other matters he also explains exceptional items included in the Group financial statements, the key numbers, the Group's defined benefit pension arrangements and the refinancing of our banking facilities and senior notes undertaken during the year.

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

Our business strategy is underpinned by the Luxfer Model, which consists of five key themes:

- Building and maintaining strong, long-term customer relationships.
- Achieving high levels of manufacturing excellence by improving processes and reducing operating costs, thus insulating us against competitors in low-labour-cost economies.
- A commitment to innovation that generates products that are well-equipped to address opportunities created by heightened chemical emissions controls, global environmental concerns, public health legislation and the need for improved protection technology.
- Maintaining technical excellence relating both to our products and to the processes needed to make them.
- Selling high-performance products into speciality markets that require products with high-technology content for which customers are willing to pay premium prices.

Each of our businesses has developed a strategic roadmap, based on a balanced scorecard methodology and driven by the Luxfer Model. These strategic roadmaps contain business-specific initiatives, actions and measures necessary to guide the businesses towards achieving their financial objectives.

STRONG CUSTOMER RELATIONSHIPS

MANUFACTURING EXCELLENCE

INNOVATION

STRONG TECHNICAL BASE

HIGH-PERFORMANCE PRODUCTS INTO SPECIALIST MARKETS

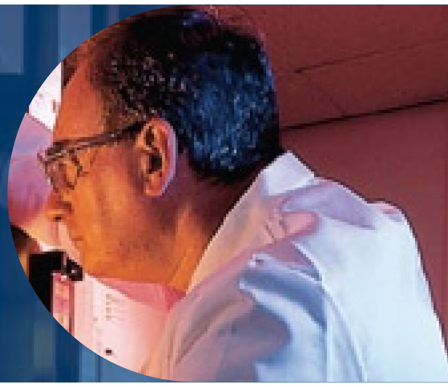
Luxfer's business philosophy places the customer at the centre of everything we do. We strive to establish lasting relationships, enabling us to work closely with customers as partner-of-choice to ensure that our products meet or exceed their operational goals. Many of our customers are blue chip companies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

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

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

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

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



Our expertise in metallurgy and materials science enables us to develop advanced materials and products with superior performance to satisfy the most demanding requirements in the most extreme environments. Luxfer products can be found in operation from the depths of the ocean to the far reaches of the solar system.

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

Delivering the Strategy

With the Luxfer Model as its backbone, our company-wide strategy includes the following key elements:

Continued focus on innovation, R&D and protection of intellectual property

We have always recognised the importance of research in material science and innovation in the development of our products. We will continue to develop our legacy of innovation through continued investment in our own research and development teams, as well as through extensive collaboration with universities, industry partners and customers around the world. Given the high level of research and development and technology content inherent in our products, we will continue to aggressively protect our inventions and innovations by patenting them when appropriate and by actively monitoring and managing our existing intellectual property.

Increase the flow of innovative, higher-value-added products targeting specialist markets

We will continue to focus on high-growth, specialist end-markets, including those that require Environmental, Healthcare and Protection Technologies. In response to increasing demand in these markets for higher-value-added products, we will use our metallurgical and chemical expertise to develop new products and applications for these markets. We will also identify alternative applications leveraging the capabilities of our existing products and customer base.

Enhance awareness of Luxfer brands

We will maintain and improve global awareness of our four brands: Magnesium Elektron, MEL Chemicals, Luxfer Gas Cylinders and Superform. We will continue to promote our leading technologies at trade shows, industry conferences and other strategic forums. Whenever possible, we will insist that our corporate logos are visible on products sold by our customers, especially products such as medical cylinders that circulate in the public domain for many years.

Focus on continued gains in operational and manufacturing efficiencies

We plan to continuously improve operational and manufacturing efficiencies, investing in modern enterprise resource planning systems and using external auditors to measure our performance against rigorous, world-class standards. We will seek to automate our processes to provide protection against competition based in low-labour-cost economies. We will also modernise machinery and equipment at minimal cost when necessary to prevent bottlenecks in our manufacturing processes.

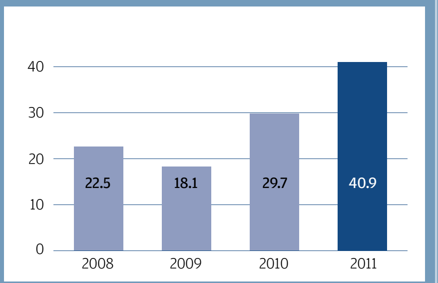
Selectively pursue value-enhancing acquisitions

We have made several successful complementary acquisitions over the past fifteen years, and we believe there will be opportunities to pursue acquisitions in the future. We will assess these opportunities with a focus on broadening our product and service offerings, expanding our technological capabilities and capitalising on potential operating synergies.

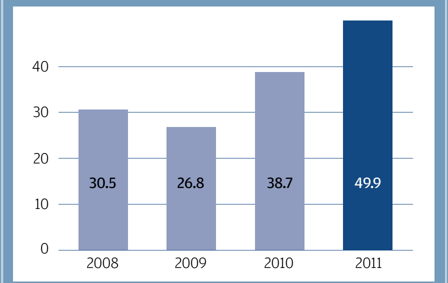
Key Performance Indicators

Operating performance

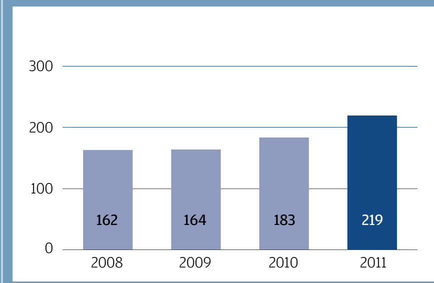
Trading Profit
(£m)



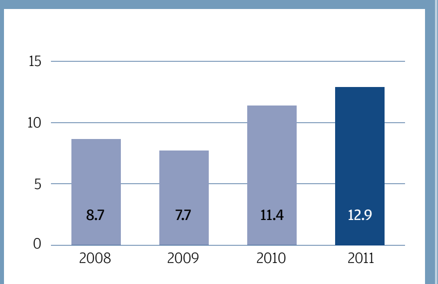
Adjusted EBITDA[1]
(£m)



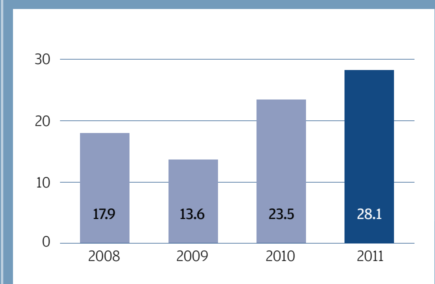
Revenue per employee
(£000s)



Return on revenue[2]
(%)

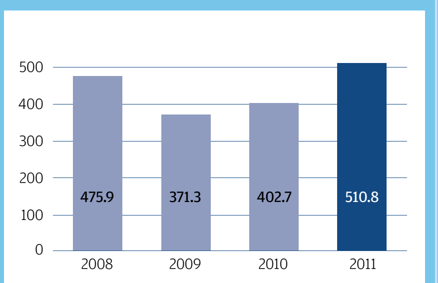


Return on capital employed
(%)

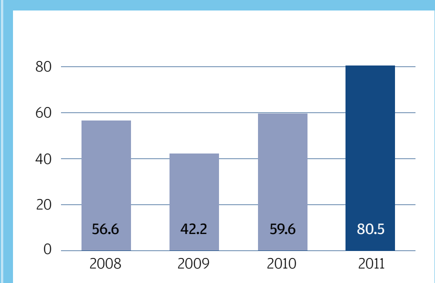


Operating performance in US dollars

Revenue
($m)

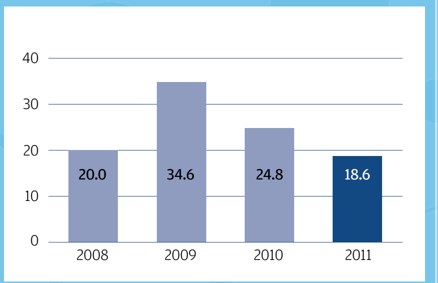


Adjusted EBITDA[1]
($m)

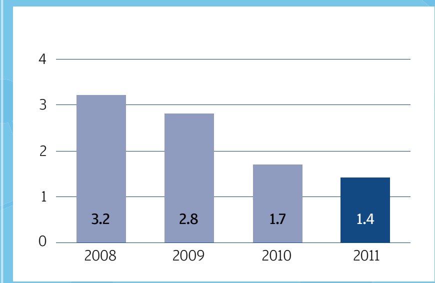


Financial performance

Net cash flow from operating activities (£m)

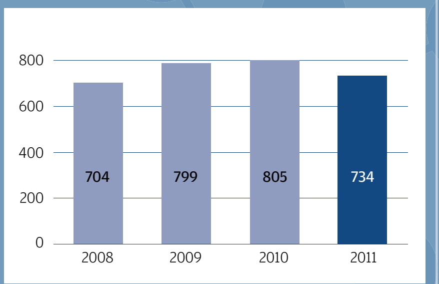


Net debt to EBITDA (times)

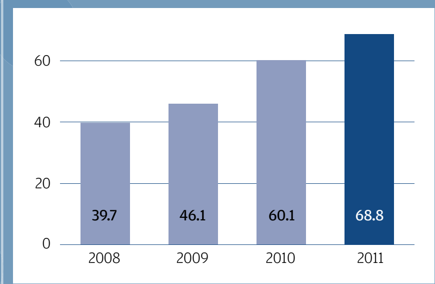


Non-financial performance

Number of work days lost following accidents at work[3] (Work Days)



ISO14001 Environmental Management System Certification[4] (%)

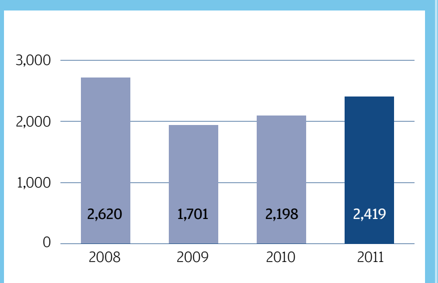


NOTES

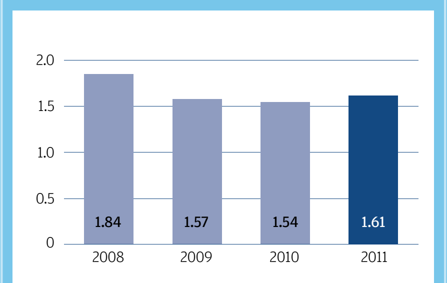
1. Adjusted EBITDA is measured as trading profit before depreciation and amortisation.
2. Return on revenue is measured as trading profit divided by revenue.
3. Under the regulations issued by the Occupational Safety & Health Administration of the United States Department of Labor, the number of days absent for each accident is capped at 180 days.
4. Percentage of Group revenue originating from ISO14001 certified businesses.

Economic indicators

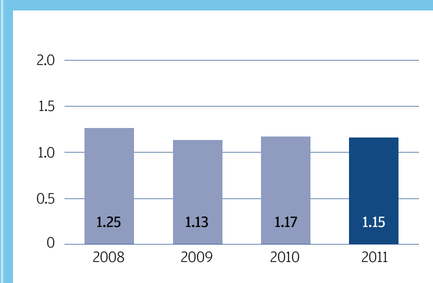
Average aluminium price (three-month LME) ($ per Tonne)



Average US dollar to pounds sterling exchange rate ($:£)



Average euro to pounds sterling exchange rate (€:£)



Principal Risks and Uncertainties

The Group has in place a comprehensive risk management programme designed to ensure that significant and emerging risks are identified, assessed and managed effectively. A further explanation of our risk management programme is set out in the section on Corporate Governance on page 41.

Area of Risk	Mitigating Activity
Exposure to Economic Conditions – The Group's operations are exposed to general and local changes in economic conditions over which it has no control. The Group sells products to a variety of industries, including industries that are cyclical in nature, and in various economic regions. To the extent that any of these cyclical industries are at the low point in their economic cycle or markets in a particular geographical region experience any financial difficulties, sales may be adversely affected.	These risks are partly mitigated by the Group having a wide spread of product markets and increasing sales in other economic regions, such as Asia. We talk to our customers about their forecasts and work to maximise the flexibility of our manufacturing, acting quickly to reduce costs when necessary.
Reliance on Major Customers – If the Group fails to maintain its relationships with its major customers, or fails to replace customers, or if there were reduced demand from such customers or for the products produced by such customers, it could reduce the Group's sales and have an adverse affect on the Group's financial position. The Group's top ten customers accounted for, in aggregate, approximately 39% of Group revenue in 2011, of which one of these customers accounted for 10%.	Long-term relationships with customers are especially important, and the Group's operations work closely with customers to ensure customer service is the best in the industry and aim to support our customers in their development of new products through our own product innovations and technical know-how.
Competition – The markets for many of the Group's products are now increasingly global and highly competitive, especially in terms of quality, price and service. The Group could lose market share as a result of these competitive pressures, which could negatively impact profit margins. More generally, the Group may also face potential competition from manufacturers of products similar to the Group's aluminium and magnesium-based products using other materials, such as steel, plastics or composite materials.	The Group continues to invest in new and better products and aims to focus its resources in speciality markets that need high-performance products and a reliable partner.
Reliance on Key Suppliers – The Group depends upon its larger suppliers for a significant portion of its input components and production is sensitive to suppliers, particularly for aluminium, magnesium and carbon fibre. If the Group fails to maintain its close long-term commercial relationships with key suppliers or fails to develop relationships with other suppliers, it could have a negative impact on the Group.	Maintaining these strong relationships is therefore a key element of our business strategy. The Group has also mitigated this risk by buying forward certain materials when potential shortages appear. Management periodically undertake a review of alternative suppliers.

Area of Risk	Mitigating Activity
Risks Relating to the Group's Retirement Benefit Funds – The Group operates defined benefit arrangements in the United Kingdom, the United States and France. These are further explained in Note 28. Their funding requirements are subject to fluctuations in investment markets, and changes in the life expectancy of members and as a result these plans have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with taxes such as the UK's Pension Protection Fund Levy, which cost £1 million during 2011. Regulations in this area can also constrain the level of debt taken on and restrict the Company's ability to pay dividends.	The Group and the Trustees of the Schemes closely monitor the financial performance of the Schemes, taking actuarial and investment advice as appropriate. These are long-term liabilities and we have a programme in place to contribute cash to our defined benefit plans over a number of years. This is based on affordability and is varied according to our net earnings. These plans are funded and the bulk of the assets are invested in 'growth' assets.
Protection and Development of Intellectual Property Rights and Changing Industry Requirements – As a result of the nature of the competition faced by the Group, its ability to remain profitable depends on its ability to protect intellectual property and to invest in research and development, which requires funding.	The Group tries to protect its intellectual property through patents and by reducing the disclosure of commercially sensitive information. It also invests long term in new products and manufacturing processes and maintains this investment through the business cycle.
Environmental Costs and Liabilities – The Group may be exposed to substantial environmental costs and liabilities, as its operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. An increase in environmental costs and liabilities could have a material adverse affect on the Group in any given year, which could negatively affect the Group's cash flows.	To mitigate this risk the Group seeks to operate best practice procedures in this area and is in the process of attaining the ISO14001 qualification at all its larger manufacturing sites. The bulk of the Group's known environmental issues are legacy problems that arose many years ago. Management have a programme in place to progressively improve and eliminate these historic issues.
Product Liability and Regulatory Risks – The Group is exposed to possible claims for personal injury, death or property damage that could result from a failure of a product manufactured by the Group or of a third party integrating a Group product. Many factors beyond the Group's control could lead to liability claims, which may in turn lead to product legal claims or disruption in sales to customers. The Group could be required to pay a material amount if a claim is made against it that is not covered by insurance or otherwise subject to indemnification, or that exceeds the insurance coverage that the Group maintains. Moreover, the Group does not currently carry insurance to cover the expense of product recalls, and litigation involving significant product recalls or product liability could have a material adverse effect on the Group's financial position.	The Group uses its operating and technical expertise to mitigate these risks, with a strong emphasis on high levels of product quality and rigorous testing, and by ensuring that products are designed to meet or exceed the regulatory design standards of the markets they serve. The Group has also obtained insurance coverage for most of these types of liabilities.

Area of Risk	Mitigating Activity
Dependence on Key Personnel – The Group relies upon a number of key executives and employees, particularly Brian Purves, its Chief Executive, and other members of the Executive Management Board. If these and certain other employees ceased to work for the Group, the Group would lose valuable expertise and could become less profitable. In addition, the Group's ability to attract and retain qualified engineering and technical personnel is of continued importance.	The Group undertakes succession reviews for key management positions. The Group also has global remuneration procedures to ensure that rewards are in place to attract and retain staff.
Risks Relating to Interruption of Operations – The Group's production facilities are located worldwide. Any of its facilities could suffer an interruption in production, either at separate times or at the same time, because of various and unavoidable occurrences including major equipment failure. Although the Group carries insurance, the cover on certain catastrophic events or natural disasters, including earthquakes and certain other events is limited.	The Group performs routine maintenance on its production equipment on all its operating sites. These maintenance programmes are carefully planned to keep all plant operating at a high level of efficiency, and to reduce the risk of breakdowns and failure of equipment. Health and Safety is also a major consideration in the operation of the Luxfer Group manufacturing facilities and carefully monitored. The Group carries comprehensive business interruption insurance.

The Group also has a number of financial risks that are summarised below. The management of these financial risks and mitigating actions are explained further within the Finance Review and Notes 26 and 27 of the Group financial statements.

Area of Risk	Mitigating Activity
Exposure to Fluctuations in Raw Material and Utility Prices – The Group is exposed to fluctuations in the prices of the raw materials and utilities that are used to manufacture its products, and can incur unexpected cost changes. The primary raw material used in the manufacturing of gas cylinders and superformed panels is aluminium and though our operations use specialist alloys, their prices are pegged directly or indirectly to the quoted London Metal Exchange prices for primary aluminium. This makes the costs subject to speculative commodity cost changes, as well as fundamental supply and demand cost pressures. We have also experienced significant price fluctuations in other raw material costs such as primary magnesium, carbon fibre, zircon sand and rare earths. The Group's operations also buy and sell goods in regional markets that may be protected by tariff barriers. Changes in these tariffs could have an adverse impact on the profitability of the operations. In addition, the Group's energy costs, which constitute another major input cost of the Group's total expenses in 2011, may be subject to significant variations.	In the long term the Group has sought to recover the cost of increased commodity and utility costs through price increases and surcharges. The Group has sought to provide its customers with a stable surcharge price on the increasing costs of rare earths by buying forward rare earths in bulk. Short term fluctuations in the price risk on aluminium are mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. Increasingly in recent years we have included in our sales agreements an ability to share cost increases with our customers.
Effect of International Currency Markets – Changes in foreign exchange rates or interest rates could cause sales to drop or costs to rise. The Group conducts a large proportion of its commercial transactions, purchases of raw materials and sales of goods in various countries and regions outside of the United Kingdom, including the United States, continental Europe and Asia. Changes in the relative values of currencies can decrease the profits of the Group's operations through both the translation of profits into pound sterling or on import and export transactions.	The Group regularly enters into forward currency contracts to manage currency risks and a Hedging Committee, overseen by the Group Finance Director, oversees the implementation of the Group's hedging policy.

Peter Haslehurst

CHAIRMAN

"Over the past three years, the business results have been transformed."

We entered 2011 buoyed by a strong performance in 2010, but still concerned about the continuing economic uncertainty, the spiralling cost of rare earths, and the need to go to the debt markets to renew our facilities during an ongoing credit crunch. We left the year having successfully re-financed the Group with lower-cost debt facilities, having protected the business from the most dramatic of material cost increases, and having achieved a further step change in the Group's financial performance. At this point, we feel very confident about the future.

Although markets remain jittery about European economies, our markets and our customers remain largely in recovery mode. Interest rates are at their lowest ever level and we are benefiting from the reduction. Exchange rates have been stable, which is very helpful for an international exporting business like ours.

Sadly, while we heard fine words from UK politicians after the financial crash about the need to encourage manufacturing industry, we have seen little evidence of their willingness to actually do anything to encourage UK industry, even if only to the extent of buying British. Instead, various UK and European government agencies seem to continually find ways to add to the complexity and cost of doing business in the UK.

We are currently forced to manage our way through European REACH regulations to analyse and register every chemical that we use; to pay a penal levy (larger than our ongoing pension contributions) to finance the UK's pensions bail-out fund; to obtain a licence to handle naturally-occurring low-level radioactive materials under new legislation; and so on.

Our business has faced, at various times, some enormous challenges over the past several years and we have demonstrated a remarkable robustness. The most severe test that we have faced has been the impact of the export quota for rare earths from the second half of 2010 by the Chinese authorities. Cerium carbonate, one of our key raw materials, peaked at a price increase of around thirty-fold - a potentially enormous impact. We have, however, been able to secure supplies throughout this period of disruption, often at prices better than market, thereby offering some protection to our customers and protecting our margins. We are grateful to our customers for their understanding in accepting the necessary surcharges. We hope that the recent WTO finding against certain other of China's export restrictions will be repeated when the case on rare earths is concluded, and that the blatant subsidies being offered to domestic Chinese manufacturers are thereby eliminated. There are now many projects under way to re-open Western mines, and also to start new ones. We expect to be receiving supplies from at least one of these new ventures before the end of 2012.

This robust performance has not happened by accident: we are the experts in our own fields, and we operate to a business model that combines rigorous controls with devolved profit responsibility, regular review of near-term issues, operating with flexible processes, giving us the ability to respond rapidly.

The general business trend for us has been positive throughout 2011. While we remain wary of economic shocks, particularly precipitated by the resurgent oil price and the seemingly interminable Eurozone crisis, we currently expect to see further steady growth in the majority of the markets that we serve. Only Defence is forecast to be down in 2012, with other markets more than making up the shortfall.

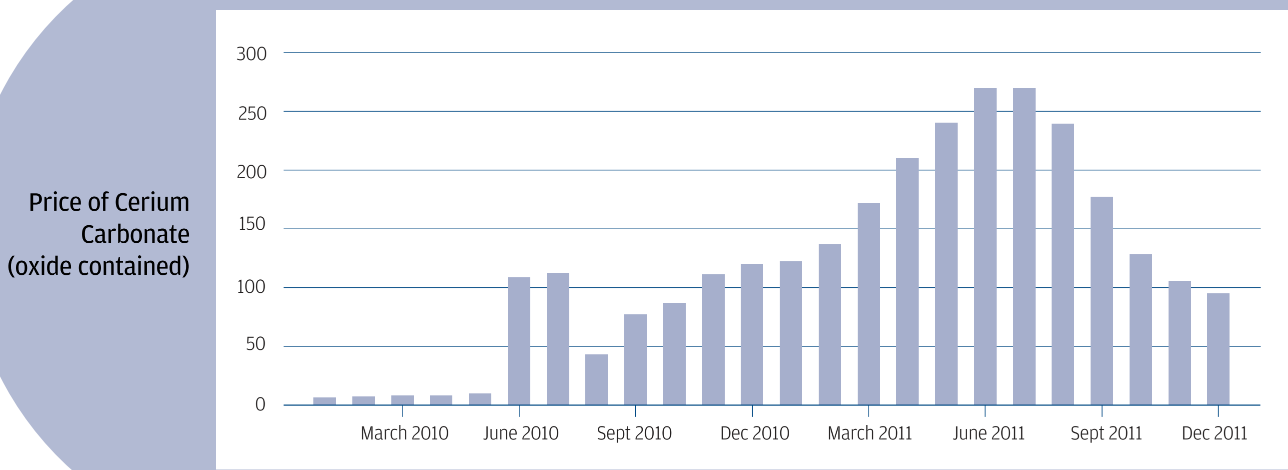
We are working on many exciting growth opportunities that we expect to bring to the market progressively over the next four years. These are of sufficient scale that we need only a few of them to deliver for it to generate a step-change in our growth. With a strong balance sheet and good cash generation, we are also keen to recommence bolt-on acquisitions: a practice that has been very useful for us over the last fifteen years, but which was not tolerable as we conserved cash during the recession.

I have been a Managing Director and/or Chairman for over forty years now, and I have never been more excited about the future of a business than I am right now about Luxfer's.

In closing, I would like to thank all of my colleagues across the Group for their hard work and dedication and congratulate them on turning those efforts into concrete results. Over the past three years the business results have been transformed by their efforts, to the benefit of all stakeholders.

Peter Haslehurst
Chairman

Chart 9: The Rare Earth Spike



Average Monthly Price US$ per Kg (FOB China Port)

Source: Asian Metal Index

Brian Purves

CHIEF EXECUTIVE

"It is pleasing to have all parts of the Group contributing at a high level, allowing us to deliver our best-ever profit result despite ongoing economic uncertainty."

Review of 2011

We have now seen a more-or-less continuous recovery in the markets that we serve since the third quarter of 2009. Despite the strong profit growth experienced in 2010, the 2011 result was better in every quarter than the previous year. Group revenue rose by £56.1 million (21%) to £317.3 million in 2011.

The US dollar averaged $1.61 against the pound sterling in 2011 – similar to the $1.54 of 2010 and $1.57 of 2009.

The actions that we took to remove costs from the business during late 2008 and early 2009 have widened our trading margins, such that we have been able to make rapid gains as demand has recovered post-recession. It is good that so many of our markets are genuinely global, diluting the effect of weakness in any particular area.

Trading profit for continuing operations rose to £40.9 million from £29.7 million in 2010: a very strong performance when measured against a backdrop of weak economic growth. Most of our key markets grew, with a strong recovery in the automotive sector in both Europe and the US driving strong demand for Environmental controls. The Healthcare sector was relatively weak in the first half of the year, we believe in part because of Government spending constraints. We also saw a further recovery in the demand for speciality gas containment devices, and a further increase in demand for our superformed aluminium panels and other light-weighting materials.

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

The LME three-month price for primary aluminium averaged around $2,571 per tonne in the first half of the year, but $2,273 in the second half, ending the year at $1,992 despite global stocks of the metal being extremely high. The total cost of aluminium charged to the income statement was approximately £33 million in 2011, while the cost of magnesium was approximately £21 million.

Our top-line has been heavily influenced by the staggering increase in the cost of rare earths, especially cerium, which rose in price (in carbonate form) from ca. $7 per kilogram at the start of 2010 to as high as $270 per kilogram by the middle of 2011. At this level, rare earths had become our largest material cost. We had put a rare earth surcharge mechanism in place during 2010, although it had very limited impact that year, and in total the surcharge amounted to £43.4 million in 2011. The figure could have been even higher, but we were able to protect our customers from the worst of the costs by multi-sourcing and careful timing of purchases. Although this increase has an enormous impact on us, and a significant effect on our customers, the eventual impact is heavily diluted within the total cost of a passenger car. During the fourth quarter, rare earth prices began to fall, with cerium carbonate ending the year at approximately $80 per kilogram.

While we have managed our way through the rare earth pricing crisis to date without the Group's profitability being adversely affected, no mean feat given the potential £43 million on-cost, the higher material costs have, however, caused the value of our working capital to rise, peaking at around an incremental £25 million. Now that the cost of rare earths is falling, we expect to generate significant amounts of cash as the working capital unwinds, hopefully starting in 2012 if prices remain where they are or lower.

It is pleasing to have all parts of the Group contributing at a high level, allowing us to deliver our best-ever profit result despite ongoing economic uncertainty.

Gas Cylinders

The Gas Cylinders division saw a rise in revenue of 7%, to £138.8 million in 2011 compared to £129.3 million in 2010.

In Protection, the market for composite cylinders for breathing apparatus improved, including the US market that has been depressed for some years. During the year, we launched a new range of the high-pressure Self-contained Breathing Apparatus (SCBA) cylinders. These SCBA cylinders have been designed to operate at a higher pressure than previously available, which means that they can carry the same amount of gas in a smaller, lower-profile cylinder. This improved portability is greatly valued by those operating in dangerous environments. In Environmental, we continued to make progress in expanding our customer base for our range of Compressed Natural Gas (CNG) cylinders. We won a large contract to provide the cylinders for the DART (Dallas Area Rapid Transport) system: 2,200 cylinders for 370 new buses to be built during 2013 to 2014. We are increasingly seeing our large composite cylinders in demand for the bulk transportation of gases, and towards the end of the year we started production for our largest such contract to date, 2,000 cylinders for the storage and transportation of helium. In Europe we have signed an agency agreement to convert Heavy Goods Vehicles from pure diesel-power into dual-fuel (diesel plus CNG/Bio-methane) systems, offering additional flexibility to operators.

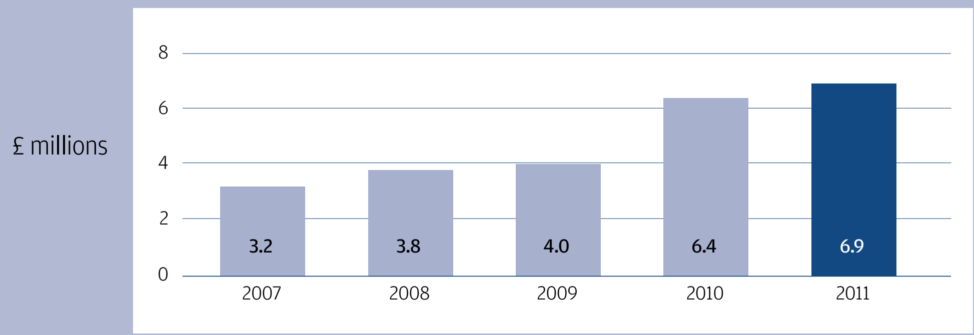
In Healthcare, as we anticipated when reporting last year, sales of medical composite cylinders were down in the European medical market during the first half of the year, due in part, we believe, to budgetary constraints imposed by various European Governments. The market has since bounced back and remains a key growth market for us.

Encouragingly, South America is becoming an increasingly important market, and it was pleasing to see Luxfer L7X® cylinders being used in the base of the escape capsule for the Chilean mine rescue in late 2010.

Superform had a frustrating year, with the speciality automotive sector patchy and with Government cuts removing some of the future rail projects that we were hoping to win work on, but the business continues to make good progress and tooling sales have been high in both 2010 and 2011, promising strong growth in the future.

With a weaker Healthcare market in the first half and significant development costs being incurred on projects scheduled to hit the market in 2012 and 2013, Gas Cylinders trading profit of £7.4 million in 2011 was similar to that for 2010. We are developing our SmartFlow® valve-regulator device and the Intelligent Oxygen System™ for this market. Ultra-large composite cylinders, mainly with polypropylene liners, are also in development and should be in the market around the end of 2012.

Chart 10: Group Research and Development Expenditure



Elektron

Revenue from the Elektron division rose by 35%, to £178.5 million in 2010 compared to £131.9 million in 2010.

In Environmental, the automotive sector, especially in North America, continued to improve, and sales of auto-catalyst products increased in value by 161% during 2011, but this increase was driven by pricing, mainly the rare earth surcharge, but also recovery of other cost increases. Sales volumes were slightly depressed by the very high prices that we had to charge in the second half of the year. Prices are, however, now reducing. We remain focused on maintaining our environmental control technology at the cutting edge, and have on-test what we hope will be the next generation of zirconium-based catalyst material for petrol-engines. We have also developed a range of diesel catalysts with an eye to the Euro 6 regulations coming into effect in 2014.

The business continued to benefit from good performances from both our light-weighting (Environmental) materials and Protection technologies. Sales of the speciality photo-engraving plate were very strong, with good growth in emerging markets. Trading profit for Elektron was £33.5 million in 2011, well up on the £21.8 million achieved in 2010, as a result of increased sales of our high-performance products, across a range of speciality markets.

In 2011, we charged a further £0.2 million in relation to costs associated with a review during 2009 by the US Federal Trade Commission (FTC) concerning the impact of the acquisition in 2008 of Revere Graphics on competition in the magnesium photo-engraving segment. In order to resolve expeditiously the FTC review in this matter, we have been working on a voluntary basis to sell a license to use intellectual property (IP) rights specifically in relation to the acquired business. We are close to concluding an agreement for such a sale. We do not expect this development to materially affect the Group's profitability.

The cost of rare earths has been falling since the end of Q3 2011, and looks set to fall further during 2012. I am pleased that we have managed our way through the dramatic events of the past eighteen months with no damage to our business and having protected our customers from the worst of the problem. Clearly our preference is for these rare earth costs to remain low in the future, to avoid any questioning of the viability of new rare-earth-containing products.

New Product Development

We have a long history of being at the forefront of high-pressure gas containment, magnesium alloys, zirconium chemicals, and superforming. Over time we have developed a high level of expertise in these fields and have applied it to producing products and materials for our traditional markets. Today we have very high market shares in those traditional areas. Some years ago, we decided that the way to grow the business was to identify new sectors where we could identify opportunities to apply our existing technology in new ways.

We have re-focused our strategic plans around three key development markets: Healthcare, Environmental and Protection Technologies. Most of our major development projects are firmly targeted at increasing our presence in these key areas, although our traditional speciality products remain important.

The potential of several of these opportunities is very exciting, certainly requiring investment in new capacity if demand is where we expect it to be.

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

In 2012, we intend to build a facility for the production of medical alloys of magnesium: a low-volume, near-clean room, precise-tolerance plant dedicated to the production of our new Synermag® bio-absorbable alloys for use in medical applications where a temporary scaffold is required, with the material being harmlessly absorbed into the body and excreted after the repair work is done.

Magnesium extrusion produced on Luxfer's new extrusion press at Swinton, UK

Summary

The performance of the business during 2011 was very pleasing, all the more so because of the continuing weak economic conditions. Our main objectives for 2011 were to drive the profitability further forward and to establish a stable source of debt finance for future years. We have been very successful in both respects.

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

While the improvement in profitability over the last two years has been dramatic, coming as it did from a base in 2009 somewhat affected by recession, the absolute level of profitability achieved in 2011 is in line with our strategy and is the level that is needed to sustain a healthy, growing business. If rare earth costs are stable or decline further, we should start to see a significant reduction in working capital, benefitting cash flow.

The combined effect of squeezing cash out of the balance sheet and costs out of operations during 2009, followed by driving the profit up in 2010 and 2011 as volumes recovered, has transformed our debt ratios and left the Group in a very robust position. Nevertheless, our ambitions to grow the Group, both organically and inorganically, means that we will continue to seek additional sources of finance during 2012.

We have progressed very rapidly during 2010 and 2011, and it is unrealistic to expect the same level of profit growth in 2012, but we do expect to achieve a further healthy improvement, and we are very excited about the various projects that are in development to deliver value in 2013 and beyond.

Brian Purves
Chief Executive

Luxfer's AF cylinders used for Dual Fuel conversions

Luxfer supplies carbon composite cylinders to Hardstaff Group for use with Hardstaff's Dual Fuel technology that enables trucks and buses to run on both compressed natural gas (CNG) and diesel fuel.

Andrew Beaden

GROUP FINANCE DIRECTOR

"We achieved an average return on capital employed of 28%."

Finance Review of 2011

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

Introduction

The robust performance in 2011 demonstrated that our business model is delivering. We invested in our operations, via capital and R&D expenditure, and focused on careful management of the working capital in our supply chain. The result in 2011 was a 38% improvement in trading profit, supported by only a 15% increase in capital employed, and we achieved an average return on capital employed of 28%. Despite having to manage a spike in rare earth input costs with a large increase in working capital, we were still able to reduce our net debt to EBITDA ratio from 1.7 to 1.4. Much credit has to go to management throughout the Group for ensuring that financial returns were realised, even when they were faced with uniquely challenging market conditions. Our Group refinancing in 2011 was a major vote of confidence by our finance partners. We were able to repay our high-yield bonds and asset-backed lending (ABL) facilities early and replace them with a lower-cost corporate debt structure in what was a difficult refinancing environment.

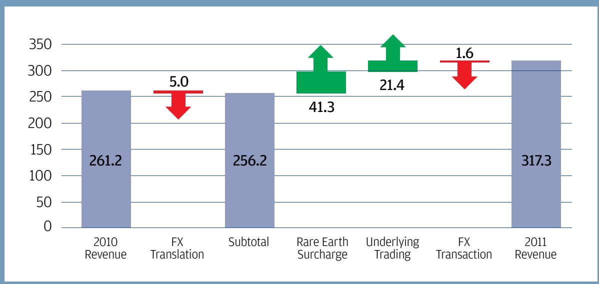
Though economic headwinds may have seemed relentless in the past few years, the global reach of our businesses was an asset, both in terms of customer service opportunities and economic diversification, to enhance shareholder value. North America, which represents 52% of our revenues and 60% of trading profit, remained our strongest trading region, but our export-focused UK operations showed significant improvement in 2011 when compared to prior years. UK trading profit was up to 64% compared to 2010. The spread and flexibility of our operations, should mean that we can take advantage of economic recovery as it appears across a range of markets.

In 2011, as in recent years, we have worked on improving the margins and investment returns within our operations by identifying and investing in key product lines that can deliver enhanced profitability. Trading profit margin on sales was 12.9%, compared to 11.4% for 2010. Our sustained investment in R&D has led to a strong pipeline of new products now scheduled to be commercialised over the coming years, and funding the resulting growth potential will become a major objective for the Group. The refinancing in 2011 was therefore strategically important in introducing additional financing partners to the Group, as well as providing external recognition of the investment-grade nature of our business. Our future financial strategy will be aimed at supporting the exciting commercial opportunities the Group is now developing, aiming to ensure that they realise shareholder value.

Translation Exchange Rates

The financial statements included in this Annual Report are presented in pound sterling. In 2011, when reporting in pound sterling we translated our US operations' results at an average exchange rate of $1.61, and this was less favourable than 2010, which averaged $1.54. We have operations in various other countries, but our US operations are significantly larger than those in any other region, and therefore the translation impact of changes in other currency exchange rates with pound sterling are not significant.

Chart 11: Group Revenue Bridge



Revenue

Group sales revenue in 2011 at £317.3 million was £56.1 million or 21.5% above the £261.2 million reported in 2010. On a Group basis, there was a £5.0 million revenue adverse impact as a result of translating underlying revenue from overseas operations at less-favourable exchange rates.

The underlying increase of £61.1 million included an additional surcharge to customers of £41.3 million to recover the increase in rare earth costs. £21.4 million related to normal revenue growth from volume, mix and other price changes. FX transaction differences on exports were a negative £1.6 million.

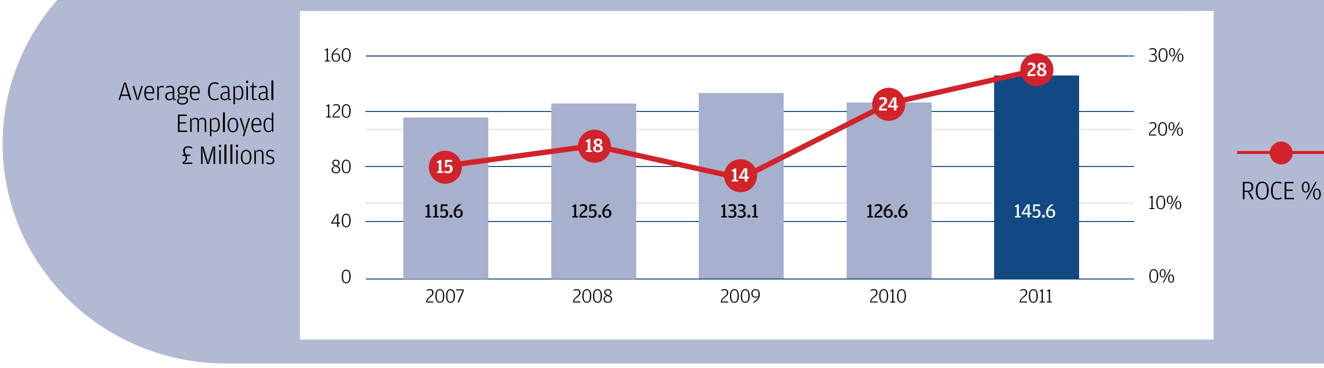
Our Gas Cylinders division revenue was £138.8 million for 2011 and the underlying revenue at constant translation exchange rates was up by 9.6%, adjusting for a £2.6 million negative impact from weaker translation exchange rates. The unit sales of aluminium cylinders was up by 5% and composite cylinders was up by 6% compared to 2010. The volume increases for aluminium occurred in some traditional markets for fire and beverage, whilst composite cylinder sales improved for alternative fuel (AF) systems, medical oxygen, breathing apparatus and emergency escape sets, which targeted our strategic end-markets of Environmental, Healthcare and Protection Technologies. Our AF cylinders are much larger than other cylinders we manufacture, and so a much smaller increase in unit sales offers us the opportunity for much larger levels of revenue growth.

Within our Superform operations, forming sales were up by 13%, as a result of operational expansions over the past few years, driven by innovation in the size and complexity of superformed shapes that we can now provide and the demand for our specialised lightweight material solutions. New tooling design sales remained strong, giving us opportunities for future growth, and we have a number of new projects providing customers with superformed magnesium solutions using our Elektron division's alloys.

Elektron division revenue was £178.7 million for 2011, an increase of £46.5 million. Changes in translation exchange rates had a negative impact of £2.4 million; excluding this the improvement was £48.9 million. The main reason for the increase was rare earth surcharge increases of £41.3 million, as explained earlier. Revenue increases relating to sales mix, volume and pricing, were a positive £9.0 million representing a 7.0% growth on 2010. FX transaction differences were a negative £1.4 million.

After a strong increase in volumes in 2010, which were up 24% on 2009, and a further increase in the first half of 2011, zirconium volumes reduced in the second half of 2011, particularly as customers reacted to the high price of products containing rare earths. Our focus remained on both the quality of the sales mix and maintaining overall operating margins. There was a noticeable destocking by customers later in the year, which

Chart 12: Luxfer Group - % Return On Capital Employed



Capital employed is defined as equity plus net debt pension and taxation liabilities, less taxation assets. Return on capital employed (roce %) is defined as trading profit divided by average capital employed by quarter.

impacted Q4 sales volumes. For the full year of 2011, sales tonnage of zirconium chemicals was 8% lower than 2010. The environmental auto-catalysis market was the main area impacted by the rare earth surcharges and inventory destocking in Q4.

Total sales volumes for our magnesium operations in 2011 were up by 5% compared to 2010. Demand for our high-performance aerospace alloys remained strong in the US and we have now started to benefit from being able to offer extruded parts from our newly-commissioned extrusion press. We have been expanding sales in wrought and rolled products for speciality industrial and aerospace applications. In Europe, recycling volumes significantly improved with increased demand from the die-casting market servicing the German automotive industry.

Cost of Sales and Gross Profit

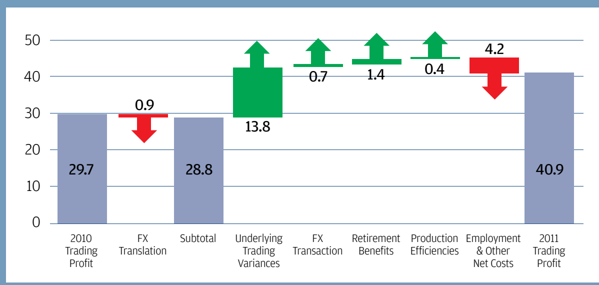
The gross margin for 2011 was 23.5%, compared to 24.2% in 2010. We expected a reduction in this ratio, given the impact of price increases to recover raw material cost increases. Total raw material cost increases potentially represented nearly £50 million in additional costs, and the reduction in gross margins might have been more substantial, but for operational improvements that produced efficiency gains, which, coupled with some gains from buying forward, reduced the material cost impact to £43.0 million. Where feasible, we sought to buy materials forward to provide customers with more stable pricing and guaranteed supply on a quarterly basis, as well as to stabilise the margin impact. Additional surcharges of £41.3 million were levied on customers for the increased costs of rare earth chemicals and the cost of financing them in our supply chain, including holding strategic inventory levels to guarantee supply as Chinese export-quota restrictions tightened. We were very grateful for customers working with us in these areas as we steered our mutual passage through the rare earth pricing bubble.

Cerium carbonate is used by our Elektron division in the manufacture of our zirconium auto-catalysts, along with other rare earth chemicals used in a range of zirconium and magnesium products. Cerium carbonate prices increased dramatically through the year, peaking at a high of US $270 per kilogram by the middle of 2011 before falling back later in the year. This peak can be compared to US $5 to US $10 per kilogram prices less than a year earlier. As well as rare earths, primary aluminium and magnesium costs also increased. The average LME price for aluminium was $2,419 per tonne in 2011, compared to $2,198 per tonne in 2010. Magnesium costs rose, with the average price of Chinese magnesium on an FOB basis rising to $3,112 per tonne, compared to $2,831 per tonne in 2010. Zircon sand prices also increased, along with various bulk chemicals we use. In aggregate, we were able to recover the total impact of the various commodity cost increases we faced in 2011.

Distribution costs, administrative expenses and other trading items

The net of these costs in 2011 was £33.8 million, and in 2010 they were £33.6 million. Keeping the costs at similar levels was a result of continued tight cost control.

Chart 13: Group Trading Profit Bridge



Trading Profit

Trading profit for 2011 was £40.9 million, compared to £29.7 million in 2010. Trading profit as a percentage of sales revenue was 12.9%, compared to 11.4% in 2010. The impact from the negative exchange translation differences on consolidating non-UK trading profits was £0.9 million, and therefore the underlying improvement was £12.1 million.

Trading profit in Gas Cylinders division in 2011 was £7.4 million, down £0.5 million from 2010, with £0.2 million due to translation and a £0.3 million fall in underlying profit. Though Gas Cylinders profits were down, we did benefit from higher sales revenues, driven by the improving volumes in our strategic end-markets. However, we had some production efficiency issues that we estimate had a negative impact of £1.2 million in 2011, compared to 2010. This was very much attributable to the task of bedding down major changes we have made to our cylinder production facilities, including significant rationalisations and automation projects in the past few years. We also faced new challenges in manufacturing our new, very large composite cylinders. In these areas we are targeting further operating improvements for future years. We incurred significant product-development costs and sales and marketing expenditure, all aimed at generating future improvements in sales and profit.

Our Elektron division's trading profit was £33.5 million in 2011, an improvement of £11.7 million over 2010 and a major success in the year. The result was a testament to a focus on premium products that are increasingly IP-protected and manufactured in more efficient facilities. For example, nearly all our environmental auto-catalysis sales are now subject to various patent protections, and including all surcharges, these accounted for 38% of the divisional revenue in 2011. We continued to target increased sales of new patented products based on zirconium chemicals and magnesium alloys. Operational production efficiency gains totalled £1.6 million for 2011, and the division's profits also benefited from lower actuarial pension charges of £1 million. We are investing in R&D projects, including various capital projects to upgrade and extend our product development capabilities further, particularly in Healthcare and Environmental end-market applications. Pricing products to justify these investments and provide the necessary financial returns is therefore key. Price increases, along with operational efficiency measures, were implemented not only to offset higher raw material costs, but also to cover the significant burden on working capital levels and capital employed. In addition to rare earths, we had other material cost increases related to zircon sand, energy and magnesium, as well as regulatory costs around sourcing materials, such as the European REACH regulations that not only led to additional external costs, but took up the valuable time of senior technical staff.

Of the nearly £50 million potential impact to our cost base from higher raw material and energy costs that we faced in 2011, 95% related to the Elektron division. Price increases and operational improvements became essential. The profit improvement was therefore down ultimately to 'hands on' management within Elektron, combined with our focus on selling material-technology products to world-class standards.

Adjusted EBITDA

Adjusted EBITDA, measured as trading profit before depreciation and amortisation, was £49.9 million, a margin on sales of 15.7%, compared to £38.7 million and 14.8% in 2010.

Operating Profit

Group operating profit, which is trading profit less restructuring and other income/expense items, was £41.1 million for 2011, compared to £29.2 million in 2010. In 2011, the reconciling items with trading profit netted to a small net gain of £0.2 million.

Finance Costs

Net interest costs payable during 2011 were £5.5 million, compared to £6.1 million in 2010. Though net debt increased on average through the year as a result of funding higher levels of working capital due to higher commodity cost increases, the net interest cost was lower due to the lower cost of the new financing facilities.

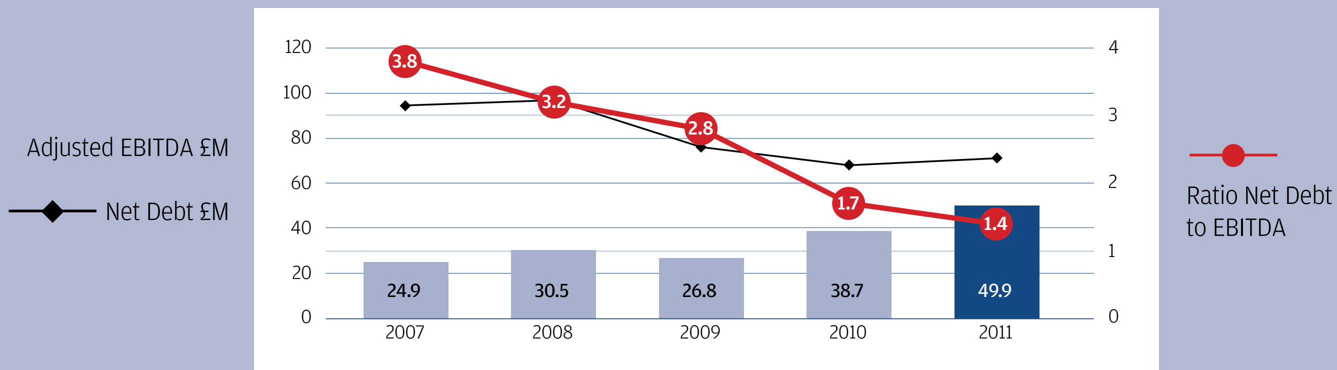
Profit Before Taxation

Our profit before taxation was £35.4 million, a 52.6% increase on the £23.2 million made in 2010. Our margin on profit before taxation was 11.2%, also up on the margin of 8.9% in 2010.

Taxation

The tax expense of £8.5 million is equal to 24.0% of profit before taxation, and the charge in 2010 of £6.4 million was equal to 27.6%. The fall in the effective rate was due to a change in the mix of profits, with more being generated from our UK operations,

Chart 14: Luxfer Group - Adjusted EBITDA and Net Debt



Adjusted EBITDA is defined as trading profit adding back depreciation and amortisation charges.
Net Debt is total debt less cash balances.

subject to lower tax rates and also recognising the benefit of various tax allowances, including those in relation to R&D expenditures and capital investments. Of the £8.5 million, £7.3 million related to current taxes payable and £1.2 million to deferred tax items.

Net Profit & Earnings Per Share (EPS)

The net profit of the Group for the year was £26.9 million, compared to a profit in 2010 of £16.8 million. This equated to an EPS of £2.72 (fully diluted £2.70), an increase of 59% on 2010's £1.71 per share and a significant improvement for shareholders.

Cash Flow

The net cash flow from operating activities in 2011 was £18.6 million, lower than the £24.8 million achieved in 2010. Though profits were higher, increased commodity costs led to a significant rise in working capital levels. The annual increase in working capital was £14.9 million in 2011, compared to £3.5 million in 2010. However, the peak in the increase was approximately £25 million during the year as rare earth prices spiked to record levels. Their fall from the peaks, along with tight management of other areas of working capital, helped reduce this impact in the final quarter of the year. Inventories were valued at £64.8 million at the year-end, compared to £49.3 million for the previous year-end, and receivables were £42.1 million, compared to £33.2 million. Receivables were higher mainly as a result of the rare earth surcharge to customers.

Net cash used in investing activities was £13.4 million, compared to £10.2 million in 2010, an increase of £3.2 million. This was a result of our strategy to invest in new product lines and upgrade manufacturing facilities. The expenditure included investment in a new extrusion facility within our magnesium operation and expansion of our Superform and alternative fuel cylinder production facilities. A number of R&D laboratories were refurbished and upgraded to support our innovation programmes and to provide advanced technical support to customers. We also continued to target areas in the manufacturing processes where automation and robotics could reduce operating costs to benefit future years.

Net cash flow from financing activities was an inflow of £3.0 million in 2011, with a small net inflow of funds from the refinancing in 2011. After these cash flows and exchange differences of £0.5 million, the Group increased its cash on the balance sheet by £7.7 million to £14.3 million.

Retirement Benefits

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

At the end of 2005, the decision was taken to close the US defined benefit pension scheme, offering alternative arrangements to the employees who were members of that scheme. The main UK defined benefit scheme has been closed to new members since 1998 and in 2004 was changed to a career average revalued earning (CARE) scheme. In 2005 we also capped the pensionable earning in the UK scheme to £60,000 per annum, adjusted thereafter for inflation, being £69,000 for 2011-2012. This year we also introduced a one-off opportunity for pensioners to switch from inflation-linked payments to an initially higher flat-rate pension.

Despite these historic actions, the retirement benefit liability has risen recently due to historically low interest rates, which have been further distorted by quantitative easing strategies of western central banks and poor stock market returns in 2011 that impacted asset values. These factors have resulted in lower discount rates on the long-term pension payment liabilities and reduced asset values in the pension scheme funds. In 2011, the total liability for retirement benefits rose from £26.4 million to £53.1 million; however, payments to fund these long-term liabilities are tax deductible by the Group, and net of the deferred tax benefit, the liability is £37.9 million for 2011, compared to £18.3 million at the end of 2010. This results in an overall net increase after tax of £19.6 million. This net deficit is volatile; for example, at 30 June 2011, it was only £10.7 million after tax.

The current methodology for valuing these liabilities is artificial, with the discounting of long-term pension payments based on lower-yielding investment-grade and bond returns and not taking into account the long-term premium that is achieved in a balanced investment portfolio of equities and bonds. When you then consider the accounting impact on these very long-term liabilities for short-term market distortion like quantitative easing, you have to question the current accounting logic. A 1% change in the discount rate changes liability values by £30 million for the UK scheme alone. Sadly, revisions to IAS19 do not appear to be providing any sensible solutions and may add further confusion and misunderstanding around the nature of these long-term liabilities. We estimate the proposed revised IAS19 when applied to 2011 would have reduced pre-tax profits by £2.7 million.

The net increase across the Group from 31 December 2010 to 31 December 2011 can be broken down into several major elements: a £23.1 million increase as a result of depressed discount rates on the long-term liabilities, a £18.4 million increase due to reduced investment fund valuations, a £10.2 million reduction due to lower inflation rate expectations, a £7.6 million reduction due to additional company contributions, a £1 million reduction as a result of the changes from inflation linked to flat-rate pension payments and other items increasing the deficit by £4 million, which include adjustments for longer life expectancies. The actual service cost of the scheme for active members is relatively low, and it is the historical liabilities that create most of the volatility. The adjustments to the net liability are charged mainly to other comprehensive income, as actuarial gains and losses, and in 2011 this charge was £34.7 million, with a corresponding £9.7 million deferred tax credit.

Shareholder Equity & Borrowings

Shareholder equity at the end of the year was £41.7 million, compared to £41.6 million at the end of 2010. The Group had total borrowings of £85.3 million and net debt of £71.0 million at 31 December 2011. Capital employed, measured as net assets plus net debt, retirement benefit liabilities and taxation balances, was £150.6 million, compared to £130.1 million at the end of 2010. The increase mainly related to the higher working capital currently required due to higher commodity and rare earth costs. The pre-tax return on invested capital, measured as trading profit divided by average capital employed (measured quarterly) was 28% in 2011.

New Financing Facilities

Previously, the Group had a £45.0 million ABL facility, which also included £10.0 million of ancillary financing for letters of credit, bank guarantees and foreign exchange hedging. The facility was secured over substantially all the operating assets of the Group in the UK and US and subject to minimum borrow base measurements, meaning the level of facilities would reduce if the adjusted value of working capital and fixed assets fell below certain limits. We also had in issue a high-yield bond (Senior Notes due 2012) shown in the balance sheet as £68.1 million, net of repurchases and deferred finance costs. All these debt instruments were repaid in 2011.

In April 2011, the Group entered into agreements for new £110 million financing facilities comprising a seven-year private placement of £40 million, a four-year bank term loan of £30 million and a four-year revolving credit facility of £40 million with a number of banks and an insurance company. This refinancing was completed on 15th June 2011. The private placement loan notes have been locked in at a committed seven-year fixed rate of interest of 6.19%, with the remaining facilities being variable rate debt at lower margins over LIBOR than our previous facilities. These new facilities were used on 15 June 2011 to repay the previous debt facilities. Overall the new financing package provides a mainstream corporate debt structure appropriate for the Group and its improved financial performance. It is provided by both existing and new financing partners, widening the group of financial institutions now involved. The cost of the refinancing was £3.2 million. In additional to the main debt facilities, we also negotiated a larger package of ancillary lines for foreign currency and commodity hedging, and in the UK the lead bank provided a separate £3 million line for bank guarantees. These much larger hedging facilities have enabled us to return to using some LME-derivative hedging to help protect us from volatile changes in aluminium costs, as well as additional hedging in the sterling-euro exchange rate, given the uncertainties in that trading zone. Unlike the previous ABL facility, the hedging facilities are also separate from the main revolving credit loan facility and therefore do not restrict the level of debt available to fund working capital and investment in the business.

Treasury and Financial Risk Management

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

The Group's financial risk management is described in detail in Note 26 of the Group financial statements.

Andrew Beaden
Group Finance Director

Corporate Governance

The Directors support the principles of corporate governance and have over the years adopted many of the principles from the relevant corporate governance codes in so far as they have considered it appropriate, relevant and practical for a company of Luxfer's status and size.

The Board

In 2011, the Board of Directors continued to consist of five members, the maximum number permitted under the Articles of Association of the Company. It comprised a Non-Executive Chairman, two Non-Executive Directors and two Executive Directors. The Chairman and the Executive Directors are shareholders.

Peter Joseph Kinder Haslehurst (71)

Non-Executive Chairman, Chairman of the Remuneration Committee and the Audit Committee

Peter Haslehurst was appointed Non-Executive Chairman on March 31, 2006. He has been a Non-Executive Director of the Company and a member of both the Audit Committee and the Remuneration Committee since June 2003. Since his appointment as Chairman, he has chaired the Audit and Remuneration Committees. Peter Haslehurst is a Chartered Engineer, a Companion of the Chartered Management Institute, a Fellow of the Institution of Mechanical Engineers, a Fellow of the Institution of Engineering and Technology, a Fellow of the Royal Society of the Arts and also a Fellow of the Institute of Materials, Minerals and Mining, where he was formerly a vice-president. He has been a managing director, chief executive and/or chairman in international manufacturing industry for over 40 years, including most recently as chairman and chief executive of the Brunner Mond Group from 2000 to 2008. He holds a number of non-executive directorships and appointments, including president emeritus of VAI Industries (U.K.) Ltd. He is chairman of the Leonard Cheshire Hill House appeal fund. He was made an Eisenhower Fellow in 1980, received an honorary Doctor of Science at Loughborough University in 2008 and is a Freeman of the City of London.

Brian Gordon Purves (57)

Executive Director and Chief Executive

Brian Gordon Purves was appointed Chief Executive on January 2, 2002 and has been an Executive Director of the Company since 1996. He also served as Group Finance Director from 1996 to 2001. He was a member of the Management Buy-In team in 1996. Before joining the Company, Brian Purves held several senior positions in Land Rover and Rover Group covering financial, commercial and general management responsibilities. A qualified accountant, he has a degree in physics and a masters degree in business studies. He is also a Companion of the Chartered Management Institute.

Andrew Michael Beaden (44)

Executive Director and Group Finance Director

Andrew Michael Beaden was appointed as an Executive Director and Group Finance Director on June 1, 2011. Previously he worked as Director of Planning and Finance from 2008 to 2011. He joined the Group in 1997 and was promoted to Group Financial Controller in 2002. He became a member of the Executive Management Board in January 2006. Andrew Beaden is a qualified Chartered Accountant with a degree in economics and econometrics. He has worked for KPMG, as well as several UK FTSE 100 companies in a variety of financial roles.

During 2011 Stephen Williams, who had been an Executive Director since 2001 and Group Finance Director since 2002, retired as both an Executive Director of the Company and from his position as Group Finance Director. Andrew Beaden, Director of Planning and Finance, who has been with the Luxfer Group since 1997 in various finance roles, was appointed as an Executive Director of the Company and Group Finance Director, effective from 1 June 2011.

There were no changes in membership of the Board Committees during the year. Brief biographical details of the Directors who served at the end of the year are shown below on this and the facing page, together with information on their other commitments.

Joseph Allison Bonn (68)

Non-Executive Director and Member of Audit and Remuneration Committees

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

Kevin Flannery (67)

Non-Executive Director and Member of Audit and Remuneration Committees

Kevin Flannery 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 has over 40 years experience in both operational and financial management roles in a variety of industries and has also served in the capacities of director, chairman and chief executive officer of several companies in the United States. He currently serves as a director of ATS Corporation, an AMEX-listed IT contractor to the US Government; FPM Heat Treating LLC, a leading provider of heat treatment processes and Energy XXI, a Bermuda-based oil and gas company. He is also president of Whelan Financial Corporation, a company he founded in 1993 that specialises in financial management and consulting. Kevin Flannery began his career at Goldman Sachs & Co and was a senior managing partner of Bear Sterns & Co.

Stephen Norman Williams (60)

Stephen Williams, who had been appointed as an Executive Director in 2001 and Group Finance Director in 2002, retired as an Executive Director and Group Finance Director on 31 May 2011.

Executive Management Board

The Executive Management Board, chaired by the Chief Executive, normally meets monthly. This board consists of the Finance Director and senior management at Group and divisional level and provides a forum where matters of interest or concern to the Group can be reviewed and discussed, policies agreed and appropriate measures implemented. It also provides an opportunity for senior management to update themselves with progress in other parts of the Group outside their remit.

Brian Gordon Purves (57)

Executive Director and Chief Executive

Brian Gordon Purves was appointed Chief Executive on January 2, 2002 and has been an Executive Director of the Company since 1996. He also served as Group Finance Director from 1996 to 2001. He was a member of the Management Buy-In team in 1996. Before joining the Company, Brian Purves held several senior positions in Land Rover and Rover Group covering financial, commercial and general management responsibilities. A qualified accountant, he has a degree in physics and a masters degree in business studies. He is also a Companion of the Chartered Management Institute.

Andrew Michael Beaden (44)

Executive Director and Group Finance Director

Andrew Michael Beaden was appointed as an Executive Director and Group Finance Director on June 1, 2011. Previously he worked as Director of Planning and Finance from 2008 to 2011. He joined the Group in 1997 and was promoted to Group Financial Controller in 2002. He became a member of the Executive Management Board in January 2006. Andrew Beaden is a qualified Chartered Accountant with a degree in economics and econometrics. He has worked for KPMG, as well as several UK FTSE 100 companies in a variety of financial roles.

Christopher John Hilary Dagger (63)

Managing Director of Magnesium Elektron

Christopher Dagger has been a member of the Executive Management Board since 2001. He joined the Luxfer Group in 1999 as Managing Director of Magnesium Elektron UK and became Divisional Managing Director in 2001. Prior to this he held a number of positions within British Alcan Aluminium over the course of 20 years in a number of fields, including smelting, gas cylinder manufacture, extrusions and stockholders.

Edward John Haughey (56)

Managing Director of MEL Chemicals

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

John Stephen Rhodes (62)

President of Luxfer Gas Cylinders

John Rhodes became a member of the Executive Management Board in 1996 upon the Management Buy-In. He has been President of the Luxfer Gas Cylinders business since 1998. He joined Alcan in 1974 following three years with The British Council. He initially worked in HR and, after post graduate studies at Cranfield, he moved into Sales & Marketing within the Alcan Distribution business, becoming Managing Director in 1986. In 1989 he became Director of Business Development for the Enterprise Division of British Alcan Aluminium and following that Managing Director of Superform in 1991.

Linda Frances Seddon (61)

Company Secretary and Legal Adviser

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

Corporate Governance

Leadership and Effectiveness

The Board has responsibility for the overall leadership of the Company, its long-term success and helping to develop and approve its strategic aims. They have determined a schedule of matters reserved to the Board. Reserved matters are comprehensive and reviewed as appropriate when there is a structural or other change in the Group and not annually.

These matters include:

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

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

In 2011 the Board held six main scheduled meetings and five additional meetings. Two of the main meetings were held overseas at different divisional operational plants. These meetings were attended by all the directors with no absentees. In addition there were two meetings of a specially constituted committee of the Board consisting of the two Executive Directors.

Chairman and Non-Executive Directors

The Board consider that the Chairman and the Non-Executive Directors are independent. As the permitted number of directors is small and with only two Non-Executive Directors in addition to the Chairman, the Board considers it inappropriate to appoint a senior independent director.

The Chief Executive is responsible to the Board for the management and performance of the business within the frame-work of the matters reserved to the Board and for implementing the strategy 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 division of responsibilities between the Chief Executive and the Chairman is clear and in the current circumstances it has not been considered necessary to record it in writing.

Although there were no formal meetings of the Non-Executive Directors and the Chairman without the Executive Directors, as normally under the Articles an Executive Director is required to be at the meeting for it to be quorate, the Chairman maintains a dialogue with the Non-Executive Directors, canvassing their opinion on issues where appropriate in forums other than meetings in the absence of the Executive Directors, which he is able to do effectively since there are only two Non-Executive Directors. If it were thought appropriate and necessary by the Board to resolve any particular issues, it is possible for the Board to agree the meeting should be quorate absent any Executive Directors. Instances of where the Board may deem it necessary to constitute a meeting without the Executive Directors may be where there was some conflict involving the Executive Directors and the conflict could not be resolved under the conflict provisions in the Articles.

The Company does not have a standing Nomination Committee as the permitted size of the Board under the Articles is small. The Directors have determined that it is more appropriate that appointments are considered and agreed by the Board as a whole pursuant to the Articles with any necessary research delegated to an outside body through a designated individual Director. The Board reviews succession planning for senior appointments in the Group annually, and the most recent appointment to the Board was dealt with as part of that ongoing process. The Non-Executive Directors have not been appointed for a defined term as it was not appropriate at the time they were appointed. They are, however, subject to a three-month notice provision. The Articles of the Company do not currently require the Directors to put themselves up for re-election.

Information and Support

The Company Secretary normally distributes Board and Committee agendas and materials to the Board and Committees seven days before a scheduled meeting. There is a written procedure for decisions to be taken between scheduled Board and Committee Meetings that also deals with information distribution in such cases. The Board receives both financial and operational information to assist it in discharging its duties. The Chief Executive and the Group Finance Director provide monthly reports to the Board which together cover all aspects of the business and which are then elaborated or commented upon at scheduled Board Meetings as appropriate. The Board can and does request additional topics be added in these reports from time to time. 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. As they consider necessary the Board will request advice from the Company's professional advisors, normally through the Executive Directors. There is also 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 Board is developing an appropriate evaluation procedure to evaluate its performance. As appropriate, the Company Secretary updates the Board on issues and changes of a legal and regulatory nature of which it and the individual Directors should be aware to refresh their skills and knowledge. There is a culture of information exchange on various matters of interest to the Group and its operations between Directors and senior managers to keep Directors abreast of relevant developments. In addition to meetings held at sites as described in the Leadership section, the Non-Executive Directors 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.

Accountability

The Directors are responsible for preparing the annual report and accounts, which responsibility is explained further in the Directors responsibility statement on pages 51 and the Auditors' Reports on pages 54 and 95.

Internal Controls and Risk Management

The Company and its subsidiaries operate to established procedures, which are designed to identify, evaluate and manage significant risks in the Group. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss. These procedures are reviewed on an ongoing basis as considered appropriate and cover both financial and non-financial risks. The following are the Group's principal internal control procedures:

Risk Management - Over the years the Company has developed and implemented a Risk Management Process with the help of external advisors. On a self-certification and self -monitoring basis, with guidance from head office, local management create a risk profile for their business by identifying and evaluating the likelihood and magnitude of their key operational, commercial and financial risks. These risk factors are also consolidated to form an overall risk profile for the Group. Risk profiles are used as a management tool both at business unit and Group level with a view to reducing, transferring or eliminating risk as appropriate and where possible. The Board receives a report from the Finance Director on major identified risks, the processes involved in their identification and their management. The report is usually made annually, but no less frequently than bi-annually, and is discussed at the relevant meeting. Any major new risk to the Group, arising or perceived during the year, is identified and discussed with the Board as appropriate at regular Board Meetings in addition to the formal report. Training is undertaken locally and on a Group-wide basis to eliminate or mitigate certain identified or perceived risks that may affect the Group or a business where relevant.

Health and Safety - The Group is fully committed to achieving and maintaining the highest standards of health and safety for all its employees, contractors, visitors and all those who may be affected by its operations as an integral part of good business practice. Certain members of the Executive Management Board have been designated to monitor, co-ordinate and report upon the health and safety aspects of specific regions of the Group's international operation. A quarterly report is made to the Board by the Chief Executive, who also reports any issue of which the Board should be aware if and when such issues may arise. Risks are identified on a site basis and appropriate training of employees is undertaken. Periodic cross audits between operating units and regional periodic meetings of health and safety officers from operating units across the Group provide an opportunity for best practice to be shared. Recommendations resulting from audits are reported on and followed up at subsequent business reviews with the Chief Executive in which health and safety is a permanent agenda item. Operating sites throughout the Group have a designated health and safety officer appropriately trained and responsible for health and safety matters and compliance with relevant legislation. External professional expertise is sourced as and when appropriate.

To further heighten the profile of health and safety within the Group, there are two health and safety awards made annually to the site with the 'Best Overall Safety Performance' and the site with the 'Most Improved Safety Performance'. The number of awards has recently been extended to include 'Best Small Plant'. All employees at the award-winning site participate in the reward.

Environment - The Group remains committed to a high standard of environmental management to ensure legislative compliance across the Group. The environment is managed and reported on at various levels within the Group. As with health and safety, certain members of the Executive Management Board have been designated to monitor, co-ordinate and report upon the environment and environmental issues relevant to the Group and its activities for specific regions of the Group's international operations. Each operating site has a designated manager responsible for environmental matters who has appropriate knowledge and expertise. All operating sites are required to comply with the Group Environmental Policy and their site-specific environmental management system. External expertise and advice is sought as necessary and appropriate.

The Group is committed to achieve ISO14001 certification globally at larger manufacturing sites, and the majority of these sites have now attained the certification along with some smaller sites. All UK manufacturing sites requiring IPPC permits have attained them.

Internal Financial Controls - The key controls consist of:

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

Luxfer does not currently have an internal audit function. Periodic internal audits are carried out by Head Office finance staff. The Board considers the current arrangements are suitable at this stage of the Company's development. The Board will periodically assess the need for an internal audit function as circumstances dictate. There is currently no Group-wide dedicated procedure allowing employees to raise issues of wrong-doing.

Additional information on how particular business risks are managed and what those risks are considered to be is set out in the section on Principal Risks and Uncertainties on page 20 of the Business Review.

The Business Review, pages 14 to 17, explains the Luxfer Business Model and strategy. It also sets out how the Company generates and preserves value for the long term.

Audit Committee

The responsibility and duties of the Audit Committee are set out in written terms of reference, although they do not currently appear on the Group's website. Its responsibility is to consider any matters relating to the financial affairs of the Company and its subsidiaries and the internal and external audit that it determines is desirable. Its duties include:

- **Financial Reporting -** monitoring the integrity of all financial statements and announcements, reviewing and challenging critical accounting policies, and deciding how major elements of judgement are reflected in the accounts, disclosures, significant adjustments and compliance with standards.
- **Internal Controls and Risk Management System -** reviewing systems of internal control and risk management.
- **External Audit -** making recommendations to the Board on the appointment of the external auditor, approving their terms of engagement, discussing and agreeing the audit plan and the nature and scope of the audit, reviewing and discussing with the auditors the audit findings and generally

reviewing the performance of the auditors, their independence and their cost effectiveness.

- **Internal audit -** monitoring and review.

The Chairman of the Committee is required to report the findings of the Committee to the Board with such recommendations as it deems appropriate. Minutes of the meetings are circulated to the Board. The Board retains ultimate responsibility for the approval of the Company's interim and final reports and accounts on recommendation from the Committee.

The Chairman Peter Haslehurst also chairs the Audit Committee in accordance with its current terms of reference. The Board considers it more appropriate whilst the number of Directors that can be appointed is limited by the Articles. Joseph Bonn and Kevin Flannery, the two Non-Executive Directors, are also members of the Committee. The Board considers that all the members have appropriate financial experience to enable them to contribute to the Committee's work. Under the terms of reference the Finance Director attends all meetings unless requested not to do so by the Committee, and all Directors have the right to attend meetings. The Company Secretary acts as secretary to the Committee. Representatives of the external auditor are invited to attend meetings as required. At least once a year the Committee are required to meet the external auditors without any Executive Directors present, and they have a right to request a meeting with the external auditor at any time without the Executive Directors.

Meetings are routinely scheduled in with Board meetings and normally coincide with the key events in the Company's financial reporting and audit cycle. Agendas and appropriate papers are issued for each meeting. The Chairman speaks to the external auditors in preparation for each meeting at which matters are discussed that have been audited by auditors or are relevant to them.

The Committee held seven meetings in 2011. It carried out the following work during the year:

- Recommendation to the Board to approve for publication the Preliminary Announcement of the 2010 results after reviewing the content, preparation and the auditor's letter.
- Recommendation to the Board to approve for publication the quarterly and half-year results after reviewing them and their preparation.
- Recommendation to the Board to approve the full-year report and accounts 2010 after receiving the auditor's report on the nature, scope and conduct of the audit and their comments on the audit findings. The Committee also received a report on tax from the tax partner together with a review of work undertaken during the year on various Group tax matters.
- Review of the 'Going Concern' both in connection with the consideration and recommendation for approval of the full year report and accounts 2010 and the unaudited interim financial statements.
- Consideration and approval at separate meetings of individual Ernst & Young engagement letters to carry out certain audit and reporting work, XBRL tagging services and other specific work after reviewing the auditor's independence position in relation to the same.
- At the beginning of 2012 the Committee also approved the nature and scope of the audit of the 2011 full-year results.

During the year a specific review of auditor's independence was undertaken by the auditors and the Company's management, which confirmed the independence of the auditors. Any non-audit work for which Ernst & Young are considered is subject to controls by management to ensure the independence of the auditors is not compromised should they be asked to undertake the engagement. All proposed engagements of the auditors to carry out work are reviewed by the Audit Committee. All engagement letters over a de minimis amount are approved by the Audit Committee.

Relations with Shareholders

Members of the Board seek to develop an understanding of the views of shareholders of the Company in various ways, always taking into account the need to treat shareholders equally. The Chief Executive and the Finance Director have regular talks with the managers of funds holding shares in the Company, both individually and collectively. The Chief Executive and Chairman make regular visits to larger investors to seek their views.

The results of such discussions and visits are reported to the Board for discussion. Regular contact is maintained with analysts, and their views and reports are circulated to the Board and discussed where appropriate. The Non-Executive Directors also take the opportunity to speak to major investors and make themselves available to do so if requested. Normally the Chief Executive and the Finance Directors will hold investor calls as part of the Company's reporting cycle.

Shareholders are encouraged to attend the Annual General Meeting (AGM), which is held in London, and AGM material is normally sent out at least twenty working days before the meeting. Separate resolutions are proposed and proxy votes are recorded. Results for, against and withheld are posted to the Company's website. All Directors attend the AGM.

Remuneration

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy of the Company and the Group on executive remuneration and its costs. The objective of the policy is to ensure that executive management are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and reasonable manner for their individual contributions to the success of the Company and the Group.

The main duties of the Committee are to:

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

The Committee operates to written terms of reference. The Chairman Peter Haslehurst also chairs the Committee in accordance with its written terms of reference, which the Board considers is more appropriate, whilst the number of Directors that can be appointed is limited by the Articles. Joseph Bonn and Kevin Flannery, the two Non-Executive Directors, are also members of the Committee. The Chief Executive has the right to attend and speak at meetings. The Company Secretary normally acts as secretary of the Committee. No Committee attendee is permitted to participate in any discussion or decision on their own remuneration. Meetings are generally scheduled annually with the Board meetings. The Committee is required to meet at least twice a year with one meeting to be held in January to consider bonus issues and a second to consider any report the Committee may be obligated to submit in the annual report and accounts. Otherwise meetings are held as and when appropriate.

During 2011, the Committee met on two occasions. At these meetings it approved the Executive Directors' annual bonus targets for 2011, made a determination as to whether the 2010 bonus target had been met, and reviewed the Executive Directors' salaries and packages. It also approved the package to be offered to the Finance Director (including share options) on his appointment. Work was also undertaken, with the assistance of a report from Mercers Limited, on the review of new long-term share incentive schemes for future implementation at an appropriate time. In addition they passed two written resolutions recommending that the Trustees of the Luxfer Group Employee Share Ownership Plan take certain actions as holders of shares in the Company.

Executive Directors' Remuneration (not audited)

Remuneration packages for Executive Directors and senior managers aim to attract, retain and incentivise high-calibre individuals and reward their performance. On appointment and periodically thereafter the Committee benchmarks executive remuneration packages against appropriate comparators.

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

- **Base salary,** which takes into account market rates, affordability, the responsibilities of the position held, the experience and contribution of the individual executive and the international scale of the Group's operations. Base salary is reviewed annually.
- **Annual bonus** based on achievement against certain financial targets. These financial targets are set in January of each year and for the Executive Directors are based on trading profit and annual cash flow, measured against the approved annual budget.

For these purposes, trading profit means operating profit before any restructuring costs. Annual cash flow is an internal non-IFRS measure calculated as cash flow before interest and tax payments and after restructuring costs and capital expenditures. The specific combination of financial targets in any year are aligned, as appropriate, with the needs of the Group and the businesses for that year. The bonus scheme consists of a maximum annual bonus payable of a pre-defined percentage of annual salary related to the individual's position in the Group. The bonus is pensionable but capped at half the maximum amount of bonus achievable. The Executive Directors' maximum percentage bonus achievable is normally 60% of base salary. The pensionable amount of the bonus is capped at 30%. Under the bonus scheme, maximum percentage bonus is payable only for achieving specified stretch targets beyond budget in the target areas. In addition, the Remuneration Committee has determined to consider each year offering as an incentive to the Executive Directors an additional percentage bonus over and above the predefined maximum annual bonus; this additional bonus is payable only on achievement of specific additional targets set by them aligned with the requirements of the business. This element of any bonus is not pensionable. In 2011 the Executive Directors earned an additional percentage bonus of 15% of base salary for achieving certain pre-defined targets determined by the Remuneration Committee as a primary objective of the Company in 2011. Following a review it is intended to modify the bonus arrangements for 2012.

- **Benefits** consisting of car allowance, medical, dental and life insurance.
- **Salary sacrifice** arrangements where a proportion of salary and bonus can be sacrificed for additional payments into certain of the Group's registered and unregistered defined contribution pension arrangements.
- **Pension** arrangements for the Executive Directors are reviewed annually to ensure that the benefits are consistent with market practice. The Group's contributory pension arrangements consist of both defined benefit and defined contribution arrangements. The pensions for the Executive Directors who were directors during the year were provided partly by the defined benefit and partly by defined contribution arrangements and an allocation to an unfunded unregistered retirement benefit scheme (UURBS) accrued by the Company.

The main features of the defined benefit arrangements are currently:

- A normal retirement age of 65;
- Accrual on a career average basis each year of 1.50% of pensionable earnings for a member contribution of 9.8% or 1.31% for a member contribution of 7.4%;
- Pensionable earnings are limited to a scheme-specific earnings cap of £69,000 pa from 6 April 2011 (£67,000 pa for 2010/11);
- A spouse's pension on death and a lump sum payment on death in service.

Details of the accrued pension entitlements of the Executive Directors under the defined benefit arrangements during 2011 are set out in Table 2 on page 47 of this report.

The Company also contributes to both registered and unregistered defined contributions arrangements for the Executive Directors and UURBS for the Chief Executive. Details of the Company's contribution and allocations to these arrangements for the year are also set out on page 47 of this report.

Longer-term Incentives have consisted in recent years of the Management Incentive Plan (MIP) described below and a share option scheme.

- **Management Incentive Plan:** Implemented In 2007 as part of the re-organisation undertaken at that time, the MIP was established to promote the success of the Group and incentivise certain Directors and senior management by providing them the opportunity to share in any increase in the long-term value of the Group. Under the MIP, 800,000 ordinary shares of £1 each (8% of the Company's issued share capital) were held (through purchase) by MIP members. Restricted shares were subject to contractual restrictions whereby the management holders of the shares waived their economic rights, benefits and/or entitlement as holders of those shares (such as their rights to receive dividends or distributions from the Company) until certain specified EBITDA targets were attained.

  In accordance with the rules of the MIP it was determined during 2011 that the Company exceeded the final EBITDA target of £37.2 million as at 31 December 2010, resulting in all Restricted shares being classified as Unrestricted shares, subject only to restrictions on transfer, until certain events occur, other than in accordance with certain leaver provisions set out in the MIP.

- **Luxfer Holdings Executive Share Option Plan:** The plan is described in Note 29 on page 94 and Note 40 on page 104 to the financial statements.

Whilst the performance of the shares acquired or options held by directors and senior managers under the MIP and the share option scheme still acts as an incentive, there is now limited scope to add or increase incentive under those schemes or to extend share ownership to other senior management in the Company and the Group. The Remuneration Committee has been considering appropriate new long-term incentive alternatives linked to performance; it intends to implement these in 2012.

Non-Executive Directors' Remuneration

The remuneration of the Chairman and the Non-Executive Directors consists of an annual fee for their services as members of the Board and Committees, which is reviewed annually. Non-Executive remuneration, including the Chairman's, is determined by the Board and benchmarked against appropriate comparators on appointment and periodically thereafter. No Board Member is permitted to participate in any discussion or decision on his or her own remuneration.

As the Company's ordinary shares are not listed with an official market price, it is not appropriate to provide a performance graph.

Service Contracts

The Company has entered into service contracts with the Executive Directors that are not for a fixed term. All Executive Directors have service contracts that are terminable by twelve months notice by the Company which notice can be given at any time. They also provide for pay in lieu of notice. After taking retirement, Stephen Williams has remained in part time employment with other responsibilities and his service contract has been novated with his agreement to another Group Company. The Executive Directors have the same employment rights as any other employee in the case of redundancy or if the termination of their employment was determined by a relevant tribunal to be unfair under English law.

Brian Purves' service contract is dated the 9 April 1999. His service contract expressly states that he has continuity of employment from when he first joined the Group in 1996. Andrew Beaden's service contract is dated 5th August 2011 and is effective from the date of his appointment as Finance Director on 1 June 2011. His service contract expressly states that he has continuity of employment from the date he first joined the Group in 1997.

The Company has entered into letters of appointment with the Non-Executive Directors that are not for a fixed term as it was inappropriate to engage them on a fixed term at the date of their appointment. The appointments are subject to three months notice to be given at any time by the Company. Joseph Bonn's letter of appointment is dated 28 February 2007 and Kevin Flannery's is dated 11 May 2007. The Chairman's services as Chairman of the Board and the Committees he chairs are provided by a letter of appointment via a third-party company. The appointment is not for a fixed term. The Company can terminate his appointment on three months written notice. The Chairman's letter of appointment is dated 2 June 2006. Neither the Non-Executive Directors nor the Chairman have any employment rights.

Directors' Remuneration (Audited)

Table 1 below shows details of the individual Director's remuneration and benefits.

Table 1: Directors' Remuneration and benefits for the year ended 31 December 2011

£	Salary/Fee	Annual Bonus	Benefits	Total 2011	Total 2010	Pension Defined contributions 2011	Pension Defined contributions 2010
Executive Directors:							
Brian Purves[1]	**282,000**	**211,500**	**17,947**	**511,447**	467,874	**88,592**[6]	109,867[6]
Andrew Beaden [2]	**81,250**	**60,938**	**7,809**	**149,997**	-	**12,978**[6]	-
Stephen Williams [1, 3]	**65,460**	**42,669**	**5,603**	**113,732**	264,039	**8,675**[6]	40,530[6]
Total	**428,710**	**315,107**	**31,359**	**775,176**	731,913	**110,245**	150,397
Non-Executive Directors:							
Peter Haslehurst [4]	**85,500**	**-**	**-**	**85,500**	80,304	-	-
Joseph Bonn [5]	**43,126**	**-**	**-**	**43,126**	42,002	-	-
Kevin Flannery [5]	**43,126**	**-**	**-**	**43,126**	42,002	-	-
Total	**600,462**	**315,107**	**31,359**	**946,928**	896,221	110,245	150,397

Notes

1. Both Brian Purves and Stephen Williams elected to sacrifice a proportion of their salary and bonus set out above in return for additional employer contributions of equivalent value into the Group's registered and unregistered defined contribution pension arrangements described on page 45.
2. Remuneration paid to Andrew Beaden is from the date of his appointment on 1 June 2011 to the end of the year.
3. Remuneration paid to Stephen Williams is from the beginning of the year to 31 May 2011 when he resigned.
4. Fees paid to third party for services provided as a Director and Chairman.
5. The fees of the two Non-Executive Directors were set at US$65,000 for 2010 and US$ 69,200 for 2011. The above figures represent the pound sterling equivalent cost incurred by the Company to make the US dollar payments.
6. The contributions to the unregistered and registered defined contribution pension arrangements do not include any additional amounts as a result of the actual sacrifice of salary or bonus shown in the salary column, but do include a share of certain savings that the Company makes as a consequence of those sacrifices. Of the 2011 figure for Brian Purves £14,579 represents an allocation to an unfunded unregistered retirement benefit arrangement accrued by the Company.

Table 2: Pension – defined benefit for the year ended 31 December 2011

Executive Directors	Accrued benefit[1] at 31 Dec 2011 or earlier retirement	Increase in accrued benefits exc. inflation over year to 31 Dec 2011	Increase in accrued benefits inc. inflation over year to 31 Dec 2011	Transfer value[3] of increase exc. inflation less Directors' contributions	Transfer value[3] of accrued benefits at 31 Dec 2010 or later appointment	Transfer value[3] of accrued benefits at 31 Dec 2011	Increase/ (decrease) in transfer value[3] less Directors' contributions
Brian Purves	£31,076 pa	£881 pa	£2,208 pa	£6,029	£384,696	£466,468	£75,572
Andrew Beaden	£17,357 pa	£455 pa	£466 pa	£1,136	£133,074	£162,349	£26,526
Stephen Williams[2]	£39,942 pa	£1,900 pa	£3,573 pa	£56,240	£659,287	£842,198	£180,353

Notes

1. The accrued benefit is the total defined benefit pension which would be paid annually on retirement based on service to and salary at the end of the year. It includes the longevity adjustment factor that applies to benefits earned from 6 October 2007.
2. Stephen Williams resigned on 31 May 2011 and retired from the Luxfer Group Pension Plan on 18 June 2011. He therefore ceased to accrue pension on 18 June 2011. The pension figure shown is the pension on retirement and includes a bridging pension (payable until his 65th birthday). He was entitled under the Rules of the Luxfer Group Pension Plan to a predominantly unreduced pension on retirement due to his age and service. The transfer value shown at 31 December 2011 and the transfer value of the increase in benefits reflect the value of this, in addition to the benefits arising from his pensionable service during the year.
3. The transfer value has been calculated on the basis set by the Trustees of the Luxfer Group Pension Plan under legislation, less contributions paid by the Directors themselves. The basis set by the Trustees depends on government bond yields at the calculation date. Transfer values increased over 2011 as a result of a significant fall in government bond yields.

Directors' Interests and Related Party Transactions

No Director had a material interest in, nor was any Director party to, any contract or arrangement to which the Company or any subsidiary is or was party either during the year or at the end of the year, with the following exceptions: in the case of the Executive Directors, their individual service contract; in the case of the Non-Executive Directors, their engagement letters or the contract for services under which their services as Directors of the Company are provided; and Brian Purves, Andrew Beaden and Peter Haslehurst are party to the Management Incentive Plan (MIP) described on page 45.

The interests of the Directors who held office at 31 December 2011, and those of their families, in the share capital of the Company are set out in Table 3 below. All of the interests were beneficial.

Table 3: Directors' Interests in Shareholdings in the Company – Audited

Directors	Ordinary shares of £1 each Restricted[1] No.	Ordinary shares of £1 each Unrestricted No.	Ordinary shares of £1 each Total No.	'B' Preference shares £1 each (25% paid) No.	Deferred shares £0.0001 each No.	Options granted over unrestricted Ordinary shares of £1 each No.	Options held over restricted Ordinary shares of £1 each No.
Peter Haslehurst							
Held at 31 Dec 2011	**-**	**65,000**[3]	**65,000**	**-**	**5,920,598,526**	**-**	**-**
Held at 1 Jan 2011	16,250	48,750[2]	65,000	-	5,920,598,526	-	-
Brian Purves[4]							
Held at 31 Dec 2011	**-**	**324,999**[3]	**324,999**	**-**	**29,602,992,629**	**-**	**-**
Held at 1 Jan 2011	81,250	243,749[2]	324,999	25,000[5]	29,602,992,629	-	-
Andrew Beaden							
Held at 31 Dec 2011	-	**45,500**[3]	**45,500**	-	**4,144,419,390**	-	**29,510**[6]
Held on/granted on date of appointment	-	45,500[3]	45,500	-	4,144,419,390	29,510[6]	-

Notes

1. Restricted ordinary shares are held subject to the provisions of the MIP as described on page 45.
2. 23,750 Unrestricted shares of Peter Haslehurst and 118,760 Unrestricted shares of Brian Purves are held subject to certain continuing transfer restrictions under the MIP as described on page 45.
3. 40,000 Unrestricted shares of Peter Haslehurst and 200,000 Unrestricted shares of Brian Purves and 28,000 Unrestricted shares of Andrew Beaden are held subject to certain continuing transfer restrictions under the MIP as described on page 45.
4. Includes Brian Purves' beneficial holding through the BG Purves Retirement Trust.
5. During the year the Company made a call on the unpaid portion of the 'B' Preference shares which was paid by Brian Purves. The 'B' preference shares were redeemed on 23 August 2011 as described in Note 18 of the financial statements on page 77.
6. The option exercise price is £4 per share. 18,160 of the shares over which Andrew Beaden was granted and holds options, are subject to certain continuing transfer restrictions under the MIP as described on page 45.

Other Statutory Information

Dividend

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

Employee Involvement

Employees are directly involved in the performance of the Group and divisions through the use of various incentive schemes. These include bonus schemes, and for senior management share option schemes, share ownership and other performance-related incentives.

A combination of newsletters, regular line manager and team briefings, exchanges and consultations, at both Group and site level (as appropriate) are used to systematically communicate with employees and develop their awareness of matters 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 of all abilities, providing benefit to both the Group and the individual employee. Periodically we undertake a succession planning review to ensure that we develop suitable candidates for critical leadership roles within the Group.

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

Disabled Employees

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

Research and Development

During the year the Group invested £6.9 million in research and development on new and improved products and processes. This compares with a total spend in 2010 of £6.4 million. The Group continues to maintain links in fields of research with both leading universities in various countries and outside agencies to support and supplement its own in-house expertise. A further indication of the activities of the Group in the field of research and development can be found in the Strategy section on page 14 and in the Chief Executive's Review on page 26 of this report.

Payment of Creditors

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

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

Smaller suppliers will usually be paid in accordance with their standard terms and conditions or those of the business unit concerned (of which they are made aware) as appropriate. Actual practice may vary among business units. As the Company is a parent company, it has no trade creditors. However, at 31 December 2011 the Group had an average of 48 days (2010: 53 days) purchases outstanding to trade creditors calculated in accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

Political and Charitable Donations

The Company and its subsidiaries made no political donations in the year. During the year the Group made charitable donations amounting to £38,000 (2010: £14,000) consisting of a number of small donations to various community, welfare, health and educational charities local to the businesses that make up the Group both in the United Kingdom and overseas. Of this figure, £5,000 was paid in the United Kingdom to a fire and rescue charity and £13,000 was paid in the United States to an education, income and health charity.

Going Concern

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

Directors' Liabilities

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

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 36. Having made enquiries of fellow Directors and of the Company's auditors, each of those Directors confirms that:

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

Auditors

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

By order of the Board

Linda F Seddon

Secretary

27 March 2012

Statement of Directors' Responsibilities in Relation to the Financial Statements

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

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

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

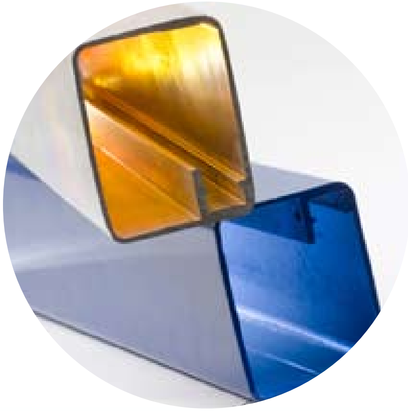
The Directors have chosen to prepare the company financial statements in accordance with UK applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) as required by United Kingdom company law. The company financial statements are required by company law to give a true and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

In preparing financial statements, the Directors are required to:

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

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

Luxfer's New Extrusion Operation



Magnesium Elektron's new extrusion operation at Swinton offers a full range of magnesium extrusion alloys, including standard magnesium alloys, hard-to-find legacy aerospace alloys and high-performance, elevated-temperature Elektron® alloys.
The operation also manufactures magnesium forging materials and machining feedstock, as well as finished parts produced directly from the extrusion press.

Financial Statements

Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUXFER HOLDINGS PLC

We have audited the group financial statements of Luxfer Holdings PLC for the year ended 31 December 2011 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 30 and tables 1 to 3 in the Directors' Report marked as audited. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent company financial statements of Luxfer Holdings PLC for the year ended 31 December 2011.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
27 March 2012

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

CONTINUING OPERATIONS	Notes	2011 £M	2010 £M
REVENUE	2	**317.3**	261.2
Cost of sales		**(242.6)**	(197.9)
Gross profit		**74.7**	63.3
Other income		**1.3**	-
Distribution costs		**(4.5)**	(4.8)
Administrative expenses		**(30.5)**	(28.7)
Share of start-up costs of joint venture	14	**(0.1)**	(0.1)
TRADING PROFIT	2	**40.9**	29.7
Restructuring and other income/(expense)	5	**0.2**	(0.5)
OPERATING PROFIT	3	**41.1**	29.2
Other income/(expense):			
Disposal costs of intellectual property	5	**(0.2)**	(0.3)
PROFIT ON OPERATIONS BEFORE INTEREST AND TAX		**40.9**	28.9
Finance income:			
Interest received	7	**0.1**	0.1
Gain on purchase of own debt	7	**-**	0.4
Finance costs:			
Interest costs	8	**(5.6)**	(6.2)
PROFIT ON OPERATIONS BEFORE TAXATION		**35.4**	23.2
Tax expense	9	**(8.5)**	(6.4)
PROFIT FOR THE YEAR		**26.9**	16.8
Attributable to:			
Equity shareholders		**26.9**	16.8
Earnings per share:			
Basic			
Unadjusted	10	**£2.72**	£1.71
Diluted			
Unadjusted	10	**£2.70**	£1.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011 £M**	2010 £M
Profit for the year		**26.9**	16.8
Other comprehensive income movements:			
Exchange differences on translation of foreign operations		**(2.2)**	1.0
Fair value movements in cash flow hedges		**0.6**	(0.1)
Transfers to income statement on cash flow hedges		**(0.2)**	0.3
Hedge accounting income adjustments		**0.4**	0.2
Actuarial (losses)/gains on defined benefit retirement schemes	28	**(34.7)**	2.2
Deferred tax on items taken to other comprehensive income	22	**9.7**	(0.7)
Retirement benefit expenses		**(25.0)**	1.5
Total other comprehensive income movements for the year		**(26.8)**	2.7
Total comprehensive income for the year		**0.1**	19.5
Attributed to:			
Equity shareholders		**0.1**	19.5

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

	Notes	2011 £M	2010 £M
ASSETS			
Non-current assets			
Property, plant and equipment	11	**73.7**	69.5
Intangible assets	12	**23.7**	23.7
Investments	14	**0.3**	0.2
Deferred tax assets	22	**14.6**	6.2
Other non-current assets	23	**0.4**	0.9
		112.7	100.5
Current assets			
Inventories	15	**64.8**	49.3
Trade and other receivables	16	**42.1**	33.2
Income tax receivable		**0.8**	0.2
Cash and short term deposits	17	**14.3**	6.6
		122.0	89.3
TOTAL ASSETS		**234.7**	189.8
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders			
Ordinary share capital	18	**10.0**	10.0
Deferred share capital	18	**76.9**	76.9
Retained earnings	19	**152.5**	150.6
Own shares held by ESOP	18	**(0.3)**	(0.3)
Hedging reserve	19	**0.5**	0.1
Translation reserve	19	**9.6**	11.8
Merger reserve	19	**(207.5)**	(207.5)
Equity attributable to the equity holders of the parent		**41.7**	41.6
Total equity		**41.7**	41.6
Non-current liabilities			
Bank and other loans	20	**83.3**	-
Senior loan Notes due 2012	20	**-**	68.1
Retirement benefits	28	**53.1**	26.4
Preference shares	18	**-**	0.1
Provisions	21	**1.9**	1.8
Deferred tax liabilities	22	**-**	0.1
		138.3	96.5
Current liabilities			
Bank and other loans	20	**2.0**	6.1
Trade and other payables	24	**51.1**	43.2
Current income tax liabilities		**0.2**	0.8
Provisions	21	**1.4**	1.6
		54.7	51.7
TOTAL LIABILITIES		**193.0**	148.2
TOTAL EQUITY AND LIABILITIES		**234.7**	189.8

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Andrew Beaden**
27 March 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011 £M**	**2011 £M**	2010 £M	2010 £M
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		**26.9**		16.8	
Adjustments to reconcile net profit for the year to net cash from operating activities:					
Income taxes	9	**7.3**		6.2	
Deferred income taxes	9	**1.2**		0.2	
Depreciation and amortisation		**9.0**		9.0	
Past service credit on retirement benefit obligations	5	**(1.0)**		-	
Gain on purchase of own debt	7	**-**		(0.4)	
Net finance costs		**5.5**		6.1	
Disposal costs of intellectual property	5	**0.2**		0.3	
Income and costs relating to demolition of vacant property	5	**-**		0.4	
Share of start-up costs of joint venture	14	**0.1**		0.1	
Changes in operating assets and liabilities:					
Increase in receivables		**(7.9)**		(1.3)	
Increase in inventories		**(15.4)**		(12.9)	
Increase in payables		**8.4**		10.7	
Movement in retirement benefit obligations	28	**(2.7)**		(4.4)	
Accelerated deficit contributions into retirement benefit obligations	20	**(4.3)**		-	
Decrease in provisions	21	**(0.1)**		(0.4)	
Income tax paid		**(8.6)**		(5.6)	
NET CASH FLOWS FROM OPERATING ACTIVITIES			**18.6**		24.8
Net cash inflow from continuing operating activities			***18.8***		*24.9*
Net cash outflow from discontinued operating activities			***(0.2)***		*(0.1)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		**(13.3)**		(10.3)	
Purchases of intangible assets		**(0.2)**		-	
Investment in joint venture	14	**(0.2)**		(0.1)	
Proceeds from sale of business (net of costs)	23	**0.5**		0.5	
Disposal costs of intellectual property	5	**(0.2)**		(0.3)	
NET CASH USED IN INVESTING ACTIVITIES			**(13.4)**		(10.2)
NET CASH FLOW BEFORE FINANCING			**5.2**		14.6
FINANCING ACTIVITIES					
Interest paid on banking facilities		**(0.9)**		(0.7)	
Interest paid on Loan Notes due 2018		**(1.4)**		-	
Interest paid on Senior Notes due 2012		**(2.8)**		(4.8)	
Interest received on Loan Note		**0.1**		0.1	
Draw down on previous banking facilities		**17.7**		-	
Repayment of previous banking facilities		**(23.5)**		(1.1)	
Draw down on new banking facilities and other loans		**85.3**		-	
Repayment of Senior Notes due 2012	20	**(68.2)**		-	
Redemption of preference shares	18	**(0.1)**		-	
Purchase of Senior Notes due 2012		**-**		(3.3)	
Renewal of banking facilities and other loans - financing costs	20	**-**		(0.1)	
Payment of banking facilities and other loans - financing costs	20	**(3.2)**		-	
Purchase of shares from ESOP	18	**-**		0.1	
NET CASH FLOWS FROM FINANCING ACTIVITIES			**3.0**		(9.8)
NET INCREASE IN CASH AND CASH EQUIVALENTS			**8.2**		4.8
Net increase in cash and cash equivalents			**8.2**		4.8
Net foreign exchange differences			**(0.5)**		-
Cash and cash equivalents at 1 January	17		**6.6**		1.8
Cash and cash equivalents at 31 December	17		**14.3**		6.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Equity attributable to the equity holders of the parent					
	Ordinary share capital £M	Deferred share capital £M	Retained earnings £M	Own shares held by ESOP £M	Other reserves[1] £M	Total £M
At 1 January 2010	**10.0**	**76.9**	**132.3**	**(0.4)**	**(196.8)**	**22.0**
Profit for the year	-	-	16.8	-	-	16.8
Currency translation differences	-	-	-	-	1.0	1.0
Decrease in fair value of cash flow hedges	-	-	-	-	(0.1)	(0.1)
Transfer to income statement on cash flow hedges	-	-	-	-	0.3	0.3
Actuarial gains and losses on pension schemes	-	-	2.2	-	-	2.2
Deferred tax on items taken to other comprehensive income	-	-	(0.7)	-	-	(0.7)
Total comprehensive income for the year	**-**	**-**	**18.3**	**-**	**1.2**	**19.5**
Purchase of shares from ESOP	-	-	-	0.1	-	0.1
Other changes in equity in the year	**-**	**-**	**-**	**0.1**	**-**	**0.1**
At 31 December 2010	**10.0**	**76.9**	**150.6**	**(0.3)**	**(195.6)**	**41.6**
Profit for the year	-	-	26.9	-	-	26.9
Currency translation differences	-	-	-	-	(2.2)	(2.2)
Increase in fair value of cash flow hedges	-	-	-	-	0.6	0.6
Transfer to income statement on cash flow hedges	-	-	-	-	(0.2)	(0.2)
Actuarial gains and losses on pension schemes	-	-	(34.7)	-	-	(34.7)
Deferred tax on items taken to other comprehensive income	-	-	9.7	-	-	9.7
Total comprehensive income for the year	**-**	**-**	**1.9**	**-**	**(1.8)**	**0.1**
At 31 December 2011	**10.0**	**76.9**	**152.5**	**(0.3)**	**(197.4)**	**41.7**

1 Other reserves include a hedging reserve of a gain of £0.5 million (2010: gain of £0.1 million), a translation reserve of £9.6 million (2010: £11.8 million) and a merger reserve of £207.5 million (2010: £207.5 million).

LIST OF NOTES

Notes to the Group Financial Statements

Notes to the Company Financial Statements

1. ACCOUNTING POLICIES

Authorisation of financial statements

The Group's financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 27 March 2012 and the balance sheet was signed on the Board's behalf by BG Purves and AM Beaden. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

Basis of preparation and statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2011 and applied in accordance with the Companies Act 2006. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest £0.1 million except when otherwise indicated.

Basis of consolidation

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

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

The accounting policies which follow set out those polices which apply in preparing the financial statements for the year ended 31 December 2011.

Business combinations and goodwill

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

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

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

Patents

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

Revenue

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

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 processes, there is a wide range of plant and equipment in operation. The rate of annual charge is summarised as follows:

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

Freehold land is not depreciated.

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

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

1. ACCOUNTING POLICIES (continued)

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

Inventories

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

Research and development

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

Foreign currencies

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

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

Income tax

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

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

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

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

Leases

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

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

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

Retirement benefit costs

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

1. ACCOUNTING POLICIES (continued)

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

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

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

Government grants

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

Provisions

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

Cash and cash equivalents

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

Discontinued operations and assets and liabilities held for sale

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

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

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

Interest in joint venture

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

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

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

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

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

Financial assets and liabilities

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

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

Financial liabilities and equity instruments

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

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

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

Critical accounting judgements and key sources of estimation of uncertainty

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

Impairment of non-financial assets

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Details regarding goodwill and assumptions used in carrying out the impairment review are provided in Note 13.

Pensions

Determining the present value of future obligations of pensions requires an estimation of future mortality rates, expected rates of return on assets, future salary increases, future pension increases and discount rates. These assumptions are determined in association with qualified actuaries. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The pension liability at 31 December 2011 is £53.1 million (2010: £26.4 million). Further details are given in Note 28.

Deferred tax

Deferred tax assets are recognised for unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Note 22.

Inventories obsolescence and inventories write down

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

1. ACCOUNTING POLICIES (continued)

Changes in accounting policies

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

- IAS 24 Related Party Disclosures (Amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issue (Amendment) effective 1 January 2011
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 January 2011
- Improvements to IFRSs (Issued May 2010)

The principal effects of these changes are as follows:

IAS 24 Related Party Disclosures

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party and introduces alternative related party disclosure requirements for government related entities.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issue

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes early payment of contributions to cover such requirements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that an equity instrument issued to a creditor to extinguish a financial liability is classified as consideration paid.

Improvements to IFRSs (Issued May 2010)

IFRS 3 Business Combinations

The amendments clarify transition requirements for contingent consideration, measurement of non-controlling interests and accounting for un-replaced and voluntarily replaced share based payment rewards.

IAS 27 Consolidated and Separate Financial Statements

The amendment clarifies the transitional requirements of changes made as a result of applying the standard.

IFRS 1 First Time Adoption of International Financial Reporting Standards

The IASB have issued several amendments to this standard for entities adopting IFRS for the first time.

IFRS 7 Financial Instruments Disclosures

The amendment clarifies quantitative and credit risk disclosures to financial instruments.

IAS 1 Presentation of Financial Statements

The amendment clarifies the requirement for an entity to present an analysis of other comprehensive income for each component of equity.

IFRIC 13 Customer Loyalty Programmes

The amendment clarifies the requirement for an entity to present an analysis of other comprehensive income for each component of equity.

IAS 34 Interim Financial Reporting

The amendment provides guidance on application of disclosure principles in the standard, and adds disclosure requirements regarding financial instruments

1. ACCOUNTING POLICIES (continued)

New standards and amendments to standards not applied

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

International Accounting Standards		**Effective date**
IAS 1	Financial Statements Presentation	1 July 2012
IAS 12	Income Taxes	1 January 2012
IAS 19	Employee Benefits (Amendment)	1 January 2013
IAS 27	Separate Financial Statements (Revised)	1 January 2013
IAS 28	Investments in Associates and Joint Ventures (Revised)	1 January 2013
IFRS 7	Financial Instruments: Disclosures	1 July 2011
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Involvement with Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

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

IAS 19 Employee Benefits

Under the amended standard, the charge to the income statement in relation to defined benefit costs will change, with only current year service costs being charged to operating profit and an interest expense calculated on the outstanding accounting deficit being charged to finance costs. Currently a net actuarial charge is made to operating profit based on the aggregation of the service cost, plus an expected interest cost on the liabilities, net of an expected return (or gain) on assets. Whilst it is difficult to predict the full impact in future periods of the change to IAS 19 (amended), due to changing actuarial assumptions and fund valuations, whilst the Group defined benefit plans remain in deficit, it is expected there will be increased net finance costs. The new standard may also lead to a change in the amount credited or charged to Other Comprehensive Income, mainly in relation to where expected gains on plan assets are different to the discount rate used to calculate the finance cost charge on the deficit in the income statement.

The impact of the amendment to the standard if applied to the income statement for the year ended 31 December 2011, would be to reduce profit before tax by £2.7 million. There would be no change to net assets or shareholders equity.

2. REVENUE AND SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operational divisions, Gas Cylinders and Elektron. The products and services provided by these divisions and the operating segments they comprise are described on page 5 of the Directors' Report. The tables below set out information on the results of these two reportable segments.

Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on trading profit or loss, defined as operating profit or loss before restructuring and other income/expense.

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

BUSINESS SEGMENTS:

Year ended 31 December 2011

	Gas Cylinders £M	Elektron £M	Unallocated £M	Total Continuing Activities £M
Revenue				
Segment revenue	138.8	178.7	-	**317.5**
Inter-segment sales	-	(0.2)	-	**(0.2)**
Sales to external customers	138.8	178.5	-	**317.3**
Result				
Trading profit	7.4	33.5	-	**40.9**
Restructuring and other income/(expense) (Note 5)	-	-	0.2	**0.2**
Operating profit	7.4	33.5	0.2	**41.1**
Disposal costs of intellectual property (Note 5)	-	(0.2)	-	**(0.2)**
Profit before interest and tax	7.4	33.3	0.2	**40.9**
Net finance costs				**(5.5)**
Profit before tax				**35.4**
Tax expense				**(8.5)**
Net profit for the year				**26.9**
Other segment information				
Segment assets	88.0	111.3	35.4	**234.7**
Segment liabilities	(25.7)	(25.8)	(141.5)	**(193.0)**
Net assets/(liabilities)	62.3	85.5	(106.1)	**41.7**
Capital expenditure: Property, plant and equipment	4.4	8.7	-	**13.1**
Capital expenditure: Intangible assets	0.1	0.1	-	**0.2**
Depreciation and amortisation	4.0	5.0	-	**9.0**

Year ended 31 December 2010

	Gas Cylinders £M	Elektron £M	Unallocated £M	Total Continuing Activities £M
Revenue				
Segment Revenue	129.3	132.2	-	**261.5**
Inter-segment sales	-	(0.3)	-	**(0.3)**
Sales to external customers	129.3	131.9	-	**261.2**
Result				
Trading profit	7.9	21.8	-	**29.7**
Restructuring and other income/(expense) (Note 5)	-	(0.1)	(0.4)	**(0.5)**
Operating profit	7.9	21.7	(0.4)	**29.2**
Disposal costs of intellectual property (Note 5)	-	(0.3)	-	**(0.3)**
Profit before interest and tax	7.9	21.4	(0.4)	**28.9**
Net finance costs				**(5.7)**
Profit before tax				**23.2**
Tax expense				**(6.4)**
Net profit for the year				**16.8**
Other segment information				
Segment assets	81.7	92.4	15.7	**189.8**
Segment liabilities	(23.7)	(20.2)	(104.3)	**(148.2)**
Net assets/(liabilities)	58.0	72.2	(88.6)	**41.6**
Capital expenditure: Property, plant and equipment	4.0	6.4	-	**10.4**
Capital expenditure: Intangible assets	-	-	-	**-**
Depreciation and amortisation	4.1	4.9	-	**9.0**

2. REVENUE AND SEGMENTAL ANALYSIS (continued)

GEOGRAPHIC ORIGIN:

Year ended 31 December 2011

	United Kingdom £M	Rest of Europe £M	North America £M	Australasia £M	Asia £M	Total Continuing Activities £M
Revenue						
Segment revenue	137.8	34.1	180.2	0.1	4.0	**356.2**
Inter-segment sales	(22.1)	(1.5)	(15.3)	-	-	**(38.9)**
Sales to external customers	115.7	32.6	164.9	0.1	4.0	**317.3**
Result						
Trading profit/(loss)	16.2	(0.1)	24.4	0.1	0.3	**40.9**
Restructuring and other income/(expense) (Note 5)	0.2	-	-	-	-	**0.2**
Operating profit/(loss)	16.4	(0.1)	24.4	0.1	0.3	**41.1**
Other geographical segment information						
Non-current assets[1]	33.9	12.1	51.5	-	0.2	**97.7**
Net assets[2]	9.0	17.2	12.7	0.2	2.6	**41.7**
Capital expenditure: Property, plant and equipment	4.9	1.1	7.1	-	-	**13.1**
Capital expenditure: Intangible assets	0.2	-	-	-	-	**0.2**
Depreciation and amortisation	3.4	1.9	3.7	-	-	**9.0**

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

Year ended 31 December 2010

	United Kingdom £M	Rest of Europe £M	North America £M	Australasia £M	Asia £M	Total Continuing Activities £M
Revenue						
Segment revenue	110.1	31.6	152.2	-	3.8	**297.7**
Inter-segment sales	(19.0)	(1.1)	(16.4)	-	-	**(36.5)**
Sales to external customers	91.1	30.5	135.8	-	3.8	**261.2**
Result						
Trading profit	9.9	0.7	18.4	-	0.7	**29.7**
Restructuring and other income/(expense) (Note 5)	(0.4)	-	(0.1)	-	-	**(0.5)**
Operating profit	9.5	0.7	18.3	-	0.7	**29.2**
Other geographical segment information						
Non-current assets[1]	32.1	13.2	47.9	-	0.2	**93.4**
Net assets/(liabilities)[2]	(35.5)	17.1	57.7	0.1	2.2	**41.6**
Capital expenditure: Property, plant and equipment	4.9	0.6	4.9	-	-	**10.4**
Capital expenditure: Intangible assets	-	-	-	-	-	**-**
Depreciation and amortisation	3.5	1.8	3.6	-	0.1	**9.0**

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

2. REVENUE AND SEGMENTAL ANALYSIS (continued)

GEOGRAPHIC DESTINATION:

	United Kingdom £M	Rest of Europe £M	Africa £M	North America £M	South America £M	Asia Pacific £M	Total £M
Revenue - Continuing activities							
Year ended 31 December 2011	38.2	79.7	12.6	130.7	15.6	40.5	**317.3**
Year ended 31 December 2010	29.8	68.1	4.8	118.3	9.7	30.5	**261.2**

3. OPERATING PROFIT

Operating profit for continuing activities is stated after charging/(crediting):	**2011 £M**	2010 £M
Research and development expenditure charged to the income statement	**5.3**	5.8
Research and development capital expenditure included within property, plant and equipment	**1.6**	0.6
Total research and development expenditure	**6.9**	6.4
less external funding received – grants and recharges to third parties	**(1.8)**	(2.0)
less research and development expenditure capitalised within property, plant and equipment	**(1.6)**	(0.6)
Net research and development	**3.5**	3.8
Depreciation of property, plant and equipment (Note 11)	**8.8**	8.8
Amortisation of intangible assets (included in cost of sales) (Note 12)	**0.2**	0.2
Income and costs relating to demolition of vacant property (Note 5)	**-**	0.4
Net foreign exchange gains	**(0.4)**	(0.8)
Staff costs (Note 6)	**64.8**	63.3
Cost of inventories recognised as expense	**221.0**	190.8

4. FEES PAYABLE TO AUDITORS

	2011 £M	2010 £M
Fees payable to auditors for the audit of the financial statements	**0.5**	0.3

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

Fees payable to auditors for non-audit services:		
Audit related assurance services	**0.6**	-
Tax compliance services	**0.3**	0.2
Tax advisory services	**0.2**	0.1
	1.1	0.3

Included in fees payable to auditors for non-audit services was £0.9 million (2010: £0.2 million) relating to the Company and its UK subsidiaries.

5. OTHER INCOME/(EXPENSE) ITEMS

(a) Restructuring and other income/(expense)	**2011 £M**	2010 £M
(Charged)/credited to Operating profit:		
Rationalisation of operations	**-**	(0.1)
Non-trade legal and professional costs	**(0.8)**	-
Past service credit on retirement benefit obligations	**1.0**	
Income and costs relating to demolition of vacant property	**-**	(0.4)
	0.2	(0.5)

(b) Non-operating income/(expense)	**2011 £M**	2010 £M
Charged to Non-operating profit:		
Disposal costs of intellectual property	**(0.2)**	(0.3)

Rationalisation of operations

In 2010, the Elektron division incurred costs of £0.1 million in its US operations relating to a series of rationalisation activities conducted at the manufacturing plants to improve operating efficiencies.

Non-trade legal and professional costs

In 2011, the Group incurred legal, audit and professional costs of £1.7 million in relation to the proposed raising of equity funding in the near future. Of this, £0.8 million was expensed in the year mainly in relation to historical audit work and £0.9 million was deferred, which related to regulatory and legal documentation to support such a transaction.

Past service credit on retirement benefit obligations

In 2011, retired members of the Luxfer Group Pension Plan, the principal defined benefit scheme in the UK, were offered the option of altering the structure of their pension by receiving an uplift immediately in return for giving up rights to a portion of their future pension increases. This reduced the costs and risks of operating the pension scheme and resulted in a gain of £1.0 million and a corresponding reduction in the present value of the defined benefit obligations of the pension scheme.

Income and costs relating to demolition of vacant property

In 2010, a charge of £0.4 million has been made for the demolition of a vacant property net of proceeds from a third party lessee of the building owned by the group undertaking Luxfer Group Services Limited.

Disposal costs of intellectual property

In 2011, the Elektron division incurred costs of £0.2 million (2010: £0.3 million) in relation to the sale process of intellectual property in the USA acquired as part of the 2007 acquisition of Revere Graphics.

6. STAFF COSTS

	2011 £M	2010 £M
Wages and salaries	**54.7**	51.8
Social security costs	**7.8**	7.2
Retirement benefits costs	**2.3**	4.2
Redundancy costs:		
- continuing activities (Note 5)	-	0.1
	64.8	63.3

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

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

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

Compensation of key management personnel (comprising the Executive Management Board as set out on page 38 of the Directors' Report) was £1.7 million (2010: £1.8 million) for short term employee benefits and £0.3 million (2010: £0.3 million) for post employment benefits.

7. FINANCE INCOME

	2011 £M	2010 £M
Other interest received (Note 23)	**0.1**	0.1
Gain on purchase of own debt	**-**	0.4
Total finance income	**0.1**	0.5

8. FINANCE COSTS

	2011 £M	2010 £M
Interest paid:		
Senior Notes due 2012	**2.0**	4.8
Bank and other loans	**2.6**	0.6
Amortisation of issue costs	**1.0**	0.8
Total finance costs	**5.6**	6.2

9. INCOME TAX

(a) Analysis of taxation charge for the year	2011 £M	2010 £M
Current tax:		
UK Corporation tax	**0.6**	-
	0.6	-
Overseas tax	**6.7**	6.1
Adjustments in respect of previous years	**-**	0.1
Total current tax charge	**7.3**	6.2
Deferred tax		
Origination and reversal of temporary differences	**1.3**	0.3
Adjustments in respect of previous years	**(0.1)**	(0.1)
Total deferred tax charge	**1.2**	0.2
Tax on profit on ordinary activities	**8.5**	6.4

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

(b) Factors affecting the taxation charge for the year

The tax assessed for the year differs from the standard rate of 26.5% (2010: 28%) for corporation tax in the UK.
The differences are explained below:

	2011 £M	2010 £M
Profit on ordinary activities before taxation	**35.4**	23.2
Profit on ordinary activities at 2011 standard rate of corporation tax in the UK of 26.5% (2010: 28%)	**9.4**	6.5
Effects of:		
Income not taxable	**(0.2)**	(0.6)
Unprovided deferred tax	**(2.9)**	(1.0)
Foreign tax rate differences	**2.3**	1.5
Adjustment in respect of previous years	**(0.1)**	-
Tax expense	**8.5**	6.4

9. INCOME TAX (continued)

(c) Factors that may affect future taxation charge

As at 31 December 2011, the Group has carried forward tax losses of £47.8 million (UK: £44.6 million, Overseas: £3.2 million). Carried forward tax losses for 2010 were £47.0 million (UK: £43.8 million, Overseas: £3.2 million). To the extent that these losses are available to offset against future taxable profits, it is expected that the future effective tax rate would be below the standard rate in the country where the profits are offset.

In his budget of 21 March 2012, the Chancellor of the Exchequer announced certain tax changes that will have a significant effect on the Group's future tax position. The proposals include phased reductions in the corporation tax rate to 22% from 1 April 2014.

In the budget of 23 March 2011 phased reductions in the corporation tax rate to 23% were announced, with reductions to 26% from 1 April 2011 and to 25% from 1 April 2012 being included within Finance Act 2011 and subsequent reductions expected within future Finance Acts. The budget of 21 March 2012 has now accelerated the reduction in the rate to 24% to take effect from 1 April 2012.

As at 31 December 2011, only the reduction in the rate to 25% had been 'substantively enacted' and this has been reflected in the Group's financial statements as at 31 December 2011.

The effect of the reduction of the UK corporation tax rate to 22% on the Group's deferred tax asset (recognised and not recognised) would be to reduce the deferred tax asset by £2.6 million, this being a reduction of £1.3 million in the Group's recognised deferred tax asset and £1.3 million in the Group's unrecognised deferred tax asset as at 31 December 2011.

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

10. EARNINGS PER SHARE

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

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

	2011	2010
	£M	£M
Basic earnings:		
Basic earnings attributable to ordinary shareholders	**26.9**	16.8
Adjusted earnings:		
Restructuring and other income/(expense) (Note 5)	**(0.2)**	0.5
Other income/(expense) (Note 5):		
Disposal costs of intellectual property	**0.2**	0.3
Finance income:		
Gain on purchase of own debt	**-**	(0.4)
Tax thereon	**-**	(0.2)
Adjusted earnings	**26.9**	17.0
Weighted average number of £1 ordinary shares:		
For basic earnings per share	**9,884,145**	9,851,204
Exercise of share options	**95,910**	67,900
For diluted earnings per share	**9,980,055**	9,919,104
Earnings per share:		
Basic		
Adjusted	**£2.72**	£1.73
Unadjusted	**£2.72**	£1.71
Diluted		
Adjusted	**£2.70**	£1.71
Unadjusted	**£2.70**	£1.69

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold £M	Long leasehold £M	Short leasehold £M	Plant and equipment £M	Total £M
Cost:					
At 1 January 2010	27.1	2.5	3.9	155.5	**189.0**
Additions	0.3	-	0.2	9.9	**10.4**
Disposals	(1.4)	-	-	(0.4)	**(1.8)**
Exchange adjustments	0.6	-	0.1	1.6	**2.3**
At 1 January 2011	26.6	2.5	4.2	166.6	**199.9**
Additions	1.9	-	0.8	10.4	**13.1**
Disposals	-	-	(0.1)	(0.9)	**(1.0)**
Transfers	0.7	-	(0.7)	-	**-**
Exchange adjustments	(0.1)	-	-	(0.1)	**(0.2)**
At 31 December 2011	29.1	2.5	4.2	176.0	**211.8**
Depreciation:					
At 1 January 2010	9.1	2.0	1.5	109.0	**121.6**
Provided during the year	0.6	-	0.2	8.0	**8.8**
Disposals	(1.0)	-	-	(0.4)	**(1.4)**
Exchange adjustments	0.3	-	-	1.1	**1.4**
At 1 January 2011	9.0	2.0	1.7	117.7	**130.4**
Provided during the year	0.6	-	0.3	7.9	**8.8**
Disposals	-	-	(0.1)	(0.9)	**(1.0)**
Transfers	0.3	-	(0.3)	-	**-**
Exchange adjustments	-	-	-	(0.1)	**(0.1)**
At 31 December 2011	9.9	2.0	1.6	124.6	**138.1**
Net book values:					
At 31 December 2011	19.2	0.5	2.6	51.4	**73.7**
At 31 December 2010	17.6	0.5	2.5	48.9	**69.5**
At 1 January 2010	18.0	0.5	2.4	46.5	**67.4**

Long and short leasehold

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

12. INTANGIBLE ASSETS

	Goodwill £M	Patents £M	Other £M	Total £M
Cost:				
At 1 January 2010	34.9	1.0	0.7	**36.6**
Additions	-	-	-	**-**
At 1 January 2011	34.9	1.0	0.7	**36.6**
Additions	-	-	0.2	**0.2**
At 31 December 2011	34.9	1.0	0.9	**36.8**
Amortisation:				
At 1 January 2010	12.0	0.4	0.3	**12.7**
Provided during the year	-	0.1	0.1	**0.2**
At 1 January 2011	12.0	0.5	0.4	**12.9**
Provided during the year	-	0.1	0.1	**0.2**
At 31 December 2011	12.0	0.6	0.5	**13.1**
Net book values:				
At 31 December 2011	22.9	0.4	0.4	**23.7**
At 31 December 2010	22.9	0.5	0.3	**23.7**
At 1 January 2010	22.9	0.6	0.4	**23.9**

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

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 four CGUs represent the lowest level within the Group at which goodwill is monitored for internal reporting management purposes. The four CGUs are aggregated to form the Group's two defined reportable segments: Gas Cylinders division and Elektron division. The table below summarises the carrying amount of goodwill by division:

	Gas Cylinders division		Elektron division		Total	
	2011 £M	2010 £M	**2011 £M**	2010 £M	**2011 £M**	2010 £M
Carrying amount of goodwill	**14.7**	14.7	**8.2**	8.2	**22.9**	22.9

The Gas Cylinders division goodwill of £14.7 million (2010: £14.7 million) included goodwill attributable to our Luxfer Gas Cylinders operations of £14.0 million (2010: £14.0 million) and goodwill attributable to our Superform operations of £0.7 million (2010: £0.7 million). The Elektron division goodwill of £8.2 million (2010: £8.2 million) included goodwill attributable to our MEL Chemicals operations of £3.2 million (2010: £3.2 million) and goodwill attributable to our Magnesium Elektron operations of £5.0 million (2010: £5.0 million).

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

The recoverable amount of each of the cash-generating units has been determined based on a value in use calculation using a discounted cash flow method. The cash flows were derived from a business plan prepared at a detailed level by individual businesses within each CGU. The results of these plans were then extrapolated to give cash flow projections to 2014 and then a terminal value based on a growth rate of 2.5% (2010: 2.5%). The rate is estimated to be below the average long-term growth rate for the relevant markets. The business plans were driven by detailed sales forecasts by product type and best estimate of future demand by end market. The cash flows included allowance for detailed capital expenditure and maintenance programmes, along with working capital requirements based on the projected level of sales. The before tax discount rate used was 9% (2010: 10%), which was considered a best estimate for the risk-adjusted cost of capital for the business units. The long-term projections assumed product prices and costs were at current levels, but the exchange rates used were: US$: £ exchange rate of $1.70 and euro: £ exchange rate of €1.20. These exchange rates are higher than the actual exchange rates as at 31 December 2011. Lower exchange rates would be expected to result in higher valuations for each cash-generating unit. Based on the current business plans used in the impairment testing, it is believed no reasonable changes in the discount and growth rates are expected to result in an impairment of the carrying value of the goodwill.

14. INVESTMENTS

	Joint venture – India £M	Other £M	Total £M
At 1 January 2010	0.1	0.1	**0.2**
Increase in investments at cost	0.1	-	**0.1**
Share of start-up costs of joint venture	(0.1)	-	**(0.1)**
At 31 December 2010	0.1	0.1	**0.2**
Increase in investments at cost	0.2	-	**0.2**
Share of start-up costs of joint venture	(0.1)	-	**(0.1)**
At 31 December 2011	0.2	0.1	**0.3**

Investment in Indian joint venture

At 31 December 2011, the Group had the following joint venture undertaking which affects the profit of the Group. Unless otherwise stated, the Group's joint venture has share capital consisting solely of ordinary shares, which are indirectly held, and the country of incorporation or registration is also their principal place of operation.

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

During 2011, the joint venture increased its share capital and the cost paid by the Group to maintain the 51% investment in the equity in the joint venture was £0.2 million. The joint venture has been accounted for using the equity method, as the venturers have a contractual agreement that establishes joint control over the economic activities of the entity, and the loss attributable to the joint venture for 2011 was £0.1 million (2010: loss of £0.1 million) as a result of start-up costs being incurred. Related party transactions with the joint venture have been disclosed in Note 30 to the Group's financial statements.

Other investments

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

15. INVENTORIES

	2011 £M	2010 £M
Raw materials and consumables	**22.5**	20.1
Work in progress	**18.6**	14.0
Finished goods and goods for resale	**23.7**	15.2
	64.8	49.3

The provision against obsolete and excess stocks at 31 December 2011 was £9.2 million (2010: £3.6 million). The movement in the provision represents the write-down of inventories recognised as an expense in the year. The total cost of inventories recognised as an expense during the year has been disclosed in Note 3.

16. TRADE AND OTHER RECEIVABLES

	2011 £M	2010 £M
Trade receivables	**35.5**	28.2
Amounts owed by joint ventures and associates	**0.5**	0.3
Other receivables	**1.6**	1.6
Prepayments and accrued income	**3.5**	3.0
Derivative financial instruments	**1.0**	0.1
	42.1	33.2

The Directors consider that the carrying value of trade and other receivables approximates to their fair value.

Trade receivables are non-interest-bearing and are generally on 30-90 days' terms.

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

As at 31 December 2011, trade receivables at nominal value £1.2 million (2010: £0.9 million) were impaired and fully provided for.

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

	2011 £M	2010 £M
At 1 January	**0.9**	0.9
Charge in the year	**0.3**	0.1
Utilised in the year	**-**	(0.1)
At 31 December	**1.2**	0.9

17. CASH AND SHORT TERM DEPOSITS

	2011 £M	2010 £M
Cash at bank and in hand	**14.3**	6.6

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

18. SHARE CAPITAL

(a) Ordinary share capital

	2011 No.	2010 No.	2011 £M	2010 £M
Authorised:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,433,688,000	769,433,688,000	**86.9**	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**76.9**	76.9
	769,423,708,000	769,423,708,000	**86.9**	86.9

The rights of the shares are as follows:

Ordinary shares of £1 each

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

Deferred ordinary shares of £0.0001 each

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

(b) Preference share capital

	2011 No.	2010 No.	2011 £M	2010 £M
Authorised:				
'B' preference shares of £1 each	**-**	50,000	**-**	0.1
	-	50,000	**-**	0.1
Allotted, called up and 25% paid:				
'B' preference shares of £1 each	**-**	50,000	**-**	0.1
	-	50,000	**-**	0.1

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

(c) Own shares held by ESOP

	2011 £M	2010 £M
At beginning of year	**0.3**	0.4
Purchase of shares from ESOP	**-**	(0.1)
At end of year	**0.3**	0.3

As at 31 December 2011 114,474 ordinary shares (31 December 2010: 115,974 ordinary shares) of £1 each were held by The Luxfer Group Employee Share Ownership Plan. The decrease in the number of ordinary shares held by The Luxfer Group Employee Share Ownership Plan of 1,500 ordinary shares represents the exercise of options to purchase shares from The Luxfer Group Employee Share Ownership Plan by senior management. For further information refer to Note 29.

19. RESERVES

	Hedging reserve £M	Translation reserve £M	Merger reserve £M	Retained earnings £M
At 1 January 2010	(0.1)	10.8	(207.5)	132.3
Profit for the year	-	-	-	16.8
Currency translation differences	-	1.0	-	-
Decrease in fair value of cash flow hedges	(0.1)	-	-	-
Transfer to income statement on cash flow hedges	0.3	-	-	-
Actuarial gains and losses on pension schemes	-	-	-	2.2
Deferred tax on items taken to other comprehensive income	-	-	-	(0.7)
At 31 December 2010	0.1	11.8	(207.5)	150.6
Profit for the year	-	-	-	26.9
Currency translation differences	-	(2.2)	-	-
Increase in fair value of cash flow hedges	0.6	-	-	-
Transfer to income statement on cash flow hedges	(0.2)	-	-	-
Actuarial gains and losses on pension schemes	-	-	-	(34.7)
Deferred tax on items taken to other comprehensive income	-	-	-	9.7
At 31 December 2011	**0.5**	**9.6**	**(207.5)**	**152.5**

Nature and purpose of reserves

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group at the reporting date. The movement in the year of £0.4 million includes an increase in the fair value of cash flow hedges of £0.6 million and £0.2 million of cash flow hedges being transferred to the income statement. For further information regarding the Group's forward foreign currency contracts, forward aluminium commodity contracts and forward rate interest rate agreements refer to Note 27 section (a) - Financial Instruments: Financial Instruments of the Group.

Translation reserve

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

Merger reserve

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

20. BANK AND OTHER LOANS

Current	2011 £M	2010 £M
Revolving credit facility	-	6.1
Term loan	2.0	-
	2.0	6.1

Non-current	2011 £M	2010 £M
Revolving credit facility	14.8	-
Term loan	27.6	-
Loan Notes due 2018	40.9	-
Senior Notes due 2012	-	68.1
	83.3	68.1

New Banking facilities

On 15 June 2011, the Group completed its previously announced new financing arrangements that enabled the Group to repay in full, before their final maturity date, the Senior Notes due 2012 and their accrued interest together with the amount drawn in loans on the Group's £45 million asset backed lending (ABL) revolving credit facilities. The Senior Notes due 2012 and ABL revolving credit facility were replaced with new £110 million facilities comprising a seven-year private placement denominated in US dollars of $65 million (£40 million) with a US insurance company, a multi-currency bank term loan of £30 million and a revolving credit facility of £40 million with a number of banks, which was drawn down in a mixture of US dollar and GBP sterling denominated debt.

On 15 June 2011, the amount drawn on the bank term loan totalled £30 million, and this combined with the private placement of $65 million and a draw down on loans under the new revolving credit facility of £23.9 million was used to repay the Senior Notes due 2012 held by external parties of £68.2 million and loans drawn down on the existing ABL revolving credit facility of £23.5 million. Accrued interest on the Senior Notes due 2012 to 15 June 2011 of £0.5 million was also paid.

Total transaction costs of £3.2 million have been incurred by the Group, including arrangement fees and legal and advisory costs, of which transaction costs of £3.2 million have been paid during the year ended 31 December 2011. During the year ended 31 December 2011, in advance of the refinancing, accelerated deficit contributions were paid into the UK and US defined benefit obligations of £4.3 million.

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

The new revolving credit facility can be drawn down until 2015, and together with the £30 million bank term loan, bear interest at a variable rate, at slightly lower margins over LIBOR compared to our previous facilities. A proportion of the interest on the term loan may be hedged into a fixed rate in future periods.

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

As at 31 December 2011, the total drawn down on the revolving credit facility was £15.3 million, which is shown in non-current bank and other loans net of unamortised finance costs of £0.5 million. As at 31 December 2011, the total amount outstanding on the bank term loan was £30.8 million, which is shown in non-current bank and other loans net of unamortised finance costs of £1.2 million and £2.0 million repayable within one year. As at 31 December 2011, the total amounts outstanding on the Loan Notes due 2018 were £41.9 million, which are shown in non-current bank and other loans net of unamortised finance costs of £1.0 million. The maturity profile of the Group's undiscounted contractual payments are disclosed in Note 26.

21. PROVISIONS

	Rationalisation & redundancy £M	Employee benefits £M	Environmental provisions £M	Total £M
At 1 January 2011	0.3	0.5	2.6	**3.4**
Charge to income statement	-	0.5	-	**0.5**
Cash payments	-	(0.3)	(0.3)	**(0.6)**
At 31 December 2011	**0.3**	**0.7**	**2.3**	**3.3**
Included in current liabilities	0.3	-	1.1	**1.4**
Included in non-current liabilities	-	0.7	1.2	**1.9**
	0.3	**0.7**	**2.3**	**3.3**

Rationalisation and redundancy

At 31 December 2011 the Group had £0.3 million of provisions relating to redundancy and the rationalisation of its operations. £0.1 million of this provision relates to restructuring of the production facilities at Riverside, California, USA within the Gas Cylinders division. A further £0.1 million of this provision relates to closure of the Gas Cylinders division manufacturing facility based at Aldridge in the UK. In addition £0.1 million of the provision relates to rationalisation and redundancy within the Elektron division to improve operating efficiencies. These costs are expected to be spent in 2012.

Employee benefits

At 31 December 2011 the Group had £0.7 million of employee benefit liabilities (in addition to retirement benefits), as calculated on an actuarial basis, relating to a provision for workers' compensation at the Gas Cylinders division in the USA.

Environmental provisions

As at 31 December 2011, the Group had environmental provisions of £2.3 million relating to environmental clean up costs. £0.7 million of the provision is for future remediation costs required at the Speciality Aluminium site, in relation to an incident before Luxfer Group's ownership. The remediation expenditure is expected to take place over the next one to two years. A further £1.6 million of environmental provisions relate to work required at the UK Elektron division site. This expenditure is expected to take place over the next one to three years.

22. DEFERRED TAX

	Accelerated tax depreciation £M	Other temporary differences £M	Tax losses £M	Retirement benefit obligations £M	Total £M
At 1 January 2010	4.5	(1.9)	(0.1)	(9.6)	**(7.1)**
Charged/(credited) to income statement	0.4	(1.0)	0.1	0.7	**0.2**
Charged to other comprehensive income	-	-	-	0.7	**0.7**
Exchange adjustment	-	-	-	0.1	**0.1**
At 31 December 2010	4.9	(2.9)	-	(8.1)	**(6.1)**
Charged/(credited) to income statement	0.8	(2.2)	-	2.6	**1.2**
Charged to other comprehensive income	-	-	-	(9.7)	**(9.7)**
At 31 December 2011	**5.7**	**(5.1)**	**-**	**(15.2)**	**(14.6)**

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

	2011 £M	2010 £M
Deferred tax liabilities	**-**	0.1
Deferred tax assets	**(14.6)**	(6.2)
Net deferred tax asset	**(14.6)**	(6.1)

At the balance sheet date, the Group has unrecognised deferred tax assets relating to certain trading and capital losses and other temporary differences of £11.5 million (2010: £14.4 million) potentially available for offset against future profits. No deferred tax asset has been recognised in respect of this amount because of the unpredictability of future qualifying profit streams in the relevant entities. Of the total unrecognised deferred tax asset of £11.5 million (2010: £14.4 million), £11.2 million (2010: £12.2 million) relates to trading losses that can be carried forward indefinitely under current legislation.

At the balance sheet date there were unremitted earnings of subsidiaries and joint ventures of £31.1 million (31 December 2010: £22.8 million), for which there are no deferred tax liabilities recognised or unrecognised (31 December 2010: £nil).

23. OTHER LONG TERM ASSETS

Other long term assets

	2011	2010
	£M	£M
Loan Note – deferred consideration	0.4	0.9

The Loan Note receivable relates to the deferred consideration due from the sale of plant and equipment of the Speciality Aluminium division which was completed in January 2008. The total amount of the deferred consideration was £2.4 million, payable in annual instalments over the next five years, commencing on the first anniversary of the sale date. The Loan Note earns interest at 6.5% pa from the sale date, and the interest is payable annually in arrears. The interest accrued to 31 December 2011 was £0.1 million, as disclosed in Note 7.

The first four annual repayment instalments of the Loan Note of £0.5 million, plus interest accrued, were received in January 2009, January 2010, January 2011 and January 2012.

As at 31 December 2011, the fair value of the remaining deferred consideration was £0.9 million, which included £0.1 million of interest accrued. Of the £0.9 million, £0.5 million has been included within other receivables, as disclosed in Note 16, and £0.4 million has been included within other non-current assets, as shown above.

24. TRADE AND OTHER PAYABLES

	2011	2010
	£M	£M
Trade payables	26.1	22.6
Other taxation and social security	2.5	2.5
Accruals	22.1	17.4
Interest payable	0.1	0.7
Derivative financial instruments	0.3	-
	51.1	43.2

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

25. COMMITMENTS AND CONTINGENCIES

	2011	2010
	£M	£M
Operating lease commitments – Group as a lessee		
Minimum lease payments under operating leases recognised in the income statement	2.6	2.5

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:

	2011	2010
	£M	£M
Within one year	2.1	2.2
In two to five years	6.0	6.1
In over five years	9.0	11.2
	17.1	19.5

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

Capital commitments

At 31 December 2011, the Group had capital expenditure commitments of £0.8 million (2010: £0.7 million) for the acquisition of new plant and equipment

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

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

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

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

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and foreign currency translation and transaction risk, aluminium price risk and credit risk on trade receivables and the Group's £30 million term loan and £40 million revolving credit facility, of which £15.3 million was drawn down as at 31 December 2011, see Note 20.

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 significant exposure to variable interest rates such as at 31 December 2011 its £46.1 million term loan and drawdown on the revolving credit facilities. As a result of this exposure, the Group may decide to hedge interest payable based on a combination of forward rate agreements, interest rate caps and swaps. It has also used an element of fixed rate debt within the new financing structure to mitigate volatility in interest rate movements as disclosed in Note 20.

Total debt, before netting off issue costs as at 31 December 2011, subject to variable interest rates was therefore £46.1 million and based on this level a 1% increase in rates would increase the Group's annual interest cost by £0.5 million.

Liquidity risk

To understand and monitor cash flows, the Group uses a combination of a short-term rolling six-week cash forecast, based on expected daily liquidity requirements and longer-term monthly rolling forecasts, covering forecast periods of between six and eighteen months forward. The Group also prepares, at least annually, longer-term strategic cash forecasts. Together this system of control is used to ensure the Group can fund its ongoing operations, including working capital, capital expenditure and interest payments. Short- and medium-term changes in liquidity needs have been funded from the Group's £40 million revolving bank facility (as disclosed in Note 20), which provides the ability to draw down and repay funds on a daily basis. In monitoring liquidity requirements and planning its working capital and capital expenditure programmes, the Group aims to maintain a sufficiently prudent level of headroom against its banking facilities as protection against any unexpected or sudden market shocks.

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

	31 December 2011				31 December 2010		
	Within 12 months	**1-5 years**	**> 5 years**	**Total**	Within 12 months	1-5 years	Total
	£M	**£M**	**£M**	**£M**	£M	£M	£M
Senior Notes due 2012	**-**	**-**	**-**	**-**	-	68.2	68.2
Cumulative preference shares	**-**	**-**	**-**	**-**	-	0.1	0.1
Revolving credit facility	**-**	**15.3**	**-**	**15.3**	6.5	-	6.5
Term loan	**2.0**	**28.8**	**-**	**30.8**	-	-	-
Loan Notes due 2018	**-**	**-**	**41.9**	**41.9**	-	-	-
Trade payables	**26.1**	**-**	**-**	**26.1**	22.6	-	22.6
Other taxation and social security	**2.5**	**-**	**-**	**2.5**	2.5	-	2.5
Accruals	**22.1**	**-**	**-**	**22.1**	17.4	-	17.4
Interest payable	**0.1**	**-**	**-**	**0.1**	0.7	-	0.7
Derivative financial instruments	**0.3**	**-**	**-**	**0.3**	-	-	-
	53.1	**44.1**	**41.9**	**139.1**	49.7	68.3	118.0

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	2011 £M	2010 £M
Undiscounted contractual maturity of financial liabilities:		
Amounts payable:		
Within 12 months	**56.6**	54.2
1-5 years	**56.5**	69.0
> 5 years	**45.7**	-
	158.8	123.2
Less: future finance charges	**(19.7)**	(5.2)
	139.1	118.0

Capital risk management

In recent years the Group has sought to reduce its indebtedness and increase the level of equity funding and has organised its capital structure to fund medium- and long-term investment programmes aimed at the development of new products and production facilities. At 31 December 2011, the debt managed by the Group included the Loan Notes due 2018, the term loan and drawings on the revolving credit facilities.

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 3x.
The table below sets out the calculations for 2011 and 2010:

	2011 £M	2010 £M
For continuing operations:		
Operating profit	**41.1**	29.2
Add back: Restructuring and other (income)/expense (Note 5)	**(0.2)**	0.5
Depreciation and amortisation	**9.0**	9.0
Adjusted EBITDA	**49.9**	38.7
Bank and other loans	**85.3**	6.1
Senior Notes due 2012	**-**	68.1
Total debt	**85.3**	74.2
Less cash	**(14.3)**	(6.6)
Net debt	**71.0**	67.6
Net debt: EBITDA ratio	**1.4x**	1.7x

26. 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 (DSO days) reported as a business unit key performance measure. Where possible export sales are also protected through the use of credit export insurance. At 31 December 2011, the Group has a provision for bad and doubtful debtors of £1.2 million (2010: £0.9 million) and £0.3 million (2010: £0.1 million) has been charged to the Income Statement in relation to bad debts incurred in 2011.

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

	Total	Neither past due nor impaired	Past due but not impaired < 31 days	31-61 days	61-91 days	91-121 days	> 121 days
	£M	£M	£M	£M	£M	£M	£M
2011	**35.5**	**31.1**	**3.9**	**0.5**	-	**-**	**-**
2010	28.2	23.7	3.3	0.7	0.5	**-**	**-**

The Group also monitors the spread of its customer base with the objective of trying to minimise exposure at a Group and divisional level to any one customer. The top ten customers in 2011 represented 38.9% (2010: 30.8%) of total revenue. In 2011 the Elektron Division had revenue of £32.8 million from a single customer, which represented 10.3% of total revenue. There were no customers in 2010 that represented over 10% of total revenue.

Foreign currency translation risk

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

The Group's results and net assets are reported by geographic region in Note 2. This analysis shows in 2011 the Group had revenue of £180.2 million derived from US operations, a trading profit of £24.4 million and when adding back depreciation and amortisation an EBITDA of £28.1 million. During 2011, the average exchange rate for the US dollar was $1.6104, being weaker than the 2010 average of $1.5428. This resulted in an adverse impact of £5.7 million on revenue, £0.9 million on trading profit and £1.1 million on EBITDA. Based on the 2011 level of sales and profits a $0.10 increase in the US dollar to GBP sterling exchange rate would result in a £8.4 million decrease in revenue, £1.3 million decrease in trading profit and £1.6 million decrease in EBITDA.

The capital employed as at 31 December 2011 in the USA was £66.8 million translated at an exchange rate of $1.5568. A $0.10 increase in exchange rates would reduce capital employed by approximately £4.0 million.

During 2011, the average exchange rate for the Euro was €1.1511, being stronger than the 2010 average of €1.1687. This resulted in a favourable impact of £0.2 million on revenue and no impact on trading profit and EBITDA. Based on the 2011 level of sales and profits a €0.10 increase in the Euro to GBP sterling exchange rate would result in a £1.3 million increase in revenue, £0.1 million decrease in trading profit and no impact on EBITDA.

Foreign currency transaction risk

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

The UK operations within the Group have around an estimated $20 million net sales risk after offsetting raw material purchases made in US dollars and a substantial euro sales risk, with approximately €50 million to €60 million of exports priced in euros. These risks are being partly hedged through the use of forward foreign currency exchange rate contracts, but we estimate that in 2011 our Elektron division has incurred a transaction loss of £0.4 million, and the transaction impact at our Gas Cylinders division was a gain of £0.1 million.

Based on a $20 million net exposure to the US dollar, a $0.10 increase in exchange rates would have a £0.8 million annual decrease in Group trading profit and based on a €55 million euro sales risk a €0.10 increase in exchange rates would have a £3.5 million annual decrease in Group trading profit.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Commodity price risks

The Group is exposed to a number of commodity price risks, including primary aluminium, magnesium, rare earth chemicals, zircon sand and other zirconium basic compounds. All have been subject to substantial increases in recent years. Historically the two largest exposures to the Group have been aluminium and magnesium prices, and the Group will spend annually approximately £40 million to £55 million on these two raw materials. Recently the costs of rare earth chemicals have also been subject to significant commodity inflation.

Unlike the other major commodities purchased, aluminium is traded on the London Metal Exchange (LME) and therefore the Group is able to use LME derivative contracts to hedge a portion of its price exposure. In 2011 the Group purchased approximately 13,500 tonnes of primary aluminium, scrapped around 3,000 tonnes of processed waste and made finished goods equal to approximately 10,500 tonnes. The processed waste can be sold as scrap aluminium at prices linked to the LME price. The price risk on aluminium is mitigated by agreeing fixed prices with the suppliers, along with the use of LME derivative contracts. As at 31 December 2011, the Group had fixed-price purchase contracts covering up to approximately 30% of our main primary aluminium requirements for 2012. As at 31 December 2011, the Group had hedged 2,400 tonnes of aluminium for 2012. Before hedging the risk, a $100 movement in the LME price of aluminium would increase our Gas Cylinders division's costs by £0.7 million.

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

In 2010 the Group purchased approximately 7,000 tonnes of primary magnesium and in 2011 this decreased to approximately 6,000 tonnes. Magnesium is not traded on the LME, so we are not able to maintain a hedge position of its price exposure.

The Group purchases annually approximately 700 tonnes of various rare earth chemicals that it uses in the production of various materials produced by its Elektron division and has sought to provide its customers with a stable surcharge price on these increasing costs by buying forward rare earths in bulk.

27. FINANCIAL INSTRUMENTS

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

(a) Financial instruments of the Group

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

Primary financial instruments:	**Book value 2011 £M**	**Fair value 2011 £M**	Book value 2010 £M	Fair value 2010 £M
Financial assets:				
Cash at bank and in hand	**14.3**	**14.3**	6.6	6.6
Financial liabilities:				
Bank and other loans	**88.0**	**88.0**	6.5	6.5
Cumulative preference shares	**-**	**-**	0.1	0.1
Senior Notes due 2012	**-**	**-**	68.2	66.8
	88.0	**88.0**	74.8	73.4

All financial assets mature within one year. The maturity of the financial liabilities are disclosed in Note 26.

As at 31 December 2011, the amount drawn in bank and other loans was £88.0 million, of which £29.3 million was denominated in Sterling and £58.7 million denominated in US dollars. As at 31 December 2010, the entire amount drawn in bank and other loans of £6.5 million was denominated in US dollars.

27. FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments are as follows:	Book value 2011 £M	Fair value 2011 £M	Book value 2010 £M	Fair value 2010 £M
Held to hedge purchases and sales by trading businesses:				
Forward foreign currency contracts	**1.0**	**1.0**	0.1	0.1
LME derivative contracts	**(0.3)**	**(0.3)**	-	-

The fair value calculations were performed on the following basis:

Cash in hand, at bank

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

Bank loans

At 31 December 2011 bank and other loans of £85.3 million (2010: £6.1 million) were outstanding. Issue costs incurred with the renewal on 15 June 2011 totalled £3.2 million, of which £0.5 million have been amortised in the year. Therefore, as at 31 December 2011, bank and other loans are shown net of issue costs of £2.7 million, and these issue costs are to be amortised to the expected maturity of the facilities. The Group at 31 December 2011 was exposed to variable interest rates on its bank and other loans of £46.1 million, which represents the term loan and the draw down on the revolving credit facility. The fair value is calculated to be the same as the book value.

Cumulative preference shares

The preference shares were fully redeemed at their nominal value during the year ended 31 December 2011. The fair value at 31 December 2010 was calculated to be the same as the book value.

Senior Notes due 2012

The Senior Notes due 2012 were fully redeemed during the year ended 31 December 2011. As at 31 December 2010, the Senior Notes due 2012 are shown in the Group Balance Sheet as £68.1 million being the amount held by external parties of £68.2 million net of unamortised issue costs of £0.1 million. The remaining issue costs of £0.1 million were fully written off in 2011 upon redemption of the Senior Notes due 2012. The fair value of the Senior Notes due 2012 as at 31 December 2010 were estimated from a quoted price as they were traded instruments listed on the Euro MTF Luxembourg Stock Exchange. However, market prices of corporate bonds were very volatile, and there was little trading in the notes, with a large spread in bid and offer prices, making a market-priced-based fair value of these notes difficult to estimate.

Forward foreign currency contracts

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

Aluminium commodity contracts

The Group did not hold any forward aluminium commodity contracts at 31 December 2011.

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.

Forward-rate interest rate agreements

The fair value of these contracts has been calculated by determining the forward six-month LIBOR interest rate curve from the present market prices. The Group did not hold any forward rate interest rate agreements at 31 December 2011.

Fair value hierarchy

At 31 December 2011, for those financial instruments of the Group recorded at fair value, the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

27. FINANCIAL INSTRUMENTS (continued)

	31 December 2011 £M	Level 1 £M	Level 2 £M	Level 3 £M
Derivative financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	**1.0**	-	1.0	-
LME derivative contracts	**(0.3)**	-	(0.3)	-

During the year ended 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(b) Interest rate risks

Interest rate risk profile on financial assets

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

Cash by currency:	2011 £M	2010 £M
US Dollar	**(1.4)**	(0.7)
GBP	**11.7**	4.1
Euro	**0.9**	1.0
Australian Dollar	**0.3**	0.1
Chinese Renminbi	**1.5**	1.2
Czech Koruna	**1.3**	0.9
	14.3	6.6

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

The Group's Loan Note relating to the deferred consideration due from the sale of plant and equipment of the Speciality Aluminium division is subject to a fixed interest rate of 6.5% pa. This is further detailed in Note 23. At 31 December 2011, the fair value of the remaining deferred consideration was £0.9 million. The Group has no other fixed interest rate assets.

27. FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile on financial liabilities

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

	31 December 2011				31 December 2010		
	Within 12 months	1-5 years	> 5 years	Total	Within 12 months	1-5 years	Total
	£M	£M	£M	£M	£M	£M	£M
Fixed interest rate risk:							
Loan Notes due 2018	-	-	41.9	41.9	-	-	-
Cumulative preference shares	-	-	-	-	-	0.1	0.1
	-	-	41.9	41.9	-	0.1	0.1
Variable interest rate risk:							
Revolving credit facility	-	15.3	-	15.3	6.5	-	6.5
Term loan	2.0	28.8	-	30.8	-	-	-
Senior Notes due 2012	-	-	-	-	-	68.2	68.2
	2.0	44.1	-	46.1	6.5	68.2	74.7

The Group's floating rate liabilities related to the term loan of £30.8 million (2010: £nil) and the revolving credit facilities of £15.3 million (2010: £6.5 million) and in 2010 included the Senior Notes due 2012 issued as part of the capital reorganisation on 6 February 2007.

(c) Hedging activities

Forward foreign exchange contracts

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

At 31 December 2011, the fair value of forward foreign exchange contracts deferred in equity was a gain of £0.8 million (2010: gain of £0.1 million). During 2011 a loss of £0.2 million (2010: loss of £0.1 million) has been transferred to the income statement in respect of contracts that have matured in the year.

27. FINANCIAL INSTRUMENTS (continued)

At 31 December 2011 and 2010 the Group held various foreign exchange contracts designated as hedges in respect of forward sales for US dollars, Euros, and Japanese yen. The Group also held foreign exchange contracts designated as hedges in respect of forward purchases for US dollars and Euros. The contract totals, range of maturity dates and range of exchange rates are disclosed below:

2011

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

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

2010

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

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

Aluminium commodity contracts

The Group did not hold any forward aluminium commodity contracts at 31 December 2011 or 31 December 2010.

Forward rate interest rate agreements

The Group did not hold any forward rate interest rate agreements at 31 December 2011 or 31 December 2010.

LME derivative contracts

In July 2011 the Group hedged 2,400 metric tons of aluminium for supply in 2012 using its new ancillary banking facilities. The fair value of LME derivative contracts deferred in equity was a loss of £0.3 million. The Group did not hold any LME derivative contracts at 31 December 2010.

(d) Foreign currency translation risk disclosures

Exchange gains and losses arising on the translation of the Group’s overseas assets and liabilities are classified as equity and transferred to the Group’s translation reserve. In 2011 a loss of £2.2 million (2010: gain of £1.0 million) was recognised in translation reserves.

(e) Un-drawn committed facilities

At 31 December 2011 the Group had committed banking facilities of £40 million (2010: £45.0 million) for providing loans and overdrafts, which includes an ancillary facility of £7.0 million (2010: £10.0 million) for letters of credit. Of the committed facilities, £15.3 million (2010: £6.5 million) of loans and overdrafts and £0.4 million (2010: £3.4 million) for letters of credit were drawn. The Group now has a separate bonding facility for bank guarantees of £3.0 million, of which £2.7 million was drawn as at 31 December 2011.

28. RETIREMENT BENEFITS

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

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

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

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

The total charge to the Group's income statement for 2011 for retirement benefits was a cost of £1.3 million (2010: £4.2 million).

The movement in the pension liability is shown below:

	2011	2010
	£M	£M
Balance at 1 January	**26.4**	32.8
Charged to the Income Statement	**2.3**	4.2
Past service credit	**(1.0)**	-
Contributions	**(9.5)**	(8.6)
Charged/(Credited) to the Statement of Comprehensive Income	**34.7**	(2.2)
Exchange adjustments	**0.2**	0.2
Balance at 31 December	**53.1**	26.4

The financial assumptions used in the calculations are:

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

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

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

28. RETIREMENT BENEFITS (continued)

Other principal actuarial assumptions:

	2011 Years	2010 Years
Life expectancy of male in the UK aged 65 in 2011	**20.4**	20.3
Life expectancy of male in the UK aged 65 in 2031	**21.5**	21.5

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

	Year ended 31 December 2011			Year ended 31 December 2010		
	UK £M	**Non UK £M**	**Total £M**	UK £M	Non UK £M	Total £M
In respect of defined benefit schemes						
Current service cost	**0.5**	**-**	**0.5**	0.5	-	0.5
Interest cost	**9.6**	**1.9**	**11.5**	9.6	2.0	11.6
Expected return on scheme assets	**(9.8)**	**(1.8)**	**(11.6)**	(8.3)	(1.8)	(10.1)
Past service credit	**(1.0)**	**-**	**(1.0)**	-	-	-
Total (credit)/charge for defined benefit schemes	**(0.7)**	**0.1**	**(0.6)**	1.8	0.2	2.0
In respect of defined contribution schemes						
Total charge for defined contribution schemes	**0.8**	**1.1**	**1.9**	1.2	1.0	2.2
Total charge for pension schemes	**0.1**	**1.2**	**1.3**	3.0	1.2	4.2

Of the charge for the year, charges of £1.6 million and £0.7 million (2010: £2.8 million and £1.4 million) have been included in cost of sales and administrative costs respectively, with a credit of £1.0 million being included in restructuring and other income/(expense) (2010: £nil).

For the year, the amount of loss recognised in the Statement of Comprehensive Income is £34.7 million (2010: gain of £2.2 million).

The actual return of the scheme assets was a loss of £6.8 million (2010: gain of £19.5 million). The overall expected rate of return is determined on the basis of the market prices prevailing at the respective balance sheet date, applicable to the period over which the obligation is to be settled.

The value of the scheme assets were:

	Value at 31 December 2011			Value at 31 December 2010		
	UK £M	**Non UK £M**	**Total £M**	UK £M	Non UK £M	Total £M
Equities and Growth Funds	**109.7**	**15.4**	**125.1**	117.4	16.1	133.5
Gilts	**9.0**	**-**	**9.0**	8.2	-	8.2
Other Bonds	**33.5**	**12.2**	**45.7**	32.0	12.8	44.8
Cash	**0.2**	**-**	**0.2**	-	-	-
Total market value of assets	**152.4**	**27.6**	**180.0**	157.6	28.9	186.5
Present value of scheme liabilities	**(190.1)**	**(43.0)**	**(233.1)**	(176.0)	(36.9)	(212.9)
Deficit in the scheme	**(37.7)**	**(15.4)**	**(53.1)**	(18.4)	(8.0)	(26.4)
Related deferred tax asset	**9.4**	**5.8**	**15.2**	5.0	3.1	8.1
Net pension liability	**(28.3)**	**(9.6)**	**(37.9)**	(13.4)	(4.9)	(18.3)

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

	2011 UK £M	**2011 Non UK £M**	**2011 Group £M**	2010 UK £M	2010 Non UK £M	2010 Group £M
At 1 January	**176.0**	**36.9**	**212.9**	168.4	32.8	201.2
Service cost	**0.5**	**-**	**0.5**	0.5	-	0.5
Interest cost	**9.6**	**1.9**	**11.5**	9.6	2.0	11.6
Contributions from scheme members	**0.5**	**-**	**0.5**	0.5	-	0.5
Age related NI rebate	**0.2**	**-**	**0.2**	0.2	-	0.2
Actuarial losses and (gains)	**11.0**	**5.3**	**16.3**	4.6	2.6	7.2
Exchange difference	**-**	**0.4**	**0.4**	-	1.1	1.1
Benefits paid	**(6.7)**	**(1.5)**	**(8.2)**	(7.8)	(1.6)	(9.4)
Post service credit	**(1.0)**	**-**	**(1.0)**	-	-	-
At 31 December	**190.1**	**43.0**	**233.1**	176.0	36.9	212.9

The defined benefit obligation comprises £0.8 million (2010: £0.9 million) arising from unfunded plans and £232.3 million (2010: £211.6 million) from plans that are funded.

28. 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 16%
Inflation	Increase/decrease by 1.0%	Increase/decrease by 6%
Post retirement mortality	Increase by 1 year	Increase by 3%

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

	2011 UK £M	**2011 Non UK £M**	**2011 Group £M**	2010 UK £M	2010 Non UK £M	2010 Group £M
At 1 January	**157.6**	**28.9**	**186.5**	143.4	25.0	168.4
Expected return on scheme assets	**9.8**	**1.8**	**11.6**	8.3	1.8	10.1
Actuarial loss and (gains)	**(15.5)**	**(2.9)**	**(18.4)**	8.0	1.4	9.4
Exchange difference	**-**	**0.2**	**0.2**	-	0.9	0.9
Contributions from employer	**6.5**	**1.1**	**7.6**	5.0	1.4	6.4
Contributions from scheme members	**0.5**	**-**	**0.5**	0.5	-	0.5
Age related NI rebate	**0.2**	**-**	**0.2**	0.2	-	0.2
Benefits paid	**(6.7)**	**(1.5)**	**(8.2)**	(7.8)	(1.6)	(9.4)
At 31 December	**152.4**	**27.6**	**180.0**	157.6	28.9	186.5

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

	2011 UK	**2011 Non UK**	**2011 Group**
Total market value of scheme assets £M	**152.4**	**27.6**	**180.0**
Present value of scheme liabilities £M	**(190.1)**	**(43.0)**	**(233.1)**
Deficit in the scheme £M	**(37.7)**	**(15.4)**	**(53.1)**
Difference between the expected and actual return on scheme assets:			
Amount £M	**(15.5)**	**(2.9)**	**(18.4)**
Percentage of scheme assets	**(10)%**	**(10)%**	**(10)%**
Experience gains and losses on scheme liabilities:			
Amount £M	**2.2**	**0.3**	**2.5**
Percentage of present value of scheme liabilities	**1%**	**1%**	**1%**
Total cumulative amount recognised in Statement of Comprehensive Income:			
Amount £M	**36.0**	**14.7**	**50.7**
Percentage of present value of scheme liabilities	**19%**	**34%**	**22%**

28. RETIREMENT BENEFITS (continued)

	2010 UK	2010 Non UK	2010 Group	2009 UK	2009 Non UK	2009 Group
Total market value of scheme assets £M	157.6	28.9	186.5	143.4	25.0	168.4
Present value of scheme liabilities £M	(176.0)	(36.9)	(212.9)	(168.4)	(32.8)	(201.2)
Deficit in the scheme £M	(18.4)	(8.0)	(26.4)	(25.0)	(7.8)	(32.8)
Difference between the expected and actual return on scheme assets:						
Amount £M	8.0	1.4	9.4	14.4	4.3	18.7
Percentage of scheme assets	5%	5%	5%	10%	17%	11%
Experience gains and losses on scheme liabilities:						
Amount £M	1.1	-	1.1	0.6	(0.1)	0.5
Percentage of present value of scheme liabilities	1%	-	1%	0%	0%	0%
Total cumulative amount recognised in Statement of Comprehensive Income:						
Amount £M	9.5	6.5	16.0	12.9	5.3	18.2
Percentage of present value of scheme liabilities	5%	18%	8%	8%	16%	9%

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

The estimated amount of employer contributions expected to be paid to the defined benefit pension schemes for the year ending 31 December 2012 is £6.2 million (2011: £7.6 million actual employer contributions).

29. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

The trust

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

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

The current scheme

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

Movements in the year

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

	Number of shares held by ESOP Trustees		Number of options held over £1 ordinary shares				
	£0.0001 deferred shares	£1 ordinary shares	£0.97 options held	£1.40 options held	£3 options held	£4 options held	Total options held
At 1 January 2011	15,977,968,688	115,974	16,700	9,600	41,600	-	**67,900**
Options granted during the year	-	-	-	-	-	29,510	**29,510**
Options exercised during the year	-	(1,500)	(1,500)	-	-	-	**(1,500)**
Options lapsed during the year	-	-	-	-	-		**-**
At 31 December 2011	15,977,968,688	114,474	15,200	9,600	41,600	29,510	**95,910**

As at 2011 the loan outstanding from the ESOP was £2.2 million (31 December 2010: £2.2 million). The share options vested immediately on their grant date and could have been exercised at any time from this grant date. During 2011 the price of the share options granted was estimated to be the fair value of the share options, and therefore there was no charge under IFRS 2.

30. RELATED PARTY TRANSACTIONS

Joint venture in which the Group is a venturer

During 2011, the Group maintained its 51% investment in the equity of the joint venture Luxfer Uttam India Private Limited, as disclosed in Note 14. During 2011, the Gas Cylinders division made £0.5 million of sales to the joint venture. At 31 December 2011, the amounts receivable from the joint venture in relation to these sales amounted to £0.5 million and this amount is separately disclosed within Note 16 - Trade and Other Receivables.

Transactions with other related parties

Before the capital reorganisation on 6 February 2007, management and ex-management, including the Company's Directors, owned 15% of the ordinary and preference share capital of the Company. As part of the capital reorganisation, ongoing management agreed for this shareholding to be diluted to 13% or 1.3 million £1 ordinary shares. They also agreed for 800,000 £1 ordinary shares to be contractually restricted under a Management Incentive Plan (MIP), pursuant to which they agreed to waive their economic rights in these restricted shares, unless certain Group EBITDA targets are achieved. Further details on the MIP are set out in the Directors' Report on page 45.

As at 31 December 2011 the Chairman and key management comprising the members of the Executive Management Board, as set out on page 38 of the Directors' Report, owned 748,175 £1 ordinary shares (2010: 845,575 £1 ordinary shares) and held 29,510 options over the £1 ordinary shares (2010: no options held over the £1 ordinary shares). 18,160 of these shares were subject to continuing restrictions under the MIP.

The details of the Directors' shareholdings and share options are shown in Table 3 of the Directors' Report. Tables 1 and 2 of the Directors' Report set out the details of the Directors' remuneration and pension benefits respectively.

Other than the transactions with the joint venture Luxfer Uttam India Private Limited disclosed above and key management personnel disclosed above and in Note 6, no other related party transactions have been identified.

We have audited the parent company financial statements of Luxfer Holdings PLC for the year ended 31 December 2011 which comprise the Company Balance Sheet the related notes 31 to 41 and tables 1 to 3 in the Directors' Report marked as audited. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Luxfer Holdings PLC for the year ended 31 December 2011.

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
27 March 2012

	Notes	2011 £M	2010 £M
FIXED ASSETS			
Investments	32	**223.0**	234.6
		223.0	234.6
CURRENT ASSETS			
Debtors	33	**1.8**	2.1
Cash at bank		**0.7**	0.1
		2.5	2.2
CREDITORS: amounts falling due within one year	34	**(4.0)**	(5.9)
NET CURRENT LIABILITIES		**(1.5)**	(3.7)
TOTAL ASSETS LESS CURRENT LIABILITIES		**221.5**	230.9
CREDITORS: amounts falling due in more than one year			
Senior loan Notes due 2012	35	**-**	(71.8)
Loan Note to subsidiary undertaking	35	**-**	(28.6)
Preference shares	35	**-**	(0.1)
PENSION COMMITMENTS	39	**(28.3)**	(13.4)
NET ASSETS		**193.2**	117.0
CAPITAL AND RESERVES			
Ordinary share capital	37	**10.0**	10.0
Deferred share capital	37	**76.9**	76.9
Own shares held by ESOP	37	**(0.3)**	(0.3)
Profit and loss account	38	**106.6**	30.4
Equity shareholders' funds	38	**193.2**	117.0

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Andrew Beaden**

27 March 2012

Company Registration no. 3690830

31. SIGNIFICANT ACCOUNTING POLICIES

Authorisation of financial statements

The Company's financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 27 March 2012 and the balance sheet was signed on the Board's behalf by BG Purves and AM Beaden. Luxfer Holdings PLC is a company incorporated and domiciled in England and Wales.

Basis of preparation

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

No profit and loss account has been presented as permitted by section 408 of the Companies Act 2006. The profit after taxation of the Company was £96.5 million (2010: profit of £1.8 million).

The audit fee for the Company financial statements was £0.1 million (2010: £0.1 million).

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

Investments

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

Retirement benefit costs

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

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

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

Financial assets and liabilities

Bank and other loans

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

Financial liabilities and equity instruments

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

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

32. INVESTMENTS

	Shares to subsidiary undertakings £M	Loans to subsidiary undertakings £M	Total £M
Cost and net book value:			
At 1 January 2011	218.0	16.6	234.6
Repayments	-	(11.6)	(11.6)
At 31 December 2011	**218.0**	**5.0**	**223.0**

Details of the investments in which the Group or the Company holds more than 20% of the nominal value of any class of share capital as at 31 December 2011 are as follows:

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

Subsidiary undertakings are all held by the Company unless indicated.

* Held by a subsidiary undertaking.

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

33. DEBTORS

	2011 £M	2010 £M
Amounts due from subsidiary undertakings	**0.9**	2.1
Prepayments and accrued income	**0.9**	-
	1.8	2.1

34. CREDITORS: amounts falling due within one year

	2011 £M	2010 £M
Amounts owed to subsidiary undertakings	**3.1**	5.1
Accruals and deferred income	**0.9**	0.8
	4.0	5.9

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

	2011 £M	2010 £M
Senior Notes due 2012	**-**	71.8
Loan Note to subsidiary undertaking	**-**	28.6
Preference shares	**-**	0.1
	-	100.5

Senior Notes due 2012 and Loan Note due to subsidiary undertaking

The Company entered into new debt financing facilities in 2011, which enabled the Company to repay in full before their final maturity date the Senior Notes due 2012 and their accrued interest and the Loan Note due to the subsidiary undertaking.

Preference share liability

The 50,000 'B' preference shares of £1 each were fully redeemed at their nominal value during the year.

New Banking facilities

On 15 June 2011, the Group completed its previously announced new financing arrangements that enabled the Group to repay in full before their final maturity date the Senior Notes due 2012 and their accrued interest together with the amount drawn in loans on the Group's £45 million asset backed lending (ABL) revolving credit facilities. The Senior Notes due 2012 and ABL revolving credit facility were replaced with new £110 million facilities comprising a seven-year private placement denominated in US dollars of $65 million (£40 million) with a US insurance company, a multi-currency bank term loan of £30 million and a revolving credit facility of £40 million with a number of banks, which was drawn down in a mixture of US dollar and GBP sterling denominated debt.

On 15 June 2011, the amount drawn on the bank term loan totalled £30 million, and this combined with the private placement of $65 million and a draw down on loans under the new revolving credit facility of £23.9 million was used to repay the Senior Notes due 2012 held by external parties of £68.2 million and loans drawn down on the existing ABL revolving credit facility of £23.5 million. Accrued interest on the Senior Notes due 2012 to 15 June 2011 of £0.5 million was also paid.

Total transaction costs of £3.2 million have been incurred by the Group, including arrangement fees and legal and advisory costs, of which transaction costs of £3.2 million have been paid during the year ended 31 December 2011. During the year ended 31 December 2011, in advance of the refinancing, accelerated deficit contributions were paid into the UK and US defined benefit obligations of £4.3 million.

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

The new revolving credit facility can be drawn down until 2015 and together with the £30 million bank term loan bear interest at a variable rate, at slightly lower margins over LIBOR compared to our previous facilities. A proportion of the interest on the term loan may be hedged into a fixed rate in future periods.

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

36. DEFERRED TAX

	£M
At 1 January 2011	(5.0)
Charged to profit and loss account	1.8
Charged to statement of total recognised gains and losses	(6.2)
At 31 December 2011	(9.4)

No provision has been made for deferred tax on losses carried forward of £34.8 million (2010: £34.8 million). These losses will only be available for offset if the holding company makes taxable profits. It is assumed the losses will not be recoverable in the foreseeable future. Assets are recognised in subsidiary companies where there is sufficient evidence to indicate that there will be future taxable profits. There is no other unprovided deferred tax.

37. SHARE CAPITAL

(a) Ordinary share capital	2011 No.	2010 No.	2011 £M	2010 £M
Authorised:				
Ordinary shares of £1 each	10,000,000	10,000,000	10.0	10.0
Deferred ordinary shares of £0.0001 each	769,423,688,000	769,423,688,000	76.9	76.9
	769,433,688,000	769,433,688,000	86.9	86.9
Allotted, called up and fully paid:				
Ordinary shares of £1 each	10,000,000	10,000,000	10.0	10.0
Deferred ordinary shares of £0.0001 each	769,413,708,000	769,413,708,000	76.9	76.9
	769,423,708,000	769,423,708,000	86.9	86.9

The rights of the shares are as follows:

Ordinary shares of £1 each

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

Deferred ordinary shares of £0.0001 each

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

(b) Preference share capital

	2011 No.	2010 No.	2011 £M	2010 £M
Authorised:				
'B' preference shares of £1 each	-	50,000	-	0.1
	-	50,000	-	0.1
Allotted, called up and 25% paid:				
'B' preference shares of £1 each	-	50,000	-	0.1
	-	50,000	-	0.1

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

(c) Own shares held by ESOP

	2011 £M	2010 £M
At beginning of year	0.3	0.4
Purchase of shares from ESOP	-	(0.1)
At end of year	0.3	0.3

As at 31 December 2011 114,474 ordinary shares (31 December 2010: 115,974 ordinary shares) of £1 each were held by The Luxfer Group Employee Share Ownership Plan. The decrease in the number of ordinary shares held by The Luxfer Group Employee Share Ownership Plan of 1,500 ordinary shares represents the exercise of options to purchase shares from The Luxfer Group Employee Share Ownership Plan by senior management. For further information refer to Note 40.

38. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Share Capital £M	Deferred Share Capital £M	Own shares held by ESOP £M	Profit and loss account £M	Shareholders' funds £M
At 1 January 2010	10.0	76.9	(0.4)	26.3	112.8
Profit for the year	-	-	-	1.8	1.8
Purchase of shares from ESOP	-	-	0.1	-	0.1
Actuarial gains and losses on pension schemes	-	-	-	3.4	3.4
Deferred tax on items taken to equity	-	-	-	(1.1)	(1.1)
At 31 December 2010	10.0	76.9	(0.3)	30.4	117.0
Profit for the year	-	-	-	96.5	96.5
Actuarial gains and losses on pension schemes	-	-	-	(26.5)	(26.5)
Deferred tax on items taken to equity	-	-	-	6.2	6.2
At 31 December 2011	**10.0**	**76.9**	**(0.3)**	**106.6**	**193.2**

The Company had a surplus on its profit and loss account of £106.6 million as at 31 December 2011 (31 December 2010: £30.4 million).

The profit after taxation dealt with in the financial statements of the parent company was £96.5 million (2010: £1.8 million).

39. RETIREMENT BENEFITS

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

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

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

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

The total credit to the profit and loss account for this scheme in the UK was £0.7 million. The Company's subsidiaries have recognised a charge of £6.5 million, this being their contributions to the scheme and the Company has recognised a credit of £7.2 million.

The financial assumptions used in the calculations are:	**Projected Unit Valuation**		
	2011 %	2010 %	2009 %
Discount Rate	**4.90**	5.50	5.80
Salary Inflation	**4.10**	4.50	4.60
Retail Price Inflation	**3.10**	3.50	3.60
Consumer Price Inflation	**2.10**	2.80	n/a
Pension Increases – pre 6 April 1997	**2.40**	2.60	2.70
Pension Increases – 1997-2005	**3.00**	3.40	3.50
Pension Increases – post 5 April 2005	**1.90**	2.20	2.30

39. RETIREMENT BENEFITS (continued)

The assets in the scheme and expected rate of long-term return were:	Long term rate of return expected		
	2011	2010	2009
	%	%	%
Equities and Growth Funds	**7.40**	7.60	8.10
Gilts	**2.80**	4.20	4.40
Other Bonds	**4.60**	5.20	5.30
Cash	**2.80**	4.20	4.40

Other principal actuarial assumptions:	2011	2010
	£M	£M
Life expectancy of male in the UK aged 65 in 2011	**20.4**	20.3
Life expectancy of male in the UK aged 65 in 2031	**21.5**	21.5

At 31 December 2011 the cumulative amount of gains recognised in the Statement of Total Recognised Gains and Losses amounted to a loss of £35.9 million (31 December 2010: loss of £9.4 million).

The actual return of the scheme assets was a loss of £5.7 million (2010: gain of £16.3 million). The overall expected rate of return is determined on the basis of the market prices prevailing at the respective balance sheet date, applicable to the period over which the obligation is to be settled.

The value of the scheme assets were:

	Value at 31 Dec 2011	Value at 31 Dec 2010	Value at 31 Dec 2009
	£M	£M	£M
Equities and Growth Funds	**109.7**	117.4	103.0
Gilts	**9.0**	8.2	7.5
Other Bonds	**33.5**	32.0	32.7
Cash	**0.2**	-	0.2
Total market value of assets	**152.4**	157.6	143.4
Present value of scheme liabilities	**(190.1)**	(176.0)	(168.4)
Deficit in the scheme	**(37.7)**	(18.4)	(25.0)
Related deferred tax asset	**9.4**	5.0	7.0
Net pension liability	**(28.3)**	(13.4)	(18.0)

Analysis of amount credited/(charged) to operating profit:	2011	2010
	£M	£M
In respect of defined benefit schemes:		
Current service cost (employer's)	**(0.5)**	(0.5)
Past service credit	**1.0**	-
Total operating charge/(credit) for defined benefit schemes	**0.5**	(0.5)

Analysis of amount credited/(charged) to other finance income:	2011	2010
	£M	£M
Expected return on pension scheme assets	**9.8**	8.3
Interest on pension scheme liabilities	**(9.6)**	(9.6)
Net credit/(charge) to other finance income	**0.2**	(1.3)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:	2011	2010
	£M	£M
Actual return less expected return on pension scheme assets:	**(15.5)**	8.0
Changes in assumptions underlying the present value of scheme liabilities	**(11.0)**	(4.6)
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses	**(26.5)**	3.4

39. RETIREMENT BENEFITS (continued)

Analysis of movement in deficit in the scheme during the year:	**2011**	2010
	£M	£M
Deficit in defined benefit schemes at beginning of year	**(18.4)**	(25.0)
Current service cost	**(1.0)**	(1.0)
Aggregate contributions (employer's and employees')	**7.0**	5.5
Other finance costs	**0.2**	(1.3)
Past service credit	**1.0**	-
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses	**(26.5)**	3.4
Deficit in defined benefit schemes at end of year	**(37.7)**	(18.4)

Analysis of movement in present value of scheme assets:	**2011**	2010
	£M	£M
At 1 January	**157.6**	143.4
Expected return on scheme assets	**9.8**	8.3
Actuarial gains and (losses)	**(15.5)**	8.0
Contributions from employer	**6.5**	5.0
Contributions from scheme members	**0.5**	0.5
Age related NI	**0.2**	0.2
Benefits paid	**(6.7)**	(7.8)
At 31 December	**152.4**	157.6

Analysis of movement in present value of the defined benefit obligation:	**2011**	2010
	£M	£M
At 1 January	**176.0**	168.4
Service cost	**0.5**	0.5
Interest cost	**9.6**	9.6
Contributions from scheme members	**0.5**	0.5
Age related NI	**0.2**	0.2
Actuarial (gains) and losses	**11.0**	4.6
Benefits paid	**(6.7)**	(7.8)
Past service credit	**(1.0)**	-
At 31 December	**190.1**	176.0

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 16%
Inflation	Increase/decrease by 1.0%	Increase/decrease by 6%
Post retirement mortality	Increase by 1 year	Increase by 3%

History of experience in gains and losses:	**2011**	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets:					
Amount £M	**(15.5)**	8.0	14.4	(33.7)	(0.8)
Percentage of scheme assets	(10)%	5%	10%	(27)%	(1)%
Experience gains and losses on scheme liabilities:					
Amount £M	**2.2**	1.1	0.6	-	-
Percentage of present value of scheme liabilities	1%	1%	0%	-	-
Total amount recognised in Statement of Total Recognised Gains and Losses:					
Amount £M	**(26.5)**	3.4	(10.3)	(17.9)	19.1
Percentage of present value of scheme liabilities	14%	(2)%	6%	13%	(12)%

The estimated amount of employer contributions expected to be paid to the UK defined benefit pension scheme for the year ending 31 December 2012 is £5.1 million (2011: £6.5 million actual employer contributions).

40. THE LUXFER GROUP EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

The trust

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

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

The current scheme

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

Movements in the year

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

	Number of shares held by ESOP Trustees		Number of options held over £1 ordinary shares				
	£0.0001 deferred shares	£1 ordinary shares	£0.97 options held	£1.40 options held	£3 options held	£4 options held	Total options held
At 1 January 2011	15,977,968,688	115,974	16,700	9,600	41,600	-	**67,900**
Options granted during the year	-	-	-	-	-	29,510	**29,510**
Options exercised during the year	-	(1,500)	(1,500)	-	-	-	**(1,500)**
Options lapsed during the year	-	-	-	-	-		**-**
At 31 December 2011	15,977,968,688	114,474	15,200	9,600	41,600	29,510	**95,910**

As at 2011 the loan outstanding from the ESOP was £2.2 million (31 December 2010: £2.2 million). The share options vested immediately on their grant date and could have been exercised at any time from this grant date. During 2011 the price of the share options granted was estimated to be the fair value of the share options, and therefore there was no charge under FRS 20.

41. RELATED PARTY TRANSACTIONS

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

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